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Implementing the Nordic Model: transforming organisations with *The Butterfly Effect*

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Background

Tina Monberg and Liz Rivers are highly experienced mediators and experts on organizational transformation. Tina is a lawyer and qualified psychotherapist. She was educated as a mediator by Professor Frank E. A. Sander of Harvard Law School and in win-win negotiation by Professor Robert H. Mnookin of Harvard Law School. Tina has previously run her own law firm and worked as a corporate lawyer, but now functions as a mediator, coach and teacher. She has worked with leaders in organisations such as Novozymes, NCC, NOVO, LEO Pharma, Red Cross and Save the Children. Tina has written several management books.

Liz Rivers is a coach, mediator and trainer. A pioneer of mediation in the UK, she worked



Tina Monberg



Liz Rivers

as a commercial lawyer for over a decade before setting up her own business. She has worked with leaders in organisations such as Amnesty International, HM Revenue & Customs, Grant Thornton LLP, Royal Bank of Scotland and Chickenshed Theatre Company. Liz is also an activist in the global Wild Law movement, a network dedicated to transforming humanity's relationship with

IN A NUTSHELL

The Nordic countries are both successful economically and score highly on social capital measures such as trust and wellbeing. Other countries have sought to identify the essence of the so-called "Nordic way" so that it can be adopted elsewhere, with limited success.

The Butterfly Effect is a Nordic Model which enables any organisation to build trust quickly, thus providing a template for leaders to transform their organisations to capitalize on the needs and opportunities of the 21st century.

The roots of modern organisations developed during the Enlightenment and are based on a mechanistic view of organisations as machines made up of component parts and people as cogs. This has led us to the point where our corporations and institutions are inflexible and not adaptable.

Tinkering with the machine perpetuates the core problem. The solution lies in a paradigm shift in how we organise collectively by drawing inspiration not from machines but from nature.

The Butterfly Effect is based on the fundamental structure that underpins nature. Most systems, when reduced to their basics, comprise three elements that cannot be reduced further. Without all three the system, whatever it may be, is unable to function.

Just as an atom comprises proton, neutron and electron, a butterfly is essentially composed of a left wing, a right wing and a body. The Butterfly Effect holds that all functioning human systems must embody three essential qualities: Flow, Balance and Reciprocity. These are in turn represented by three distinct implementing roles: Servant Leadership, Personal Leadership and Facilitation. Together they form the DNA of the system. If all three roles are in place at all levels and in all functions of an organisation, this will support, enable and empower the organization and neutralize forces that threaten to deplete it.

That is the secret of the Nordic Model, and is can be adopted by any organisation, anywhere.

the planet through innovative approaches to governance.

Liz and Tina have worked with Red Cross teams (including British Red Cross) across the Movement on developing mediation techniques and handling conflict in the workplace. As guest contributors to this publication, Tina and Liz offer insights on *The Butterfly Effect* and the role it can play in developing organisations.

The Nordic countries have been very successful at developing their economies whilst also scoring high on social capital measures. Their institutions and organisations consistently rank very highly in international league tables measuring trust and happiness, despite having some of the highest marginal tax rates in the world. The correcting factor is The Nordic Way. At the World Economic Forum in Davos in 2011 the report: *Shared norms for the new reality – The Nordic way* received significant attention during the conference.

What are the key elements of the Nordic model and how can they be replicated elsewhere? Our proposition is that *The Butterfly Effect* model captures the essential elements of the Nordic model and provides a template for leaders and organisations.

How did we get here?

During the French Revolution

Montesquieu advanced the ideal system for safeguarding political rights by separating the three functions of legislature, executive and judiciary. The so-called “Separation of Powers” ensured that rights and the rule of law could be upheld, neutralizing the propensity of government to slip back into the old abuses of power which had existed under the absolutist monarchy. This thinking, now engrained in our political systems, is also reflected in modern corporate governance structures. Many corporations that came

into existence during and since the Age of Enlightenment are still operating on an 18th century model that has perpetuated through the last two centuries. We have now come to the limits of that approach in organisational settings.

Montesquieu’s political rights-based model is personified in organisations as:

Command leadership → the rule-making power and the order giver

Middle management → the executive power and the implementer

Control and Audit function → the judicial power and the fault finder

Such a rights-based system has many advantages. It offers clarity about “right” and “wrong” and is a significant improvement on the previous autocratic, dictatorial power-based model. But also suffers from profound drawbacks: it creates a culture of blame rather than experimentation, and a win-lose environment in which people fight to prevail and be proven right, rather than a culture where the emphasis is on solutions that serve everyone’s interests. It also creates a sense of fear, scarcity and competitiveness rather than connection, invention and collaboration. Under the right-based paradigm, we compete to further our own interests, ignoring those of the whole, whether this be the organisation, external stakeholders or the environment. Within an organisation, for example, this can show up as different departments focusing solely on meeting their own targets rather than acting in the interests of the entire organisation.

Tear down the silos – build up the platforms

Montesquieu’s description of a rights-based system was a great step forward from the power-based mindset. Now economies and societies need to progress from the rights-based system to an interest-based model

that embraces the interests of everyone and leverages the power of collaboration to find the outcomes and solutions that best serve the needs of the whole. NGOs are mostly ahead of companies in this regard as they are explicitly set up to meet social/humanitarian needs. Companies need to move beyond just profit and shareholder return to include wider pro-social aims. Some have gone a long way with this and others are still locked into the shareholder return paradigm.

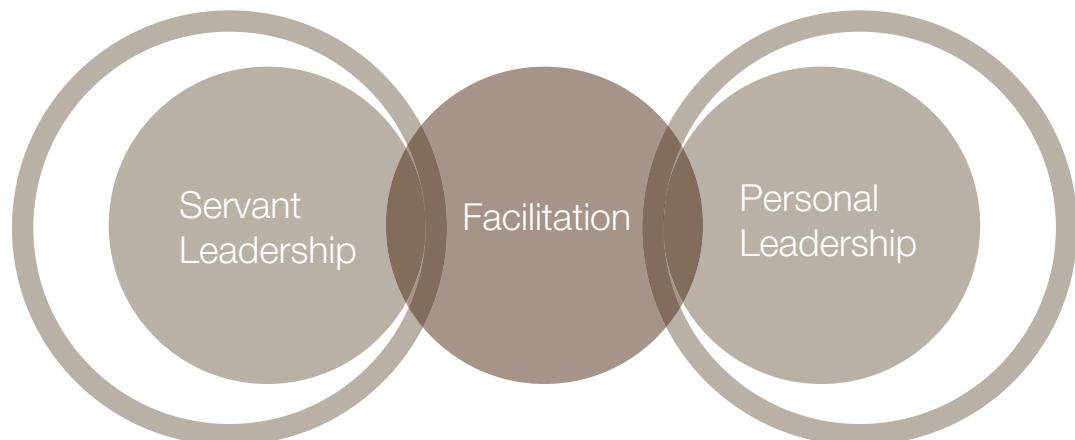
In field of dispute resolution, for example there has been a transformation from the notion of resolving disputes through assessing the merits of competing rights via a judicial process, towards identifying underlying interests and generating solutions that meet those interests. The tool most effectively developed to achieve this transformation is mediation and it is based upon the interests and needs of all the stakeholders.

This paradigm shift needs to be applied to organisations so that they no longer function in a rights-based, command-and-control manner, but instead operate as a single organ where the interests of both individual members and the collective whole are taken into account.

The transformation to the Nordic Model

The Nordic Model, which we have distilled into *The Butterfly Effect*, retains the existing three powers – legislative, executive and judicial powers – but transforms them into an interest-based approach.

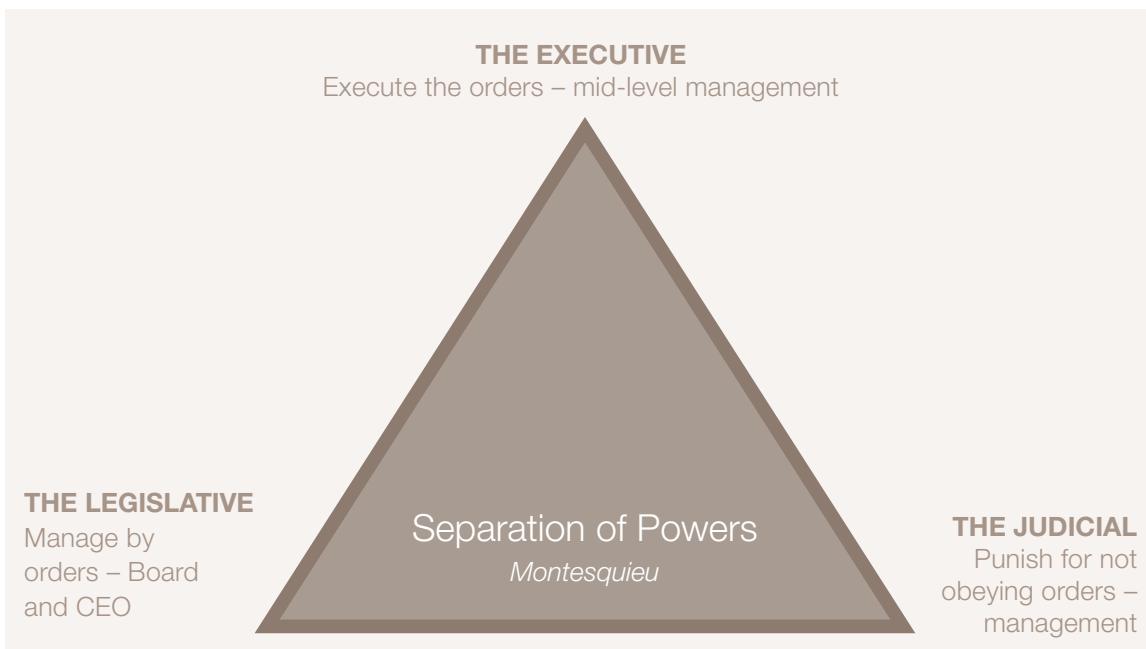
The three elements in Butterfly Effect



The paradigm shift in organisations

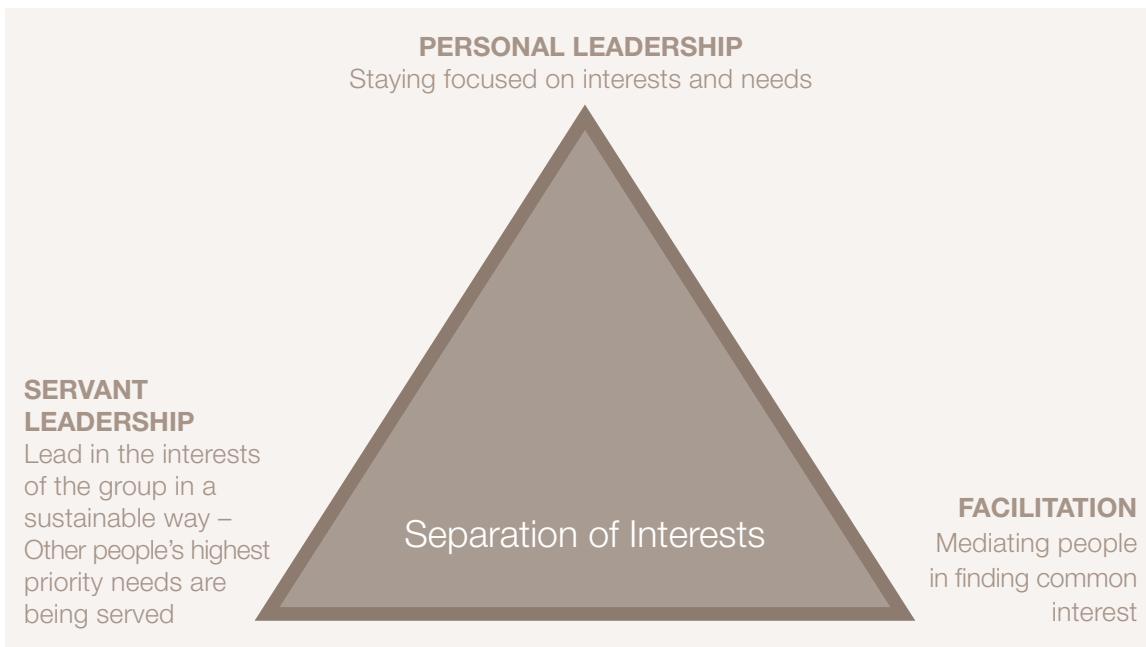
From rights....

THE UNIVERSAL PARADIGM SHIFT IN ORGANISATIONS – FROM POWER TO RIGHTS



....to interests

THE UNIVERSAL PARADIGM SHIFT IN ORGANISATIONS – FROM RIGHTS TO INTERESTS



From rights based...	...to interest-based – The Butterfly Effect
Command and control leadership – the Legislative power	<p>Servant Leadership</p> <p>Sets the frame – the non-negotiable foundations of Purpose (<i>what</i> we are seeking to achieve) and Principles (<i>how</i> we behave)</p> <p>Characteristics</p> <ul style="list-style-type: none"> > Functioning as a guiding star for the organisation > Acting in the interests of the whole > Knowledge of different mental models, using systemic thinking and an ability to see connections, build shared visions and create unity > Creating a clear frame consisting of vision, mission and values for personal leadership to step into <p>Analogy Captain of the ship – scanning the horizon and setting the direction</p> <p>Function Flow</p>
Middle management – the Executive power	<p>Personal Leadership</p> <p>Fills out the frame set by the Servant Leader</p> <ul style="list-style-type: none"> > Embraces and operates within the frame, while taking a high degree of personal responsibility and welcoming autonomy > Putting the Servant Leadership's articulated purpose into effect, in accordance with the principles <p>Analogy Ship's crew – putting the captain's direction into effect, working out the detail of how to achieve this</p> <p>Function Balance</p>
Control and Audit function – the Judiciary power	<p>Facilitation</p> <ul style="list-style-type: none"> > A person who facilitates and leverages the balance and flow between Servant Leadership and Personal Leadership > Gives feedback to the captain > Skilled in facilitation processes, active listening and systems thinking > The ability to be empathetic, impartial, see imbalances and lack of flow and redress this. <p>Analogy Sailing master – ensures the captain's direction is understood by the crew. Enables the captain to stay focused on the horizon without worrying about what is happening below deck.</p> <p>Function Reciprocity</p>

The Three Elements

ONE Servant Leadership

Legislative power: In the old paradigm, the Board and Chief Executive held power almost exclusively.

The new paradigm calls for *Servant Leadership*. This philosophy was coined by the former AT&T executive, the late Robert K. Greenleaf³⁰. The characteristics of Servant Leadership are a vision for the people and environments we work and live in, expressed with authenticity, humility, uncertainty and truth. Servant Leadership creates an inclusive underlying culture and framework for everyone in the organization.

Greenleaf gave an example of the Danish priest and philosopher N.F.S. Grundtvig, who established the concept of public high schools for adult underclass peasants to educate and empower them to create new shared values in the nation. A main objective was to create a movement of individual critical thinking and empower them as Servant Leaders to take responsibility for their own life as farmers, who were then able to own their land.

At the moment there is a great demand for heroic leadership, for leaders who appear confident and who appear to know the answers. It is important that we develop beyond this and encourage true Servant Leadership. However, this on its own is not enough – the other two elements need to be in place in order for the servant leader to be truly effective.

TWO Personal Leadership

Executive power: In the old paradigm middle managers executed the orders of the CEO.

Now, we need to transform to personal leadership so that employees are responsible for their own work and results. The characteristics of *personal leadership* are the knowledge and ability to pursue one's interests while simultaneously acknowledging and addressing the needs and interests of the organisation, other people and the environment. A strong framework creates space to express oneself, with freedom and creativity. A new culture of experimentation replaces the old paradigm culture of blame.

Personal leadership means taking responsibility for our thoughts and actions, and the exercise of our judgment. Freedom is created within the framework set up by Servant Leadership. Creating space for personal leadership in an organisation demands that the servant leaders exhibit trust in and respect for their employees' ability to take responsibility and make the right decisions and that employees accept responsibility within that framework. If there is no space for freedom in the framework, personal leadership will not be taken and the leader's empowerment will be seen as inauthentic.

THREE Facilitation

Judicial power: In the old paradigm the CEO and senior managers exercised power partly through the establishment of independent audit and control functions.

Audit and effective control mechanisms (e.g. against fraud or other inappropriate conduct) remain important, but now we need to transform this to provide facilitation of effective dialogue between the Servant Leader and the Personal Leaders, in order to integrate the qualities of flow and balance, keeping them combined in a dynamic yet stable system. The facilitator's role is to find ways in which the needs of the individual are integrated with the needs of the whole, rather than creating a divisive win-lose situation where not all needs are met.

³⁰ Servant Leadership – A Journey into the Nature of Legitimate Power and Greatness, by Robert K. Greenleaf was published in 1977 and remains in print. Several later editions of the book build on the servant leadership principles.

Facilitation balances and leverages organizational and individual needs.

History shows a see-saw from one polarity to the other both in organizations and society, from autocratic leadership to consensus decision-making, and in political systems from capitalism to socialism, as each tries to dominate over the other. Facilitating a dynamic balance while moving forward in a coherent flow, as achieved by tightrope walkers, is the key.

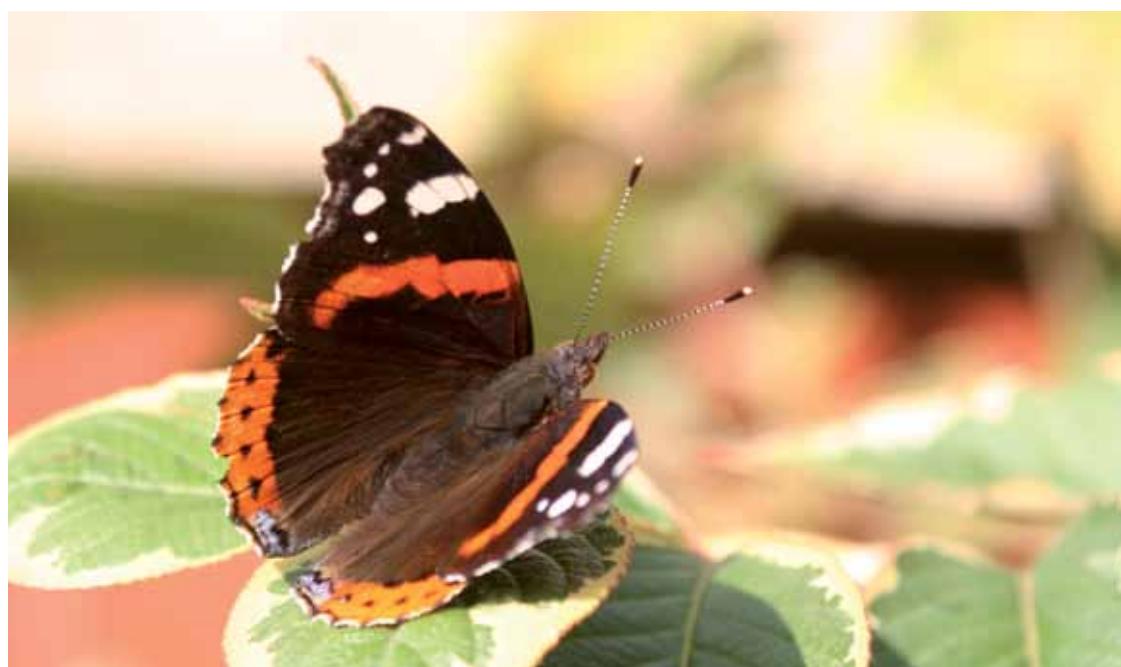
The facilitator role is distinct from a middle management role, as facilitators do not have a stake in the substantive outcome; they are simply there to facilitate the process and maximize the outcome. It is important that their independence is safeguarded, for example through separate reporting lines.

Often the facilitator role gets amalgamated with Servant Leadership role, and Greenleaf's work emphasizes this aspect of leadership. We advocate that Servant Leadership should focus on developing the vision and framework, defining the values and communicating these compellingly to the team members, and then the facilitator is freed to deal with blockages of implementation and ensuring that

opportunities are capitalized upon. If the Servant Leadership gets too involved with implementation it will distract them from their role. The facilitator role frees up the Servant Leadership to maintain this wider vision by encouraging effective implementation. Without the Facilitator the organization will be stuck in the growth paradigm with no operational connection to balance and reciprocity.

Putting all three elements together

None of these three roles is new in itself – to varying degrees, all have been used extensively in organizations already. However, they are rarely developed collectively in a functioning management system, as the essential inter-relationship between all three is not understood. Like a three legged stool, all legs are needed for the stool to function. If all three are not developed in harmony, the organization will not fulfill its potential. These three elements need to operate in balance to form a virtuous circle. In some situations one person will take the function of being a Servant Leader and in other situations that same individual will function



The Butterfly Effect – evolution of the 3 elements in politics and organisations

Level and Worldview	Stage	Politics	Organisations	Qualities
Power -> Might is right	Caterpillar	> Absolutist monarchy > Dictatorship		
Rights -> Reductionist -> Classical physics -> Universe as a machine -> Nature to be controlled -> Political rights	Chrysalis	1. Montesquieu Separation of powers Legislative – makes law Executive – executes law Judiciary –enforces and upholds law	2. Translated into corporate structures Legislative – CEO and Board issue orders Executive – middle management executes orders Judiciary – compliance and audit enforce orders and rules	
Interests -> Systemic and holistic -> Nature as primary reference and inspiration	Butterfly	> participatory democracy > stakeholder dialogue > creating policy by consensus processes	3. Transformed Roles: Legislative → Servant Leader (SL): creates the frame Executive → Personal Leader (PL): fills out the frame Judiciary → Facilitator: creates dialogue between SL and PL	Flow Balance Reciprocity

as Facilitator or Personal Leader. This is possible because everyone in the organization knows the framework – and therefore how to execute each role.

What would an interest-based system look like? A platform of trust

One of the qualities of the Nordic region is that its inhabitants are considered amongst the most trusting people in the world. This enables them to create partnerships and collaborations with each other built upon a presumption in favour of trust and a philosophy of finding solutions that serve the needs of the whole.³¹

Core principles that the Nordic Model and *The Butterfly Effect* share are:

- > we are each part of larger a whole
- > all elements in the system are essential and no one element is of less importance
- > we strive to maintain relationships as far as possible
- > there is a high degree of shared values, which in turn creates trust

A North American example of this philosophy is that of the “chaordic” organisation, as typified by the VISA credit card association

from 0 to 1. A low coefficient indicates a more equal distribution, with 0 corresponding to complete equality, while higher Gini coefficients indicate more unequal distribution, with 1 corresponding to complete inequality.

³¹ The Gini coefficient for Scandinavia is below 0.29 and the lowest in the World. A Gini coefficient can range

BUSINESS CASE STUDY – NOVO NORDISK

The organisational purpose of the leading Danish pharmaceutical company Novo Nordisk is to prevent, treat and ultimately cure diabetes. It has thereby created a purpose that goes beyond the company's narrow interests – generating profit – by first and foremost serving the interest of the common good and thereby its customers. This is described in the so-called "Novo Nordisk Way", which describes the company's vision, values, and key business and organisational principles.

Servant Leadership: The organisation has committed itself to a higher vision than one restricted to its own business profitability.

Personal Leadership: employees have a high degree of empowerment and autonomy to achieve this higher vision.

Facilitation: the company has a dedicated group of internal facilitators who ensure that the organisation's values are being implemented in practice. This is not a purely internal audit and compliance function; the facilitators not only measure compliance levels against the Novo Nordisk Way but also assist the individual departments to

understand, improve and implement the purpose of the organisation.

Novo Nordisk describes their facilitation model in the following way: facilitation is a specific follow-up method that is used to provide systematic and validated documentation of how the organisational values are practiced in the company and of the compliance levels to the Novo Nordisk Way. The consolidated result of facilitations is part of the annual Organizational Audit.

The global facilitator team consists of senior people with deep insight into the business and long managerial experience, who focus on broad themes that are central to the business, such as strategy, growth and profitability as well as business ethics, diversity and globalization.

The facilitations have a dual purpose. They not only establish whether the individual departments are being managed according to the Novo Nordisk Way – they also identify areas for improvements and support the individual departments and affiliates in implementing action points to address the identified challenges.

(when originally founded). Dee Hock the founder and former CEO of VISA described it as a *chaordic system* – an organisation with both a high degree of freedom and an acceptance of being part of something bigger. This leads to a harmonious blending of both order and chaos where neither dominates e.g. growth *and* sustainability, flow *and* balance, competition and cooperation. *Chaordic* describes the behavior of any self-governing organism or system that harmoniously blends what were previously conceived to be opposites, such as chaos and order. It is also a way of thinking – of being comfortable

with and combining apparently paradoxical opposites.

In *The Butterfly Effect* model, the order is created by the framework, which all elements of the system accept and respect. The chaos is the lack of detailed rules and instructions about how to implement the framework and having the freedom to take personal leadership by navigating freely within it.

Our theory is that a model based on the interests of the whole inspires the creation of trust because everyone in the system knows that their personal interests will be taken into consideration. This requires an authentic, values-based leadership that makes it clear the organisation's purpose is more than just

BUSINESS CASE STUDY – HANDELSBANKEN

Empowering Personal Leadership by creating a strong framework.

Handelsbanken is one of Scandinavia's largest banks with over 700 branches and offices in 22 countries including Denmark, Sweden, Norway, Finland and England.

For 38 years Handelsbanken has enjoyed a higher profitability ratio than the average for banks in the Nordic region and has the most satisfied customers. (According to quality Index SKI and Extended Performance Satisfaction Index EPSI.)

To adapt to an increasingly dynamic and demanding competitive situation where speed, adaptability, customer satisfaction and cost-effectiveness are among the key factors, Handelsbanken has adapted a non-traditional philosophy.

Handelsbanken's leadership is based on trust in the positive in human beings and a belief in the individual's ability to make decisions and take personal responsibility once the framework is understood and accepted. Specifically:

- > Handelsbanken has removed absolute targets, budgets and all forecasts, which have been replaced with relative targets (e.g. to be in top quartile for customer satisfaction).

- > they do not run centrally-launched product campaigns.
- > Unlike most other banks, Handelsbanken has a strongly decentralized organization empowering personal leadership, so their customers benefit from extremely short decision lines. The local managers have the authority to make all key decisions concerning a customer relationship.
- > Handelsbanken fill executive positions with staff who have long experience of their corporate culture and values.
- > The middle level of management is conducted in a facilitative way.

This model works because the three elements connect together. The company values are known by all employees and a newcomer is trained extensively for several years to understand these values and live them. The values are observed daily in each client meeting. The CEO and top management have created a framework that is understood and accepted by all employees.

ensuring its own survival (in a commercial setting this would be focusing just on profit). Therefore the model needs leaders who create a framework consisting of purpose and principles that all employees subscribe to – and which also serves the external interests, such as community, customers/users and the environment. The servant leader empowers others to take personal leadership and respect the space for the facilitators to secure the reciprocity and connection between Servant Leadership and Personal Leadership.

Drawing inspiration from nature

Nature revolves around three core elements, which form an irreducible simplicity. An irreducible system functions as one entity composed of several complementary, interacting parts, where the removal of any one part causes the system to cease functioning.

The Butterfly Effect is the DNA code to a chaordic system. Current organizational systems do not function effectively if dominated by one element of Flow/growth

THE TOOLBOX OF THE BUTTERFLY EFFECT MODEL

1. The key Servant Leader's tool is **Vision Sharing** by creating purpose and passion. They must have the ability to form, articulate and communicate a vision that inspires others and creates a compelling prospect of a different future. A servant leader cannot be merely a technician or a good manager of people. A vision and the ability to communicate it and create a sense of ownership in his followers is vital.

Vision Sharing generates the *flow* of the vision and sets the framework for the mission to accomplish it.

2. The key Personal Leader's tool is **Coaching**, based upon a very particular type called Proptreptic coaching. This focuses on clarifying values. It was used by the ancient Greeks, and was taught by Aristotle to Alexander the Great.

It has been rediscovered and popularized by a Danish Professor of Philosophy Ole Fogh Kirkeby. This enables team members to take

responsibility for implementing the vision through understanding, living and feeling the framework.³²

Proptreptic coaching creates *balance* i.e. a common vision that fills the framework.

3. The key Facilitator's tool is **Mediation**, a process that creates alignment and consensus between leaders and followers i.e. between the Servant Leadership and the Personal Leadership. People will not follow a leader who either is too far in front and therefore is not able to establish common ground with them, or too involved in the detail of their day to day operations. The mediation tool also strengthens relationships and connectedness.

Mediation secures *reciprocity* between flow and balance - between the framework and its content - and enables a chaotic system to come into existence.

to the detriment of the others. Without the other two core elements of Balance and Reciprocity, any system will be rigid and will promote unfettered growth. The signs of system failure include pollution, stress and crisis. When we create a system in harmony with nature and its underlying order we will have flow, balance and reciprocity.

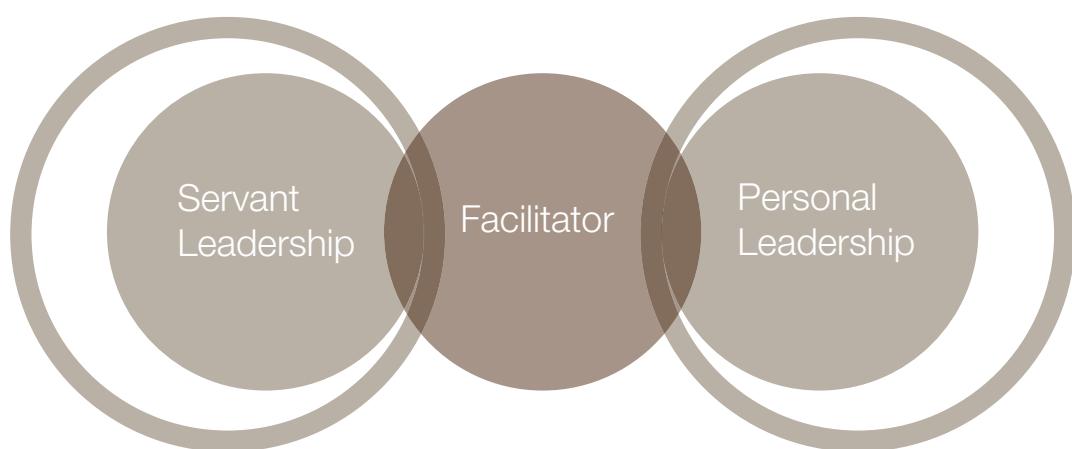
The three elements each represent a fundamental aspect of the natural world, which needs all three in order to function. In nature it is obvious that all three functions are essential. If we have all growth with no balance, or all balance with no action, or

all reciprocity, then the system would not work. Yet we mostly ignore balance and reciprocity in organizations, simply focusing on conventional growth and profitability. If the growth is not facilitated to be in balance, sustainability will not be achieved.

In *The Butterfly Effect* model, we use nature as a blueprint of the three forces: Flow (proton), Balance (electron) and Reciprocity (neutron). The simplicity of nature demands us to ensure that all three elements are present, fulfilling their role.

The model might appear deceptively simple. In our experience the hallmark of a good model is an elegant simplicity. Einstein advised; "*Keep it as simple as possible, but not*

³² The New Proptreptic", Ole Fogh Kirkeby, Copenhagen Business School Press, 2009



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|---|--|--|
| <ul style="list-style-type: none"> > Masculine > + > Active > Flow – progress and growth > Left brain | <ul style="list-style-type: none"> > Neutral > 0 > Neutralizing > Connection – collaboration and reciprocity > Corpus Callosum | <ul style="list-style-type: none"> > Feminine > – > Passive > Balance – sustainability and harmony > Right brain |
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simpler." This is what we have sought to do. Each element is generally understood in business, although less frequently achieved in practice. Therefore we need a model to embed the three elements consistently.

Implementation of *The Butterfly Effect*

To implement *The Butterfly Effect* organisations need to:

- > Ensure that the three roles are present at all levels and in all functions of the organization
- > Identify **who** will fulfill each role at each level and function of the organisation

- > Train and develop people in depth in their chosen role
- > Train all members of the organisation in the model as a whole so that they understand how their role relates both to the other two roles and the system as a whole
- > Train them to a lesser degree in the other two roles so they have a solid appreciation of those roles and can take them on when circumstances require this.

What is *The Butterfly Effect*?

We have described a simple yet sophisticated model for changing an organization from a rights-based to an interests-based paradigm. Modern organisations need to be nimble, responsive and resilient – replicating natural ecosystems.

The scientific meaning of *The Butterfly Effect*, as explained through the meteorological work of Edward Lorenz and in chaos theory, is about how a seemingly small change at one location in a non-linear system can result in huge differences in a different location, just as the flapping of a butterfly's wings can famously generate a hurricane in another part of the world. The ability to harness this power is a vital asset for modern organisations.

The metaphor of the butterfly can illustrate where we are now. The power-based approach is like the caterpillar, crawling slowly across the ground, munching whatever is near at hand, necessarily preoccupied with whatever happens to be available. The rights-based system has led us to an apparent fossilization, resembling the form of a chrysalis stuck in each of our silos. The new consciousness of an interest-based approach can metamorphose this chrysalis to allow the butterfly to emerge and free to fly.

The transformation needed is from legislative power to servant leadership, from executive power to personal leadership and from judicial power to facilitation. By implementing an interest-based model based on provably successful Nordic values – *The Butterfly Effect* – we can create a business model fit for the 21st century.

"There is nothing about a caterpillar that suggests it will become a butterfly."

Buckminster Fuller