

## Chapter I

Haldor Byrkjeflot

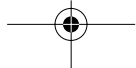
# The Nordic Model of Democracy and Management<sup>1</sup>

### Introduction

The question raised in this chapter is whether there has been a shift in the meaning of the Nordic model of democracy, and what consequences this may have had for management and leadership. There has been a lot of enthusiasm for the Nordic “third way” in the rest of the world, but this seems to have been in decline since the “European revolution” of 1989–1991. The Nordic model was an inspiration for those who needed alternatives to the American and the Soviet way. Just as it was argued that there was a particular Nordic model of industrial and welfare democracy, one also hears now and then the argument that there was a particular Nordic model of management. This idea, along with most other variants of “the Nordic Model” was at its height of popularity more than a decade ago. Words like “Scandinavian” or Nordic were then used as quality labels, and linked to other words like democracy and management, indicating that the Nordic countries thought that they had something to offer the rest of the world. A much more self-critical attitude has emerged, and also a greater eagerness to adapt to foreign and external forces, such as global markets and new technologies. One of the few remaining aspects of the Nordic model talked about with pride nowadays is the Nordic welfare model. What are the reasons for this declining self-confidence and the decline in interest for the Nordic model of democracy and management in other parts of the world? How should we understand the relationship between democracy and management in principle and how has it played out in the history of the Nordic region? I argue that it is necessary to understand the social dem-

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1. Thanks to Niklas Stenlås, Tore Grønlie and the editors for comments.





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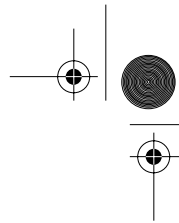
ocratic challenge to markets as a major inspiration behind the Nordic “third way”. The arguments and movements for industrial democracy have suffered a heavy setback, along with the rise of business interests and the idea that those who understand market mechanisms ought to have a greater say in the governance of economic affairs. The constitutional and democratic-participative models of management associated with “Scandinavian management” have been challenged for the same reason. There has been a movement towards a more elitist, person-centered and communicative model of democracy, interpreted as a necessary adaptation to the joint forces of globalisation, individualism and also as a necessary way of handling priority conflicts in the welfare state. The Nordic pattern of solidarity has mainly not been oriented towards the firm or the family, but rather the sphere of interests representation and welfare provision at the national level. It has been difficult to establish support for a managerial vision of society; i.e. society as a collection of enterprise communities. The effort to develop a legitimacy base for such a view of society has been threatened by the rise of stock markets and a much more active business press. A new ideology, according to which the firm exists simply to maximise shareholder value, has also created problems for those who want to develop a new stable structure of governance, with the firm situated at the core of society. The compromise between a “shareholder value” and a “constitutional management” perspective has still not been found, and whether there will be a viable Nordic solution to this dilemma remains an unanswered question. I will start with a discussion of how the relationship between democracy and management has been understood in the social democratic version of Nordic history. I will then bring in other perspectives on the Nordic model, such as the idea that Nordic managers have developed their own model of “Scandinavian management”, and the idea that the various nation-states have developed into a full-fledged welfare democracy. Each of these ways of understanding the Nordic region has different implications for how we view the relationship between management and democracy.

## Democracy, Management and Ownership

Pehr Gyllenhammar, the long-time CEO of Volvo, has referred to a central problem in the thinking about the relationship between democracy and leadership in Scandinavia:

... colorful, strong leaders are thought to challenge or undermine the concepts of democracy, participation and the delegation of decision-making. The appropriate role of the leader is often described as that of a compromiser; weighing various interests on a balance and then mapping out a middle-of-the-road route, using analysis and pragmatism to get there (Gyllenhammar 1977:161).

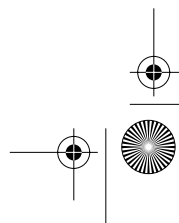
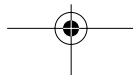
Gyllenhammar is critical of such a concept of leadership since analysis and pragmatism in themselves do not lead to change. The only attributes that can result in essential



changes are feelings and convictions, he says. This way of presenting the issue bears some resemblance to classic complaints of Max Weber about the “leaderless democracy”, “the rule of professional politicians without a calling” that had developed in Germany in 1918 (Weber 1946/1958). In that case, Gyllenhammar and Max Weber are only repetitions upon a common theme; the rather schizophrenic view of leadership that has been typical for the European tradition of democracy and management. In this view the leaders are either just marionettes driven by inevitable historical processes, or they are heroic freestanding agents that may determine the direction of history. Joas (1996:48) has criticised both the instrumental and heroic views of leadership. He thinks that the Europeans have something to learn from the American republican tradition where the leaders may also be seen as “innovators who creatively articulate a collectively preformed meaning”.

One should certainly be aware of the social conditions that create different leadership traditions, and it then appears that it was the idea of democratic representation and equality that had created the web of rules and norms within which Gyllenhammar found himself entrapped. The German political leaders Weber talks about, on the other hand, were to a much greater extent involved in power politics, and it was the fact that the bureaucratic party machinery systematically excluded the most charismatic figures from top positions in politics that worried Max Weber in 1918. The Nordic model that Gyllenhammar and many other industrial managers were so critical of, was based more on the idea of collegiality and democratic representation in professional, economic and political affairs. The preeminent sphere was the political; however, it was the democratically elected politicians and the representatives of various interests groups who would meet in parliament and in committees and set the goals for development of society. It was then the role of the managerial strata to live up to the standards set by these elected leaders and representatives. One such standard was that they should be loyal to “the people” and their representatives, and help execute their decisions in an efficient way. A second standard was that they ought to set up their own organisational affairs in a way that would not contradict the constitution and the democratic spirit of the system as a whole. The roles of industrial entrepreneurs and owners were problematic within this model of society, since autonomous action by such elites could be in actual contradiction to the goals set by the community at large.

A precondition for such a model of society is the principle of universal suffrage, of course, and also the idea that it is the duty of the state to intervene in the social and economic sphere. It has been maintained in the liberal theory of society, on the other hand, that ownership and entrepreneurial autonomy in the private sphere is a precondition for democracy. Political systems, according to such a view, were established to win and protect certain liberties: private property, free enterprise, free contract and occupational choice. The classical liberal notion of freedom was freedom against government intervention, and it was for this reason that markets and property rights were seen as indis-





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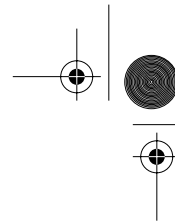
pensable. The same argument was used to confer voting rights to the propertied and educated classes only, and it is in this sense that one may say that the classical liberal defense for property rights had to be overcome in order to introduce political democracy. Even within a liberal democratic model of society, however, markets would be seen as a threat to democratic decision-making. Democratic capitalism designates a deeply problematic relationship in all kinds of societies; there is always a potential conflict between the will of “the people” and the will of capitalists. (Lindblom 1977)

## The Return of Markets; a Threat to the Nordic Model?

None of the countries of continental Europe has ever had an age of *laissez faire*. Market institutions in this part of Europe have not achieved the independence from constraint by other social institutions that characterise the Anglo-Saxon free market (Gray 1998:73). Social democracy was one of several possible non-*laissez faire* responses to the contradiction between democracy and capitalism. The Nordic response was a model of *Politics against Markets* (Esping-Andersen 1985), a system where a regime of industrial planning and welfare redistribution kept track of market forces. The vision was to establish hegemony for a policy of social planning and redistribution, and thereby initiate a process that would lead to the abandonment of markets as the central principle of economic governance. All the Nordic social democratic parties had at some point in their history relied on the Marxist argument that the capital owners exploited the working classes, and that it was necessary to abolish property rights for the major capitalists and socialise the means of production in order to develop a socialist society. This position was gradually given up, and the idea of “functional socialism” was launched instead, i.e. the position that it is not necessary to socialise private property, but rather develop other ways to make it functional to the community at large.<sup>2</sup> An example of the impact of this idea is the argument presented by the long-time Norwegian prime minister Gerhardsen in the Norwegian parliament in 1950 that property rights now had become a “social function” and that it was thus not necessary for the state to think about socialising the means of production any longer. His chief political opponent from the right (Høyre), John Lyng, basically said the same (Eriksen and Lundestad 1972:99–100). There has always been a left opposition wanting the state to take a more active, direct role in the economy, of course, and it may now and then have been necessary for the leadership to

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2. For an elaboration of the idea of functional socialism see Adler-Karlsson (1967). For a discussion of the shift in the way the Swedish social democrats understood property rights and the concept of exploitation see Jonsson (2001) and for a contemporary discussion of the situation in Norway see Moe (1937) and Lie (1948). It appears from these sources that there was a programmatic shift from a Marxist to a “functional” understanding of property rights seem to have taken place at the party congresses in Sweden in 1944 and in Norway in 1949.

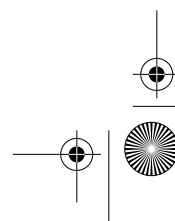
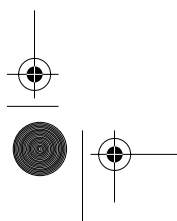


defend their current position by pointing out that it was only a slight deviation from the straight path towards socialism or industrial society. The major issue was to see to it that it was the working people and not the markets and the capitalists who would set the terms for the development of the society of the future.

The Nordic model, then, along with most rational and collective models in the early post-war era depended on a utopian vision of the future, i.e. there was a strong belief in the possibility of reaching a new stage of social and human development. The favored view of the future depended heavily on ideology and party identification. The idea of “industrial society” and “the end of ideology” was launched in the 1960s as an effort to overcome the strong schism between the ideologies of the right and the left (Kerr et al. 1960, Bell 1965, Tingsten 1966). The idea was that the rise of the middle classes led to a blurring of class distinctions. The elites were mainly preoccupied with daily organisational and professional affairs, and society had reached a stage where the official ideologies of the various elitist groups had become irrelevant. Ironically, a group of researchers that had chosen Norway as a test case for such a theory, had to contradict themselves by adding a new chapter at the end analysing the reawakening of ideological conflict associated with the referendum on the EU and also the legitimacy problems of the welfare state (Higley et al 1978). The events of the 1970s, with the rise of new social movements associated with the EU vote (in Norway) and also the new emphasis on industrial democracy and direct participation, brought new attention to traditional ideological conflicts. Economic decline and the rise in the rate of unemployment naturally contributed to such a turn of events.

To what extent, then, does the comeback of the belief in market society since the 1980s reflect the same kind of social dynamics that was encouraging the “end of ideology”-movement among intellectuals and scholars in the 1950s and 1960s? In one sense, this new movement may be deeply ideological and reflect the idea of a new market utopia, as claimed by Gray (1998). This claim is questionable, however, since most protagonists of a market society seem to have put more emphasis on what kind of society they are against than what they are for. It is not quite clear how a global market society is going to look like, it was much easier to visualise the contours of the industrialist and socialist societies invoked by the social engineers in the past Century.<sup>3</sup> It may be the case, then, that it is rather the uncertainty of the future and the idea that there are many possible scenarios that most clearly distinguish the current age from the “age of extremes”, a term used by Hobsbawm (1995) to characterise the era between 1914 and 1991, the period of competing utopias (and one may add dystopias). The rise of market funda-

3. Kumar (1987:421), in his extensive treatise of utopias and anti-utopias seems to agree with this, stating that socialism has been to date, the last utopia.





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mentalism and the lack of any alternative program of social engineering partly explain the current difficulties of the Nordic model, and also many of the theories about society that were taken for granted as late as the 1970s.

It was a common argument among many American and also some European social scientists in the 1960s that there was an “industrial logic” in the development of societies that would give the professional managers hegemony over the old fashioned ways of running industry and society (Badham 1986). One important strand of this argument focused on the development of industrial relations and management. The idea behind a large-scale international project funded by the Ford Foundation was that a nation-wide and parity-based system of industrial relations was a necessary stage in the development towards an industrial society. This was a type of society that was going to be more regulated and harmonious than any kind of society previously known.<sup>4</sup> It was the task of the leaders of the various nation-states to regulate markets through state intervention, as well as to cultivate the right kinds of management expertise (Kerr et al. 1960). The old-fashioned paternalistic and political managers would be “swept away” along with the productive forces supporting them:

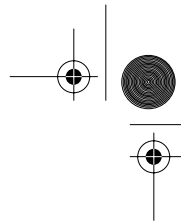
...dictatorial or paternalistic direction gives way to a kind of constitutional management in which the rules of employment are based upon laws, decisions of governments, collective, contracts, or agreements. In a few situations employer-employee relationships within the firm may develop along democratic lines with joint participation (Kerr et al. 1960/1996).

Admittedly, there was not much room for autonomous leadership in this scenario either, due to the strong emphasis on the idea that an “end of ideology” was on the way, and that the task of managers accordingly was to arrive at an adequate fit between internal organisational structure and the external environment. It was only the most advanced market societies that had arrived at such a state of affairs where the organisational elite was strong and “objective” enough to cope with the challenges of technology and productivity. There was also an ethical element involved. The statement that a manager was truly professional now meant that “like all professional men he has a responsibility to the society as a whole” (Davenport et al. 1951:42).

The only society that according to Harbison and Myers (1959) had advanced to overcome paternalism and thereby arrived at a system for strictly professional management

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4. The four labour economists in charge were Clark Kerr, John T. Dunlop, Frederick H. Harbison and Charles Myers. Twelve books and twenty articles had been published in 1960, with another fourteen books and many articles in press (Kerr et al. 1960:299). Researchers from 11 countries had studied more than 35 countries, with contributions across a wide range of disciplines. The most notable of these studies was *Industrialism and Industrial Man* (Kerr et al. 1960), by the four project leaders (Kaufman 1993:94). Charles Myers (1951, 1959) had spent a great deal of time studying the Swedish case and making comparisons with the USA.



and conflict regulation was the United States. Sweden was also on its way, although there was still “a mixture of old-type Swedish authoritarianism and even paternalism” in some sectors. The major philosophy of management in Sweden, nonetheless, was “constitutional management”, since “the managers had come to understand that they had to deal with the work-force under prescribed or agreed-upon rules, and adjust their policies and behavior to fit these conditions and limitations” (Harbison and Myers 1959:292, 62). This is clearly the kind of management that Gyllenhammar is referring to in the remark quoted above. As will be discussed below, Kerr et al. (1960) also referred to the possibilities of a democratic-participative management ideology. This kind of ideology was partly developed in the Nordic context as part of the movement for industrial democracy and work reforms on the shop floor.

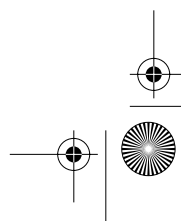
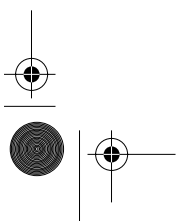
## The Middle Classes and Democracy

In the Anglo-Saxon perspective the prospect for the development of industrial society was intimately linked to the faith of the middle class, since this class was the carrier of the modern ideals of individual advancement and professionalism. The American New Deal liberals and the Nordic social democrats were responding to liberalism, as well as the alternative framework developed by Karl Marx (Kloppenbergh 1986:299). There was a convergence between these two progressive movements during the heyday of organised capitalism, when it became a goal for both movements to develop an industrialist society, and overcome the conflict between communism and capitalism. In the United States it was the middle class that was the vanguard of historical development, not the working class situated more at the center of attention on the Continent. Similarly, the Scandinavian social democrats used words like “the people” and the working people instead of the Marxist terms working class and proletariat, at least after they made their class compromises with farmers in the 1930s and became ardent nationalists.

The Nordic middle classes did not identify with the conservative forces in the state apparatus (as in Germany); neither were they in the forefront of a movement for the professionalisation of everyone (as in Great Britain and the USA). Rather, the Nordic middle classes had to identify with the working people and the state at the same time in order to be respected and trusted. The culture developed by the Nordic middle classes was thus different from that developed among their counterparts on the Continent, in the United Kingdom and the United States. The ideology of “people's enlightenment” and organisational democracy may be seen as alternatives to the German idea of personal cultivation (“Bildung”) as well as the Anglo-Saxon idea of professionalism.<sup>5</sup> In a long-

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5. For a discussion of German *Bildung* see Ringer (1969/1990) and a similar discussion of professionalism (Bledstein 1977).





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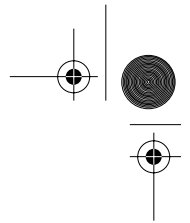
term perspective, the middle class ideologies of the post-war period were variations upon a common theme, since they all had to frame their argument within an anti-market discourse. Except for those particular groups that felt most threatened by the call for socialisation of property, the largest share of the middle classes saw it as in their interest to participate in movements for regulating markets and the civilisation of the fierce forces of capitalism, at least until the late 1970s (Hirschman 1992).

The argument about a necessary drift away from markets and a convergence towards “industrial society” lost its hegemony in the 1980s, along with the relative economic decline in the U.S. and the rise of Japan and Germany as economic models. The idea was now launched that the advanced capitalist societies of the future would be less and not more centered on mass production of industrial goods. Arguably, it was the blessings of the “rich institutional environments” and the feudal past that accounted for the economic success of Germany and Japan, whereas the lack of such diversified structures accounted for the economic troubles faced by the Anglo-Saxons (Piore and Sabel 1984). It was not necessarily the web of rules spun by the state and organisations at the national level that was the secret behind success, but rather the regional networks and strong company cultures. The irony in all this, as pointed out by Hirschman, was that it was exactly the lack of such inherited networks of guilds, aristocracies and feudal cultures that in the previous version of history had accounted for the idea that Sweden and the USA were in the forefront in the march towards industrial society. Neither the USA, Sweden nor the Nordic societies could match the economic growth rates of Japan and Germany, and it was now argued that this was partly due to the fact that they had not cultivated their own pasts sufficiently, and that their enterprise cultures were too weak. The Nordic development path was now presented as one among several alternatives to the Anglo-Saxon model of capitalism (Boyer 1991). The word capitalism again gradually came to substitute words like industrialism and post-industrialism. The era of globalisation followed along with the apparent revival of the Anglo-Saxon capitalist economies from the early 1990s, and with this also a revival of a much more aggressively positive and Anglo-Saxon view of market society.

## The Decline of the Nordic Third Way

The idea that there exists a particular Nordic identity has become more problematic to defend after the breakdown of communism. In socio-economic terms, Nordic identity was dependent on the competition between capitalism and communism, offering a third way. The Nordic Region had represented a model of the enlightened, anti-militaristic and rational society that was superior to both old Europe and Japan. These identities disintegrated with the end of competition between capitalism and communism and the temporary rise of a multitude of institutional models, such as the Japanese and the Ger-





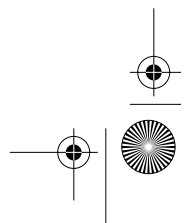
man model. The key dynamics in European events during the 1990s were the development of political freedom rights, the free market and international integration. Suddenly the sources of the future were to be found not in 'Norden', but in the Anglo-Saxon economies, as well as among those powers in the European Community that spearheaded the movement towards a united Europe. The less-European identity of 'Norden' was no longer a promise, but a threat – the threat of being in the periphery (Waever 1992).

Civil servants and politicians in the Nordic region have not “believed” in markets as such but rather in the need to use them deliberately to foster the development of wealth and welfare. On the other hand, there has been a strong liberal influence. It was for this reason that the Nordic model could be used as an example for those who were critical of both the liberal market model and communism. The industrial elites were not the heroes of this Nordic narrative; it would rather be told that they took a reactionary role, due to their interest in defending their property rights. The major heroes were the social democrats and the working class movements that spearheaded the movement to civilise markets and abolish economic and political privileges associated with property rights. According to this story the struggle to cultivate markets and develop the industrial society of the future would bring with them three transformations. The first transformation had already occurred when working class and farmer alliances brought social democrats into government. The second transformation was the development of the social welfare state. The growth of public welfare reduced worker dependence on the firm, and this was a precondition for the third transformation; industrial democracy (Burawoy 1985, Esping-Andersen 1990, Premfors 2000:159):

“Political citizenship” must precede “social citizenship”, and these are in turn indispensable for the third stage “economic citizenship”. Workers must be emancipated from social insecurity before they can partake effectively in economic democracy (Esping-Andersen 1985:22).

The whole argument about Norden, in such a narrative, was premised on a model of resource mobilisation. In this view, the welfare state was not an end in itself but a means of altering the balance of class power to social democracy's advantage. The events of the 1980s and the 1990s were a large disappointment to those who foresaw a breakthrough for industrial democracy, however, and Nordic social democracy has now withdrawn most of their programmatic statements dealing with such issues.<sup>6</sup> What remains, then, is the Nordic model as the welfare state, and the welfare state as an end in itself (Feldt

6. See Johansen (1995) who tells the story about how it came about that the goals of industrial democracy were given up both in Sweden and Norway. The movement for industrial democracy in Norway had largely come to an end as the Labour party's congress in 1981 abandoned its ambitions of transition into socialism, and also its critical attitude towards private property and managerial prerogatives. The same process was largely completed in Sweden when the wage earners funds were abolished in 1991.





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1994, Kuhnle 2000). Increasingly, it has been pointed out that the rise of the Nordic welfare state was due to the efforts of a coalition of partners; the workers' movements and the social democrats yes, but also the liberals and the middle classes (Baldwin 1989). It has thus become problematic for the social democrats to take all the praise, since other political parties may also make a legitimate claim to having been part of the alliance that created the current architecture of welfare states.

The consequences of the development of the Nordic welfare states for management and leadership may have been just as far reaching as for the issue of redistribution and equality. This meant that it was now much more difficult for managers to relate to their employees in either a despotic or paternalistic way, due to state intervention both in the sphere of social security provision and industrial relations (Burawoy 1985). The workers were liberated from the "cash nexus" of the firm by the introduction of unemployment benefits, paid sickness leave, etc. and from their dependency relationship on individual managers, due to the new systems for collective bargaining and worker rights. Another consequence was the decreased dependence on the family. Neither authoritarian managers nor family fathers would be able to control the faith of individuals any more; the citizens of the Nordic states were now free to seek self-realisation and enlightenment in the new public domains. Individual capitalists still wielded a great deal of power due to their control of property and profits, however. The new political structures that were set up along with the welfare states were filled with people eager to get rid of paternalism and despotism, both in the firm and in the family. Some have argued that the new power structures were just as paternalistic as the traditional ones, but this claim has generated a great deal of controversy.<sup>7</sup>

The various programs for industrial and economic democracy were not only developed to create more "loyal" markets and entrepreneurs, but also to humanise work itself, empower the workers and improve motivation among those who held the most monotonous kinds of jobs. It was as a consequence of such a dual movement forward (state regulation of industrial relations and welfare provision) that the kind of industrial democracy that was envisioned by socialists all over the world from the late Eighteenth Century onwards was to be realised.

The professional middle classes took a central position in reform movements in the Anglo-Saxon world, and it was thus natural from such a point of view to argue that it was necessary for the public to rely on advice from the experts. Such a view was exemplified by the Webbs who argued that "none of the decisions affecting the economy, personal behavior, health and welfare can be allowed to run counter to the consensus of expert opinion".<sup>8</sup>

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7. See Hirdman (1989) and the response from among others Rothstein (1994: 206 ff).

8. Kloppenberg (1986:291) quoting Sidney and Beatrice Webb (1897/1919).



## “People's Enlightenment”

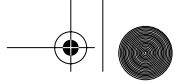
There has been a high degree of trust in experts also in the Nordic countries, partly due to the modern faith in science as a way to discover the laws of capitalism and nature and control them, and also to substitute for the inevitable demise of the laissez faire-model of society. A particularly influential idea in the Nordic setting, however, was the idea that it was necessary to include the whole population in democratic politics, and that this could be achieved through the mass mobilisation in voluntary and political organisations. The Nordic social democrats and also the social liberals put a great deal of emphasis on participation in the sphere of organisational life and in institutions for socialisation of citizens and communication of useful knowledge (people's enlightenment). Loyalty to major political parties was emphasised, also in national movements, interest organisations and newspapers. It was feared that a too strong emphasis on individual and autonomous leadership and editorship would undermine the national community (the people's home) that was to be developed as a consequence of increased participation in political and social affairs. “Knowledge is power” was a central slogan in the national-democratic movements. The knowledge dimension collapsed together with the social dimension, i.e. the acquisition of knowledge was mainly seen as a precondition for democracy and a fair redistribution of resources. The social liberals had historically been engaged in the issue of “people's cultivation” (folkbildning) and personal cultivation (dannelse). Such ideas were strengthened by the rise of the teachers as important public figures, and also the movement for people's high schools associated with Grundtvig. This view was also represented by a Norwegian historian who saw “(t)he pursuit of knowledge ... as an end in itself and a necessary prerequisite for the realisation of true democracy” (Steen 1958:145). Study circles, lectures, and schools inside the people's movements and later also the labour movements are examples of mobilisation centered on the cultural as well as the social dimension. It was maintained that much of the Swedish middle way was built in the work of study circles. One may thus argue that it is necessary to add educational citizenship as a fourth dimension and a precondition to the other three stages referred to by Esping-Andersen; political, social and economic citizenship.<sup>9</sup>

Leaders and experts in the various national-democratic movements clearly had a great say in setting the agenda for what was taught and learned. The role of the media within such a framework was mainly to reflect the views of the central political parties and bring information from governments and experts to the people.<sup>10</sup> Organisational processes

9. Stensland (1950:227) refers to study circles as the basis for a “third way”. Olof Palme is also quoted saying something like this in 1968 (Korsgaard 1997:365).

10. An example of a rather paternalistic attitude was the refusal of the Norwegian Broadcasting in the early post-war era to let researchers undertake surveys on listener's opinions on the programs they offered. They feared that there would only be a demand for light entertainment and popular culture (Dahl 2001).





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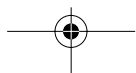
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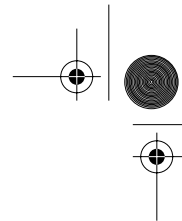
were structured in a more hierarchical and collectivistic way than is common today, paradoxically the strong spirit of “mobilisation from below” also put strong demands on people to be loyal to the national leaders and experts that were representing them. There was a strong need within this as in other kinds of corporatist models for an overarching ideology that could justify the call for loyalty to the national leaders (Beyme 1993). The overarching ideology in the Nordic countries, and particularly Sweden, was *the people's home*; i.e. a strong nation-state where “the people”, and not the elite, was in control (Stråth 1996). There was a great deal of trust in the arguments presented by experts and organisational elites. The purpose of most organisations and reforms, after all, was to improve the conditions for the working people. This centralised and highly trusted regime of organisation and knowledge did not create much scope for the development of individual leader-personalities. An American political scientist has used the term “functional deference” to refer to this leadership tradition. By this he meant that people in Norway tended to accept the views of experts in the various special areas, and also that there was a strong emphasis on schooling for a great many occupational roles (Eckstein 1966:147). This kind of schooling, and the existence of a limited range of rather comprehensive organisations, narrowed down the number of groups and men that could be attributed leadership qualities and the capacities for being recruited into “the knowledge elite”. It was most natural to identify with and be loyal to those who could speak and act authoritatively in special areas of policy and knowledge, and it was expected that even such leaders would behave according to the Law of *Jante*.<sup>11</sup>

The leaders in the Nordic countries, although inclined to behave like the first among equals, would have to put much more emphasis on equality than primacy, however. In order to take the lead and get trusted, one had to be “the best” in technical affairs. Another possibility was to be the most representative of a given group. A common solution to the Nordic dilemma of leadership and democracy was to put all emphasis on democracy and representation and avoid too much talk about leadership and entrepreneurship. Clearly a great burden was also put on the shoulders of those who were in charge of the various organisations and functions of society, but the leaders were supposed to be the carriers of the interests of their constituencies. This Nordic love-hate relationship with leadership was of course accentuated by the rise and fall of Adolf Hitler. The cultural influence from Germany has historically been strong, particularly in Finland and Sweden, and the rise of a more technocratic style of “functional deference” may partly have been a reaction against the Hitler era. The very word “leader” is “Führer” in German. It is only now, 50 years later, that we are seeing the emergence of a

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11. The Law of Jante proclaims – in a variety of ways – that “Thou Shalt Not Think Highly of Thyself”. It refers to an ingrained belief that you should not stick your head above others, in which case you would deserve to have it whacked. The law was first formulated in a novel by the Danish-Norwegian author Aksel Sandemose (1933).



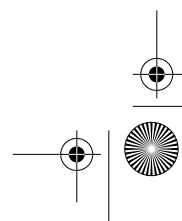
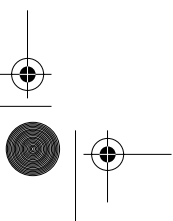


group of more charismatic German leaders, also in business affairs. The rather unstable positions of industrial leaders in Nordic public opinion in the 1980s and 1990s, may have its background in a similar problematic relationship to autonomous leadership. It should also be noticed that the academic communities of the Nordic countries have developed a rather critical view of individualistic leadership models. It has been a common practice in the Nordic social sciences to rely mainly on a Weberian perspective, according to which democratic leadership appears to be an oxymoron (Byrkjeflot 1999). Similarly, within organisation theory a preeminently structural interpretation of leadership has been predominant, leading many to accept the view that it does not matter who the leaders are, since leadership is merely a reflection of structural forces.

## Scandinavian Management

The “Scandinavian management” concept, which was particularly popular in the 1980s, may be seen as part of a movement towards the development of a more charismatic and communicative model of leadership, particularly in the private services sector. The concept was related to the success of Scandinavian Airlines (SAS) that was to a large extent attributed to the management practices of Jan Carlzon, the CEO of SAS from 1980 to 1993. Carlzon was the personification of “Scandinavian management”, and he was also associated with the even more influential “Service management” trend, a management fashion with its distinctive Scandinavian roots (Normann 1984, Albrechts and Zemke 1985). A representative of a different tradition of Scandinavian management was Pehr Gyllenhammar, the CEO at Volvo. Gyllenhammar was much more oriented towards national and international political affairs, and a strong advocate for group-work and humanisation of work. His management philosophy thus came to be associated both with the more typical Scandinavian pattern of compromise and negotiation and with a democratic-participative management style.

Carlzon and Gyllenhammar were associated with rather different concepts of management, then, perhaps mainly due to the differing character of the firms they led. Volvo was placed at the core of the industrial sphere, whereas SAS was in the communication and service business. They both emphasised the power of communication, however, and they also positioned themselves as a third alternative, between American capitalism and Soviet communism. They published books in English, and management gurus and representatives of the international media followed them closely.<sup>12</sup> It may not be accidental that the whole concept of “Scandinavian management” lost its power and attraction to others – beyond the Scandinavians themselves – as the careers of these charismatic managers came to an end in 1993. The Scandinavian management concept continued to be used mainly among management scholars interested in the relationship between culture and management, the implication being that Scandinavian managers behave more dem-





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ocratically due to the strong emphasis on equality and informality in the Nordic culture (Hofstede 1982, Sjøborg 1985, Lindkvist 1988, Lindell 1994, Jönsson 1996, Schramm-Nielsen and Lawrence 1998).

The most appropriate way to use the expression “Scandinavian management” in the context of the problems discussed in this chapter, however, is to link it to the whole institutional set-up constraining and enabling the action of industrial managers. Scandinavian management is then understood as constitutional management, or the now more fashionable notion of a stakeholder-model. Those who use the notion of Scandinavian management in this way either present it as a model of the past or something one has to overcome. This is how Reve (1994) has used the concept. In the Scandinavian tradition, he says, the firm has been an institution like any other in a national community, more specifically it has been understood as a stakeholder alliance between internal and external actors that has an equally legitimate claim on the activities of the firms. This tradition has to come to an end, he argues, because it leads to an internal focus and is too greatly preoccupied with fair distribution. Scandinavian management cannot work in a modern era with a more global business environment where there is a constant demand for change and active leadership. A more ownership-driven, market-oriented model of management is now required (Reve 1994:572). This cry for a reorientation of management practices in Scandinavian firms was part of a general movement in this direction among large Scandinavian companies. Percy Barnevik, the CEO who was in charge of the cross-border merger between ASEA and ABB, became the new role model. “Be fast” was the motto at ABB and this ruled out management by committee (Vries and Florent-Treacy 1999:85). The top managers in such a global conglomerate could not build on any single regional style or philosophy, since it was feared that managers with such a regional and culture-specific orientation would not be loyal to the whole firm. There was a need for “five hundred people who have to see the whole picture”. In order to be among these selected few “you need the ability to understand other people's way of doing things”. The way to create such managers was to send them on assignments abroad and follow them closely from the corporate headquarters. It was also important to create a chemistry of different cultures in the executive committee, which in the case of ABB consisted of five nationalities among eight people (Sampson 1995:246, Vries and Florent-Treacy 1999:99–100).

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12. Michael Maccoby presented the Swedish managers as models for managers in the United States. An interview with Gyllenhammar and an analysis of his management philosophy became one of the central chapters in the book 'The Leader', which was one of the first books in the coming wave of leadership and corporate culture literature in the 1980s (Maccoby, 1981). Later, he reported that Gyllenhammar and Carlzon had become national heroes, “interviewed on television like rock stars” (Maccoby 1991:40). Gyllenhammar was voted the most popular man in Sweden 10 years in a row in the popular press (ICA-Kuriren) (Lindquist 1996:13, Fagerfjäll 1999:165).



## The Rise and Fall of the Nordic Model

These kinds of global management philosophies had not yet been developed by the mid 1980s, however. Those were the days when both management consultants and union representatives came to Scandinavia to learn from our experiences in a wide specter of areas: management, user-friendly technology development, industrial democracy, group-work, welfare legislation, industrial relations etc. Many observers even came to Scandinavia to study the future. Sweden and Scandinavia were perceived as a vanguard in the inevitable march towards a new industrial society.<sup>13</sup>

There is, of course, a difference between the creation of a Nordic model in the rest of the world and the more continuous engagement in the question of Nordic identity among the inhabitants of Norden. It did not appear from the self-confident tone in many reports on the conditions of the Nordic model in the 1980s that it was the eagerness to learn from others that was the real secret behind the Nordic formula, as in the way in which for instance the Japanese model was displayed at the same time (Westney 1987). Rather, there appeared to be a strong belief in the coherence and inherent superiority of Nordic institutions:

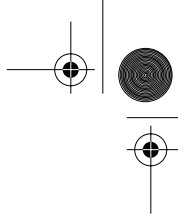
The Nordic countries have, in a deep sense, ended their learning process; that is, Scandinavia is now provided with all the "modern" institutions it sought to emulate from abroad, and has developed them to the full. When Scandinavians travel abroad they find few societies more advanced than their own, except in specific sectors. No other society is seen as having reached a "higher stage," one that could serve as an exemplar for Scandinavia. ... It is our thesis that the Nordic countries are at an unprecedented juncture: they have stopped looking elsewhere for models (Hagtvet and Rudeng 1986:304).

This inward-seeking and self-confident view on the Nordic system seems to have climaxed in the mid 1980s. This was at a point in time when the first rumors of the cracks in the foundations of the "Swedish model" had been noticed, even in the most remote parts of the world.

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13. Particularly Sweden was seen as a "bellwether nation". A futurist claimed "for most of the 20th century social change has come first to Sweden and then swept through the rest of Scandinavia before coming to America". The implication of this was that the Scandinavian countries were seen as more conducive to social innovation than most other countries (Albrechts 1985, Cetron and O'Toole 1983:8).





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## The Nordic Model of Democracy

Such models and concepts probably live their own life and have their own careers, partially independent from actual practices. Certainly they may have an impact on such practices, however, and it is for this reason useful to study the shifting meanings put into them and ask what use they have for people who try to make sense of their own experiences and cope with shifting environments. So far, I have discussed the role of industrial managers and also intellectuals in the creation of Scandinavian management. But how do these concepts of management relate to the Nordic model of democracy? To what extent is there a contradiction between the idea of management pushed by the industrial elite and the Nordic model as others see it and use it? The concept of “Scandinavian management” has been used in both a positive and negative way, as has already been noted. The Nordic model of management cannot be compared to either the American or German in staying power or in global scope. However, the general notion of a Scandinavian or Nordic model has gained a great deal of influence in both developed and developing nations, particularly from the 1960s to the early 1990s. The Scandinavian model was progressive, rational and transferable. It was a “third way” and a “democratic challenge” to capitalism and state socialism.” The Nordic model was first invented in the 1930s, but then mainly as *Sweden: the middle way* (Childs 1936). The meanings associated with the Nordic model of democracy have varied, and one may minimally distinguish between the following dimensions:

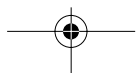
- As a model of political and organisational democracy
- As a model for industrial democracy
- As a model of welfare democracy.

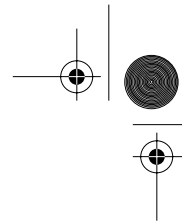
The purpose of listing the various aspects is not to move into a lengthy discussion of each, but rather to suggest that it may be interesting to look into the relationship between the various aspects, and how they have coexisted during various phases of history. The shifting content of the Nordic model of management relates to such shifts in the meanings attached to the concept of democracy.

## Political and Organisational Democracy

It has been common to distinguish between formal democracy and substantive democracy.

Formal democracy refers to a system with free elections, accountability and freedom of expression. Substantive democracy refers to a deeper or broader understanding of democracy, either by emphasising participation in organisational and workplace affairs or communication in the public sphere. There was a tendency among movements, organisations and political parties in the Nordic nations to go beyond the formal under-





standing of democracy after the Second World War. Many politicians and organisational leaders highlighted the critical role of voluntary organisations in the struggle against Nazism, and this partly accounted for the strong wave of sympathy for democracy and the broadened understanding of democracy that was now created.

Nordic publications on democracy appearing from the late 1940s focused both on the voluntary organisations and the democratic spirit carried by public education and institutions for adult education. Both the formal aspects and the techniques of democracy were emphasised, as well as the values of “people’s enlightenment”, personal tolerance and public deliberation (Koch and Ross 1949, Lauwerys 1958). The post-war discourse on democracy did not only focus on resource mobilisation; it was also influenced by more traditional values, such as the need to cultivate the right kind of democratic personality, and a type of political regime in which binding rules and policy decisions were made by representatives accountable to the community. It has thus been argued that the Norwegian social democratic government from 1935 was an extension and transformation of the earlier social-liberal regime, rather than an entirely new kind of political regime (Slagstad 1998).<sup>14</sup> The major preoccupation in the immediate post-war era was with productivity and economic development. The strong demand for economic reconstruction, and the related enthusiasm for collectivistic aims may have pushed the issues of fair distribution and democratic participation in the background. There was a strong belief in the development of hierarchical organisations that could have a say in national political affairs and elections. The major issue, then, was not whether the various spheres of life, e.g. schools, churches etc. were organised in a democratic way. Rather, the function of these organisations as a “school of democracy” was emphasised, not necessarily in the way they were organised, but in their capacity to evoke the right kind of values in those participating in them and being affected by them. There was an underlying belief that there was a correct answer to most questions and also a limited menu of collective and political identities to choose from. The leaders were not strong believers in the capacity of individuals to discover and develop their own identities, lifestyles or consumption patterns. A new emphasis on individual fulfillment and democracy from below emerged with the new radical movements from the 1960s, with a stronger demand for direct participation and the development of new representative arrangements within “everyday life” institutions.

14. It is understandable, given the heroic role attributed to social democracy and the labour movement in Nordic historiography, that there has been a great need to present alternative views. Some of these views may be just as one-sided, however, and Slagstad's claim that the Norwegian social democratic regime was just a new version of the earlier social liberal regime may have taken the argument too far. It would be strange if the social democratic engagement with Marxism and the idea of socialism did not make any difference at all, and there was also a great deal of ideological and political conflict in the early post-war era that relates to the conflict between liberal and Marxist thought.





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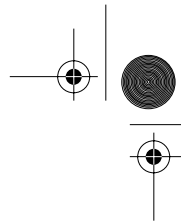
It has been noted that the role of civil society and traditional voluntary organisations was overlooked in the politics of the 1960s and 1970s. “Such organisations were seen as remnants of the past, and they were invisible in governmental documents and in research” (Selle 1996:127).<sup>15</sup> The concept of “people’s enlightenment” also disappeared from the language in the 1960s, later making a reappearance in the late 1980s. People’s enlightenment was then reintroduced in all Scandinavian countries, and pre-eminently so in Denmark where, a law that had previously been called the *leisure law* was now changed to a *law for people’s enlightenment*, symbolising a change from focusing on leisure needs to the needs of the whole person in the community (Korsgaard 1997:442). This simultaneous renaissance for civil society and adult education oriented towards the whole human being symbolises an ideological change from a focus on the formal education system to the system for life-long learning and from the welfare state to welfare society. The fact that the idea of civil society and non-governmental voluntarism got more popular also in Norden may have to be explained by the “legitimacy deficit” stemming from the overload of demands on the state as it expanded into too many life-spheres (Habermas 1973/1975). Public participation in welfare, education and cultural services was an alternative to the previous focus on the workplace and industry as an arena for democratic mobilisation. It was more difficult to keep the focus on industrial democracy in an age of growth in smaller services firms, and when the major expansion in the larger Nordic firms took place abroad. Nonetheless, there has also been a shift in the Nordic countries from use of the concept of worker towards co-worker (*medarbeider*)<sup>16</sup> signalling an attempt to erase boundaries between various workgroups and develop identity ties with the company rather than ‘the class’ (Stråth 1996:227). The traditional strength of associations and organisations in the Nordic context has been rediscovered at the same time as there has been a declining interest in workplace democracy. The voluntary organisations had for a long time provided people with an alternative object of identification other than firms and families.

In the case of Norway, “the extreme organisationability of the country” was the key issue in a book by an American political scientist (Eckstein 1966:102) doing a study of the political system of Norway in the early 1960s. This referred to “the existence of an unrivaled network of voluntary associations that, on the whole, have great density of membership, are highly centralised and cohesive”. He found that Norwegian organisa-

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15. Voluntary welfare organisations had always been important in the provision of welfare, and they had expanded simultaneously with the welfare state. They had been overlooked in the traditional welfare state ideology, however, and the “discovery” of them in the 1980s reflected an ideological change towards the view that the growth in such organisations meant a strengthening of democracy. See also Kuhnle and Selle (1992).

16. The concept of co-worker is a literal translation, but does not necessarily convey the right meaning. Colleague may be a more accurate translation, but is also not quite right (Stråth 1998, Engstrand 1998).



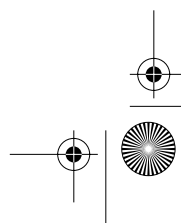
tions consisted of a hierarchy of representative collegial bodies, with a representative annual meeting, a representative council and an executive council elected by the council. These organisations were in themselves “hierarchical and constitutionally detailed democracies” modeled on the historically important local governments. The Norwegian words used to describe leadership positions; mayor (*ordfører*), chairman (*formann*), symbolise the constitutional, collegial and representative character of leadership positions; the formal leaders are not given much leverage to act.

... neither the *formenn* nor the secretaries really “run” Norwegian organizations. The secretary is always a functionary, not a leader. The *formann* position is rather more complicated but equally restricted (Eckstein 1966:143).

Such organisations existed in other countries also, of course, but the special thing about Norway (and the Nordic region as may be added in this context) was the ubiquity of these organisational forms; “Norway is distinctive in that one can find hardly a single exception”. “Particularly in regard to collegiality, departures from form tend to be considerable in other societies; but while in Norway single leaders (*formann, ordfører*) are generally singled out from the membership of collegial bodies, they rarely exceed the bounds formally imposed on them by the forms of collegiality” (Eckstein 1966:154). Leadership in such organisations was highly stable, there were seldom struggles for formal positions (Eckstein 1966:170). Another characteristic of the Nordic model was the strong emphasis on corporatist interest representation in the firm and democratic-participative methods for increased worker influence on the shop-floor and in technology development.

## Norden as Industrial Democracy

The Nordic model of industrial democracy has also been characterised as a combination of codetermination, collective accumulation of capital and solidary wage policy (Beyme 1993). The democratic efforts have not been centered on the idea that workers ought to gain a majority or a parity on the governing boards, but rather on the need to influence wage policies and the way labour markets work, as well on the way work is organised on the shop-floor. Worker codetermination on boards was introduced earlier and more effectively in Germany than in the Nordic countries (Dahrendorf 1965). Economic democracy in the Nordic Region was less oriented towards implementing such formal kinds of representation. The workers did not want to sit on “both sides of the table”. Instead there was more emphasis on cooperative agreements based on an exchange, productivity for job satisfaction. The leaders of the labour movement had a positive attitude to productivity improvement, and there were pioneering experiments with autonomous groups, first in Norway and then in Sweden. Acts concerning employee



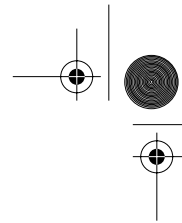


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representation on boards of directors, on job security and on co-determination were introduced during the 1970s (Gustavsen 1981). Experiments for workplace reform was based on the Tavistock socio-technical tradition. This tradition had strong democratising overtones; it was the work experience itself and the empowerment of the workers who had such experiences that should lead to reforms in work organisation (Gustavsen 1985:81). The major agenda was to create opportunities for personal development. Such reform programs were even more popular in Sweden than in Norway, but they were adapted to fit the needs of Swedish industry. As mentioned above Pehr Gyllenhammar and Volvo became active users of such programs. The implementation in Volvo took more the character of a top-down process, however. It also was more difficult to sustain the idea of self-governed groups and continuous experiments in settings with constant changes in markets and production techniques. The whole idea of co-determination was gradually being exchanged with the idea of management-driven "development projects" on the shop floor (Cole 1990). A lot of the initiatives that were taken within the Nordic tradition of group work and worker empowerment on the shop floor were attempts to introduce democratic-participative management as referred to by Harbison and Myers (1959). Words like "management" and "leadership" was not frequently used in the 1960s and 1970s, due to the engrained resistance against "management talk" among workers and academics involved in work reforms. In order to be taken seriously, it was necessary to stick to words like self-governed groups and cooperation, and thereby avoid any identification with the side of management.

Another feature of the Nordic model, particularly in Sweden, was a strategy for collective accumulation of capital. In 1976 the trade unions in Sweden demanded the establishment of a *wage earner fund* in order to absorb rank and file criticism of wage restraint in the name of solidarity. The soaring profits in the engineering industry increased the urgency for them to introduce such legislation. The trade union proposal recommended that some of the profits be redistributed to the employees, although not individually, but collectively into central wage-earner funds. The campaign for wage earners funds received worldwide attention (see chapter 2). The cancellation of this program for increased union influence over private profits came as a consequence of an employer's offensive, and a discursive shift away from the "politics against markets" framework of Swedish politics in the 1980s. The economic crisis and subsequent electoral setback for the social democrats in 1991 was thus a major defeat for those who still hoped to increase equity and fairness in Swedish society by means of a program for economic democracy. The employers' withdrawal from corporate cooperation, the fiscal crisis and the increasing strength of the movement for globalisation of economic affairs made such offensive strategies very difficult in the 1990s (Rothstein og Bergstrøm 1999).



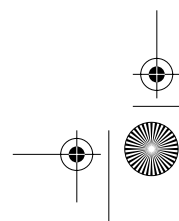
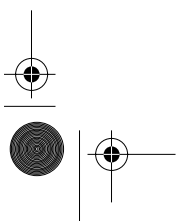
## Norden as Welfare Democracy

The Nordic model has been characterised by an active labour market policy in Sweden, a solidary wage policy in Sweden and Norway, and universal social security rights throughout the region. The differentiation that prevails in other countries between social security rights for manual workers, white-collar workers, and the self-employed, has been abandoned to a large extent. Individualism in family relations is combined with group conscience in the workplace and also active engagement in national and social affairs. Sweden and the Nordic countries are among the most collectivistic in public affairs and most individualistic in family affairs. This has implications for management. Hofstede (1982) found that Nordic managers were among the most individualistic in the world, and it has been difficult to reconcile this with the common understanding that the Nordic nation-states and organisations are organised in a rather collectivistic manner. A new survey based on a methodology similar to Hofstede's may help clarify some of the confusion. A distinction is made here between the family dimension and the societal dimension of collectivism/individualism. It was then found that the Swedish managers are among the most individualistic when relating to family, but the most collectivistic in the way they relate to society (Holmberg and Åkerblom 1998). A further explanation of the Nordic pattern of "statist individualism" may be found in the literature on the welfare state. Trägård (1997:262) has argued that the Swedish welfare state can be viewed as a "gigantic deal whereby individuals have bought themselves collectively free from personal, individual responsibilities under the guise of state-run solidarity". This is reminiscent of the critical view of the Nordic welfare state presented by American liberals, like Alan Wolfe (1989:179) who has criticised the Nordic welfare states for weakening the moral ties by relying entirely on the social welfare ties that link their citizens to the state. The many predictions in the late 1980s and 1990s about a coming collapse of the welfare state have failed to materialise. Currently there seems to be a rather positive attitude towards the architecture of the welfare state among Nordic intellectuals and politicians (Kuhnle 2000).



## Variations among the Nordic Nation-states

The alleged crisis of the Swedish welfare state in the early 1990s did bring renewed attention to a particular feature of the Swedish model; the strength of the industrial bourgeoisie. It has been argued that Sweden was perhaps the country in the whole OECD that was most dominated by large corporations, and also among those with the most concentrated ownership structure (Henrekson and Jakobsson 2001). The industrial elite in Sweden may be exceptional in the extent to which they were able to maintain a very powerful position also during the era of "functional socialism", as argued by many authors also in this book. But the industrial bourgeoisie has survived social democratic





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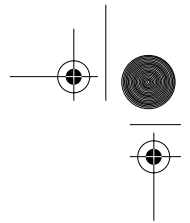
rule in all cases. Finland and Sweden display the strongest tendency towards “organised capitalism” with Denmark and Norway displaying features more characteristic of disorganised capitalism (see chapter 2, 3, 15). The stronger influence of guild movements and civil society institutions in the cultural and religious sphere may account for the more disorganised pattern in Denmark. The elites are always on trial in Norway, due to the lack of entrenched power structures. The distinction between the public and private spheres of life are less clearly drawn, and the Norwegians as well as the Danes are less formalistic and adjust less easily to hierarchical structures. It is difficult to discover any impact of conservatism in Norway, due to the lack of historical experiences with nobility and aristocracy (Higley et al. 1976:286). Such an influence is much more notable in Sweden, and this may account for the more fine-grained status hierarchies developed in this society. This is at least the stereotype, which has received new support in recent research on immigrant experiences from the Scandinavian countries (Meyer 2001).

Rokkan (1981) saw a difference between Denmark/Norway and Sweden/Finland relating to the absolutist heritage in the era of Danish rule and the strong heritage of estate representation in Sweden and Finland. Partly due to the lack of any strong aristocratic tradition and the strength of national mobilisation, Norway was the first country to become a formal democracy. Norway had an extensive franchise already upon its creation in 1814. There was a critical year of inclusion in 1884, when the government was made responsible to the parliament. In 1898, universal manhood suffrage was introduced. Political inclusion also came early to Denmark, which instituted nearly universal male suffrage already in 1849. Denmark was the second nation after Norway to make the transition, but the process here was more abrupt due to the entrenched absolutist forces. Finland and Sweden, however, did not have a broad suffrage until the first decade of the twentieth century, when it was instituted abruptly, in the continental manner. Sweden did not make the full transition to a democratic system until 1921, when all men and women got the right to vote and the process was more gradual, due to the long-term influence of representative institutions.<sup>17</sup>

The relationship between democracy and management will also be influenced by actual political circumstances, e.g. involvement in the EU, and historical patterns of authority relations in each society. The contrast between the bourgeois, city-based bureaucracies on the seaward side and the agrarian landowner-cum-warrior-based bureaucracies on the landward side has been used as an argument for a split between Finland/Sweden and Norway/Denmark (Rokkan 1981). Similarly, one may describe Sweden's state culture as paternalistic corporatism, in contrast to Denmark's liberal welfare state (Knudsen and Rothstein 1994). In Sweden and Finland the prime movers were

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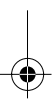
17. It should be added that women did receive the right to vote in Finland, Norway and Denmark in 1906, 1913, and 1915, respectively.



the nobility and the peasants, in Denmark the bourgeoisie and the nobility, in Norway and Iceland the bourgeoisie and the peasantry (Beyme 1992:192). The legitimation of industrial management may vary for other reasons, such as the fact that different regions may have faced different problems. Some groups may have acquired a particularly strong position in the processes that define “the name of the game”. The discourse of organisations and work may have been constituted differently. Stråth has used this kind of argument in his discussion of management and democracy in the various Nordic countries (chapter 2).

The answer to the question of whether there are one or several Nordic models of management and democracy will depend a lot on how one defines the idea of management and also what kind of methodology is used when researching the question. Historians tend to argue that every country follows its own distinct path (*Sonderweg*) whereas other social scientists emphasise more universal development patterns. Most chapters in this book, also those written by non-historians, favor a *Sonderweg*-perspective, even though there are also a few, like Stråth, who frame their arguments in such a way that variation-finding becomes the key issue. One may also focus on the impact of organisational models imported from elsewhere in the creation of the Nordic model. The most advanced and influential models of management emerged in the USA and Germany from the late nineteenth century onward. These respective models were structured around particular education systems, industrial elites and authority structures. The Nordic countries industrialised later, but were active importers of such organisational models. The extent to which each tradition was diffused and modified in the Nordic countries would depend on the extent to which there were established connections between the respective countries on the one hand, and the USA/Germany on the other. The capacity and willingness to import models would also be stronger in Sweden due to the stronger inclination among Swedes to believe in an image of Norden as a rather culture-free area of social experimentation (Ekwall og Karlsson 1999, Arnstberg 1989). It was as if one wanted to show the world that the success of Swedish industry and society was not due to a cultural-specific but a universal formula. It has thus been argued that the Danes have reacted differently to the attempts to import foreign models than the Swedes, due to the strong inclination to emphasise their own cultural heritage (Musial 1998). The image of Norden as a culture-free formula for success has probably been more central to the Swedish self-interpretation, than to that of the other Nordic countries.

The joint Nordic management style argument has also been favored by those who are interested in the consequences of political structures for the development of authority patterns. Management styles are supposedly more participative and democratic in these countries because of the strong democratic traditions and the smallness/openness of the political economies (Kalleberg 1993, Katzenstein 1985). Economists and functionalists





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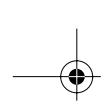
might argue that management strategies are merely reflections of industrial structures, and thus also represent comparable advantages in the way of natural resources. This means that Sweden's emphasis on larger firms, electronics and the steel industry is bound to give rise to other management styles than in Norway, where smaller companies dominate more and where shipping and service industries were more important. Neither perspective is sufficient when confronted with the puzzling differences between organisation structures and management styles in the Nordic countries. I prefer to develop an argument based on the idea that management is a reflection of authority structures in a society. It is for this reason that I think it is critical to approach the idea of a Nordic model of management and democracy from a broad view, asking what were the major organisational entities and conceptual constructs in these societies in the various periods, and also a "feed-back effect" - the impact of the prevailing view of the Nordic model in other countries.

## From "Functional Socialism" to Shareholder Value

Authority structures vary according to what degree the power of the persons/groups that are in executive positions is of a more narrow, functional kind or whether they enjoy a broader and more "absolute" legitimacy base in their respective societies (Hartmann 1959). I have argued that the legitimacy base of industrial managers under the Nordic model was not very strong, and they thus had to use other arguments than German and American managers to mobilise support for their own actions. The kind of management that was developed in the Nordic region was "constitutional management" (Myers 1959:291). Experiments with democratic-participative management were also undertaken, but those in charge of such experiments were not very preoccupied with the managerial function at all, due to the prevailing idea that the major task of top managers was to deal with external affairs, and leave it to autonomous work-groups to run the internal affairs.<sup>18</sup> In the long run, this model, which has been associated with the term "leaderless democracy" has proved to be linked to a context of resource mobilisation and with a strong belief in the possibility of economic planning and the withering away of the market mechanism. It was natural within such a regime to put an emphasis on techniques (engineering, business economics, operational research) at the upper level of society, and

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18. Thorsrud (1970:178) argued that it was management's task to create a stable environment for the development of new kinds of work organisation, by monitoring environments and regulating the boundaries of the firm. The aim was to develop self-governed groups on the shop-floor without management interference. The reform programs were developed within an atmosphere of a strong belief in the possibility of industrial planning and stable industrial environments. It became more and more difficult to maintain the idea of a "leaderless democracy" on the shop floor as the atmosphere changed, beginning in the 1980s, towards the idea of "flexible specialisation", "lean production" and "shareholder value".



give more priority to the governance of social relationships at the lower level. What took place at this level was not thought of as management, however, but as labour relations or personnel administration. It did not matter exactly who the upper level managers were, since their scope of action was largely predetermined as a consequence of decisions made elsewhere or limited due to constraints from inevitable development patterns.

One may conclude from the discussion of the Nordic model above, that enterprise has not been a central object for identification. Enterprise or “the organisation” as it has been depicted in organisation theory has not been the prototypical model for organising Nordic affairs, as has also recently been noted by Nordic organisational researchers (Røvik 1998, Brunsson and Sahlin-Andersson 1998). The Nordic solidarity pattern is based on identification with national centralised organisations of the collegial, constitutional kind, and with a high degree of functional deference. Furthermore, these organisations mattered a lot due to the significant role they played in adult social and political life. There was also a strong tendency among managers and owners in industry and commerce to act in such close concert that it was difficult, “if not impossible”, to tell where a trade association ends and an individual firm begins” (Eckstein 1966:106).

Rising education levels, in combination with the economic problems of the 1970s and 1980s, may have created disillusionment and new identities among the middle classes. Lasch (1995) has talked about a “revolt of the elites”, and this may also partly be a relevant description of tendencies among Nordic middle classes. The enthusiasm centered on the idea of the Nordic “third way” and the associated programs for overcoming all major kinds of social inequalities, has gradually given way to a vision of society as a competitive race for power and privilege, and the idea that inequalities may even increase in the future. More people than ever now feel qualified for elite positions, at the same time as new kinds of status positions have been developed that are largely disconnected from traditional status hierarchies and selection mechanisms. It now seems to be a much more realistic strategy for an average middle class person to use his knowledge and connections to advance into privileged positions without having to relate to institutions allied with democratic governance, such as political parties or state institutions. There has thus been a movement away from understanding democracy as a project for socialisation of citizens into one political community, and towards a more individualistic and legalistic project. The “post-modern” inhabitant of Norden does not want primarily to be useful and obedient to his or her country, as was the case in the era of the people's home and the reconstruction period (*gjenreisningsperioden*).<sup>19</sup> Neither the aims nor the means of politics are taken as a given any longer, and this together with increased immigration and globalisation leads to a greater emphasis on pluralistic and dialogical ways of

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19. This was at any rate the conclusion of a study by a Norwegian social anthropologist who studied the post-war biographies of Norwegians (Gullestad 1996:286).





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understanding democracy. The focus is now more on the way the communication processes are organised, and the necessity of including several viewpoints in decision processes and public debates. There has accordingly been a decline in the power and legitimacy of political parties and the political elite relative to the economic elite, and also relative to the elites associated with the media and cultural institutions. It is not necessarily the traditional industrial elite that has the best reason to be satisfied with the new situation. This elite had, after all, become quite accustomed to operating in a political environment with a rather negative view of markets. The expanding business press has been more able and willing to give the public an inside look at the problems of individual companies, individual managers and also the internal conflicts among the various stakeholders, such as unions and customers. The increased professionalism of the business media has been paralleled by an increased focus on media management on the part of firms and organisations (Kjær and Langer 2000). The traditional industrial managers are often the last to grasp this new situation, and a new kind of media-conscious industrial and financial elite has emerged that has been able to challenge the position of traditional elitist groups. The very turbulent position for financial and industrial managers in the latter half of the 1990s is not only a consequence of globalisation, but also a change in the rules of the game away from "inner circles" (chapter 5) and towards "weak ties". The rise of stock markets and the business press, and the associated strengthening of a public relations and consulting profession has changed the rules of the game in business.

The disappearance of the model of "industrial society", which in the Nordic area took the shape of functional socialism, and the development of a much stronger and more self-conscious business elite has also affected the balance between management and democracy. It is likely that there will emerge new variations upon the theme of Scandinavian management or even more likely European or global management with a particular Nordic flavor. The Nordic model of welfare and industrial relations is still a very important precondition, however. There are still limits to how far the industrial manager can go in his or her ambitions to establish a position as a communicator of a vision, not only for the firm, but also the society. Gyllenhammar and Carlzon are examples of modern Nordic hero-figures that met their Waterloo. It was during their heyday that Fagerfjäll (1991:79) observed that the "feudal" managers of the modern large corporations had become models to be followed even in democratic politics: "In contrast to the petrified leaders of politics and in the public sector, the leaders of the large corporations appear both analytic and honorable". There was one survivor of this heroic age in Swedish and Nordic management, however. Percy Barnevik was voted the European Leader of the year even when Carlzon and Gyllenhammar was still in business. There was a mood change in the wake of the economic problems and the departure of the hero-managers in 1993. It was reported that the Swedes did not look for charismatic leaders any more, but were rather satisfied with those who made an attempt to cope with everyday problems

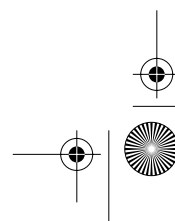
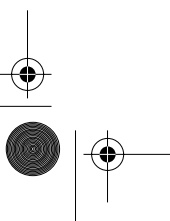


(*Dagens Näringsliv* 1994). There still seems to be a larger potential for industrial managers in Sweden and Finland becoming national heroes, whereas the public skepticism against such leaders is a more constant feature in Norway and Denmark. The status of the industrial managers in public opinion is in constant flux, however, maybe as a natural response to the constant infighting and organisational changes in today's business life. One reason for the increased attention to such affairs, is the rapidly increasing economic gains for those doing business in comparison with those working in politics or employed in public sector jobs.

It is difficult for industrial managers in the Nordic welfare democracies to achieve a position of power and legitimacy that matches their wealth. Increasing economic gains for the upper middle classes in the private sector represent a threat against the traditional regime, since such gains undermine the status of the historically more powerful political and organisational elite. There is a long tradition of "functional socialism" and state paternalism in Norden, and there is no strong support for the idea of unrestricted property rights or the suggestion that firms exist simply to maximise shareholder value. On the other hand, the financial sphere and the financial professions continue to grow, and this trend towards financialisation has already had a great impact on the small and relatively "open" Nordic societies and economies. It is difficult to see how there can be a stable compromise between a "shareholder value" and a "stakeholder" view of society. Nonetheless, it may be too early to wave goodbye to the Nordic model of compromise between the extremes, and between management and democracy.

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