Reweaving the fabric of corporate bureaucracy
The development of organisational control in Sweden 1970–2000

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Mathias Krusell

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ABSTRACT

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This thesis in economic history investigates and analyses how Swedish industrial enterprises changed and developed their corporate bureaucracy and organisational control to become less hierarchical and more flexible and market-orientated from 1970 to 2000. The thesis examines how administrative work in Sweden evolved throughout this time and how management knowledge materialised in management tools at a time when the country's consulting industry was growing. The examination starts with the evolution of administrative work in Sweden. The results show that even though the share of administrative work did not increase at large in Sweden from 1970 to 2000, the composition of occupations within administrative work changed. The share of clerical support work decreased while the share of managerial work increased.

These results are followed by case studies of how the management consultancy firm SIAR (The Swedish Institute of Administrative Research) carried out assignments at two successful industrial firms, Alfa-Laval and Ericsson. SIAR advocated that industrial firms were to become less organisationally hierarchical and less focused on long-term planning. Instead, industrial firms should decentralise their operations, become more adaptable to the market, and become more like the service industry. These ideas were concretised at Alfa-Laval and Ericsson. SIAR helped both firms adapt new organisational forms and configure their organisational control and corporate bureaucracy. At both firms, there were successful efforts to become less hierarchical and transfer more operational and strategic control to so-called business areas. The results do, however, show that managerial control did not decrease. Standardisation and administrative coordination increased when attempts were made to make specific business areas and units more market orientated. Since centrally located administrative structures were also required, decentralised managerial control resulted in a doubling of managerial control.

The thesis demonstrates how corporate bureaucracy grew even in attempts by businesses to become less hierarchical. New forms of corporate bureaucracy were necessary to support new tasks for central management. Corporate bureaucracy grew, but more through formalisation than through a strengthening of hierarchical structure.

Keywords: Administrative work, Corporate bureaucracy, Management consultancy, Managerial capitalism, Management knowledge, Management tools, SIAR, Alfa-Laval, Ericsson, Sweden

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Gothenburg, October 2024

Mathias Krusell

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1. Introduction

"*We soon discovered that many fragmented industries were characterized by scale disadvantages, and that every attempt to organize these industries based on scale advantages and production would fail – and would often aggravate the crisis in the industry! In many fragmented industries the successful strategies included recipes such as disorganizing the industries, organizing the customers, exploiting the structural inefficiencies in the industry.*"[1]

These words are from Eric Rhenman and Jan-Inge Lind when in 1989 they summarised what they had learned from their research institute-turned-consultancy agency. Rhenman and Lind were leading figures in SIAR (Swedish Institute for Administrative Research), who had assisted and studied firms during the economic problems of the 1970s. The notion in the text is in line with a growing idea at the time of the how large-scale corporations were declining as an organisational ideal. That ideal was to be replaced with flexible and adaptable managerial technologies and organisational forms taken from the services sector.

The shift from an expanding industrial production, which dominated Western economies in the 1950s and 1960s, to more diversified and technologically specialized production with high shares of service industry firms created a re-evaluation of the existing knowledge of how industrial firms were to be managed. In a new economic landscape, firms were going to require much more decentralised and flexible types of firms and organisations. In order to do that, they needed to steer away from centralised types of planning and bureaucratic structures. Management scholar Peter Drucker argued that new information technology was not only going to be used to "do faster what they have always done before". In his vision, future business should have half the layer of management and only a third of

[1] Lind and Rhenman, "The SIAR School of Strategic Management".

the actual managers of the firms at the time, in order to survive and succeed in this economic landscape.[2]

This thesis investigates and analyses how Swedish large industrial enterprises changed and developed their administrative structures and organisational control in order to become more market- and customer-oriented. Managerial capitalism was at its pinnacle, as an international ideal in the 1950s and 1960s. The research departs from discussions on how the management of firms adjusted in the transition to an emerging service society with increased specialisation, intensity and digital technology.[3] The thesis also contributes to the literature on how management knowledge is carried and transferred by actors like management consulting companies. It examines and discusses how management knowledge manifests and concretises in management tools during a period where the Swedish consultancy business was ascending.[4]

How Swedish firms were managed and controlled during the 20th century has been the object of research in several studies that have focused on the ownership structure of Swedish businesses.[5] The Swedish economy underwent big changes after the economic crisis of the 1970s when a new business landscape rose in the 1980s and 1990s. The change is also apparent in how the composition of managerial and administrative occupations developed during the period, as well as how Swedish firms received and adapted new managerial tools and technologies. Several of the most successful Swedish industrial firms maintained their leading positions through becoming more specialised and knowledge intensive. SIAR was the leading management consultancy firm in Sweden and representative as a carrier of new managerial ideals and knowledge of adaptability and flexibility. By

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2 Drucker, ”The Coming of the New Organization”.

3 See for example Lazonick, ”The Chandlerian Corporation and the Theory of Innovative Enterprise”; Teece, Pisano, and Shuen, ”Dynamic Capabilities and Strategic Management”; O'Sullivan, ”The innovative enterprise and corporate governance”.

4 See Guillén, *Models of Management*; Sahlin-Andersson and Engwall, *The expansion of management knowledge*; Chiapello and Gilbert, *Management Tools.*

5 See Glete, *Nätverk i näringslivet*; Sjögren, *Den uthålliga kapitalismen.*

using SIAR's records, the problems, suggestions and discussions between consultant and client become visible. The analysis combines the struggles of how to make parts of the firm more autonomous and diversified whilst also maintaining managerial control, which led to a persistence of formalisation and written rules. Even when the opposite was desired, managers and corporate staff increased.

The thesis focuses on organisational control and management tools. The latter means concrete technologies in the practice of management.[6] This focus bring new insights into the research on how Swedish firms were governed and managed during the 20th century. Managerial capitalism in Swedish firms has previously been examined through studying ownership structure.[7] In this thesis, the focus of the implementation of management tools for organisational control is applied on the period 1970 to 2000. During this period, it has been assumed was mostly diminishing but whether and how this occurred has rarely been discussed and researched.[8] The role of corporate bureaucracy, in the form of management tools for administrative and organisational control, is highly relevant because of the notion that the knowledge economy would make hierarchal structures and bureaucratic control obsolete. The vision of the coming new organisation became the ideal of emerging businesses of this time. A fascination of how smaller firms and organisation make-do with less bureaucratic structures has remained. Over the 2000s and 2010s it has nonetheless become clear that large-scale organisations and firms did not disappear, suggesting that managerial capitalism persisted.[9]

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6 See Chiapello and Gilbert, *Management Tools*.

7 See for example, Glete, *Nätverk i näringslivet*; Arlebäck, *Från ägarmakt under ansvar till företagsledarmakt u p a*; Sjögren, *Den uthålliga kapitalismen*.

8 See for example Monteiro and Adler, "Bureaucracy for the 21st Century" on the decline of the use of the term "bureaucracy" in academic papers from the 1960s and onwards.

9 Monteiro and Adler; Duménil and Lévy, *Managerial Capitalism*.

Purpose and research questions

The thesis researches the development of corporate bureaucracy by exploring and examining how Swedish firms changed by re-organising and developing new administrative and organisational control instruments. The examination has multiple perspectives., namely how administrative and managerial work changed during period, how new management knowledge was formulated and brought to firms and how firms transformed and adapted their organisation and administrative structures.

Historically, Sweden experienced a relatively low exposure to managerial ideas. European business life experienced an influx of American consultancy firms after the Second World War, but they were late to establish themselves in Sweden.[10] The cooperative labour policies of the Swedish model were also a reason for employees not having the same use for managerial ideas as other countries, as well as why Sweden had a comparably lower share of administrative work.[11] This thesis examines how these aspects of corporate bureaucracy developed in Sweden between 1970 and 2000, which serves as a follow up to previous research on the matter.

The Swedish economy also went through a successful but rocky transition from an industrial economy to a knowledge intensive economy. The research brings insight into a historical understanding of how Swedish business changed, at a firm and management tool level, during this period. The detailed examination on firm level manifests a more general change in corporate bureaucracy, in how bureaucracy was perceived and new roles for corporate management.

The research also connects to discussions of shifts within or from managerial capitalism to a more market-oriented business as well

[10] McKenna, *The world's newest profession*; Djelic, *Exporting the American model*. on how American management knowledge was developed in an American business setting and transferred around the world through the expansion of American corporation and consultancy firms

[11] See Gordon, *Fat and mean*. as well as chapter 4 and 5 for more on Sweden's relatively low share of managerial workers and low exposure to American consultancy firms.

as organisational transitions that were carried out, from bureaucratic to post-bureaucratic organisations.[12] This transition stands in contrast to the first half of the 20th century, which was marked by an increase in managerial and administrative work. The thesis will study how the share of managerial and administrative work developed during the period of transitions to new organisational forms and a new business ideal. Other factors that played an important role in this transformation were the increased exposure to managerial ideas and the expansion of management knowledge. Management knowledge was spread by many different types of carriers, such as business schools, the media and consultancy firms. This thesis has a specific focus on consultancy firms, which had an increasing role in Swedish business during the period and also gained a new status in managerial work in contrast to for example, middle managers.

The larger question of how corporate bureaucracy developed in Sweden between 1970 and 2000 is therefore broken down into the following sets of research questions. The period is 1970 to 2000 for all the questions. Corporate bureaucracy is a theme which cover organisations, professional work and knowledge, and the answers to the research questions will bring insight into how corporate bureaucracy was perceived and manifested in relation to the changes in Swedish business life during the period. The research questions aim to explore the different aspects of corporate bureaucracy, and also come with different challenges.

- RQ 1: How did the share of managerial and administrative work change in Sweden?

Regarding the first question concerning the share of managerial and administrative work, a challenge is that measurements of administrative work differ over time. The answer to this question

[12] See definitions and discussions on the concepts of market-orientation and post-bureaucracy in Chapters 2 and 3

therefore also entails a discussion of how administrative work has been defined over the period.

- RQ 2: How did management knowledge and tools develop in Swedish firms?

The focus on management knowledge and management tools is particularly important for this period because of the changing economic times as well as the change in managerial ideas and management knowledge. The focus on these themes allows us to distinguish how and why the firms wanted to change their organisational control. What kind of knowledge and tools did they previously have and what new ones were available to them.

- RQ 3: How did the relations between management consultancy firms and their clients manifest in Swedish firms?

The second and third questions are more integrated with each other. Management consultancy has often been used to bring new management knowledge and tools into firms, but the relationship between client and consultant also shapes how knowledge and tools manifest. Therefore, the answers to these questions will bleed into each other to some degree but they are treated as separate questions. One important reason for this is that management consultancy in Sweden grew and floundered during the period. Management consultancy firms became a more stable part of how firms were managed and administered in Sweden during the period. The consultants did not influence all changes in management knowledge and management tools however and are therefore not part of the second question. The specific effect of the management consultancy firms is answered as part of the third question. The third question also cover how the management consultancy business changed during the period and how this effected the consultancy firm's relationship to its client.

Disposition of the thesis

The presented research questions will be answered through the following disposition. Chapter 2 consists of the points of departure. It includes a literature review which discuss related or adjacent research and how this thesis contributes to that. The chapter also presents an historical background on Swedish economic history of the 20th century and how this relates to business organisation in Sweden. After this, key concepts for the thesis are presented as well as theories on the development of corporate bureaucracy and a presentation of the empirical material used in the thesis.

In Chapter 3, the theoretical framework and methodology used for the research will be presented. The framework consists of a set of theoretical concepts whose construction and relation to each other is explained and discussed. The methodological section explains how empirical material has been collected, categorized, identified and used for analysis.

The empirical part starts in Chapter 4 with an inspection of how administrative occupations in Sweden developed between 1970 and 2000. In order to answer how the measurement and definition of administrative work has changed. the chapter also discusses changes in the categorisation of administrative work and methodological issues with measuring it. In the chapter, I argue for how we need to focus more on changes in composition of administrative work to get a better understanding of the development of corporate bureaucracy. The Swedish consultancy industry and the history of SIAR's operations is presented in Chapter 5. The chapter discusses how SIAR came to emerge and develop over time. What were their theoretical starting points and how did their managerial theories and practice develop over time and in connection with the changes in the consultancy business in Sweden? The chapter presents SIAR's ties to new management ideals, such as making industry more service-minded and focused on adaptation and flexibility. This is especially visible in their academic origins, as they started as a research institute in the mid-1960s, during which time key theoretical principles were very important. These principles continued to matter in SIAR's business operations but were adapted when the firm transformed into a consultancy firm and eventually faced competition from other consultancy firms. The preserved SIAR records allow for a unique insight into how SIAR's managerial perspective was presented by themselves but also was adopted in the business landscape of management consultancy.

In Chapter 6 the examination of the key SIAR cases starts with an account of how SIAR worked with the Swedish international firm Alfa-Laval over a series of projects. Alfa-Laval was an important client for SIAR, as they were already at the time very market-oriented with an international organisation. The collaboration started in 1977 and finished in 1979. The relationship was renewed in 1983 when SIAR once again became in-house consultants for SIAR. In the later part of the 1980s, SIAR worked intensely with Alfa-Laval up until 1987 with how to make the firm more flexible. Part of this work consisted of the reform and control of Alfa-Laval's market companies, which were the subsidiaries responsible for sales of the firm's products.

Chapter 7 examines SIAR's work with telecommunications firm LM Ericsson during the 1980s and first half the 1990s. SIAR was brought in to help execute a large organisational change in Ericsson's business structure. Ericsson had decided to implement an organisational form with Business Areas. These were to operate more autonomously, in order to stimulate technological innovation within multiple technology fields. The corporation especially wanted to develop their information and communication technology in the business area, Ericsson Information Systems. The reform brought big change to the corporate management of Ericsson as well as the disappearance of certain managerial responsibilities, and emergence of others. At the end of the chapter, we return to Ericsson in the mid-1990s, when the firm once again decided to change their organisational form and become more flexible and less managerial.

In Chapter 8 we discuss the changes that occurred in the 1990s and a specific workshop which SIAR held with the managers of the central corporate staff at Ericsson. The workshop included discussions on the state of corporate bureaucracy at the firm. The transcripts of the workshop show the desire to decrease the bureaucracy, whilst simultaneously finding new areas for it to expand. The previously used sources are supplemented with other material from Ericsson which was collected by SIAR for the workshop. The development discussed there was representative of larger changes in the business landscape and the historical perspective provides new insights into the ideals of the new economy and the new managerial practices which emerged in the 1990s.

Chapter 9 will conclude and discuss the results and provide summarised answers to the research question

2. Points of departure and historical background

This thesis studies the shift in Swedish economic history when firms re-organised to become more technologically specialised. As an effect of the economic crisis of the 1970s, Swedish firms sought knowledge and advice on how to change their organisations to become less reliant on one specific product or market. Firms also aspired to become more adaptable to changes in the markets for the products they produced. The concept of being market-oriented became important, which meant being knowledgeable and responsive to markets across the firm.[13] The background to this is presented through a description of the point of departure from the general establishment of managerial capitalism and how the shift away from this form of management of firms has been perceived. This constitutes the larger academic debates that this thesis relates to.

The Swedish perspective on this development has been researched previously through the role of ownership as well as how it contrasts with the emergence of managerial capitalism in the American context. Examples and insights from Sweden appear in the general point of departure but are also a specific focus in the section on the historical background to how Swedish firms were organised in the second part of the 20th century. Thereafter a literature review of research, on corporate bureaucracy and more detailed aspects of it, follows. This review also serves to present the academic discussions and research environments that this thesis contributes to.

[13] Kohli and Jaworski, "Market Orientation". Their definition of the concept is not uncritiqued. Other scholars have emphasised that the concept needs to be widened to include a more holistic approach where firms are not just focused on markets through their interaction with customers

Corporate bureaucracy

The thesis begins by discussing how corporate bureaucracy fared when managerial capitalism ceased to be an ideal in business life and new more flexible organisational forms grew in popularity. In the academic debates on organisational development, there is plentiful of literature concerning shifts from bureaucracy to post-bureaucracy. As a concept, bureaucracy is traced back to the definitions of Max Weber. He distinguishes *bureaucracy* as an organisation governed by written rules, operated through a hierarchy of professionals and with a distance between the personal and the official.[14] *Post-bureaucracy* is the attempt to move away from the rigidity of the bureaucracy, generally to a system or organisation that is more flexible and adaptable as well as centred on the team rather than the hierarchy.[15]

Perspectives from these debates are of use in business history, but within the discipline, this shift from bureaucracy to post-bureaucracy is generally perceived as the transition from managerial capitalism to a form of capitalism less defined by managerial control and hierarchal organisations. *Managerial capitalism* is a central concept in business history, researched and theorized by Alfred Chandler. The research focus of his work was the emergence of the large-scale corporation, which originated in the American railroad companies of the late 1800s. These developed, in size and operation, through the vertical integration of previously separate businesses.[16]

In the emergence of managerial capitalism, administration, organisational control, and bureaucracy was central. When the organisation of firms later moved away from the ideal of the large-scale corporation, there was a corresponding distancing from administration, control, and bureaucracy towards innovation, organising in teams and post-bureaucracy. Through the following description of this, we shall examine more closely which role

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[14] Weber, Roth, and Wittich, *Economy and Society*. See chapter 3 for a more detailed review of the concept

[15] Heckscher and Donnellan, "The Post-Bureaucratic Organization".

[16] Chandler, *The Visible Hand* and Chandler, *Strategy and Structure*.

administration and organisational control played throughout history and then review the existing business history, and adjacent, research related to this.

The organisation of Swedish business during the second half of the 20th century

The establishment of managerial capitalism in Sweden can be described as a mosaic of advancement in how family-oriented ownership groups, such as the Wallenberg and Bonnier spheres, have persisted in their influence, whilst big business (by Swedish standards) was central to the Swedish post-war development.[17]

Between 1925 and 1945, there was a predominance of managerial control over Swedish firms. From the perspective of ownership, this meant that firms were not controlled by a single owner, which in turn gave more relative power to the manager who operated the firm. The shift in control also came with a shift in legal responsibility. The Swedish Companies Act was reformed in 1944 and the *verkställande direktör* (CEO) was established as a legal concept. This role was responsible for the day-to-day management of the firm and also took over the legal responsibility to operate the firm in a satisfactory manner.[18] The subsequent behaviour and attitudes of the owners differed. Even though the day-to-day management of the firm was transferred to the salaried managers, it was possible for the owner to remain active and be involved in how the firm was run. Owners could establish personal networks with trustful relationships with individuals or groups which enabled a social control of how a business was run.[19] Some family-owners remained in direct control of large industrial firms, such as the families of Göransson/Magnusson who owned and controlled Sandvik and Kempe/Carlgren who controlled

[17] Petersson, *Den svenska industrins segertåg 1945-1965.*
[18] Arlebäck, *Från ägarmakt under ansvar till företagsledarmakt u p a.*
[19] Sjögren, *Den uthålliga kapitalismen.*

Modo.[20] Several firms that were controlled by salaried managers between 1925 and 1945, such as LM Ericsson and ASEA, would eventually become part of the Wallenberg sphere. This sphere was the firms that were controlled by the Wallenberg family through the bank Skandinaviska Enskilda Banken (SEB) or the investment firm Investor AB.[21]

Key elements of managerial capitalism such as bureaucratic structures, managerial layers and increased administrative work featured in Swedish business life. There were also examples of firms driven by directors and top management. Through studying the role of ownership in how Swedish business developed, Jan Glete has argued that there was a managerial dominance in Sweden during the interwar period which was an important factor in the development of Swedish business. It stimulated Swedish industry in its development from a phase of conversion into an industrial society, to more advanced stages of industrial production. Managers led Swedish business to investments and continuous progress in industrial development, with their high competence in technical areas. Structures and management tools associated with managerial capitalism and corporate bureaucracy were also decisive for having the capability to strategically manage larger firms, even when controlled by a specific strong owner.[22]

The Wallenberg sphere, which has been more influential than Bonniers when it comes to the Swedish industrial sector, had distinct differences in the autonomy of the CEOs, depending on which of the family members controlled the company in question. Differences in personalities could matter, such as when brothers Marcus and Jacob Wallenberg ran the firms over the majority of the 1990s, and the firms that Jacob Wallenberg controlled had more independence and autonomy than those that Marcus chaired. This also means differences between generations, for example from the 1980s and onwards, where

[20] Glete, *Nätverk i näringslivet.*
[21] Glete.
[22] Glete.

Peter Wallenberg allowed for a more federalist organisational structure with more independent individual firms.[23]

The emergence of the Wallenberg group was a dominant factor in how the Swedish ownership structure shifted from being dominated by managerial control, between 1925 and 1945, to one marked by entrepreneurial ownership from the 1960s and onwards. This development has been used to challenge whether the managerial revolution that Chandler saw in the American business structure actually occurred in Sweden. Family-owned firms continued to be of importance in Swedish businesses and it was even possible to see an increase in family-based ownership from the late 1960s and onwards.[24]

At the same time, the Swedish firms within family groups such as the Wallenbergs and Bonniers have had a lot of non-family members serving as CEOs, managers, and specialists in the firm they own and control. Even though these firms cannot be seen as pure examples of managerial capitalism, they are still reliant on organisational capacity and corporate bureaucracy to operate coherent organisations, especially in an international setting. Business historian Tom Petersson says that the importance of the members of the Wallenberg family contrasted the Wallenberg sphere with the sphere of firms around Handelsbanken. That sphere was characterised by a complex system of cross-ownership that gave officers and managers of the firms and the bank more power. Another characteristic feature of the Wallenberg sphere was acquisitions and strategic mergers of firms into new corporations. For example, the Wallenberg family were active owners of Atlas Copco and exercised much influence over the firm's strategic direction. [25]

In cases where the Wallenberg sphere expanded and came to control firms previously under managerial control, the aim was to take control over the existing hierarchy. The managers who had proved themselves as industrial leaders who could master new organisational

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[23] Larsson, *Krig, kriser och tillväxt 1914-1945.*
[24] Glete, *Nätverk i näringslivet.*
[25] Petersson, *Den svenska industrins segertåg 1945-1965.*

forms and technological inventions. The managers continued to play a very important role in Swedish business life. Even though many of the CEOs of the Wallenberg controlled firm came from within the company, there were movements among managerial positions between the firms in the Wallenberg sphere. From the 1970s and onwards it also became common for top managers from Wallenberg-controlled firms to serve as board members on Swedish firms outside of the sphere.[26]

More explicit examples of managerially controlled Swedish firms, that had not either implemented all features characteristic of managerial capitalism included the electrical firm ASEA. It is an example of a more Chandlerian big business, as well as a firm that developed and grew in tight interconnection with the Swedish state. *Affärsdrivande verk* (State-owned enterprises that operated as government agencies) placed continuous orders for plants, machinery and equipment used in the electrification of Sweden). There were discussions of whether ASEA would be acquired by the state in the years after the second world war, but instead the firm integrated with the state-owned power company Vattenfall through appointments of previous employees from Vattenfall in management positions at ASEA as well as increased collaboration.[27] ASEA developed into a diversified firm during the 1960s and 1970s, through strategic acquisitions. The firm pursued a strategy to invest heavily in research and development, as well as increasing its production capacity and international sales. In their corporative structure of acquired firms and manufacturing, they used a sectoral rather than divisional organisation. In this organisational form, design offices and factories for different products were grouped together, whilst sales responsibility was placed at domestic sales offices and international sales companies.[28] The size of ASEA's organisation and the scale and advanced level of their production meant that they needed an organisational structure to

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[26] Glete, *Nätverk i näringslivet*.
[27] Tell, "From ASEA to ABB: Managing Big Business the Swedish Way".
[28] Petersson, *Den svenska industrins segertåg 1945-1965*.

assign managerial responsibilities to different parts of the firm. The structure was not one of divisions, which are usually associated with big business in a Chandlerian sense.

A similar relationship to Vattenfall and ASEA existed between Televerket (the Swedish telecommunications authority) and LM Ericsson. A significant number of Ericsson's commercially successful products were created in response to the company's ongoing business relationships and connections with Televerket. However, there were occasions when Ericsson and Televerket were rivals to one another. One such instance occurred in the 1930s, when Televerket began its own production of various component types. Throughout the decade, Ericsson was subjected to a great deal of pressure as a result of this, in addition to a vigorous pursuit of telephony concessions globally. In this business, Ericsson sold and distributed telecommunications equipment to various national telecommunication authorities. Marketing and distribution, which primarily referred to the method of carrying out the sales of the equipment, and technology were distinct in accordance with the conditions of each of the national markets. However, the production of goods and services was consolidated, and it was controlled by a powerful executive board who made the strategic decisions and coordinated the firms' activities.[29]

Alfa-Laval had a more decentralized structure than Ericsson, but it had a similar dependence on a key business. This was the dairy industry products of which the first was the milk separator, which had been invented by founders De Laval and Lamm in 1878. Over time these products were supplemented with other industrial equipment related to the initial product, such as machinery used for mechanical milking or food processing of different kinds. Alfa-Laval executed a divisionalisation of their organisation to allow for better management of their different products and in this organisation the firm also tried to concentrate responsibility for sales, manufacturing and development to groups of products within the firm.[30] Through the

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[29] Åsgård and Ellgren, *Ericsson*.
[30] Alfa-Laval Annual Report 1967

product focus of their organisation, they were viewed as more market-oriented than firms such as ASEA and Ericsson. Many Swedish firms divisionalised during the 1960s with different kinds of motives such as internationalisation and rationalisation. In several cases, this type of reform was an attempt to resolve problems that the firms faced during the economic crisis of the 1970s. Perstorp AB was an example of a firm that underwent a divisionalisation during the early 1970s to find new international markets for its products, while the rubber producing company of Trelleborg AB used divisionalisation to rationalise because they needed to re-orient their business when sales on tyres became less profitable.[31]

Establishing themselves on international markets had been of importance for Swedish firms since the late 19th and early 20th century. The stability of the international trade system in the years after the second world war was therefore important for the success of Swedish firms. The Swedish economy had experienced troubling years of economic recession after the first world war and were in many ways prepared for a similar development in the late 1940s and early 1950s. Instead, Swedish firms experienced a high international demand for goods, especially within manufacturing such as steel production, the forestry industry and mining. The Swedish system for taxation favoured the reinvestment of profits into the production which stimulated further expansion of production capacity and productivity. Access to external capital through financial markets was very limited which meant that firms relied on their profits for capital for investments.[32] During the 1960s and early 70s, processed products from manufacturing industries increased in importance and the firms, now dependent on international markets, became more specialised and continued to develop as multinational companies.

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[31] Edgren, Rhenman, and Skärvad, *Divisionalisering och därefter.*

[32] Petersson, *Den svenska industrins segertåg 1945-1965.*

The challenges of profitability from the economic crisis of the 1970s

The golden age of the post-war years came to a halt in the early 1970s. Up until that point, Swedish firms had achieved success both nationally and internationally and made big investments into more advanced production and new technology. For Ericsson, the economic crisis led to layoffs and rationalisation, but they simultaneously achieved breakthroughs in the development of digital telecommunications exchanges. A shift from an industrial to a service society, driven by electronics and digital technology, was well underway.[33]

The Swedish economy fared poorly during the economic crisis from an international perspective. Its previous position as one of the stellar industrial countries was lost during this decades, with slower growth and weaker income development than other industrialised countries. Part of the explanation for the impact of the crisis on the Swedish economy is the big role that process manufacturing had in Swedish industry. Heavy industry relied on infrastructure investments and were slow in adapting to market changes. The dominant role of process manufacturing also made Sweden's industrial sector sensitive to cyclical changes. Within Swedish business, firms that produced steel or paper were notably weakened. Some sectors of the Swedish economy were nonetheless better prepared to take advantage of a changing economy. Since the 1960s, Swedish industry has been advanced in the use of electronics. The process manufacturing firms had used this technology to develop industrial control systems and this knowledge within electronics became useful in other business sectors when Sweden's heavy industry firms suffered during the crisis.[34]

The focus of firms after the crisis was to adapt to a changing economic setting. By becoming more specialised and adaptable to the needs of markets, firms could find their way back to becoming sufficiently profitable. This meant finding new markets for products

[33] Schön, *En modern svensk ekonomisk historia.*
[34] Schön.

and/or pioneering new technological developments in electronics or biotechnology for example. Telecommunications and pharmaceutical industries were industries that grew quickly during the second half of the 1980s. Ericsson was the leading telecommunications firm in Sweden and followed the success of their digital telecommunications exchanges with new ventures such as office automation, radar services and mobile telephony. This allowed Ericsson to develop products which could be exported during the second half of the 1980s as well as developing mobile telephony products that became highly successful during the 1990s.[35]

In the telecommunications sector, Ericsson was also challenged by new competitors. Jan Stenbeck started his journey in the late 1970s to become a pioneer in the media industry. His first success came within mobile telephony and his company Comviq challenged the telecommunications monopoly of Televerket in the 1980s.Comviq then achieved big success when Sweden introduced the Global System for Mobile communications (GSM) in the 1990s. Stenbeck also owned and ran several media companies and was symbolic of a new business landscape that used new technology to merge previously separate markets and industries in Sweden. From the perspective of business, the transformation of the Swedish economy from an industrial to a services dominated economy was successful. The knowledge economy aspects of the economy in Sweden are regularly seen as the most innovative and dynamic in terms of economic development and the creation of new companies.[36]

Robert J. Gordon discusses the *new economy* as a belief that spread in the mid-1990s that the economy was undergoing a huge transformation. According to Gordon, this change was perceived to be a break with the productivity slowdown that had been going on since the early 1970s. The belief occurred in parallel with a price decline in computers and a productivity increase in the annual growth of output between 1995 and 1999. This historical definition of the new

[35] Åsgård and Ellgren, *Ericsson.*

[36] Broberg, *Svenskt näringsliv i omvandling.*

economy distinguishes that the concept is connected to the increased use of computers just before the stock market crash– the dot-com bubble – of the late 1990s. The belief that a large transformation was occurring in the economy stimulated changes in business administration and a need for new management knowledge. Not just in the form of the knowledge included in management consultancy, but also that the new technology and products which characterise the knowledge economy are often seen as requiring new organisational perspectives on business. [37] The tempering of central managerial direction with collaborative development and the dissolution of the borders between supervisory and implementing jobs was considered a crucial factor in the knowledge economy.[38] Concepts such as knowledge-intensive firms and the knowledge economy tend to be vague and hard to define. One aspect is the increasing importance of knowledge and how to organise business to stimulate innovation and take advantage of the knowledge existing within the business organisation.[39]

Another aspect was the perceived increase in the services sector and the increasing complexity in distinguishing the boundary between the production of goods and of services. The private services sector grew immensely from the mid-1980s through the expansion of branding and advertising, but also through sales of technical expertise within information and communication technology (ICT) and organisational and business knowledge from management consultancy firms.[40] All these sectors shifted from being supportive functions of business in the industrial society to operating as more independent business sectors.

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[37] Gordon, "Does the "New Economy" Measure up to the Great Inventions of the Past?"

[38] Unger, *The Knowledge Economy*.

[39] See for example Nonaka och Takeuchi, *The knowledge-creating company*. They argue for the importance in galvanising tacit knowledge creation within firms to improve their innovation dynamics and become knowledge-creating firms.

[40] Broberg, *Svenskt näringsliv i omvandling*. More on management consultancy as a knowledge intensive business service in the section on later stage managerial capitalism.

Scholarly context of the history of managerial capitalism and corporate bureaucracy

This literature review present research on the effects and development of corporate bureaucracy and managerial capitalism in the 20th century. This thesis brings these perspectives to the business history setting of Sweden, and the specific conditions which I accounted for sections above. In regard to the shift away from hierarchal organisations, it has often been emphasised how corporate bureaucracy, managerial layers and organisational control became less important but mainly as a shift of ideals. The empirical focus has been on how new themes such as innovation and market-orientation became of newfound importance, but now how the firms' administration and organisational control changed when new ideas and ideals of more flexible and adaptable organisations were implemented. This has however been the focus of much research within sociology, organisation studies and business administration. In the following review, the important literature from these disciplines are presented together with economic and business history literature on the emergence of managerial capitalism and the changing conditions of administrative work.

The thesis takes its starting point in the 1970s, during the shift in ideals of what characterised a successful business. The large corporations had emerged as dominant during the 20th century but in the 1970s, the scale-advantages started to be questioned. Alfred Chandler is the dominant figure of describing the business history of large corporations and the advantages of scale and scope. His writings therefore serve as a starting point of relevant research literature for this thesis. Chandler has theorised the how organisational structure and capabilities comes from the requirement to implement strategy. Organisational capability enabled a cluster of top management decisions to constitute a strategy for the business. Strategy also became of greater importance in business management in how it defined how the firm were achieving success in the marketplace. Chandler sees the administration as vital for controlling the corporation in the execution of the strategy.[41]

Chandler has also done historical research on showing how organisational capabilities and administrative structures evolved in American corporations. His work "The Visible Hand" is a comprehensive analysis on the development of large-scale corporations in the United States. The work presents several key findings on the organisational and administrative development of corporations. It relies on case studies of a number of American firms such as DuPont, General Motors, Sears, and United States Steel Company.[42]

Together with Herman Daems, Chandler looked more closely at how administrative and accounting techniques have been used to internally monitor and manage divisionalised firms. They refer to *administrative coordination*, which means the techniques that the firms developed to supervise different departments and allocate resources in accordance with their performance.[43]

Chandler's conceptualisation of these phenomena has been very influential. The development of firms integrating more functions into the business organisation and adding layers of supervision and control in the management of production have been conceptualised in other ways in adjacent academic disciplines to business history. In transaction cost economics, Ronald Coase argued that the growth of firms can be perceived as an expansion of the boundaries of the firm to organise economic activities within a firm rather than through the market and that this relates to the respective transaction costs in the market and within the organisation.[44] From the viewpoint of labour history, the expansion of layers of management occurred in parallel with the development of the character of work in Taylorist and Fordist organisation of production. Harry Braverman states that this meant a

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[41] Chandler, *Strategy and Structure*.

[42] Chandler, *The Visible Hand*.

[43] Chandler and Daems, "Administrative Coordination, Allocation and Monitoring". See more on this administrative coordination as a theoretical concept in chapter 3

[44] Coase, "The Nature of the Firm".

demise of craft work and an intensification of the dominance of workers by company owners mediated by an emerging class of managers.[45] A similar view of data processing technology is held by James Beniger, who has argued that technological revolutions in how to control mass production, distribution and consumption were the origins of the information society. Beniger emphasises the historical connection between hierarchical organisations, bureaucracy and data processing, especially in the late 19th and early 20th century.[46] Gregory Clark employs a similar perspective. He perceives the evolution of labour and the managerial revolution as a process to handle the mistrust between different social groups in the capitalist economy. Resolving the mistrust in this conflict led to business owners capturing control of the production process through hiring wage labourers rather than contracting craft skills within specific trades. This came to shape the development of new techniques in a manner which made the economic conditions more hostile towards cooperatives of workers.[47]

The importance of office technology for the productivity of the services sector is the focus of Broadberry and Ghosal, who have written on the importance of productivity increases in America overtaking Britain's previous dominant role in the world economy. They argue that productivity increased in the American services sector because of the use of office machinery. The productivity increase was of decisive importance for the comparative productivity performance at the whole economy level between the U.S.A. and the UK. In 1870, the U.S.A. was already leading within industry productivity whilst UK had higher levels in productivity in the aggregate economy. The services sector of the U.S.A was however underdeveloped at the time. When the U.S.A became leading in productivity within services, they also took the lead in productivity for the aggregate economy. The authors also emphasize how services rely on advanced transport and

45 Braverman, *Labour and monopoly capital.*
46 Beniger, *The Control Revolution.*
47 Clark, "Authority and Efficiency".

communications sectors with systems for railways, telegraph, and telephony.[48]

The use of new office machinery has also been studied from the perspective of how it affected labour, and specifically, administrative work. Mats Greiff observes a shift in the role of the office as a workplace in Sweden from the early 19th century, when the business office was a secluded part of the inner sphere of business ownership. Throughout the first half of the 20th century, office work becomes less autonomous and more conditioned by standards and routines. More working-class staff, and at least in Sweden, more women as well, were employed in office work where assistance in managing contracts and bookkeeping had previously been work carried out the middle class.[49]

We have previously discussed the research positions and contributions of Jan Glete and Hans Sjögren. Both of them have researched whether Swedish firms were predominantly controlled by owners or managers. Both argue that managerial capitalism did not become established in Sweden, at least not in the form of firms being more and more controlled by salaried managers. In Glete's book *Nätverk i näringslivet* (Network in business) he examines the structures and role of ownership in Sweden between 1920 and 1990. Glete finds that it was only in the period between 1925 and 1945 that a majority of the largest Swedish firms where manager controlled. From the 1960s and onwards, a rise in entrepreneurial ownership is notable.[50] In his study of the corporate management of the Swedish firms of Astra, Stora Kopparberg and Svenska Tändstickfabriken, Sjögren finds that both owners and the managerial board were involved in producing strategy. Having the right ownership was crucial for whether firms had the conditions to succeed with their strategy. Sjögren's study is similar to this thesis in how he examines a managerial theme through comparing different Swedish firms, as well as how he argues for a

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48 Broadberry and Ghosal, "From the Counting House to the Modern Office".
49 Greiff, *Kontoristen.*
50 Glete, *Nätverk i näringslivet.*

difference between whether a firm is managerially controlled and whether management tools developed through managerial capitalism are used in the firm.[51]

Chandler, Glete and Sjögren researched managerial capitalism as a theoretical concept. There are also examples of research in which managerial capitalism is researched more as an historical phenomenon that develops and changes over time. Examples of this research include business scholar Lars Engwall, who re-examined the concept of managerial capitalism by discussing how the management of firms has interacted with other fields of management such as business schools and consulting firms. In this analysis, Engwall focuses on the problems that management need to handle. Engwall emphasises how evaluation of the internal operations of the firm led to the development of management accounting, and how financial and production flows led to managerial assignments within corporate governance, supply chain management and total quality management among other examples. These phenomena are linked to managerial capitalism because of the globalisation of financial markets having increased pressure on managers to follow standard procedures. Engwall emphasises how managerial capitalism near the end of the 20th century was notably different to when the concept emerged.[52]

An example of research on how managerial capitalism changed is literature and discussions on changes in administrative and managerial work. The fourth chapter of this thesis focuses on the percentage of work that is administrative as well as the occupational makeup of administrative employment. David M. Gordon's research compared the proportion of work done in administrative and management capacities among nations. The bloated corporate managerial sector in the American economy serves as the focal point of the study's investigation.[53] At the same time, the roles of managers and management consultants changed within the managerial sector. In *The*

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51 Sjögren, *Den uthålliga kapitalismen*.
52 Engwall, "Managerial Capitalism Revisited".
53 Gordon, *Fat and mean*.

Truth about Middle Managers, Paul Osterman studies the career paths of managers. He finds that the search for new organisational forms through reorganisations made the previously stable upward mobility for middle managers more unpredictable. Osterman also notes increased layoffs in middle management and the effects on their work due to longer working hours and more stressful environments. Fewer layers and the introduction of information technology removed the role of middle managers as the transmitters of information in the organisation. In addition, it resulted in middle managers being more closely monitored and controlled, but with a broader set of tasks than previously.[54]

Parallel with this development, several researchers have studied how management consultancy has grown in importance. In research from Chris McKenna, we learn about how management consultancy originated from accounting practices and services. He describes the history of the profession and the pioneering American firms in this industry.[55] Management consultancy as an industry has also been researched and discussed as part of the knowledge economy [56] Matthias Kipping has done extensive research on the American consultancy firms' activities in Europe [57], as well as how they initially got assignments in the public sector.[58] Both of these themes exemplify the growing importance of management consultancy in the late 20th century. As a phenomenon, management consultancy has come to serve as a way to research the knowledge economy or changes in politics and public administration. An example of the prior is Metzger's work on management consultancy in Stockholm as a pioneering activity of the knowledge economy, in which he examines the early consultancy firms in Sweden.[59] Mazzucato and Collington write on the

54 Osterman, *The truth about middle managers*.
55 McKenna, *The world's newest profession*.
56 Kipping and Engwall 2002, Broberg 2024 among others
57 Kipping, "American Management Consulting Companies in Western Europe, 1920 to 1990".
58 Kipping, "America First".
59 Metzger, *Kunskapsekonomins pionjärer*. See chapter 5 for more on this

latter in their book on the consulting industry as a structural problem for the economy at large.[60] These investigations contribute indirectly to explaining how management consultancy has affected managerial work and activity, but their direct focus is on the consultancy industry as part of another societal and economic change.

The changes in the management and governing of firms in the face of the increased importance of both finance and innovation has been researched from several different angles. Sociologist Neil Fligstein described how companies reacted to an actual or feared decline in profitability by adopting new strategies in which new information technologies were fundamental tools. With financial tools to valuate organisational units in business as well as products, a financial conception of control became dominant. Decision-making could be decentralised whilst financial performance could still be supervised, which allowed for managers and corporations to venture into business areas where they had less marketing and production experience.[61] In business history research by Lazonick among others, it is argued that the requirements of adaptability and innovativeness contributed to a demise in the bureaucratic business organisation as the championed. Lazonick argues that organisational learning in the Chandlerian corporation was built in into the vertically integrated organisation. New specialised firms had an advantage to utilise "open systems", which could be modified through freely available documentation. The organisational capability to construct and assign a strategy therefore lost in importance. The decentralisation of the multidivisional structure Chandler theorised, and the compromised version of the organisational form, was then challenged by new global business competitors such as Japanese firms during the 1980s.[62]

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[60] Mazzucato and Collington, *The Big Con*.
[61] Fligstein, *The Transformation of Corporate Control*.
[62] From a historical perspective, Lazonick interprets the managerial capability of the Japanese firms not as an example of a new type of business model but rather argues that the endorsed managerial techniques of Toyota and other firms was a perfection of the US "Old Economy business model". See Lazonick, "The Chandlerian Corporation and the Theory of Innovative Enterprise".

The adaptability of the small-scale firms of a new economy has often been presented in contrast to this lack of adaptability in old large-scale industrial firms. Here an openness is championed, for example by Lazonick, who contrasts the *old economy business model* of the industrial firm with a *new economy business model* of information and communications technology industries of the 1990s. We previously discussed how the notion of a new economy was a belief which was specific for a certain part of the 1990s. Even though small technologically advanced firms are no longer defined as symbols of a new economy, they are still associated with more flexibility and an openness, for example, in the work of Catherine J. Turco on how fast-growing firms with an ideological will to organise in a non-hierarchal manner try to construct a more open approach to the reporting structure and working environment.[63] The growing importance of smaller firms has been interpreted as challenging the norms of hierarchal firms with a high degree of corporate bureaucracy. In parallel to highlighting the increased importance of smaller firms, whether networks of smaller firms actually can dominate the global economy has also been questioned.[64]

A persistence of managerial capitalism is argued by economists Gérard Duménil and Dominique Lévy, who see managers as the biggest winners in a new social order within capitalism which emerged after 1970.[65] The *high managers,* the top stratum of managers, were those whose incomes increased the most from 1970 onwards. This is interpreted by Duménil and Lévy as a new social order, which was dominant up until the financial crisis of 2008, after which it has instead been politically preserved. In summary, their analysis sees a continuation of managerial capitalism even through new business demands flexibility and autocracy in light of information technology.

63 Turco, *The Conversational Firm.*

64 See Harrison, *Lean and mean*; as well as Srnicek, *Platform Capitalism.*

65 The notion of the new social order is in several ways inspired by Charles Wright Mills who wrote sociological studies on both the new middle class of office workers as well as the increased concentration of authority and wealth in the United States economy. See Mills, *White Collar*; Mills and Wolfe, *The Power Elite.*

Their depiction of this relies heavily on the role of the top managers, the financial experts, and the CEOs and shifts the focus away from how the larger body of managerial and administrative work was affected by this new social order.[66]

Finally, an extensive and dynamic literature exists on the implementation of new public management in the public sector. In this new paradigm of steering and controlling public administration, it is repeatedly noted that the inspiration came from the neo-liberal ideological position that the market was superior to state inference in the governing of society and public organisations.[67]

Outside of the field of corporate bureaucracy and managerial capitalism, reflections have been made on the persistence of the larger phenomenon of bureaucracy. Organisational scholar Stewart Clegg has reflected on how network organisations, among them firms, were seen in the late 1990s as bringing about an *end to bureaucracy*. Looking back at these debates, Clegg observes that large organisations have become more differentiated in how they are managed, but that this has led to a complex set of post-bureaucratic[68] possibilities rather than a straightforward decline of bureaucracy as a phenomenon.[69] A similar position is taken by Montero and Adler, who reviewed the use of bureaucracy as a concept and described the different ways the term has been defined and used. Beyond mapping the differences in views on bureaucratic organisations, they also note that large-scale organisations with bureaucratic structures have remained, despite the ongoing interest in smaller organisations with less hierarchy.[70]

To conclude this literature review of managerial capitalism and corporate bureaucracy, it is worth pointing out that we cannot distinguish many clear positions on what a desired level of corporate

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[66] Duménil and Lévy, *Managerial Capitalism*.

[67] See Marklund, ”Krångla lagom! Välfärdsstatskritiken och byråkratiseringsdebatten”; Castellani, *The Rise of Managerial Bureaucracy*; Ivarsson Westerberg, ”New Public Management och den offentliga sektorn” and Styhre, *Management and neoliberalism*.

[68] More on that concept in chapter 3

[69] Clegg, ”The End of Bureaucracy?”

[70] Monteiro and Adler, ”Bureaucracy for the 21st Century”.

bureaucracy would be. Rather, the research has focused on in which historical situations bureaucratic structures have been needed by firms to expand organisationally and in which historical situations the structures have been needed to be modified or made more flexible. We shall deepen that discussion in the following chapter on important concepts and theoretical perspectives.

3. Concepts, theory and methodology

This thesis uses theoretical concepts as a framework for the analysis of the development of corporate bureaucracy. The concepts are defined and discussed in its chapters. How management tools are applied is also a theme of theoretical concern for my research. Therefore, there is a specific section on Eve Chiapello's conceptualisation of management tools and scheme for describing and categorising them.

Corporate bureaucracy is the most central concept and understood as the combination of administrative and organisational control in a business organisation. Traits of corporate bureaucracy existed prior to the emergence of managerial capitalism, such as accounting techniques used for organisational control. The development of managerial capitalism nonetheless meant that corporate bureaucracy came into being, with the increase in managerial layers and institutionalised management tools for how to administer large-scale organisations.[71] The concepts presented below are more sub-concepts to corporate bureaucracy and are presented by how they relate to the categories of bureaucracy, new variations of bureaucracy, and the persistence of bureaucratic control. Some of the concepts have already been used in the first two chapters. Then follows a short section on how the concepts are to be used more analytically as well as how they relate to each other.

The chapter then moves on to the material and methodology and declares which material has been used and also by which methods the material has been identified, selected and analysed. The methodology is divided into two parts. For the study of the occupational development of administrative work, data from international and national sources were used to construct descriptive statistics. Changes in how these data have been produced and interpretated by statistics

[71] Chandler, *The Visible Hand*.

agencies is also part of the analysis, and how administrative occupations have changed over the period. Discussing how these changes affected the measurement of administrative occupations is also a big part of Chapter four. The second part of the methodology concerns how archival records have been identified and selected for the analysis. The archives of SIAR have been used as a starting point for this work, with registers from the records having been first indexed to find the projects connected to the cases of Alfa-Laval and Ericsson which are examined in this thesis. After this, relevant records were selected from SIAR's records. Access to the company records of Alfa-Laval and Ericsson was sought to find relevant records but unfortunately, the records from that period have not yet been properly prepared for archiving and were therefore not available for this research.

Concepts in connection to bureaucracy

The thesis relies on central and significant theoretical concepts, especially in relation to how bureaucracy and administration are defined and perceived. Different findings and positions on how business organisations developed to address the need for changing organisational structures have also been organised into a theoretical framework which was used to distinguish between the different administrative techniques that emerged in the cases.

A pair of decisive concepts are bureaucracy and post-bureaucracy. Bureaucracy is both a scholarly concept drawing on de Gournay's notion of governing from a desk, as well as a conceptualisation of what characterised an organisation that was governed through bureaucracy according to Max Weber. These characteristics centred around written-down laws and regulations that govern the organisation, a hierarchy and designated channels that constructed a system of superiors and subordinates as well professional officers trained to work in the organisation where there is a distance between their private persona and the office they represent.[72]

The question of the post-bureaucratic or post-bureaucracy emerged when organisations wanted to shift from a bureaucratic organisation to something less rigid. The notion is therefore tied to a critique of bureaucracy. Attempts to define this concept of post-bureaucracy are often challenged by discussions of whether a departure from bureaucracy actually has eventuated.[73] Charles Hecksher has made an attempt to define post-bureaucracy. Hecksher stresses that post-bureaucracy, similar to bureaucracy, is not an actual type of organisation but an ideal type. Due to the concept being defined in relation to bureaucracy, it tends to be negatively defined by not including features of bureaucracy which are seen as problems. This leads to many examples of deceptive variants, such as bureaucracies that are cleaned up of inadequate rules, or closed communities ruled by a unified culture rather than written-down rules. What Heckscher defines as positively characteristic of a post-bureaucracy is the shift to the organisation being legitimised on a consensual basis, which also shifts accountability away from permanent offices to cooperative teams or groups.[74]

In relation to managerial capitalism and concepts used in business history to debate transitions from hierarchal organisations, *the bureaucratic business organisation* or the Chandlerian corporation are used to describe how bureaucracy manifested in a business setting. Weber's characteristics of a bureaucratic organisation can be almost directly related to a business organisation. Both historically and theoretically, this has been demonstrated by Chandler in his work on the emergence of the large-scale firm, the corporation. This organisational form came into being through vertically integrating functions in one firm. These functions often previously existed in different firms. This

[72] Weber, Roth, and Wittich, *Economy and Society*.
[73] See McSweeney, "Are We Living in a Post-bureaucratic Epoch?" and Höpfl, "Post-bureaucracy and Weber's "Modern" Bureaucrat". for examples of this type of discussion
[74] Heckscher and Donnellan, "The Post-Bureaucratic Organization".

organisational form is characterised by a centrally controlled organisation through written orders and several corporate entities with specific responsibilities. Organisationally, the responsibility results in a multidivisional organisational form, with multiple divisions for production, products, or products lines. The organisational control of this organisational form requires levels of management and managers as well as accounting procedures and reports that are used to assess the performance of managers and divisions.[75] The top management has a responsibility to develop business strategies with different levels of middle managers being responsible for executing the strategies in question through the management of administrative and productive staff in the corporation.[76] Features of decentralisation exist in this organisational form as well, such as when operational responsibility is delegated to middle managers in order to allow the top level managerial board to operate more strategically.

Intertwined with the bureaucratic business organisation is the system used for administration in the organisation and to make sure that orders are executed. As was mentioned in the last chapter, this is conceptualised by Chandler and Daems as administrative coordination, which describe coordination, allocation and monitoring as fundamental economic functions. The hierarchal firm took on these functions as a substitution for the market and price system, marking the shift from governing through an invisible to a visible hand. Administrative monitoring exists in an almost direct relationship to administrative coordination. It consists of reports, audits and accounting, which allows higher-level management to monitor that their coordination is carried out according to their orders. It also provides the information used to evaluate strategies and managerial decisions. Through this, these administrative activities can be seen as practices closely related to the bureaucratic organisation. They are meant to improve transactional efficiency, increase the speed of flows

[75] There is also a technological element to the possibility to establish and maintain that type of organisation. See Beniger, *The Control Revolution*; and Braverman, *Labour and monopoly capital*. which were discussed in the previous chapter
[76] Chandler, *The Visible Hand*.

in the system and/or permit a more intensive use of the factors of production.[77]

The practices of coordinating, allocating and monitoring are not always easy to distinguish. Their features and usage can overlap. For example, budgeting is used to both coordinate the actions of departments and allocate resources. In Chandler and Daems' historical analysis of the emergence of administrative coordination, the functions of the three are described as functioning in the following manner. Administrative coordination concerns integrating different divisions within the company such as different lines of products, or different functions such as production and distribution. To coordinate these, certain practices and measurements need to be standardised. Chandler and Daems discuss coordination in relation to the Taylorist methods of assembling order forms and production systems to integrate and control the processes of production and use of inputs.

Concepts on new variations of bureaucracy and the persistence of bureaucratic control

Several more developed concepts of how post-bureaucratic or flexible organisations can be managed exist. As previously mentioned, this concerns ambitions to construct a form of transparency in a firm by using less strict orders and coordination and more tools to work in groups and establish consensus. One way to do this is to organise the firm in more of a network configuration, something which has been theorised by professor of management Emmanuel Josserand.[78] He

[77] Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".
[78] Josserand has done further work on shifts from bureaucratic to post-bureaucratic organisations. As mentioned in the section on previous research, Josserand has written on the obstacles and sticky roles which can hinder a shift to a new organisational form. In Josserand, Teo, och Clegg, "From Bureaucratic to Post-bureaucratic". it is emphasised that the network logic in the new organisational forms are to contribute to organisational cohesion. The authors state the post-bureaucratic organisations are not free from Weberian bureaucracy or authority but are hybrids between old and new rationale

argues that a strong administration is needed in setting up and supporting the type of organisation known as *the network firm*. The network firm is designed to relieve specific parts of the organisation of the slowness and stale decision-making associated with hierarchal organisations. Network organisations are characterised by how *peripheral organisational units* within the organisation are designed to able to act autonomously in operating the business, thereby breaking free from the hierarchal type of organisation. The peripheral units mentioned are often far away from the central management since they work within very specialised fields, for example, the research and development of new products or production methods. The units may also be in direct contact with the customers. This direct contact allows for these types of units to observe and identify customer wants and needs. The network organisational form aims to let the innovative and customer-focused unit operate freely and have as much responsibility for their operations as possible.[79] Josserand's description of how the network firm operates has similarities to the concept of *market rationalism* which Gideon Kunda and Galit Ailon Sunday use. The concepts describe the ideological view that managerial practices should have the market as its ideal for relationships within the firm. This ideological view promotes the perception that the firm consists of small, inter-related and self—contained units which can be free-standing businesses of their own.[80] In contrast to Josserands network firm, the concept is not aimed to describe actual firm behaviour but the wider ideological belief in the market as a rationale for managing firms. The concept will therefore mainly be used when discussing ideological issues and discussions.

Another way to manage firms without administrative coordination is to use *control by output* in contrast to *control by input*. This principle is linked to a theory of *enabling bureaucracy* developed by management theorists Adler and Borys. They contrast between

[79] Josserand, *The Network Organization*.
[80] Kunda and Ailon-Souday, *Managers, Markets, and Ideologies*.

alienating and enabling types of bureaucracy through a discussion of workflow formalisation. The emphasis on formalisation focuses on how to enable employees to master their tasks or to coerce effort and compliance. Adler and Borys argue that enabling forms of bureaucracy should prevail due to the considerable competitive advantage gained by adapting them, similar to the technology used in the organisation. Therefore, they should be employed in a manner that encourages employees to fix problems and improve the bureaucracy, for example, by allowing employees to modify how the bureaucracy is set up with their superiors' approval.[81] Adler has gone on to write several other articles about the historical development of bureaucracy.[82]
This sets up an organisational and administrative control that focuses on achieving goals and results and beyond that lets employees modify instructions and some features of the organisation without permission from their superiors. It harmonises with the notion of autonomous peripheral units but sets this as a structure for the organisation as a whole rather than specific parts.

A certain concept is of importance in understanding how bureaucratic control can persist in this transition. That is *the right to speak or intervene* in the firm's operation. This is theorised by Robert F. Freeland and Ezra Zuckerman Sivan, who examined the need for structured firms within the knowledge economy of the last 30 years. They find that hierarchy and the bureaucracy related to it came to persist through the need to decide who can speak for the firm, especially in legal matters. This comes from the possibility to create and control a common language and knowledge within the firm. It also manifests in making the firm discernible from its competitors. Finally,

[81] Adler and Borys, "Two Types of Bureaucracy".

[82] Adler has done extensive work within the field of organization science and written several specific articles on bureaucracy. Over time, his work has shifted more towards an intellectual history of the concept of bureaucracy. The difficulties in distinguishing and defining bureaucracy in sociological theory was covered in Adler, "PERSPECTIVE—The Sociological Ambivalence of Bureaucracy" and in Monteiro and Adler, "Bureaucracy for the 21st Century" he addresses the gap between a decrease in academic interest in bureaucracy and the fact that bureaucracy has persisted as an organisational form.

it also allows for the firm to establish a credibility with its employees by using the hierarchy as an assurance of commitments made by the management.[83]

This right to intervene can be seen as very adjacent to the right to speak for a firm. It can also be perceived as the right to reorganise the firm, especially when done beyond the existing regulations and processes, for example, if a reorganisation or restructuring is overriding decided principles concerning flexibility or autonomy.[84]

Concepts on using and transferring management knowledge

How knowledge in a managerial field was produced, transferred and used is key to this thesis. In the discussion of how management came to expand during the 20th century, Kerstin Sahlin-Andersson and Lars Engwall have noted that management is a concept that lacks a specific meaning. Management is not associated with a specific type of activity, but rather connected to where, how and by whom it is carried out. Activities, models and ideas are recognized as management knowledge first when they occur in a management context. Central to this are the carriers of management knowledge, who are perceived to be and perceive themselves as being associated with management.[85] In many ways, Sahlin-Andersson and Engwalls notion of managerial activity ties into Henry Mintzbergs examinations of the nature of managerial work. Mintzberg categorises and distinguishes different roles and key characteristics of managerial work but simultaneously emphasise the managers diverse and fragmented role rather than being systematic and rational.[86]

In this sense, an expansion of management throughout the 20th century is as much an expansion of carriers of management knowledge

[83] Freeland and Zuckerman Sivan, ”The Problems and Promise of Hierarchy”.
[84] Freeland and Zuckerman Sivan.
[85] Sahlin-Andersson and Engwall, *The expansion of management knowledge*.
[86] Mintzberg, *The Nature of Managerial Work*.

and the institutions connected to managerial fields. Sahlin-Andersson and Engwall point to the importance of business schools, media companies and management consultancies in this process. All these types of institutions expanded over the 20th century through an increasing demand for management knowledge by larger corporations and more developed services sectors. There was intense interaction between these institutions,[87] but Sahlin-Andersson and Engwall also emphasise how they interact with a managerial practice. In relation to their definition of management activities being definable through the context of the activity, we will try to identify how managerial activities are formed through the interaction between academic theory, consultancy, managerial practice at firms and the media[88]

Similar to the concept of management knowledge and how it has been carried and transferred by different institutions is the notion of management tools. Eve Chiapello argues that the tool should be understood in relation to technique and technology. Similar to Sahlin-Andersson and Engwall's position, Chiapello notes the difficulty in setting apart management due to how it manifests in different ways. But in this sense, Chiapello sees management techniques as like other intangible techniques. They are understood in a different way from a more classical understanding of techniques, which are seen as a type of activity in relation to nature. These interact with material objects existing outside us, whilst intangible techniques such as management have more uncertain and varied effects, depending in the situation in which they are applied.[89]

Chiapello has developed a schema through which management tools can be described. It uses three perspectives to analyse the function, structure and processual role of the tool.

Functional perspective – For a management tool to exist, it must have some purpose for the management that uses it. From the functional

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[87] Such as business school alumni moving into consulting, or former management consultants being hired by companies and being educational material through empirical studies or even teaching as practitioners

[88] Sahlin-Andersson and Engwall, *The expansion of management knowledge*.

[89] Chiapello and Gilbert, *Management Tools*.

perspective, a tool can be described through how it is intended to be used and the role it is thought to serve for the organisation within which it is meant to be applied.

Structural perspective – Through this perspective it is apparent where the management tool is located: where in the organisation does it apply? Does it concern certain roles in the organisation or certain actions performed in the organisation?

Processual perspective – Finally, there is a processual perspective on a management tool, and this concerns how and in what tradition the tool is applied. Is it part of an accounting, comparing, or modelling operation, etc.[90]

Chiapello's perspectives on management tools provide a structure for distinguishing a tool. The schema describes how it is thought to function, where it is to be applied, and what tradition of techniques it is part of. In the different layers of change in corporate bureaucracy, we will be able to see what roles these tools play, and what effect they have on the structure of corporate bureaucracy in the firms in which they are applied

Using the theoretical concepts

The theoretic concepts accounted for above provide building blocks for a framework to analyse and perceive changes, principles, techniques, and tools within corporate bureaucracy.

The concepts concerning bureaucracy are used to perceive where the firms I examine started out from. I distinguish how bureaucratic and hierarchal they were before they hired consultants, what role bureaucracy had in the initial assignments, and in the following reorganisation projects. From a conceptual point of view, signs of tools for administrative coordination will be understood as traces of a bureaucratic organisational form.

[90] Chiapello and Gilbert.

This links directly to the second and third research questions. In answering the second research question on how management practice developed in relation to administrative control and bureaucracy, techniques connected to Chandler and Daems' concept of administrative coordination will be assumed to be a type of foundation of administrative control for the cases in the beginning of the years the thesis covers. The development of, or expressed desire to develop, more administrative tools comparable to this concept of administrative coordination will be interpreted as a continuation of this traditional type of bureaucracy strongly linked to the 20th century business corporation. Ambitions to create new forms of administrative tools will be interpreted and categorised as new tools for a different kind of bureaucracy, such as the kind Josserand describes as a setup to help more peripheral units to operate more autonomously; or administrative structures with the purpose of decreasing the power of the hierarchal centre; or tools to control by output rather than through hierarchal orders or coordination.

The persistence concepts are used as examples of bureaucratic structures possibly remaining. This may be because of the transitional challenges in the organisational change, or because bureaucratic structures resurface in manifestations of rights to be what Freeland and Zivan refer to as the voice of the firm. These concepts are examples of when corporate bureaucracy remains or persists in an unintentional way. Therefore, they are also of importance to contrast with the examples of when increased formalisation and administrative and organisational control have occurred or persisted in an intentional way.

Research question three, on analysing the role of the management consultancy firm, will be answered by applying this theoretical framework to management knowledge and tools. The framework provides a perspective on how to understand the type of reorganisation and administrative coordination that consultants favoured or argued against. The framework also clarifies how the interaction and dynamic between the management consultancy firm and their clients with regard to when certain solutions were presented, and how standardised and concretised they were.

Chapter 4 presents an overview of changes in the administrative occupational structure, changes which were occurring on a level clearly above the one of ideals of organisational change and new management tools. The framework of the administrative occupational structure will not be applied practically to the data and development presented in that chapter. However, he historical discussion on the demise of the bureaucratic business organisation will be examined in relation to the changes in the occupational structure to see how the larger changes in the administrative workforce relate to that historical narrative.

Accessing and assessing material

This thesis uses three sets of material. Chapter 4 on the administrative occupational structure relies on international occupational data from the International Labour Organization (ILO) and national occupational data from Statistics Sweden (SCB). This material is used to give a general presentation of the occupational development of administrative work over the period. Flaws and complications exist in using this material. In general, the data allow for an examination of the larger occupational development. Deeper and more detailed shifts can be noted in the analysis of the data, but not fully distinguished because of the mentioned flaws and complications. This is discussed more thoroughly in Chapter four.

For general information on the firms (SIAR, Alfa-Laval and Ericsson), secondary sources and annual reports have been used to follow their organisational development and business performance. I have accessed company archives and SIAR's reports have been used to gain information on the specific projects. For Alfa-Laval and Ericsson, I have examined the available records at the Centre for Business History. Unfortunately, the firms have not delivered all their records to the archives which means there surely exist historical records at the firm which could have been of assistance to this thesis.

In the future, when more records have been prepared for preservation and delivered to an archival institution, follow-up studies to this one can be performed. In some cases, SIAR records have functioned as portals to company records. The consultants from SIAR have collected copies of material from the firms which have been used to note the client firm's point of view.

International and national occupational data

Occupational data are used as an indicator of changes in the significance of administrative work but also to track changes within administrative work. The ratio between administrative and production staff has previously been used as a metric to highlight the rise in managerial capitalism and the rise of the office workplace.[91]

I have also examined international data on occupational structure collected and presented by the International Labour Organization (ILO). The ILO relies on national measurements of occupations often obtained by means of a specific census (such as the Swedish Population and housing census). The national data have been recategorized to make them comparable with the international occupational data. The exact figures for the measured occupations in a country may therefore change between international and national statistics agencies. Exact international comparisons between occupational categories are troublesome to perform. Nonetheless, it is possible to examine national occupational structures over time. This is also discussed in more depth in Chapter 4.

The national statistics agencies stress the complexity of comparing measurements of occupations over time. The aim of the occupation statistics is to capture an occupational structure of a country at that specific time. How an occupation changes over time is not taken into consideration, since an accountant did not perform the

[91] Bendix, *Work and Authority in Industry*.

same tasks in the 1920s as in the 1970s, and an increase in the number of accountants between 1920 and 1970 is an increase in the number of people referring to themselves as accountant, not an increase in accountants based on a definition from the 1920s. Changes in definitions complicate historical measurements of specific occupations but in this sense the purpose is to capture nuances in a larger trend in administrative work in which the exact definitions of the occupations are not of specific interest.

Management consultancy records

This part of the research relies on two types of material from the SIAR archive: investigative reports and published material on SIAR's managerial concepts. It is performed through access to the firm's work records which are kept and managed by *Centrum för Näringslivshistoria* (the Centre for Business History). These records show a significant part of SIAR's day-to-day operations. SIAR also kept an archive of their finished reports but unfortunately these records were destroyed when the firm was acquired by Cap Gemini in 1997.[92]

Using SIAR's records as an entry or portal for this reorganisation work entails both possibilities and biases. Management consultancy firms produce unique knowledge regarding the clients they work for. Often, they are tasked with handling problems for their clients that might be delicate in nature. Consultancy firms need to be perceived to be trustworthy to handle information in a sensitive way that safeguards confidentiality. It is therefore uncommon that managerial consultancy firms share their records with archival institutions for research purposes. This unusual access however also comes with a type of bias since it is complicated to assess whether the cases chosen are representative of general trends and developments. The records found could very well be evidence of very particular

[92] Interview with Rolf Carlsson

problems and practices within Swedish business at the time. In this thesis, this has been handled by trying to provide as much context on the circumstances surrounding SIAR, the companies they worked for, and the problems they tried to handle.

The consultants were required and encouraged to document their work, not just to order and structure documents given to and by clients. The consultants also documented personal reflections and ongoing work, which helped them in their work. The collection of these reports was accessible to all other employees of the company. In this way, SIAR constructed an infrastructure of transparency and organisational learning within the firm.[93] The production of these memorandums was seen as a sign of productivity in general at SIAR, and they were produced throughout the organisation, with the most senior consultants often producing the most. To a large extent, the investigative reports were personal reflections and notes. They give a unique insight into day-to-day operations and also provide particular insight into what SIAR's tactical ambitions were and why they supplied certain advice. Nonetheless they often leave out information about when work was aborted or paused or what advice was not accepted by the client and why.

The reports were referred to as UPMs which originally was an abbreviation of *undersökningspromemoriorer* (investigative reports or memos) but as SIAR grew internationally this abbreviation was understood to stand for Useful Personal Memo. I will refer to these records as reports, memos and records of SIAR. These records have a diverse content depending on the consultant who produced them. Often, they contain transcriptions of interviews or meetings and notes on costumers, but also drafts of reports. The records were also a type of personal archive for the consultant, and often include newspaper articles of interest or internal material such as self-assessment reports or material used for SIAR's internal courses.

The language in the reports is occasionally confusing. The consultants produced reports in both English and Swedish and the

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[93] Carlsson, *Strategier för att tjäna pengar*.

UPMs could be written in both languages as well. Some terms and words therefore have a 'Swenglish' character, with English management terms being used in ways that they might not have been used in an American or British consultancy firm. This is noted in the description of the records, often in the footnotes.

SIAR researchers often authored publications derived from research projects. These publications are used to illuminate how SIAR described their own consultancy practice and methodology, especially in Chapter 5. A certain book of special interest to this text is an anthology published in 2000 as an homage to Eric Rhenman, who died in 1993. In this book, several ex-consultants at SIAR write about the development of SIAR's managerial concepts and what came to be the SIAR School of Strategic Management, a common perception or programme of strategic management articulated and taught internally at SIAR.

At the end of the research projects, two interviews were conducted with Rolf Carlsson and Gunnar Winqvist. The former was involved in SIAR's internal work as well as the work that SIAR performed at Ericsson in the 1990s. The latter was head consultant for both the project at Alfa-Laval and at Ericsson. The purpose of the interviews was to assure some facts from the projects and check whether some interpretations of the internal reports had been made correctly

Methodology

Over their period of activity, SIAR had as many as 550+ consultants. Some of them only produced 10–20 documents but the dominant consultants produced 1,500–2,500 records each.

Methods have been needed to find, select, and order records in a way that both shows the process of the project and highlights the themes of interest for the thesis. Here, these methods are referred to as indexing and searching reports, collecting and coding records, and finally analysing the projects through the collected and coded records. When working with digital sources, several risks arise which differ from classical historical work,[94] for example, the issue of favouring digital sources due to the practical nature of using them which has become apparent in this research. Digital sources are easier to access and do not need to be digitised. None of the documents used in this research was born digital; they all stem from a period when information was either produced and recorded in analogue form, or in later cases by personal computers but then printed and preserved in analogue form.

Indexing and searching the investigative reports

The registers that have been used to identify and select records have all been digitised by the Centre for Business History. At SIAR, a register was set up for each consultant and these registers have been digitised, which makes it possible to get an overview. The reports are accessible through a register for each consultant that lists every report with a document ID, date, and document title. From the early 1980s onwards, each register also contains the project ID.

OCR-formatted copies of the registers have been indexed and this index has been used to search for keywords in order to find reports and projects of interest. Efficient keywords have been found through trial and error and ultimately good topical keywords as well as suitable clients could be identified. The following table shows the keywords ultimately used

Table 1. Keywords used to identify projects and reports

Type of keyword	Specific keyword
Topical	- Philosophy - SIAR-philosophy

[94] Nix and Decker, "Using Digital Sources".

	- Administration - Bureaucracy - Divisionalisation - Multicenter - Meta-management - Flexibility - Innovation - Control - Systems - Corporate
Client of interest	- Alfa-Laval - LM Ericsson
Name of consultant [95]	- PC - ER - GW - JAD
Other keyword	- S-01

The keywords used developed through the process. Topical keywords were used to identify relevant consultants and customer cases. Relevant customer cases have then been collected by searching for the name of the consultant and project ID. I have also browsed the registers of individual consultants to find consultants with specific responsibilities for internal education, management theory or certain cases of interest. A certain code in the register (S-01) has also been identified, which was used to file personal notes and reports such as material used for internal education and self-assessment reports.

SIAR worked with many of the biggest Swedish firms. They also had some assignments in the public sector, for example for *Statskontoret* (the Swedish Agency for Public Management) in the early 1970s.[96] Their projects with Alfa-Laval and Ericsson were selected as the cases for this thesis. I identified these projects by searching for

[95]The names of the consultants are only of interest in a few cases, specifically when Eric Rhenman, Gunnar Winqvvist or Rolf Carlsson are involved. Except for serving as founder of SIAR, Eric Rhenman was also involved in both the Alfa-Laval and the Ericsson cases. Gunnar Winqvist was also of importance in the Alfa-Laval and Ericsson cases and have also been interviewed. Rolf Carlsson had a project with Ericsson in the 1990s and have also been interviewed.

[96] See chapter five on SIARs history and more on which firms they worked with

keywords in the title of projects. The size and status of the firms also played into the selection. Alfa-Laval and Ericsson were highly developed and international companies. The reorganisation projects that they underwent during the 1970s and 1980s were also in line with the ongoing changes at the time. The organisations were changed to fit in new technology and become more adaptable to markets. The working relationship between SIAR and Alfa-Laval starts off in 1977 but pauses between 1979 and 1983, to then be reinitiated until 1987. LM Ericsson collaborates with SIAR for a good part of the 1980s, and then for another couple of years in the early to mid- 1990s. Both Alfa-Laval and Ericsson have their own archives with preserved records. The records from this period have not been organised and archived so that they can be used in the research. For Ericsson there are contemporary sources and research that provided insight into the company's perspective.[97]

Analysis of records

After these records were identified and selected for the analysis, they were collected and coded in a relational database with the capacity to draw connections to persons [98] as well as specific managerial concepts and management tools. By dating all the reports and sorting the reports by time, the historical chronology becomes apparent, and the cases worked by the SIAR consultants become more apparent. For this database, time was what J.P. Murmann defines as the fundamental unit of the database.[99] If the records had been sorted and organised on the basis of case or client, this feature would been established by means of which records appeared in the case. In the database, each record has been arranged and coded with the following information:

- Archive series ID

[97] Dahlgren and Witt, *Ledning av fusionsförlopp.*
[98] Persons, such as consultants or key employees at the firms
[99] Murmann, "Constructing Relational Databases to Study Life Histories on Your PC or Mac".

- Organisation
- Document ID
- Document date
- Document title
- Associated persons
- Associated organisations
- Managerial concepts

It became necessary to construct timelines of the different projects at the clients. After sorting all records by date, it was possible to follow how different consultants worked in parallel on different sub-projects. The content of the records also contains traces of work and reports related to the project that it might not have been possible to identify and locate by means of the indexed registers. The projects, which through the registers only appear in a fragmented form, have been reconstructed. The projects still lack key reports. In very few cases the reports that were actually delivered to the clients have been preserved. The database was built, and context added on to adequately deal with the shortage of material. For example, by collecting and coding the records in a database, key reports that might not have been identified by only searching for keywords have been found and analysed.[100]

These essential records have been coded and analysed to distinguish the development of administrative techniques and corporate bureaucracy. Specifically, this was done in relation to the theoretical model described above. It was done to distinguish between persisting administrative coordination, the development of new forms of enabling bureaucracy, and the hierarchal structures required to intervene or guarantee the central administration's capacity to be the voice of the firm.

An established problem with using corporate archives is how the archive inscribes, materialises, and sustains power which then becomes

[100] Not all records have been collected in the database, in those cases where sub-projects have concerned topics which are distant to the research topic of the thesis records have been omitted.

institutionalised in a manner that shapes memory and the past itself.[101] In a corporate setting, this can be manifested through how records are more likely to contain the voices of the higher-ups rather than those closer to the shop floor[102]. This is both true and untrue in the case of the SIAR archive. The personal structure of the archive [103] means that the management at SIAR had less control over what types of notes and reports made their way into the archive than in more standardised corporate record-keeping. As owner of the archive, SIAR is no longer an active stakeholder since the firm does not exist anymore. Access to the records is controlled by a research board that includes SIAR alumni, but it is unlikely that this board's members are involved in organising or weeding out any records.

In the assessment and interpretation of the consultancy reports, the challenge has instead been the absence of an official, corporate account of how the projects occurred. Establishing a timeline of what occurred in the projects could have been produced more naturally from a corporately organised archive. Similarly, descriptions of the management tools and techniques appear in an uneven way in the consultancy reports. In some cases, where consultants critique existing tools or produce instructions for new ones, they are easy to observe and discern. In other cases, they appear more in passing, as something that is described or mentioned to contextualise another detail in the consultancy reports. Reports that deviate from the meeting notes and organisational discussions are of specific importance to the thesis. These are identified by collecting large quantities of data in a cohesive database. Occasionally, events and milestones in the projects are not described directly but referenced in reports covering other things.

To conclude, the work reports provide an insight into the work that went on at SIAR and in the projects they did for Alfa-Laval and Ericsson. The analysis of these reports would have been easier if the

101 Schwarzkopf, "What Is an Archive - and Where Is It? Why Business Historians Need a Constructive Theory of the Archive".
102 Popp and Fellman, "Writing Business History".
103 The archive is organised by consultant and not through a case- or client-structure

finished reports had been available. Since these were destroyed when Cap Gemini acquired SIAR-Bossard in 1997, they are not possible to access. The internal and work reports do nonetheless contain the essence of the development of corporate bureaucracy. What is missing in these reports is often key minor details that would have made the research easier, for example, in establishing the chronology of events in the projects. As part of the research, these details have been distinguished by comparing different consultants' reports and interviewing consultants so that it does not affect the finished thesis in any significant way.

4. Administrative occupational structure in Sweden 1970 to 2000

In the introduction, we discussed the literature and contributions to the research on the rise of managerial capitalism and the advances in service and communication technology in the early 20th century. In this chapter we take a deeper look at the development of administrative work by examining its occupational structure. How did the increase in administrative occupations manifest in different countries and what happened after 1970? We examine the differences between the United States and Sweden, which has been seen as different regarding the need for management. As we shall see, David Gordon argued that Sweden has had less administrative work in general due to a more collaborative approach between capital and labour. Jan Glete and Hans Sjögren also respectively argue that managerial capitalism did not really gain a foothold in Sweden because of an ownership structure with more entrepreneurial or active owners.

As we have discussed in chapter 1, the previous research and literature have noted that a rise of this type of work occurred in industrialised economies during the emergence of managerial capitalism in the first half of the 20th century.[104] The perception of administration in that literature relies on a distinction between the administrative and the productive part of work or firms. For example, Braverman sees the administrative office as something that enabled monopoly capitalism to better survey labour and reduce craft work.[105] Similarly, Beniger argues that advances in information technology

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104 See Bendix, Work and Authority in Industry. He states that the number of administrative employees in the U.S.A. increased from 750, 000 in 1909 to over 2, 500, 000 in 1947. Bendix does not account for the percentage of administrative workers within the total work force but in relation to the productive work force. The share of the administrative work force in relation to the productive rose from 12 % in 1909 to 21.6% in 1947.

105 Braverman, Labour and monopoly capital.

from the late 19th century and onwards emerged out of a need for control.[106] From the perspective of the firm Chandler see the growth of the organisational capability of firms as being a key factor in 20th century capitalism. The expansion of the office enabled firms to grow larger, often by merging previously separate firms into one corporation.[107]

The focus thereafter is on what happened after this rise in the number of administrative workers. What can this tell us about the development of corporate bureaucracy in general between 1970 and 2000? During this period the Swedish model persists but become less dominant in the labour market. A change occurred in that the large corporation lost its position as the ideal type of firm and the distinct boundary between administrative and productive also faded.

Nuances in the occupational structure are of importance to the development of corporate bureaucracy. Work titles and the assessment of skill change over time but are still useful to capture an image of work life and the labour market, since they distinguish working tasks and occupational titles in a perpetual development of workplace management and changing organisational forms. The documented changes in these tools, and the development of occupational standards, are also in themselves evidence of the alterations in administrative work.[108]

Occupational statistics tend to both measure the occupational structure of the labour market as and perform it in the practices of the refining and replacement of measurement tools, for example, in the case of categorising work in types of work, such as administrative and productive. When a categorisation exists that identifies certain occupations as productive and others as administration, the distinction between these types of work can be taken for granted. Once a different

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106 Beniger, *The Control Revolution.*

107 Chandler, *The Visible Hand.*

108 Because occupational standards are used as both a framework for measuring the occupational structure and to document of change this chapter will include a description and discussion of occupational standards which are part of the examination as well as a methodological framework for it

categorisation is used, we have to delve deeper to observe this distinction. Both these aspects of the statistics are used here to analyse transformations in administrative work and managerial capitalism. The technological changes of the 20th century, with the effects of the electric machinery in the office workplace affected this workforce in one way whilst the surge in information and communication technology through electronic data processing (EDP) came to affect administrative work in a very different way. This larger technological and economic development involved more than just how firms were controlled and managed, but their management and organisational and administrative control were ways in which the technological development was manifested more concretely.

This chapter continues the research on how to measure and interpret the measurement of the administrative workforce. We will review previous attempts to determine and compare this workforce in different countries. The chapter presents a new focus on the composition of the administrative workforce via a comparison of the differences between the managerial and clerical work that developed. Some aspects of the development appear more scattered or muddled in light of the changes in how occupational data was produced. These will be examined through in-depth case studies of businesses and managerial problems in the following chapters.

Determining the bureaucratic burden

A foundation for this inquiry into administrative occupational structure is Gordons research on the inflated corporate managerial sector in the American economy. His comparative research shows a striking difference between the share of managerial and administrative employees in the United States and other advanced industrialised countries such as Germany and Japan. Not only is it apparent that the United States were the leaders in this measurement of the relative mass of the administrative work force, but how this bureaucratic burden in

America was "taking on weight" over time has also been observed. Sweden was the contrasting example to the other countries with not only a smaller share of managerial and administrative employees, but one which did not increase particularly over these years.[109]

Gordon does not just show that United States has a larger share of administrative work than other countries, he also argues that this had become a problem. This stands in contrast to how administrative work had been valued previously in the United States. Broadberry and Ghosal show that the United States were pioneers in service sector productivity, and that performance played a part in how the United States become the world leading economy.[110] In Gordons work, the continued growth of the bureaucratic burden is linked to the role of management on the labour market. Management is mainly viewed as a tool in the struggle against labour and in the American context this struggle has been marked by conflict rather than cooperation. In a system of conflictual relationships there is little employment security, insecure work environments, minimal wage incentives and weaker unions than in a system with cooperative relationships between labour and management. Gordon argues that American firms have relied on using management to decrease the role and power of labour. He refers to this as a *Stick strategy*, in contrast to a *Carrot strategy* where you try to reward rather than punish. Even in times where there was an expressed desire to decrease the number and share of management roles, it was hard for American forms to reform in this manner.[111]

From the early 1980s throughout the 1990s, several scholars advocated for rationalising and making corporate bureaucracy more flexible in the United States. In the first chapter of the thesis, we mentioned Peter Druckers views in the late 1980s on how the coming organisation was going to have less managers and be more adaptable to the market. Adler and Bory also presented theoretical arguments for

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[109] Gordon, *Fat and mean*.
[110] Broadberry and Ghosal, "From the Counting House to the Modern Office".
[111] Gordon, *Fat and mean*.

why bureaucracy needed to be less coercive and more enabling in its form. These perspectives on corporate bureaucracy are not the same, but they share a view that the hierarchical structures characterised by numerous managers and office workers were ill-suited for the new business landscape.

For Gordon, Sweden stands out as an example with a notably smaller share of administrative work as well as a more cooperative approach to labour management relationships,[112] a claim which in several ways mirrors findings on the role of management in Swedish firms. Both Glete and Sjögren assert that managerial capitalism never gained a foothold in Sweden. Instead, Swedish firms had owners who were more entrepreneurial or actively involved in their firms.[113] Another aspect of the consensus between labour and capital in Sweden was that the Swedish Social Democrat government put high tax rates on profits in order to stimulate firms to invest in productivity improvement. The motive for this was to make the firms internationally competitive but the concentration of capital into large firms controlled by a small selection of owners also increased.[114]

Table 2. Administrative employees as a percentage of nonfarm employment

	1960	1970	1980	1989
Germany	2.6	2.5	2.8	3.9
Japan	3.9	5.9	5.2	4.2
Sweden	2.1	2.6	2.9	2.6
U.S.A.	6.6	8.7	11.4	13.0

Source: Yearbook of Labour Statistics, various years through Gordon 1996

In this table, we can compare Sweden to Germany, Japan and the United States. Sweden continued to have a very small share of administrative work from 1960 and onwards. In comparison to both the United States. and countries such as Germany and Japan. Gordons

112 Gordon.
113 Glete, *Nätverk i näringslivet*; and Sjögren, *Den uthålliga kapitalismen*.
114 Schön, *En modern svensk ekonomisk historia*.

measurements can be questioned, however. If we want to continue measuring how big the administrative work force share was in the 1990s, we need to study the data from after 1989. Gordon relies on international data provided by the International Labour Organisation (ILO), which is presented in the ILO's Yearbook of Labour Statistics. These data allow for comparisons between the relative shares of managers and administrative workers, and are based on national data processed by the ILO through a categorisation of national census data into standardised occupational categories. In this case, the occupational categories of interest are *clerical support workers* and *managers*.[115]

In his comparative research, Gordon presents the share of administrative workers in relation to non-farm employees rather than the workforce in general. He excludes the farming sector of the economy in the presentation, in order to clarify his thesis that the American occupational structure is exceptionally managerial due to the corporate culture in its industrial and services sectors.[116] If we go further and look deeper into how international and national occupational data have been gathered and categorised, we can arrive at a more extensive understanding of administrative work and its developmental pattern.

Changing standards and practices in occupational measurement

As stated previously, the international data provided by the ILO came out of a recategorisation of data from different national labour surveys. The ILO made the data comparable through their International

[115] Also titled "administrative, executive & managerial workers" as well as "administrative & managerial workers"in the ILO Yearbook of statistics"

[116] The study in Gordons book is not a general examination of administrative work but embedded in a contemporary debate on stagnant wages and the broad struggles of the American economy in the 1980s.

Standard Classification of Occupations (ISCO). This standard was initiated by the ILO in 1949 and the first version was completed and published in 1958 and therefore given the name ISCO-58. The standard has been reworked three times, in 1968, 1988 and 2008.[117]

The changes between ISCO-68 and ISCO-88 are important for our examination. The classification system in each standard is attached in Appendix A. Both these standards had an initial level of ten occupational categories, the major occupational groups. The groups varied somewhat between ISCO-68 and ISCO-88 but a more significant difference is that ISCO-88 had fewer occupational groups on the level under the initial major occupational groups. ISCO-88 had 28 sub-major groups in comparison to ISCO-68 which had 83 sub major groups. Simultaneously, ISCO-88 managed to divide 68 unit groups from ISCO-68 into 174 different unit groups, and this made the classification structure more detailed. Many of the new unit groups emerged out of unit groups *Not elsewhere classified*, supposedly used to try to roughly classify odd occupations. From 1988 and onwards, occupational classification relied on both the type of work performed and the skills required to perform this work. Skills were estimated in relation to both status and specialisation.

ILO did not make its own labour surveys but relied on occupational data used in different national censuses. The ILO's historical data therefore differs depending on which year the occupational data was gathered. If we go back to the period from which Gordon collected his data, we can see that there are Swedish data available for every fifth year from 1960 to 1980, which is the same census interval available for the UK, with the difference being that the years of measurement are 1961/1966/1971 instead of 1960/1965/1970.[118] The data for the United States labour market were

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117 See https://www.ilo.org/public/english/bureau/stat/isco/isco08/index.htm and https://www.ilo.org/public/english/bureau/stat/isco/press1.htm (Eivind Hoffman - International statistical comparisons of occupational structures, problems, possibilities and the role of ISCO-88). The ISCO-68 and ISCO-88 classification structure is also included in Appendix A.

118 There is not UK measurement for 1976

not collected yearly but every third year, with different industries being surveyed in different years.[119] Throughout the late 1980s and early 1990s, there were some inconsistencies in the occupational classifications used prior to many countries started performing annual labour force surveys in the late 1990s and early 2000s.

Swedish labour force surveys were performed in 1980, 1985 and 1990 but the national standard for occupational classification was reworked in 1985 into the new standard Yrkesklassificiering 1985 (YK85). In the census of 1985, the occupational data were coded for both the standard used in the census of 1980 and the new standard YK85. This new standard was only used for two censuses (1985 and 1990) before, yet another occupational classification standard was adopted in 1996 (SSYK96). This one was to be used for the new occupational registry, which was set up in 1997 and is updated annually.

A transformation key was developed in order to reclassify the data from 1985 and 1990 into the SSYK96 classifications. The differences between YK85 and SSYK96 largely mirror the developments in the international standard between ISCO-68 and ISCO-88. We can establish a timeline of the share of the combined administrative work force as a percentage of the work force in total.

Table 3. Percentage of administrative work force in Sweden 1965-1990.

1965	1970	1975	1980	1985	1990
11.7	13.1	14.0	14.3	14.2	14.4

Source: Swedish population censuses (*Folk- och bostadsräkningen*) 1965-1990.

The numbers differ from the data in the ILO-labour surveys even though the general trend is quite similar. The percentage

119 The American Bureau of Labour Statistics have industry specific data available from 1997 and onwards and there are estimates for different industries between 1988 and 1995. Not all industries are covered for every year, so it is not possible to calculate a total national employment for a certain occupation.

increased from 1965 to 1975 but from that point onwards the change is negligible. From this, we can move on to examining whether there was a more noteworthy change in sub-categories and specific professions within administrative work.

Shift in composition

Up until this point, we have looked at the administrative workforce as a whole, following the established practice used by Gordon. This category was made up of both a manager's section and a clerical support workers section. Up until 1960, the share of office workers was steadily increasing over time. Large occupations in the clerical support workers group were dominant, and an increasing share of the administrative work force consisted of clerical support workers such as secretaries and administrative assistants.

Through the 1970s, a changing trend in major industrial countries such as the United States and the United Kingdom can be observed. Clerical support workers started to decrease as a share of the workforce in total. Simultaneously, managerial and administrative workers, a group m made up of higher-level managers and officials, grew as a share of the total work force. This shift in composition signaled a break in an envisioned future of the administrative office being an ever-growing part of the organisation that became more and more complex to oversee.[120]

[120] See Braverman, *Labour and monopoly capital*.

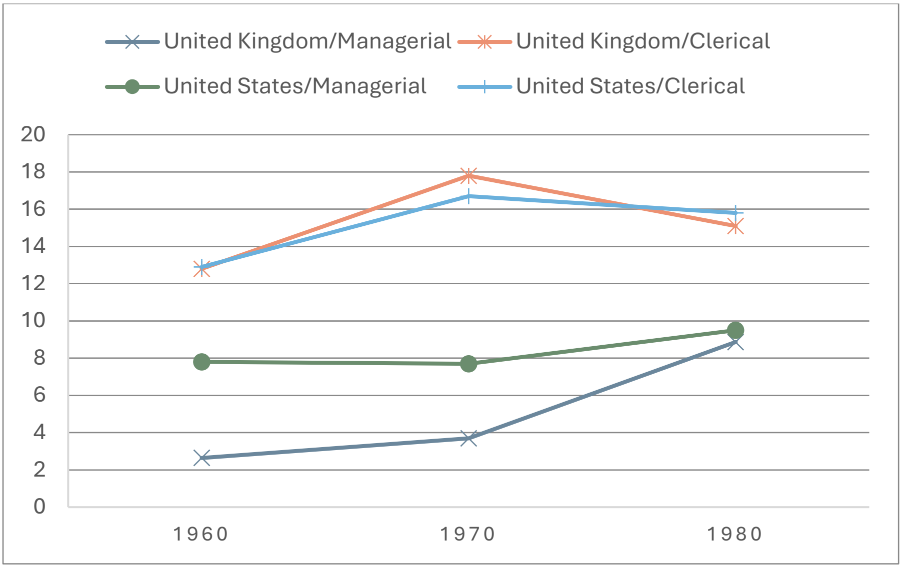

Figure 1. Percentage of administrative work in the national work force in the United States. and United Kingdom, 1960-1980
Source: *ILO Yearbook of statistics 1945-1989.*

This shift should be labelled as a shift in the composition of administrative work. The growth in size of the administrative office from 1900-1970 had seemingly slowed down or even halted but the expansion of managerial occupations into more areas of the workplace suggested that managerial control had increased but liberated itself from the need for office workers and administrative assistants. Two conclusions were drawn from this, initially suggesting that rather than a "factory like office", where large groups of office workers were commanded by managers, we were seeing an administrative work force with almost as many managerial staff as office workers. Secondly, in order to arrive at this composition, a country would have needed to build up a large administrative work force to begin with. It would then have been possible to go through this development where the administrative workforce was rationalised while simultaneously witnessing a rise in managerial staff.[121]

[121] Gordon, *Fat and mean.*

Returning to Gordon, this insight into the composition of administrative occupations, which shows the dynamic between managerial and clerical work, strengthens his case. Technological development rationalised office work by automating the work done by clerks, administrative assistants, and secretaries. But that did not lead to a decrease in managerial power since this part of the work force continued to grow.[122] However, it is uncertain whether this persisting managerial power is mainly made up of labour management and supervision of the work force. Other types of management could be a part of this as well. For example, Dumenil & Levy suggest that financial management became increasingly important from the 1970s and onwards through developments in the continued interaction between ownership-control and management.[123]

Since the UK is also part of this graph, some words about the development there can also be appropriate. Here, Wilson and Thomson offer an alternative perspective on the continued rise of managerial work post 1970. They see the professionalisation of management really taking off in Britain after a rise in mergers during the 1960s and 1970s. This organisational structure enabled better control systems and the growth of a more structured and professional management hierarchy. This suggest that, in comparison to the U.S.A., the UK did not continue to build on a strong managerial culture but rather that this culture was stimulated by organisational changes in the 1960s and 1970s. Wilson and Thompson also add a perspective on how certain occupations were retitled from the 1980s and onwards. Manager became a title associated with a kind of responsibility and expertise. In the same manner as programmers and financial staff became re-titled as IT- and financial managers, examples also existed of train conductor becoming train managers. [124] We will return to this

[122] This graph is limited to 1980 as the final point of measurement but nothing in other data suggest that the managerial share did not continue to grow in the following decades.
[123] Duménil and Lévy, *Managerial Capitalism*. The authors refer to this as the establishment of an economic governing core through a network of ownership and control and the establishment of an interface ownership/management
[124] Wilson and Thomson, *The Making of Modern Management*.

example after we have examined the cases of SIAR, Alfa-Laval and Ericsson since they show a spread of the title manager to expert roles at the firms. Nothing in the occupational data suggests that previously non-managerial occupations got re-categorised as managerial. The fields of financial and IT-management were not only re-categorised but also transformed into additional managerial occupations.[125]

While the shift in the composition of administrative occupations occurred in the United States and United Kingdom in the 1970s, the pattern didn't emerge in Sweden until the late 1980s. The share of the administrative work in Sweden prior to mid/late 1980s has been considered distinctively low, especially in reference to the United States The reasons for this are the cooperative approach to corporate organisation leading to a lower demand for managers and supervisors, which we discussed in the introduction to this chapter.[126] Below we can see the composition of administrative and managerial work in Sweden, Denmark and Norway.

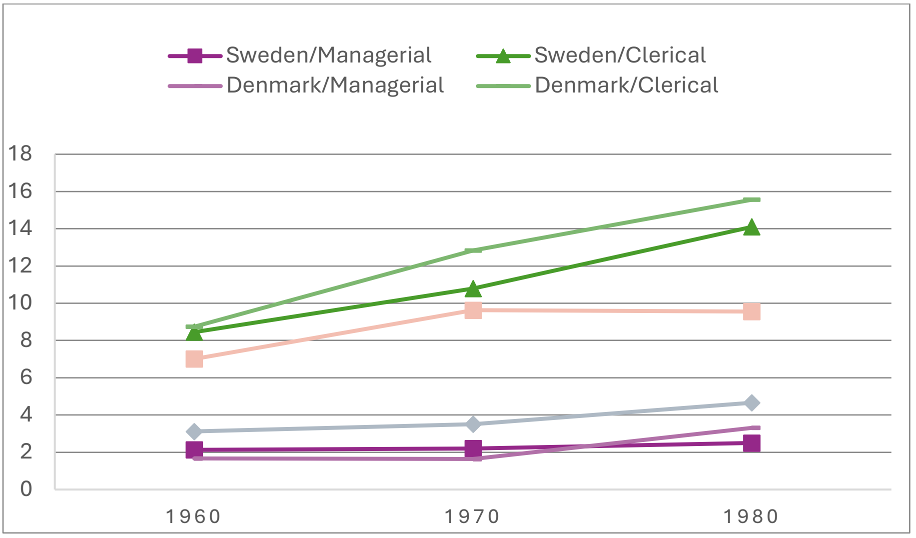

Figure 2. Percentages of administrative work in national work force in Sweden, Norway and Denmark. 1960 – 1980

[125] See Isco-1988 classification system in Appendix A

[126] See Gordon, *Fat and mean*; Glete, *Nätverk i näringslivet* and Sjögren, *Den uthålliga kapitalismen.*

Source: *ILO Yearbook of statistics 1945-1989*

We can see a continued growth in clerical work in Sweden and Denmark up until the 1980s, in contrast to the development in the U.S.A. and the UK. The sharp rise in managerial work is also missing for both Denmark and Sweden, meaning that the lowers levels of administrative and managerial work in Sweden were not an isolated example. The Danish development in administrative work development was quite similar to that in Sweden, even though the share of both clerical and managerial work was slightly higher. Norway's development shares the pattern seen the U.S.A. and UK but with lower levels and a notably less movement.

The existing Swedish data allows for the construction of a time series with data adapted from a number of labour surveys. The regular time series of labour surveys from *Folk- och Bostadsräkning* (the population censuses) was added by including data from the labour surveys from 1975, 1980, 1985 and 1990 categorised using the Swedish occupational structure from 1980. This was including data from a memorandum discussing the linking of older labour data to the occupational structure of SSYK96, Sweden's adaptation of ISCO-88.[127]

Even though the data are not always directly comparable, we can still observe trends and similarities in their development. In this sense the incidental creation of a new Swedish occupational standard provides a possibility rather than being aberrant. Unfortunately, we still lack a measurement in the mid-1990s. This would have been of interest due to it being right in the middle a crisis in the Swedish economy, which had a striking importance for the structure of Sweden's business sector. More specifically it furthered a shift from the domination of industrial production towards the services sector and the increasing importance of telecommunications and life science, which are knowledge-intensive business.[128]

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[127] See ISCO 68 & 88 classification structures in Appendix A

[128] Schön, *En modern svensk ekonomisk historia.*

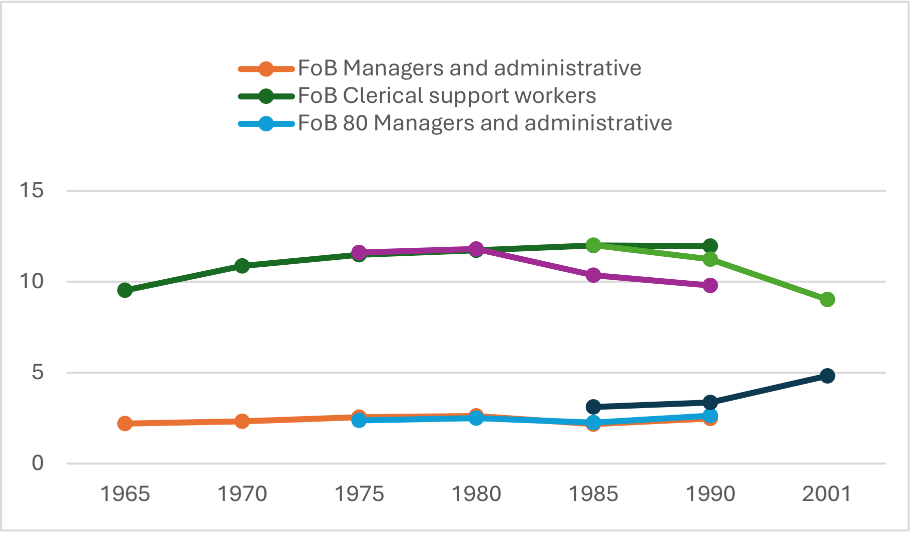

Figure 3. Percentages of administrative work in national work force in Sweden, 1965–2001.
Source: Data combined from the Population and work force censuses from 1965-1990 and the National occupation registry (SSYK96)

These figures show that the older occupational structure, which was more hierarchal and less connected to skill and education, exhibited a distinct decline in clerical work at an earlier point, occurring already between 1980 and 1985. However, in the data categorised according to the later occupational structure we can see that this development occurred post-1985 and even more so in the 1990s. The general trend between the different configurations of the data is nevertheless similar. Sweden in the 1980s followed the same pattern as the U.S.A. and UK occupational structures of the 1970s, even though the Swedish levels of clerical and managerial work were still notably lower than in the United Kingdom and the United States.[129]

[129] This pattern is apparent even if the managerial and clerical occupational categories of SSYK96 are rather lean in comparison to similar categories in older occupational structures. Many occupations have been re-categorised as professional or associate professional. See the section on occupations leaving the administrative sphere

We can discern a change in administrative work when looking at the sub-categories of administrative work. The change is not obvious in an historical examination of the share of administrative work as a whole. The change in composition was not as distinct as in the cases of the U.S.A. and the UK but a similar pattern is notable in the later decades of the 20th century. The decline in the clerical support workers occurred during the 1980s whilst the rise in the managerial workforce did not start until the 1990s. From this we can discern that Sweden continued to have a relatively low share of managerial staff in particular, which we will discuss further in the Conclusion section. A shift was nonetheless noticeable in the late 1980s and 1990s, and we can see traces of this shift in the case studies of SIAR, Alfa-Laval and Ericsson.

Occupations departing from or remaining within the administrative sphere

The occupational structures across the years are not fully comparable with each other. The statistics approach the classification of occupations differently. Therefore, we have also examined changes in the occupational data of specific occupations within the administrative sphere.

Certain lines of work were redefined when the classification structure used for the measurement of occupational data was changed. As we have alluded to, the growing ICT sector changed from an administrative type of work into a profession of its own. Specialised forms of management also developed within this profession.[130] The ISCO-68 classification was the last where this line of work was classified as fully administrative. It was probably seen this way this because of its' close connection to office machines. In ICT, early tools such as tabulating machines, accounting machines and other tools

[130] Kaijser, *Maktens maskiner*.

developed from the Hollerith punched cards technology were often mechanical or electronic devices used to aid office works. Classic administrative work, such as accounting, was also a pioneering area in the development of computer software. Over time, professions and occupations related to programming and computer technology were re-categorised as professional rather administrative or managerial work. [131]

Administrative occupations were re-titled, and the concept of management widened include to clerical and even blue-collar work. We can observe this in the ISCO-88 classification structure.[132] Occupational titles such as business administration professionals, administrative associate professionals, etc., began to appear in a scattered form in the major groups of occupations. In the categorisation of managers, a more explicit categorisation was made between different types of managers.

ICT work becoming re-classified as professional, and the concept of management being widened to include clerical and blue-collar work are both examples of how the classification structure can function in a performative rather than a measuring way. First of all, these changes did not occur in 1988 when ISCO-88 was launched but had been going on for a longer period. In that sense, the re-classification says as much about the ongoing changes in the occupational structure of administrative work. It had become harder to distinguish between productive and administrative work and managerial titles had moved into other lines of work.[133] The structure of ISCO-88 was built around different skill levels rather than different types of work.

Through memorandums and working papers from Statistics Sweden (SCB), it is possible to trace occupations during the twenty-year period between 1985 and 2005.[134] The occupations selected below, which were all categorised as administrative according to ISCO-68, are presented in two staples. The first shows administrative

[131] See the ISCO-68 and ISCO-88 classification structure in Appendix A
[132] See the ISCO-88 classification structure in Appendix A
[133] Wilson and Thomson, *The Making of Modern Management*.
[134] Haldorson, "Jämförelse mellan yrkesuppgifter i FoB och yrkesregistret".

occupations as a decreasing share of the total work force and the second shows administrative occupations as an increasing share of the total work force.

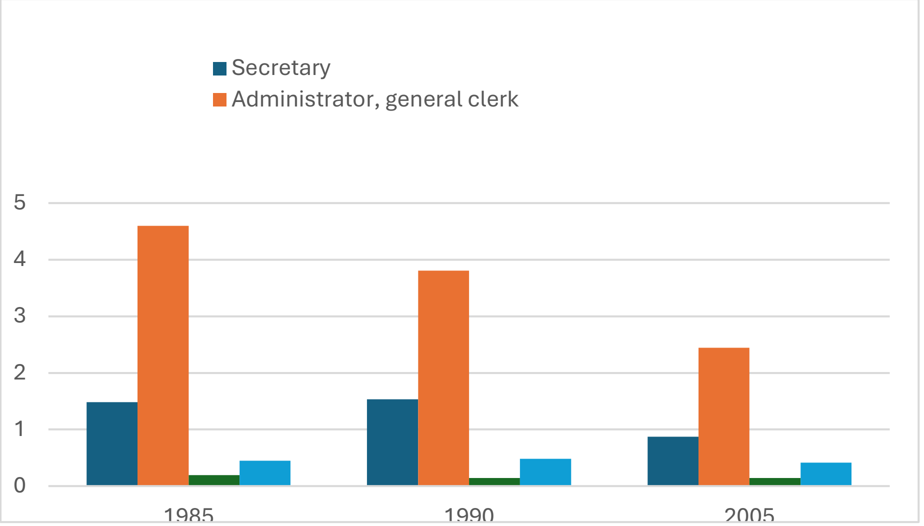

Figure 4. Administrative occupations with a decreasing share of the total work force, 1985-2005.
Source: Statistics Sweden, combination of occupational data from population census 1985 and 1990 and the national occupational registry of 2005

All these occupations were considered clerical support work up until the new occupational standard of ISCO-88. Their development in Sweden from the mid-1980s and onwards differed quite considerably from other countries. Secretaries, registrars and file clerks worked with handling and sorting information and paper and ought to have been affected by the increase in the digital processing of information which came with the increased usage of personal computers.[135] The decline in this share of the work force was nonetheless very small, even though there was a decline. The category of *administrator, general clerk* saw a sharper and clearer decline. This occupational category may have been affected by automation and, re-titling as well as specialisation. Below we can note the different

[135] Kaijser, *Maktens maskiner*.

development in the occupation *administrative assistant*, which can also be linked to the decline in the share of general clerks.

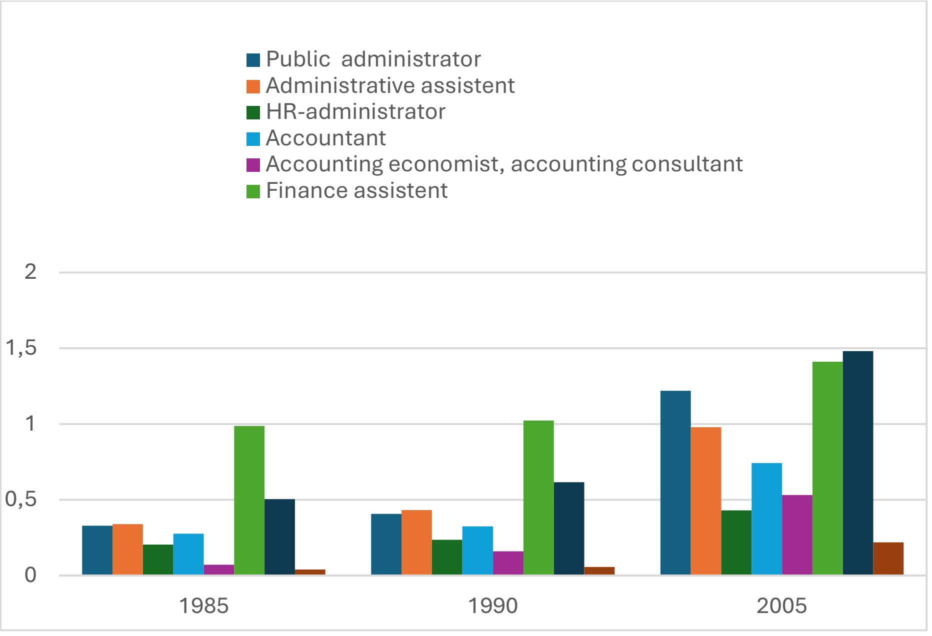

Figure 5. Administrative occupations with an increasing share in percent of the total work force. 1985-2005.
Source: Statistics Sweden. A combination of occupational data from population censuses 1985 and 1990 and the national occupational registry of 2005

Several of the increasing occupations shared an affiliation with a commercial administration. Administrative occupations such as accountant, accounting economist, finance assistant and organisation developer were classified as clerical support work in ISCO-68 and previous classification standards. Here they stand out as examples of clerical work which came to require more skill and were also occupations that were increasing rather than decreasing in the work force. Even though the specialisation of these types of work was still related to a form of administrative function such as processing and managing information as well as organising the business. We can assume that they became more technical and distinct to a degree where they were managing administration, rather than performing it.

Some people working in occupations such as HR-administrator, public administrator and administrative assistant could have been classified as general clerk previously. The decline of general clerk in Table 7 could possibly be explained as a re-classification into more specialised clerical work. It should nonetheless be noted that occupations such as public administrator, administrative assistant and HR-administrator existed in ISCO-68 and previous classification structures. They were not new occupations that suddenly appeared in the late 1980s. It could be that general clerks were re-titled as these occupations because of the new focus on skill in the ISCO-88 classification structure. In the Swedish occupational structure, these occupations were classified as *technicians and associate professionals* rather than *clerical support workers*. They required vocational training or some degree of higher education, yet they were not clearly professional and were still more clerical than managerial. They represented a current of a professionalisation of administration, which is of interest since it went against the notion of a rationalisation of clerical work.

Finally, we can also observe that spheres of work such as finance and ICT, which had a history of being classified as administrative, had certain occupations with an administrative character. These occupations increased over time but also were perceived as different to their administrative past. It was not just the line between productive and administrative work that became blurred but also the boundaries within administrative work because of the technological development in information processing.

Conclusion

After this examination of the occupational structure of administrative work, we now know more about the pattern where the share clerical work of decreased while the share of managerial work increased in the U.S.A. and the UK from the 1970s onwards. The pattern adds to

Gordons research on the bureaucratic burden.[136] When looking at the corresponding development in Sweden, it can be seen that this pattern has both similarities and differences. To a certain degree, the pattern emerges in Sweden from the late 1980s onwards. However, it was not as apparent as in the U.S.A. and the UK.[137] The fact that we cannot see a pattern until the mid-1980s harmonises with Gordons findings that Sweden had a smaller share of administrative work. as well as with Glete and Sjögren's notion that managerial capitalism had not gained a foothold in Sweden to the same degree as in the United States.[138]

However, the changes in Swedish business life and its labor market have different meanings for their respective explanations. Glete notes that a majority of the twenty-five biggest Swedish firms were controlled by entrepreneurial owners rather than managers from 1967 onwards. He also states that the old group of owners, who had dominated the ownership of industrial firms in Sweden, lacked experience of electronics, biotech and other new industries that became important from the 1990s onwards.[139] New owners emerged within these industries, and we note the possibility that older owners became more reliant on hiring managers and experts to transition their firms into new forms of business. The increasing importance of venture capital could have had a similar effect on the need for management.

We will get a more detailed view of how Swedish firms responded to the changing economic landscape of the 1980s and 1990s in our case studies of SIAR, Alfa-Laval and Ericsson. How to implement new forms of business and bring to industrial production a more service-minded and market-oriented approach to business to industrial production will be emphasised. We can nonetheless say that the development of managerial work in Sweden suggests that it is not enough to focus on whether firms were controlled by managers or

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[136] Gordon, *Fat and mean.*
[137] See Figure 2
[138] Gordon, *Fat and mean*; Glete, *Nätverk i näringslivet* and Sjögren, *Den uthålliga kapitalismen.*
[139] Glete, *Nätverk i näringslivet.*

owners in order to understand the development of managerial capitalism or corporate bureaucracy. Much more goes on within the firms, and managerial layers or structures may be required no matter how active the owner is.[140]

Regarding the development of administrative work, this examination provides nuances to Braverman and Beniger's assertion that the future would entail a continuous growth of the supervising and controlling office. Technology has continued to expand the capacity of labour surveillance and a Taylorist control over production has persisted. This development has mainly occurred through automated surveillance rather than an increased share of manual administrative work. Certain tasks were automatised but over time administrative tasks also became easier to distribute to workers or supervisors in production, which contributed to blurring the lines between whether to categorise tasks or occupations as productive or administrative. The change in the occupational standard from ISCO-68 to ISCO-88 went in line with the blurring the distinction between the productive and the administrative. Appendix A shows that the occupational category Administrative and managerial workers, which existed in ISCO-68, was spread out over three categories in ISCO-88. In ISCO-68, administrative work could be found in two out of nine occupational categories whilst it could be found in four out of nine occupational categories in ISCO-88. This development suggests that the distinction between administrative and productive work became unclear but also that managerial work expanded.

The noted pattern of a decreasing share of clerical support workers and an increasing share of managerial occupations also appeared in Sweden. It did not appear as distinctly as in the U.S.A. and the UK,

140 An example of this can be found in the Wallenberg sphere. The rise of the Wallenberg group as a dominant ownership in Swedish capitalism is decisive for both Glete and Sjögrens analysis of managerial capitalism in Sweden. The Wallenberg group did however also undergo development during the 1970s and 1980s. Some of it will be seen in the case studies but it can also be mentioned that SE-Banken, the financial institution which was vital for the Wallenberg spheres ownership of firm, underwent a bureaucratization in the early seventies according to Olsson, *Att förvalta sitt pund*.

but traces can be seen from the mid to late 1980s and notably it became established during the 1990s. With the use of Swedish census data, it is also possible to observe that the more general administrative occupations decreased between 1985 and 2005. Administrative assistant was an exception to this trend. It was an occupational title associated with general administration which increased rather than decreased. It was nonetheless clear that administrative work which was more specialised towards commercial administration, accounting, HR administration and data processing, increased over the period. This indicates that administrative work became more associated with commercial or business administration over these years.

In Sweden, administrative work continued to occupy a relatively small share of work force in general. The Swedish model, with its cooperative partnership between employers and trade unions, has also persisted, even though the relative strength of the trade unions has weakened.[141] The relatively small share of the work force in administrative and managerial roles supports Gordons suggestion that the Swedish carrot strategy required less corporate bureaucracy than the stick strategy of the United States.[142] The low share of managers in the workforce in Sweden persisted from the late 1960s to the early 1980s. The composition of administrative work in Sweden nonetheless did start to resemble the American pattern towards the late 1980s.[143] We take that observation with us in the coming chapters where we delve deeper into how firms changed their approach to administration and management in the 1980s.

The trends are notable, but the decisive questions are not comprehensively answered. There is a possible explanation in how efforts to externalise and outsource could have decelerated the continuous increase in the administrative and managerial share. The increase in managerial work could have many explanations, such as new variations in bureaucracy and attempts to construct more enabling

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141 Schön, *En modern svensk ekonomisk historia.*

142 Gordon, *Fat and mean.*

143 See Figure 3

forms of bureaucracy. This shift in how to perform administrative and managerial work is connected to changes in the composition of administrative occupations, this work was defined and perceived in the new standards of occupational classification. It is also possible that new occupational titles did not necessarily mean new tasks and work assignments.

In the case studies of SIAR, Alfa-Lava and Ericsson, which follow below, we are on the lookout for new forms of management, the establishment of management tools and new responsibilities for managerial work. Our theoretical framework provides us with suggestions for what type of managerial work was required in more enabling bureaucracies and flexible organisations. In the construction and maintenance of network firms, Josserand finds that an administrative center is continually needed to support and enable cohesion.[144] This cohesion approach differs from how hierarchical firms are supervised and coordinated from the top down.[145] The administrative centre exists to make it possible for the autonomous parts of the network firm to act autonomous. We repeat that the concept of the network firm emerged in the 1990s so there are few mentions of it in our work on the 1980s. Observations of firms trying to build a centre with the purpose of enabling other parts of the firm to be autonomous can be seen, nonetheless.

Adler and Bory's concept of enabling forms of bureaucracy is also a possible example of a new form of managerial work. Enabling bureaucracy is contrasted with coercive bureaucracy with the former meaning ways of having an administrative structure over which the employees have more influence. The purpose of the enabling bureaucracy is not to direct and control the organisation but rather to provide administrative tools which the organisation can make use of.[146] Signs of this form of management would be managerial roles and reforms that aimed to loosen up a previously coercive administrative

144 Josserand, *The Network Organization*.

145 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

146 Adler and Borys, "Two Types of Bureaucracy".

structure. For example, making rules less formal or more optional or introducing managerial roles with the aim of doing this. The development of the share of administrative work occupations, and the finding concerning the role of changes in the compositions of administrative and managerial work have brought us these insights in what to look for in the development of corporate bureaucracy. We bring these insights into the coming chapters.

The analysis of occupational data contributes answers to the research question of how administrative work developed in Sweden. The composition of administrative work in Sweden did not being to follow the American pattern until the later parts of the 1980s. However, the changes were rather small, which suggests that more answers can be found in how firms understood re-organisation projects or other type of reforms that affected how corporations were managed, administered and controlled.

5. Managerial practices and management knowledge of SIAR

Before presenting how consultants from SIAR interacted with the firms of Alfa-Laval and Ericsson we need to present SIAR and its role in the Swedish consultancy market. This chapter provides a brief background to management consultancy during the period studied, both internationally and in Sweden. Thereafter, the chapter examines SIARs history and historical context by using SIARs official publications and internal reports. We will follow SIAR from its origins as a research institute in the 1960s, through its transformation into a consultancy firm in the 1970s, it's interaction with a booming Swedish consultancy market in the 1980s and finally its last decade of the 1990s.

SIAR serves a double role in this thesis in that it is both a focus of the research itself and also in that its records from projects at the firm provide insights into the process of transformation that occurred during the studied period. SIAR was a developer of both management knowledge and tools through their research projects and work with clients in both Swedish and international businesses. The alumni of SIAR have been active in looking after the legacy of the firm and they emphasise how it was seen as "the crown jewel" in Swedish management consultancy in its heyday.[147] Here, they are referring to how SIAR was greatly important to Swedish business life and management knowledge production during a time when American consultancy firms had not yet established themselves in the Swedish market. This historical presentation of SIAR provides an initial answer to the question of the firms' role in the change in corporate bureaucracy. What was their position towards bureaucracy in firms? How important was this position to their general attitude to management and business philosophy? How did their management

[147] Carlsson, *Strategier för att tjäna pengar.*

knowledge and tools evolve over time and how was this interconnected with corporate bureaucracy?

Similar to earlier management knowledge production in Sweden, SIAR emerged out of the business education environment. During its days as a research institute, SIAR was a part of the Stockholm School of Economics. They also recruited a lot of their researchers and consultants from the school. Business schools were vital in the development of management in Sweden. In Sweden, this type of knowledge and these practices did not spread through the establishment of American management consultancy firms, as was the case in several other European countries where these types of firms were hired to execute reforms related to the Marshall plan.[148] To further clarify this, this chapter starts with a presentation of the general historical development of management consultancy in order to compare and contrast Sweden, and later SIAR with this development. The description of management consultancy in Sweden is also of importance to this thesis. In order to better understand the context of the client–consultancy relationship, we need to enhance the knowledge of how management consultancy developed and evolved in Sweden in the 1970s and up to the 1990s. This historical example of the Swedish management consultancy business links to the literature on the transfer of management knowledge and different types of client–consultancy relationships.[149] These links fully materialise in Chapters 6 and 7, through the examinations of SIAR's work at Alfa-Laval and at Ericsson. In Chapters 6 and 7, the answers we have found to the above questions on SIAR's stance on bureaucracy are complemented with examinations of how SIAR's theoretical stances were put into practice in concrete terms.

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[148] Djelic, *Exporting the American model*.

[149] See Sahlin-Andersson and Engwall, *The expansion of management knowledge*; or "Management Consultants - Friend or Foe?"

Management consultants as carriers of management knowledge

Today, management consulting consists of a diverse field of services with specialisations in organisations, strategy and IT. The consultancy industry originates from the early 20th century and has continued to develop and adapt to changing business environments over time, from labour management (1930s), post-war reconstruction (1940s and 1950s), and the digital revolution (1980s and 1990s) to more modern themes such as sustainability and data analytics.[150] The emergence of management as a phenomenon (as a profession, practice and academic discipline) is also interconnected with the ascendance and dominance of the American economy and businesses. The history of management consultancy is largely a history of how consultancy emerged in American business to then spread to Europe and the rest of the world. Business historian Chris McKenna's account of the history of the world's newest profession identifies two specific professional activities as the building blocks in the creation of the consultancy business: accounting and engineering. The accounting profession has a long history of being a foundation of commercial administration, and notably professional accounting firms were important as a provider of both financial and commercial advice and services, which established standard practices that are decisive for money-lending and settling bankruptcy estates.[151] Over time, the practice of accounting has undergone significant development, from being related to secure ways to keep track of financial transactions to being used as tools to govern organisations.

Examples of accounting as management tools for keeping track of transactions are double-entry bookkeeping and cost accounting. The first of these originated in Renaissance Italy and the northern Italian Franciscan monk Luca Pacioli. He produced books on the subject as well as teaching mathematics for practical business use

150 McKenna, *The world's newest profession*.
151 Matthews, Anderson, and Edwards, *The Priesthood of Industry*.

and wrote about the legal frameworks of business such as ethics, bookkeeping and business letter writing, also serving as an early example of a carrier of management knowledge.[152] Another pioneer in this regard can be found in the example of Josiah Wedgwood's creation of tools for cost accounting. Through these, he calculated labour and material costs in relation to each of his products, and through that the ability to identify which of the products were the least profitable. This helped Wedgwood to resolve which products to cut down on and which to keep producing, and also influenced the level of wages paid as well as what prices to charge.[153]

However, in an American setting, these tools became systematised, largely because of the size of the firms and which transactions needed to be recorded. This systematised use of management accounting and the cost management system led to an increased development of and need for this type of management knowledge. There are historical records from New England textile mills which, as early as 1812, used management accounting to determine the labour and raw material costs of producing finished yarn and fabric. Once again, like the Wedgwood example, this represented a progression in accounting from the recording of transactions with economic actors external to the business organisation to techniques used to monitor the internal operations of industrial firms such as textile mills. The Boston Manufacturing Company was the first mechanised textile mill to have integrated processes for spinning and weaving. Their use of accounting procedures was adopted by other textile companies in New England and referred to as the Waltham system. Notably, these cost accounting techniques were concerned with the cost of labour, which accounting historians H. Thomas Johnson and Robert S. Kaplan associated with the emergence of the wage systems that replaced the market price of products made through artisanal work with labour costs for the business organisation.[154]

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152 Sangster and Scataglinibelghitar, "Luca Pacioli".

153 McKendrick, "Josiah Wedgwood and Cost Accounting in the Industrial Revolution".

154 Johnson and Kaplan, *Relevance Lost*.

Further advances in how calculations came into the management sphere were made in steel manufacturing. The challenges of coordinating several, previously separate, processes into a single steelwork required steel manufacturers to design steelworks to improve the tempo of the workflows, but also to standardise output. Pioneering steel industrialist Andrew Carnegie complemented the new steelworks with an administrative structure inspired by his background from working for the Pennsylvania Railroad. He recruited former railroad executive William P. Shinn to establish statistical data through cost sheets, which allowed Carnegie to manage the firm by more advanced coordination and control systems.[155] With detailed and accurate cost sheets and meticulous attention paid to costs, Carnegie could use this administrative data in the competition with other steel manufacturers. During economic recessions, Carnegie could boldly cut prices with the knowledge that the costs of his operations were lower than his competitors, and thus push his competitors to go under. However, cost accounting only focused on the primary costs (materials and labour) and did not include the overhead costs of the administrative work which produced the cost statistics in the accounts.[156]

The metal industry continued this development by setting up advanced internal accounting systems which produced reports of daily internal transactions as well as evaluating and controlling the internal processes through cost accounting. The standardised metric of the ton-mile as a basic unit of output was used to calculate the cost per ton-mile of different railroad operations and evaluate parts of the organisation through this internal accounting. The scale and complexity of railroad organisations required the railroad executives to delegate responsibility for the organisation to subordinate, salaried managers. Cost accounting in railroad companies was then not used as a tool for evaluating production and distribution processes but also to

155 Chandler, *The Visible Hand*.
156 Wren and Bedeian, *The Evolution of Management Thought*.

determine the performance of the emerging group of salaried managers.[157]

In this historical development, we can observe how the tools related to Chandlerian administrative coordination emerged out of accounting practices, such as cost accounting, which was not initially concerned with organisational control. These breakdowns into accomplishments in accounting history also exemplify the concepts of management knowledge carriers.[158] In this stage of business history, knowledge of management accounting was developed through the practical adaptation of tools and systems and had been transferred through personal experience and learning from previous employment. The advantages gained from using cost calculations to compete by using accounting to set lower prices than one's competitors became a more systematised form of knowledge through the increase in the size of firms as well as the increase in labour costs. In their conceptualisation of carriers of management knowledge, Sahlin and Engwall name four types of carriers, which constitute four fields of management knowledge: business schools, consultants, business media, and management practice. Practice has the special status of being central to the other forms of knowledge carriers, but the interaction between these different types of carriers is also characterised by the blurred lines between them. Both in business education and in management consulting, individuals with a highly specialised form of management knowledge were decisive in spreading this type of knowledge. In the Swedish case, the first Swedish professor of business administration, Oscar Sillén, alternated his academic work with taking on consultancy assignments.[159]

These blurred lines continue to shape the engineering contribution to knowledge products market that came with Taylorism. Inspired by the cost accounting system at his former employer Manufacturing Investment Company, Fredrick W. Taylor started

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[157] Johnson and Kaplan, *Relevance Lost*.
[158] Sahlin-Andersson and Engwall, *The expansion of management knowledge*.
[159] Kipping and Engwall, *Management consulting*.

working as a consultant himself and famously established a central planning department at Bethlehem Iron Company. The aim of this department was to apply and execute a cost accounting system which took the work time of different tasks performed by the steel and logistics workers into account. The measuring and planning of his time studies led to highly successful results and Taylor's knowledge and advice became highly sought after. Several others adopted Taylor's scientific management principles, sold services that entailed applying these principles, and thus came to form the scientific management movement.[160] McKenna writes about how these individual members of the movement sold services comprising advice and the implementation of management systems during the 1920s and 1930s, but that few of them institutionalised their activities into firms. The best-known exception to this was Emerson Company which would eventually be retitled Emerson Engineering.[161] Taylorist consultants were active within the U.S. in the 1920s and 1930s but didn't come to be the pioneering consultancy firms. In Europe however, Taylor-minted firms came to dominate the management consultancy market up until the 1960s.

Those who would become the leading management consultants, and in many cases give name to the dominating international management consultancy firms, were the most revered experts in cost accounting. The establishment of independent organisations for cost accounting were influential in two political matters involving the American state in the 1920s and 1930s. Initially, they served the purpose of independently working out the operating costs of industrial competitors in a matter which benefitted Herbert Hoover's associationalism movement. However, the institutional breaking point came with Franklin Roosevelt's attempt to set up the National Recovery Administration to (among other things) supervise trade associations in order to avoid excessive competition. This reform came to fail, but cost accounting firms had established a market for

[160] Wren and Bedeian, *The Evolution of Management Thought*.
[161] McKenna, *The world's newest profession*.

professional services and tools for this supervision which allowed for them to gain a role as "token regulators of corporate oligopolies". During these pioneering days of American management consultancy, Chicago was the cradle for the firms which came to be successful. The leading management consultancy firms of McKinsey, Booz Allen and Cresap, etc. in the 1950s all had their roots in Chicago, but by the 1960s all these firms had relocated their headquarters to New York.[162]

The expansion of organisational consultancy during the post-war period occurred in two steps. In the decades following WW2, consultancy firms were hired to rationalise business and governments. The introduction of computers in government were particularly important in how governments started contracting consultancy firms. At this time, the use of consultants was regulated, for example in the U.S. where it was not permitted to hire IBM for advice on installing or using computers since they also sold them. In the late 1970s and early 1980s, a shift in government policies brought with it a further expansion of consultancy. Mariana Mazzucato and Rosie Collington show how consultants were fundamental in implementing and executing the new policies, especially policies of privatisation and cutting public spending.[163] The expansion can also be exemplified by less than five consultancy firms with more than a thousand consultants employed having existed in 1980 and that number having risen to thirty consultancy firms by 1997. Martin Rouf argues that the increased need from firms for services from consultancy firms can be summed up in how management professions became more and more specialised, the distancing of managers from the technical details of everyday operations, the spread of standardised rules for organisational conduct, corporate downsizing, and an increased mobility among managers due to the reformation of firms leading to a greater need for externally trained management (in contrast to relying on internal management training) and less stable career paths for managers. Several of these factors coincided with each other, especially regarding the changes in

[162] McKenna.
[163] Mazzucato and Collington, *The Big Con*.

organisations. On the one hand, this required external management knowledge to execute reforms, because internal managers were being laid off or perhaps not trusted to be motivated to drastically restructure their organisations. Pursuing a career as a management consultant became more attractive compared to internally trained managers, since the path of pursuing a management career within a firm became less and less secure due to downsizing and organisational reforms.[164]

Similar to how accounting changed from bookkeeping to being an essential part of administrative coordination, it is also observable that the practice of management consultancy changed in relation to the structural factors that Rouf describes. The new knowledge and tools carried by management consultants also changed the role of managers and the practice of corporate bureaucracy in ways which we will see unfold in this thesis.

Emergency of consultancy in Sweden

As consultants, the Taylorists became more successful outside of the U.S. than within it. When consultancy emerged in Sweden in the 1930s, it was through the spread of managerial ideas from the other side of the Atlantic. Consultancy at this time was a borderland between accountancy and engineering. Within the engineering profession, there was a history of technical expertise, which was transferred by engineering consultants. One of the first management consultancy firms in Sweden derived from Charles Bedaux. He was one of Taylor's followers who further modified Taylor's principles into his own Bedaux system. Bedaux established an international consultancy company that operated in Britain from 1926 and operated a Nordic branch between 1930 and 1942. Notably, the impact of the firm was small and only a few documented projects existed such as its

[164] Kipping and Engwall, *Management consulting.*

participation in rationalisation projects at Arabia and Suomen Trikoo in Finland during the 1930s.[165]

The first firm to make an impact in Swedish business life was the pioneering firm Ekonomisk Företagsledning AB (EF). The firm has been described as being the dominant firm in Swedish consultancy when an industry of organisational consultancy emerged in Sweden during the late 1950s. The formation of this industry was characterised by an increase in consultancy operations, new attempts (the first since Bedaux in the 1930s) by international consultancy firms to establish in Sweden, as well as an endeavour to professionalise the consultancy occupation through a professional association for consultants, which was founded in 1954. EF positioned itself as a company with strong knowledge of American business and was very practically oriented in its services. The initial capabilities of the firm concerned classical matters of organisational consulting, rationalising office work and administration, technical organising, and transportation. Over time, this repertoire was expanded to include marketing, human resource management and economic planning and control.[166]

EF strived to stay in touch with new business trends and the emerging needs of their clients. However, the ideological core of their organisation and managerial practice was as Metzger notes, the drive to be cost-effective and achieve rationalisation through cutting costs. The emphasis on cost-effectiveness and rationalisation associated them strongly with the Taylorist tradition of achieving efficiency through economic measurement, planning, simplifying tasks, and implementing new working methods. As already mentioned, EF also presented itself as a carrier of best-practice knowledge from the United States. Metzger states that an emphasis on selling know-how from American business was a common thread in how EF described their own operations in their own company publication *Ekonomisk Teknik* (Economic Technique). In Ekonomisk Teknik, EF regularly recommended selected American business and management literature

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165 Metzger, *Kunskapsekonomins pionjärer*.
166 Metzger.

and advertised seminars and conferences with invited American speakers. The founder of the company, Bo Casten Carlberg, had a military background and initially ran the consultancy as a side project to his employment as an assistant director at *Ammunitionsnämnden* (the committee for ammunition). Carlberg had also studied at Harvard Business School and served as a guest professor at the University of Wisconsin in 1956.[167] In many ways, he and EF embodied the notion of consultancy as the spread of American business methods internationally.

There is an academic debate on management consultancy as the spread of American management methods and tools. From the perspective of American management consultancy firms, the industry had its breakthrough in the 1930s through changed institutional arrangements which required external auditing and consulting in cases where this had previously been done by internal consultants at firms and banks. Throughout the following three decades, the consultancy firms continued to grow but not only the private sector. They also established ongoing relationships with the state and with nonprofit organisations.[168] Once the management consultancy firms had expanded over most types of organisations in the U.S., the next step was to spread internationally. From an international perspective, it is argued that consultancy firms from the U.S. played a vital role in the execution of the Marshall Plan, and that this led to consultancy firms gaining a foothold in European business. The national variations in the impact of this were great, however. In countries such as Germany and Italy, this process was highly political since it was interconnected with American ambitions to stabilise business life and reform the political sphere of their previous enemies. In Italy, the communist influence over the labour movement was strong and the American influence was met with opposition. In Germany, the communist movement was very

[167] Metzger.

[168] McKenna, *The world's newest profession.*

weak and there was a high level of receptiveness of the American ideas.[169]

In Sweden, the connection between the political and economic aspects of the Marshall Plan was also controversial. The economic reasons for accepting to be a part of the plan was self-evident but the political risks of joining kept the Swedish government hesitant and consequently tried to uphold a distinction between economic and political cooperation. This contrasted Sweden from its Nordic neighbours Norway and Denmark who joined both OEEC, the organisation which executed the distribution of the Marshall Plan payments, and NATO. Sweden only joined OEEC and spent much political effort to walk a tightrope in order to separate political and economic cooperation with the United States.[170].

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A mystique surrounded American management through the dominance of the U.S. economy and the international success of American firms. This was very much related to strength of the big corporations, the administrative capacity to formulate and execute strategy, and the management tools to manage large organisations

[169] Djelic, *Exporting the American model*.
[170] Karlsson, "Sweden and the OEEC, 1947—50".
[171] Engwall, "The Americanization of Nordic Management Education".

through administrative coordination. This mystique was of importance to an Americanisation of international business in that it has been easier to observe a successful spread of the perceived triumph of American management than the actual success of American-influenced organisational forms and administrative techniques. This was especially significant later in history when this mystique came to fade in the late 1970s and early 1980s.[172]

The post-war years were also very formative for business education at the American business schools. Business schools, primarily Harvard Business School, socialised and institutionalised the new organisational conditions of the managerial revolution into a specific executive education. This started as an Advanced Management Programme in 1945, then became labelled as executive education in the 1960s and this type of programme had spread to around fifty higher education institutions in the U.S. by 1969. Initially the programme was very short, only thirteen weeks, and had been directly inspired by business schools' efforts to educate military officers during the World War 2. The Harvard Business School had strong connections with important business and administrative scholars such as Chester Barnard and Ernest Mayo at the time. These connections made it an important hub, which other business schools used for inspiration.[173] SIAR founder Eric Rhenman spent time at the Harvard Business School over several periods, initially as a student but later also as a researcher and lecturer.[174]

Consulting through business education

As a segue between management consulting in Sweden and SIAR, we should touchdown on the first Swedish professor of business administration. His name was Oscar Sillén and he alternated his

[172] Locke, *The collapse of the American management mystique*.
[173] Amdam, "Executive Education and the Managerial Revolution".
[174] Carlsson, *Strategier för att tjäna pengar*.

academic work with taking on consultancy assignments through employment at the Industrial Office of the Federation of Swedish Industries.[175] Sillén's period of active consultancy occurred between 1912 and 1951, so he was largely active prior to the Americanisation and served as a predecessor to EF. His activity as a consultant allowed him to come into contact with the contemporary problems of Swedish business, which must have furthered his skills as an academic. He became head of the Industrial Office in 1912 and was authorised as a public accountant by the Swedish Chamber of Commerce.[176] Sillén was a clear representation of the established roots of management consultancy within accounting and specifically the role of the professionalised and independent accountant.

Sillén did notable work for Svenska Handelsbanken in the 1930s, more specifically on the profitability and liquidity of companies with which the bank had long standing economic relationships. Changing regulation and an increased need for independent auditing that followed the Kreuger crash in 1932 prompted Sillén to establish a specific bureau for auditing. Later in the 1930s, Sillén started authoring handbooks in accounting and auditing that built on the business education he had obtained in Cologne, Germany.[177] It was significant that Sillén's function for the Swedish business environment was of a practical rather than theoretical nature. The knowledge he obtained as both a consultant and an academic contributed to the craft of business rather than to the critical or scientific understanding of it. Business education and business schools needed to be of practical use for business practitioners in order to obtain contracts with existing firms, and to attract potential business students. There is a clear resemblance to EF's managerial practice as consultants, with its concrete focus on improvement and the rationalisation of existing work tasks and areas

175 The predecessor to the current organisation of Svenskt Näringsliv (Confederation of Swedish Enterprise) who are the employers' organisation of the private sector and business sector companies in Sweden.
176 Engwall, Furusten, and Wallerstedt, "The Changing Relationship between Management Consulting and Academia: Evidence from Sweden".
177 Engwall, Furusten, and Wallerstedt.

within the firms such as office work. The perceived usefulness of American business knowledge was apparent and the possibility for EF and Sillén as management practitioners to solve existing problems through teaching and the application of best-practice solutions was key to the establishment of consultancy in Sweden.

In the following period, which is the main focus of this thesis, we once again encounter management intellectuals inhabiting the borderland between business education and consultancy. But this time, consultants and intellectuals are operating in a time when growing administration and business organisations are being critically evaluated, and business scholars turn to theory and conceptual innovation to find ways to renew business.

The origins of SIAR

As a management consultancy firm, SIAR continued Sillén's tradition of operating in both academia and as advisors to business. Founder Eric Rhenman held academic positions in business administration at Lund University and headed a research group at the Stockholm School of Economics (SSE) before starting SIAR in 1966. This project followed a previous research group (GAU) which carried out research focused on administration. With SIAR, Rhenman wanted to help firms develop better instruments for management. Rhenman also wanted clients of SIAR to have some influence over the orientation of the research, which was controversial in the academic environment of SSE and therefore led to the creation of a separate entity for the combination of research and consultation.[178] Even with this client-oriented approach and the expressed desire to produce action research,[179] SIAR still applied a distinctly theoretical approach to producing business advice.

[178] Engwall, Furusten, and Wallerstedt.
[179] *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F 1bp:98

Eric Rhenman's academic publications from the early to mid-1960s concerned how to understand the operations of a firm using systems theory, through which business organisations were described as developing from an initial basis into an organisation and a system overlapping and interacting with other systems. In Rhenman's view, this facilitated an understanding of the problems of the business organisation as not just located within the boundaries of the firm but in the relationship between the business and the norms and expectations of society.[180] Other theoretical foundations for Rhenman were Herbert Simon, with his interest in decision-making and bounded rationality, as well as Philip Selznick, whose theories Rhenman was recommended to look into by Simon, and his contributions to sociology and organisational theory regarding diverging goal sets between different actors within organisations.[181]

SIAR's internal records provide further insight into how SIAR's initial operations were planned and how research and consultancy were balanced. In May 1969, members from SIAR met to plan the operations of their action research group. Notes from this meeting present how SIAR had an external goal to improve society by making Scandinavian business and firms more efficient, more innovative and more socially responsible. These ambitions were complemented by an internal goal to set up a well-equipped and competitive research institute. The notes further show that SIAR aimed to establish a dynamic between the research and the action research group. The latter was more consultancy-focused and oriented towards profitable projects. The regular research was to be funded be the profits from the action research, but also develop knowledge products used in the action research. This division of SIAR's operations also had a geographical aspect. The regular research was located in Lund, whilst the action research was focused on

180 Rhenman, *Organisationsteori för Långstidsplanering*.

181 Engwall, Furusten, and Wallerstedt, "The Changing Relationship between Management Consulting and Academia: Evidence from Sweden".

Stockholm.[182] Balancing these two types of research was not always easy for SIAR, however. For example, notes from a board meeting for SIAR show that they had problems with firms claiming property rights over research material collected at their firms. These claims complicated the academic publication of the research. The documented discussion shows that SIAR felt the need to emphasise their role as a research institute to make their clients realise that results from SIAR's cases would be published.[183]

In 1970, SIAR published a book by Rhenman titled *God företagsledning* (Good business management) where the role of firms was discussed in light of larger societal change. In this book, Rhenman was critical of a one-sided favouring of rationalisation and cost-effectiveness in the organisation of society. Regional and municipal governments were specifically targeted because of how they had been reorganised to become more cost-effective. In contrast to this, Rhenman argued that organisations needed to be organised to focus on realising their central goals rather than being run in the most cost-effective manner. He also stated that in the reorganisation of corporations or government agencies, the tendency to overemphasise rationalisation should be viewed with caution. Rhenman was also critical of formalisation through the creation of further detailed instructions on how the organisations were to be run.[184]

SIAR adopted an outspokenly clinical approach to their research and to the clients they were consulting for. It has been argued that this was inspired by early projects in hospital organisation and close ties with medical researchers. It is apparent in Rhenman's publications that, with his system theory approach, he saw organisations in terms of living organisms. For SIAR, the service of consultancy consisted of understanding the system of the business as well as identifying and distinguishing problems for the business. In a report written by

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182 *Minnespunkter för planeringen av aktionsforskningsgruppen* 1969-1972, 1969-05-28 (APM-ER-10) CfBH/SIAR/F 1 a

183 *Sammanträde med styrelsen för stiftelsen Företagsadministrativ forskning den 31 oktober 1969* CfBH/SIAR/A 2

184 Rhenman, *Företaget som styrt system.*

Rhenman (and others) in 1974, this practice was dubbed a diagnosis,[185] which further strengthens the idea of the link to the practice of clinical research.

These systems approach later came to be very important when SIAR was advising firms on how to organise themselves or formulate strategies. In the economic crisis of the 1970s, SIAR analysed not only specific firms but also the changes in the industries in which they operated and highlighted the importance of becoming more market oriented. Because of the low profitability of Swedish firms during this period, the need to access new markets through either new geographical presence or new products became of dire importance. SIAR's approach to organisation and management was very much derived from their notion of the firm's place in the system, or larger economic environment. Two SIAR scholars, Lars H. Bruzelius and Per-Hugo Skärvad published a book on business organisation titled *Integrerad Företagsadministration* (Integrated Business Administration). [186] The book focused several chapters on the role of the firm in relation to its stakeholders and the environment surrounding the firm. The authors emphasised how this creates a situation in which the firm sets its goals and chooses its organisation. They stated that it is the need to develop new types of products or operate in new markets that results in shifts to a new organisation, which also implies that they do not necessarily favour a specific organisational form. This becomes even clearer regarding different types of divisionalisation where, rather than suggesting specific forms or tools, they pointed out different situations for the firm which could require a transformation into a divisionalised form. Regarding administrative and organisational control, it was said that the autonomy of the managers of divisions is always a potential problem or source of conflict. Purer forms of divisionalisation exist where divisional managers have complete autonomy over the goals and operations of their part/division of the firm. Areas of the firm also

[185] Rhenman, *Organisationsteori för Långstidsplanering*.

[186] The later, Skärvad, was one of the alumni who came to write on the impact of SIAR as a "school of management", more on that in the section on The SIAR School of Strategic Management.

exist in which central management have more authority and there might be overlaps between different areas of managerial responsibility. According to Bruzelius and Skärvad, the trend is that divisional managers become more and more autonomous.[187]

The way they approached the discussion of how firms should organise in this example makes clear that SIAR was well aware of the ongoing trend of firms divisionalising to become bigger and increase their administrative capability in a Chandlerian sense. Their own pragmatic and relational approach to this also emphasised the problems that could arise through the parallel needs to let divisions operate more independently and be controlled by higher management. Whether or how to do this should be decided on the basis of the firm's specific situation in relation to the firm's environment, rather than through adapting tools that have been found to be best practice. In this way, SIAR differed clearly from how Ekonomisk Företagsledning presented their services.

In relation to the clients, the purpose of this systems and diagnosis approach, was to inform the clients about the inner workings of their organisation. A firm was seen as having obstacles in the form of internal structural conflicts. This affected its continuous development in particular, and the researcher needed to study the history of the firm to make a kind of diagnosis in order to distinguish the organisational problems of the firm. Rhenman was therefore continually critical of a type of general framework for giving advice to firms. The consultants were instead taught to diagnose each firm individually and then come up with a suitable treatment. The treatment had the common purpose of serving an emancipatory purpose for the company by helping the company reveal which problems and obstacles were real and historical or of human creation.[188]

Further examples on this can be found in a publication by Eric Rhenman from 1974 where the interactions between the firm and its surroundings were discussed. The importance of understanding the

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[187] Bruzelius and Skärvad, *Integrerad företagsadministration.*

[188] Bruzelius and Skärvad.

situation in which the client organisation operates was strongly stressed and through this, Rhenman was critical of a type of general framework for giving advice to firms. The consultants were taught to diagnose each firm individually and different roles for consultants were presented, such as the therapeutically focused, the power-exploiting, and the supporting consultant.

In Rhenman's view, these differed in that the therapeutically focused consultant avoids identifying with the organisation and instead serves as a mediator or moderator in structural conflicts in the organisation. The power-exploiting consultant acts in a way that is opposite to this, attempting to anchor themself in the management of the organisation. A consultant in this role further identifies with the organisation and values themself based on how well the organisation achieves its goals. The supporting consultant is described as being between the other two consultant roles but also as having specific characteristics such as being a type of expert in a certain professional field such as computerisation or marketing.[189]

The history of SIARs research and consultancy operations

Rhenman's academic background had a distinct influence over SIAR's operations and its norms and theories of management. During the first ten years of the research institute, there was a parallel focus between providing business advice to clients and publishing reports and books for the research community. The other employees of SIAR often came from the academic environment and many of them published their research results as licentiate or doctoral theses. SIAR's day-to-day operations were minted by an academic culture where consultants were encouraged to document their findings and thoughts through the UPM system and there was a weekly clinical seminar during which

[189] Rhenman, *Organisationsteori för Långstidsplanering*.

papers and thoughts were presented and discussed. SIAR was known by business students and other managerial practitioners for this culture, and it has been described by former employees that started working at SIAR as "becoming one of Eric's boys". The alumni of SIAR maintain that this was one of SIAR's most distinguished legacies and describe the spread of SIAR's approach to business and organisation as the 'SIAR paradigm'.[190]

SIAR's form was influenced by contract research of an American model with examples such as the Stanford, Batelle and Hudson institutes. As we have seen, it was difficult to finance its operations in this manner, and SIAR was initially dependent on research grants. Rhenman obtained a professorship in Lund in 1967, and as a result of that a second SIAR office was opened there. Work that was purely consultative started to appear in the late 1960s with clients such as Felix (food company), Perstorp (chemical industry), Munksjö (paper mill), and Husqvarna (manufacturing).[191]

Between the early to mid-1970s, SIAR was both an academic organisation and a consultancy firm. Its consultancy operations were established and run through a special company called SIAR planning which emerged out of its action research group. However, during this period many researchers left SIAR, in many cases for more research-oriented positions, and during this period, SIAR also employed its first consultants who did not have a research background. The organisation gradually transformed into more of a traditional consultancy firm, which grew quickly through organisational projects involving divisionalisation in Sweden and Finland. Eric Rhenman left his academic positions to concentrate more on consulting, and SIAR become more international by going on to open new offices globally throughout the 1970s. Offices opened in Helsinki in 1970, in London in 1972, Copenhagen in 1972, Boston in 1974, Manila in 1975, Paris in 1978, Milan in 1979 and Singapore in 1981.[192]

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190 Carlsson, *Strategier för att tjäna pengar*.
191 Carlsson.
192 Carlsson.

During the late 1970s and early 1980s, SIAR changed their responsibility model for consultancy work. Initially, they adopted a federative structure where the international offices where independently responsible for their own cases and projects. This led to some internal disruptions, specifically when leading consultants from the London office left their assignments and started a new firm in 1980. For example, an important figure, Richard Normann, left the company during this time after being highly critical of this model of responsibility. The model was changed in the early 1980s and together with another senior consultant Christian Junnelius, Eric Rhenman adopted a model of strict quality control over performed consultancy work. There were also marked cuts in staff, a re-emphasised focus on the Swedish and Finnish markets, and the appointment of senior consultants to the most important international offices. From that point forward, new recruits to the firm were not trained as possible researchers but as professional consultants. Eric Rhenman took inspiration from an MBA programme that Rhenman had been involved in during his time at Harvard Business School between 1974 and 1976 and started a Young Professionals Programme. In this programme, new consultants were trained in SIAR's practices and techniques that had arisen from Rhenman and other SIAR researcher's writings and were continually adapted through being practically applied in business cases.[193]

By examining SIAR's internal reports, we can see in detail how the firm became more structured in its consultancy work. During the 1970s, the internal reports contained a lot of reflections about the performed cases. Eric Rhenman's report in particular, contained a lot of suggestions for possible future research projects. In the mid-1980s, consultants at SIAR produced several internal reports about how to better structure the products and services that the firm offered or how to better use the internal material in future projects, for example, the

[193] Carlsson.

report *First efforts to structure some of our products* from October of 1984.[194] This report categories the different types of knowledge products that SIAR had developed. SIAR also produced internal templates and guides for how to write case reports and perform certain types of analysis, for example, the report *Quantitative analysis – illustrations from project work* from mid-1985.[195]

The consulting environment in Sweden changed remarkably during the 1980s. The period has been described as a boom period for consultancy in Sweden and internationally. The Swedish consultancy firms benefited from the fact that few American consultancy firms were established in Sweden. American firms had worked with big Swedish corporations, for example the Stanford Research Institute had collaborated with many of the firms in the Wallenberg sphere. None of the American firms had offices in Sweden until McKinsey opened their office in Stockholm in the early 1980s.[196] The interview with Gunnar Winqvist from SIAR do, however, show that McKinsey used their Copenhagen office to take on assignments with Swedish firms prior to opening their office in Stockholm.[197]

Swedish business magazine Affärsvärlden started publishing a guide for consultancy in 1987. When they then listed the biggest consultancy firms operating in Sweden, almost all of the firms in the top 10 were Swedish companies. Indevo, Ekonomisk Förvaltning, Bohlin & Strömberg and Maynard MEC were some of the other important Swedish consultancy firms of the 1980s.[198] The services in demand within consultancy also changed. Swedish business magazine Veckans Affärer wrote an article titled *Den Nya Konsulten* (The New Consultant) in May of 1986 in which they stated that there had been a shift in the firms who hired consultants. Previously, it had been firms dealing with a type of crisis; in 1986 it was instead the successful firms

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194 *First efforts to structure some of our products*, 1984-10-15 (UPM-CaD-1490) CfBH/SIAR/F 1 bc:31

195 *Quantitative analysis – illustrations from product work*, 1985-09-19 (UPM-PEC-344) CfBH/SIAR/F 1 bp:100

196 Affärsvärldens konsultguide 1992

197 Interview with Gunnar Winqvist

198 Affärsvärldens konsultguide 1992.

who retained consultancy services. The article also stated that there was a decrease in demand for organisational consultancy. Instead, the demand for management consultancy, and for business development services, increased.[199] The rapid development of the Swedish consultancy market also left traces in SIAR's internal reports. The firm charted the European consultancy market and analysed both recent entrants into the markets as well as new types of knowledge products, which we can see in the image below.

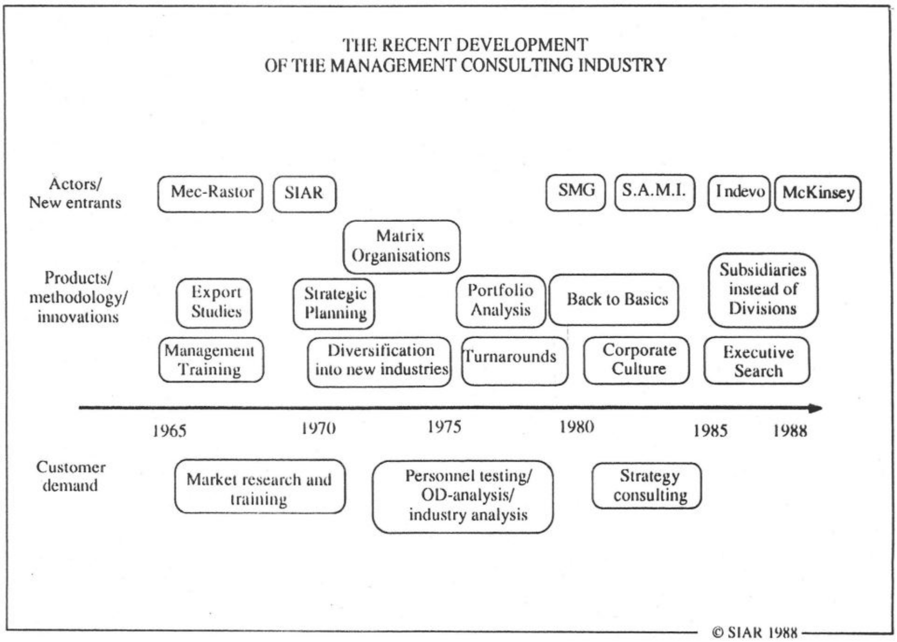

Figure 6. SIARs 1988 chart of "The recent development of the management consulting industry"

Source: *The European Management Consulting Industry – A First Draft Summary of Information*, 1988-10-25 (UPM-PEC-950)

This chart shows that SIAR was well aware of their competitors as well as what was wanted by potential clients. Historically, SIAR had been very focused on organisational studies.

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199 *Den nya konsulten*. Veckans Affärer nr 20. 15:e Maj 1986

During the 1980s, we can see that strategy consulting became of major importance in the consultancy market.

SIAR were successful in their restructuring and recovered their levels of revenue by 1982/1983. They focused their attention on international growth strategies and organising Swedish firms' international structures. The company attempted to recruit more experienced and established consultants with the purpose of integrating them into SIAR's practices. This came with mixed results; some new consultants were able to contribute new knowledge while others had a hard time fitting into the organisation.[200] SIAR also charted and analysed which firms they had worked with and emphasised their collaborations with these firms, particularly in the Wallenberg sphere. SIAR presented their engagements with the Wallenberg Group in 1988. The table below is a translation of SIAR's summary of their work:

Table 4. SIARs within the Wallenberg Group in 1988

Alfa-Laval	Several major projects, among them organisation of corporation and subsidiaries and strategy work
ASEA	Several minor organisational projects, one major business structure project
Astra	Development of strategy for entering the Japanese market. Several previous major projects
Electrolux	Minor projects and project contacts
Ericsson	Several major projects. For example, corporation and subsidiary organisation and strategy
Instoria	Structure study for subcontractors in the car industry
Orrefors	Strategy and organisational development. Business development studies
Saab Scania	Several projects. For example, within the truck sector
SE-Banken	Business analysis and strategy development within the public sector
SKF+SKF Steel	Several major projects. For example, organisational and strategy development and internationalisation
Stora	Several projects. For example, the development of the European market and the impact of international

[200] Carlsson, *Strategier för att tjäna pengar.*

	business development, market introduction and acquisition strategies for subsidiaries
Swedish Match	Corporate and corporate management structure

Source*: SIAR Engagement in the Wallenberg Group*, 1988-05-15 (UPM-PEC-1076)

The majority of these projects occurred in the mid-1970s and the 1980s. The list shows that SIAR clearly established itself as an important consultant among big international Swedish firms. Examples of firms outside of the Wallenberg sphere that SIAR had major projects with were SKF, Götabanken, Avesta, Gambro, Nobel and Perstorp.[201]

SIAR's last decade

SIAR needed to revitalise in the late 1980s because of increased and more varied demands from consultancy markets. The Swedish consultancy market internationalised rapidly from the late 1980s and onwards. Boston Consulting Group followed McKinsey and had opened an office in Stockholm by 1988. In the early 1990s, eight out of the ten biggest consultancy firms in Swedish were not Swedish. This was not only due to American firms having established in Sweden but also because international consultancy firms had merged or been acquired by international firms. [202]

SIAR made the decision to concentrate on their core competency of assisting businesses in positioning themselves in the global market. The company was nonetheless forced to acknowledge that it was not enough to rely on the Swedish and Finnish markets. As a result, SIAR started considering potential mergers with other consulting firms. Finally, they merged with French company Groupe Bossard and the goal of this merger was to create a platform for future mergers with other European businesses. Rolf Carlsson wrote a book,

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[201] Carlsson.

[202] Affärsvärldens konsultguide 1992.

Strategier för att tjäna pengar – om affärsidén och andra SIAR-begrepp (Strategies to make money – on the business idea concept and other SIAR concepts) on the legacy of SIAR. Carlsson stated that the future aim for SIAR and Groupe Bossard was to eventually become the European division of a major American consultancy firm.[203] Meeting notes from the 28 January 1991 meeting of the board of SIAR's foundation for business administration research further show that the situation was tough for many Swedish consultancy firms. The board members were concerned with how many firms had tried to expand outside of their core competence and venture into other types of business. For example, it was mentioned that SIAR had started up a subsidiary for business communication called *Strategisk Affärskommunikation* in the late 1980s which they just recently had decided to file for bankruptcy.[204]

One of SIAR's Swedish competitors, Indevo, tried to collaborate with the American consultancy firm Bain & Co to acquire international reach. At the last moment, Bain & Co got into financial difficulties and could not afford to acquire Indevo. Instead, Indevo was acquired by the consultancy firm Alexander Proudfoot, which fully integrated Indevo into its existing firm. The American invasion of the Swedish consultancy market also led German firm Roland Berger & Partner to leave the Swedish market. The German firm had been one of the first international consultancy firms to establish in Sweden, and when the competition became fiercer, they closed their Stockholm office in 1992.[205]

The Indevo example highlights the possibilities of maintaining the core business activity after a merger. Concerns were also raised that differences between how SIAR and Bossard were run could cause problems. The members of the board of the foundation found that Bossard had too much of a profit-centred mindset, meaning that the parts of the firm that brought in revenue were viewed as separate from

203 Carlsson, *Strategier för att tjäna pengar*.
204 *Protokoll från möte i Styrelse för Stiftelsen Företagsadministrativ Forskning den 28 januari 1991* CfBH/SIAR/A 2
205 Affärsvärldens Konsultguide 1992

the other parts of the firm. The leading figures of SIAR hoped that Bossard were willing to change regarding this.[206]

SIAR continued to perceive their own position on business philosophy as admirable. They merged with Groupe Bossard in order to acquire new international reach and stability rather than fuse their business operations. In the book on SIAR's core ideas, former SIAR CEO Christian Junelius emphasised that after the merger the consultancy operation remained marked by SIAR's concept of the business idea.[207] SIARs routine for keeping registries of consultancy reports persisted after the merger.

Carlsson also stated that SIAR become responsible for consultancy operations in the Nordic regions as well as the Baltics. These were areas where Groupe Bossard had not been active previously which meant that the merger between the firms did not lead to a complete integration between their businesses. Carlsson? describes SIAR's part of SIAR-Bossard as 'SIAR Planning Baltic Rim', suggesting that much of SIAR's consultancy merely continued from before the merger. SIAR had initiated a venture to establish in the Baltics in the late 1980s. This activity continued in the 1990s. At that time, the region was undergoing the uncertain and delicate process of becoming independent from Russia. SIAR-Bossard established themselves in Estonia through networks and connections stemming from Estonians who had migrated to Sweden. Once the activity was established, SIAR's Finnish employees became more active in setting up offices and finding staff. The Tallinn office was mainly involved in determining the market potential of existing firms in Estonia. Offices were also opened in Latvia, Lithuania and St. Petersburg, but not in Moscow since this was seen as too remote from SIAR's base in the Nordic countries. The establishment in the Baltics was successful and the region was one of the more profitable in SIAR-Bossard.[208]

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206 *Protokoll från möte i Styrelse för Stiftelsen Företagsadministrativ Forskning den 28 januari 1991* CfBH/SIAR/A 2

207 Carlsson, *Strategier för att tjäna pengar*.

208 Carlsson.

Parallel to SIAR's development, the Swedish consultancy market continued to evolve. From the mid-1990s and onwards, it became more versatile. Affärsvärldens Konsultsguide reported on the situation not just for management consultancy firms but also public relations and information technology consultants. All the different branches of consultancy grew during the 1990s and the management consultancy industry actually grew less than PR and IT. The magazine also argued that management consultancy firms with a focus on IT were particularly profitable, since they could offer both the implementation of new technology and strategy advice connected to it. American consultancy firms continued to establish themselves in Sweden. Both Bain & Co and Arthur D. Little opened offices in Sweden in the mid-1990s. McKinsey used Sweden as a gateway to the Baltics and Eastern Europe by having their Swedish office take on assignments from St. Petersburg, Moscow and Prague. Later in the 1990s, the firm opened specific offices for the Eastern European region.[209]

During the decade of the 1990s, SIAR-Bossard held on to a position among the ten biggest management consultancy firms in Sweden. In Affärsvärlden's rankings, SIAR-Bossard was 4th in 1994, 5th in 1995 and 8th in 1996.[210] In 1997, Cap Gemini, a French consultancy firm, acquired SIAR-Bossard. Cap Gemini operated as a consultancy firm with a primary focus on delivering computer-related services. The firm had tried to establish their consultancy firm, Gemini Consulting, in Sweden during the 1990s.[211] Eventually they expanded their enterprise by incorporating the management consulting services provided by SIAR-Bossard. When Cap Gemini acquired the firm SIAR was a part of, SIAR's operations were fully submerged into Cap Gemini and no longer operated independently. Without its consultancy operations, SIAR did not produce any more consultancy reports or registers. After SIAR-Bossard was acquired by Cap Gemini,

209 Affärsvärldens Konsultguide 1995
210 Affärsvärlden Konsultguiden 1995 & Affärsvärlden Konsultguiden 1996
211 Affärsvärlden Konsultguiden 1995

SIAR's contribution to business practice and ideology underwent a transformation from an ongoing presence to a legacy.[212]

The management tools of SIAR

We know about SIAR's theoretical origins through its publications as a research institute. In this section we go on to examine in greater depth how these theoretical perspectives manifested as management tools and knowledge products.

The notes from SIAR's action research group state that SIAR's pure research arm developed products which were put into practice by the part of SIAR that worked on assignments for firms. This development and transfer of knowledge can be followed through SIAR's internal reports; not only in the consultancy reports documenting their consultancy projects but also in internal training material for new employees. In the early 1980s, SIAR had started to employ far fewer academic scholars and more graduates from business administration schools, mainly from Stockholm School of Economics, or people with consultancy experience from other firms.[213]

In the internal training material from between 1985 and ??, SIAR presented how they had developed in five four-year periods. The first period was between 1966 and 1970 and concerned SIAR's research development and was presented in the form of what SIAR was for and against during this period. The presentations for all the subsequent periods were in point form showing on the one hand the progress of SIAR's consultancy operations and on the other hand, the development in SIAR's knowledge and competence.[214] This categorisation of what occurred during the different periods could be

212 Affärsvärlden Konsultguiden 1995
213 Carlsson, *Strategier för att tjäna pengar*.
214 *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F 1 bp:98

linked to the separation of research from consultancy, which was described in the notes from 1969.[215]

Table 5. Development in SIAR's first five-year period (1966-70)

For	Against
-Action research, clinical research, emancipatory actor-oriented research -Organizational learning -Innovation – and development orientation through entrepreneurship -Businesses and organization should; situation orientation, organizations as social innovations	- (Traditional) academic research, dubblicating (sic) science research methodology - Goal – first- planning research afterwards research - "Graenges"-management, Bureaucratic organization - General organizational principles

Source: *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBN/SIAR/F 1 bp:98

The presentation of the first five-year period was a systematic showcase of SIAR's intellectual origins and showed how they positioned themselves in relation to traditional academic research. SIAR was also presented as being against suggesting or implementing very general organisational principles, such as specific organisational forms or management tools. The arguments from Bruzelius and Skärvad's book on business administration were echoed here in how businesses should be organised based on their situation, not on the basis of implementing tools and a form that were considered best practice.[216]

SIAR declared themselves in favour of research that was clinical and oriented towards action and the emancipation of the researched actor. When SIAR became more of a consultancy firm than a research institute, this approach became more challenging to uphold since firms wanted more solid and practical advice rather than being assisted by being diagnosed in a manner that would help them emancipate themselves. Still, these theoretical positions would persist

[215] *Minnespunkter för planeringen av aktionsforskningsgruppen* 1969-1972, 1969-05-28 (APM-ER-10) CfBH/SIAR/F 1 a

[216] Bruzelius och Skärvad, *Integrerad företagsadministration.*

with SIAR throughout its history and the emphasis on organisational learning is one which the SIAR alumni has pushed as being one of the most important ingredients in their school of management. The clearest example of this was SIAR's positioning in relation to what was dubbed *Graenges-management* (from here on out referred to Gränges-management). This was in reference to the mining firm Grängesbergsbolaget. For SIAR, they epitomised the organisation and organisational control of a mature business that expected its business environment to stay the same and because of this organised itself in a hierarchal and bureaucratic manner. SIAR continued to see this style of management as something they opposed throughout their existence. This is apparent in how it was described when SIAR wrote about their legacy and their management concepts in 2000.[217] We will go into more detail about Gränges-management in the next section.

Table 6. Development in SIAR's second five-year period (1971-1975)

General development[218]	Knowledge and competence development
-Prioritizing of business consulting -Internationalization and "Multi-business" companies -The first overseas offices: London, Copenhagen (closed 1974), Boston	- The business idea concept in different applications - Business opportunity studies - Management control of foreign subsidiaries - "Multicenter"-organisation - Control systems - Industry programs start up (Steel, Forest)

Source: *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBN/SIAR/F 1 bp:98

Here we can see the distinction between the progress made in SIAR's business activities and its achievements within knowledge and

[217] Carlsson, *Strategier för att tjäna pengar*.
[218] This term did not feature in the original record. No specific heading was used to describe SIARs business progress in each time period. This has been added to better contrast this development to the knowledge and competence development

competence development. Its business achievements in this period were opening international offices and expanding into new areas of business. On the knowledge development side, SIAR emphasised the business idea concept as well as new ideas concerning management control and the multicentre organisation.

The presentation also mentions the *business idea* concept. This was the central topic of a Richard Normann's doctoral thesis. Rolf Carlsson argues that the concept was in use at SIAR from the early 1970s and onwards. Carlsson also describes this concept as the "centre of gravity" of SIAR's management philosophy.[219] The business idea of a firm can be defined as the distinctive competence of the business organisation that manifests as what the company believes was and/or is crucial to its success. More concretely put, it means how they understand they are able to make money.[220] Carlsson points out that is has two dimensions. On the one hand, it means the ideas and values on which the firm believes it will be successful, but on the other hand it also means the actual system of actors, components and activities that created the specific firm's unique patterns. The business idea was seen as being produced within the firm rather than as its starting point. As consultants, the key tasks for SIAR were to identify this idea and then assist the client in creating an organisation with management structures to support this business idea.[221]

Business opportunity studies were mentioned as another form of knowledge and competence development. In Carlsson's book on SIAR's managerial concepts, business opportunity studies were described as a means of applying the business idea to industries and markets. SIAR did this by studying which business ideas were at the centre of for example the furniture industry. That analysis served as the basis for providing advice for firms on how to act on or enter this industry or market.[222] The multicentre organisation as knowledge and competence development was also noteworthy in relation to SIAR's

[219] Carlsson, *Strategier för att tjäna pengar*.
[220] Lind och Rhenman, "The SIAR School of Strategic Management".
[221] Carlsson, *Strategier för att tjäna pengar*.
[222] Carlsson.

attitude towards bureaucratic organisations. Divisionalisation through adding new products or markets was seen by SIAR as something that added new areas of managerial responsibilities, with the operational responsibility being delegated to divisional managers and budget and product development, for example, remaining under central control.[223] Principles and tools for how to organise and control firms in accordance with this type of development were studied and used by SIAR during these years. They did not connect this with bureaucratic organisations, which they saw themselves as opposing. These years were when SIAR started prioritising its business consulting operations and they started to adapt their theoretical positions to this in practice.

Table 7. Development in SIAR's third five-year period (1976-1980)

General development	Knowledge and competence development
- Fast international growth: Paris, SEA (Manilla & Singapore), Milan, Sao Paulo (closed 1981), Hamburg - Federal structure (offices with a local market)	- Increased knowledge about global key industries: The forest industry, steel, the engineering industry, etc - Pioneering work concerning the service industry and service management

Source: *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBN/SIAR/F 1 bp:98

Table 8. Development in SIAR's fourth five-year period (1981-)

General development	Knowledge and competence development
- Consolidating of the international network: Tokyo is established, Sao Paulo is closed, Manila is moved to Singapore - Computerization and increased efficiency in the communication system - Prioritizing of Sweden and Finland as main markets	- Differentiated industry analysis - Corporate management – "Beyond divisionalization", etc - Management systems - Full service for implementation, efficient end result

[223] Bruzelius and Skärvad, *Integrerad företagsadministration.*

Source: *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBN/SIAR/F 1 bp:98

In the period 1976–1980, all developments in the category of knowledge and competence involved establishing specific tools for certain industries. From 1981 to 1985, the period during which this presentation was given, SIAR mentioned corporate management and management systems in the category of knowledge development. In this context, the notion of corporate management referred to how the transformation of firms had moved beyond adding divisions and assigning new managerial responsibilities. During these years, as we shall see in the client cases, SIAR worked in particular on the roles and tasks of the top tiers of corporate management once more responsibilities were shifted to a divisional level. When divisions became highly differentiated and their work became to manage or develop entirely new technology or product lines, the governing functions such as audits and how to market products were also delegated to the divisional or group level.[224]

This can be seen in the book that SIAR published in 1983 on Swedish firms' experiences with divisionalisation. Here SIAR (meaning in this case Jan Edgren, Eric Rhenman and Per-Hugo Skärvhed) described different motives and outcomes in cases of divisionalisation and were clear that they saw this organisational form as continuing. But they also felt that collaborations between the divisions would become of greater importance. The authors stated that "*the multi-business firm does not have a value of its own but most show that it is capable of making the whole more economically valuable than the sum of its parts*".[225] It was also stated that this would come to mean that corporations needed to become more specialised and that one way of doing this would be to group business in the corporation in order to find better connections and links between diverse business within a

[224] Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.
[225] Edgren, Rhenman, och Skärvad.

corporation. We shall see examples of this at both Alfa-Laval and Ericsson.

The mention of corporate management in this presentation referred to what SIAR saw as an increasing demand for the type of corporate management they saw as needed in the future of divisionalisation. The term management systems were also used in the presentation, and it is not fully clear what was meant by this. It could be a continuation of control systems, or it could be a reference to how the term management systems was used in the International Standards Organisation (ISO) in the late 1980s when it published the first official quality management standard. Quality management meant ensuring that companies were able to consistently provide products and services that met customers' expectations. This form of control developed in production, initially in the U.S. from where it spread to Europe in the post-war era, in the same way as much other American best practice. [226]

These managerial concepts are hard to locate in the register index. We have only been able to identify and observe these by following cases more closely. This was also a continued development of working more specifically with firms' bureaucratic structures, such as organisational and administrative control. This is something that can be linked to SIAR's development of having been a consultancy firm for a longer time than it was ever a research institute, as well as having more employees with a consultancy background rather than being academic scholars.

The details of what these knowledge developments came to mean in the form of new tools is dealt with in the chapters on the client cases. Of importance here is the general development of SIAR as a firm and that it followed the organisational trends of emphasising more autonomy for the divisions but also had experience of assignments related to divisionalisation and managerial control in the early 1970s.

[226] Martins m.fl., "ISO 9001".

In contrast to its management consultancy predecessors in Sweden, SIAR did not describe their managerial concepts as specifically American. Neither did SIAR see themselves as spreading knowledge from American business schools or the American business environment. However, it should be pointed out that SIAR established international offices already in the early 1970s and that it was an international organisation almost prior to when it made the transition to primarily becoming a management consultancy firm. Many of the leading management intellectuals at SIAR, such as Eric Rhenman and Bengt Stymne, had also been educated at or visited American higher education institutions so they were obviously aware of and influenced by American management concepts and knowledge.

Gränges-management as an enemy

When examining how SIAR's management knowledge and tools handled organisational control and administrative structure, Gränges-management stands out as the point of departure. Throughout SIAR's existence, its consultants saw themselves as being against this form of management. In many ways, it also served as representative of what they saw as bureaucratic management.

As we just discussed, SIAR mentions this in its presentation for new employees in the mid-1980s. It is also brought up again when SIAR alumni present their management philosophy in their writings on the legacy of SIAR. In that book, Tommy Bergkvist discussed how SIAR talked about having philosophical enemies or adversaries. Bergkvist further specified that "Gränges" management referred to the long-term planning of the Swedish mining firm Grängesbergsbolaget. The firm had gained a large amount of capital through their sales of Luossavaara-Kiirunavaara Aktiebolag (LKAB) to the Swedish state in 1957. As a result of this inflow of new capital, Grängesbergsbolaget used very long-range planning for its investments. SIAR saw the way Grängesbergsbolaget used this form of planning as being based on the assumption that the business situation the firm operated in would remain the same. This therefore made the planning very mechanical in SIAR's view. SIAR also described it as an example of a planning philosophy that SIAR saw as resulting in "more of the same" rather than new products or technology to adapt to changing market environments. Grängesberg was used by the Harvard Business School as a case for using long-term planning.[227]

This example showed that SIAR's idea of what is bureaucratic stands in contrast to their own views concerning adaptation and flexibility. It was associated with a firm's view that the growth of the firm can occur almost independently of its surrounding conditions. Furthermore, this idea was also representative of industrial firms involved in raw-material centric production where capital investments in, for example, mining facilities, were planned to generate returns in a very long-term perspective. SIAR was much more focused on businesses and industries that were involved in new fields of technology and characterised by uncertain and changing market environments such as advanced food production or telecommunications. These businesses and industries would also prove to be very profitable and dynamic over the coming decades.[228]

Because SIAR defined bureaucracy as first and foremost mechanical and hierarchical, they did not find it easy to relate to something being governed by formal rules. SIAR's problem with bureaucratic organisations was that they assumed that they were unaffected by changing situations in their business environment, and this problem stemmed from SIAR's view that firms are systems that interact with other systems.[229] Something that can of course mean employing strict organisational control or many layers of management. However, we can see that this was not what SIAR saw as the characteristic signs of an organisation being bureaucratic.

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227 Bergkvist, "Våra fiender".
228 Lind and Rhenman, "The SIAR School of Strategic Management".
229 Rhenman, *Organisationsteori för Långstidsplanering*.

“SIAR’s management tools in the consultancy boom of the 1980s

In the 1980s, SIAR had not just shifted into a full-scale consultancy firm, it was also faced with the changes in a growing Swedish consultancy market. The Swedish consultancy market was experiencing a boom.[230] We can connect this growth of the consultancy industry to how many of SIAR’s assignments at firms in the Wallenberg sphere occurred during the 1980s.[231]

The late 1970s to early 1980s was also a period marked by significant shifts in managerial ideology and management concepts. Barley and Gunda argue that a succession in managerial ideology occurred around 1980. The previously dominant ideology of systems rationalism was replaced with a focus on organisational culture.[232] This shift had its context in how management scholars such as Ouchi were searching for a cultural reason for why Japanese firms performed better than American ones.[233] This further emphasis on culture in corporations has also been interpreted as trying to influence employees through commitment rather than control.[234]

The managerial concept of strategy gained in importance and was slightly altered during this period. Bracker’s chronology of definitions of the strategy concept shows a clear increase in management scholars attempts to define what strategy means in a management setting. The concept had already been used as early as in the 1940s and 1950s but came to be more forward-looking over time. The concept also took in more of the business environment of the firms that were using strategies.[235] For example, Mintzberg defined

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230 Affärsvärldens konsultguide 1992

231 *SIAR Engagement in the Wallenberg Group*, 1988-05-15 (UPM-PEC-1076) CfBH/SIAR /F 1 bp:123

232 Barley and Kunda, ”Design and Devotion”.

233 Ouchi, ”A Conceptual Framework for the Design of Organizational Control Mechanisms”.

234 Parker, *Organizational culture and identity*.

235 Bracker, ”The Historical Development of the Strategic Management Concept”.

strategy as a mediating force between the organisation and its environment in their book *Structuring of Organizations* from 1979.[236]

Both the shift in managerial culture and the growing importance of the strategy concept were linked to the profitability problems many firms faced during the 1970s. Because of the challenges for firms and business, finding a long-term plan to not just rationalise the organisation but find new markets and products became of great importance. These developments were also apparent for SIAR, which put much effort into linking organisational change to better strategy as well as fitting their older theoretical concepts into a changing business landscape. The already mentioned book *Divisionalisering och därefter* (Beyond Divisionalisation) from 1983 emphasised how firms needed to approach divisionalisation in a manner that did not just rationalise the organisation. Rather, firms should group together business activities in a strategic manner and thereafter coordinate and balance the influence of different business activities and markets in the firm.[237]

The activity to do that was dubbed *meta management* and was an important concept in both the projects at Alfa-Laval and Ericsson. We can also see that the concept linked SIAR's origins as an organisation-oriented research institute with the increased importance of strategy in the business landscape. Grouping together business activities with a strategic aim can be seen as a merging between a focus on organisation and on strategy. Gunnar Winqvist from SIAR, who served as head consultant in the projects at Alfa-Laval and Ericsson, have also said that it was a problem for the firm that they were seen as organisational consultants rather than strategy consultants.[238]

SIAR also did a lot of internal work to link their organisational concepts with a strategic approach. In late 1985, Eric Rhenman made a map to show the critical elements of strategy and organisational analysis at SIAR.

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[236] Mintzberg, *The structuring of organizations.*

[237] Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter.*

[238] Interview with Gunnar Winqvist

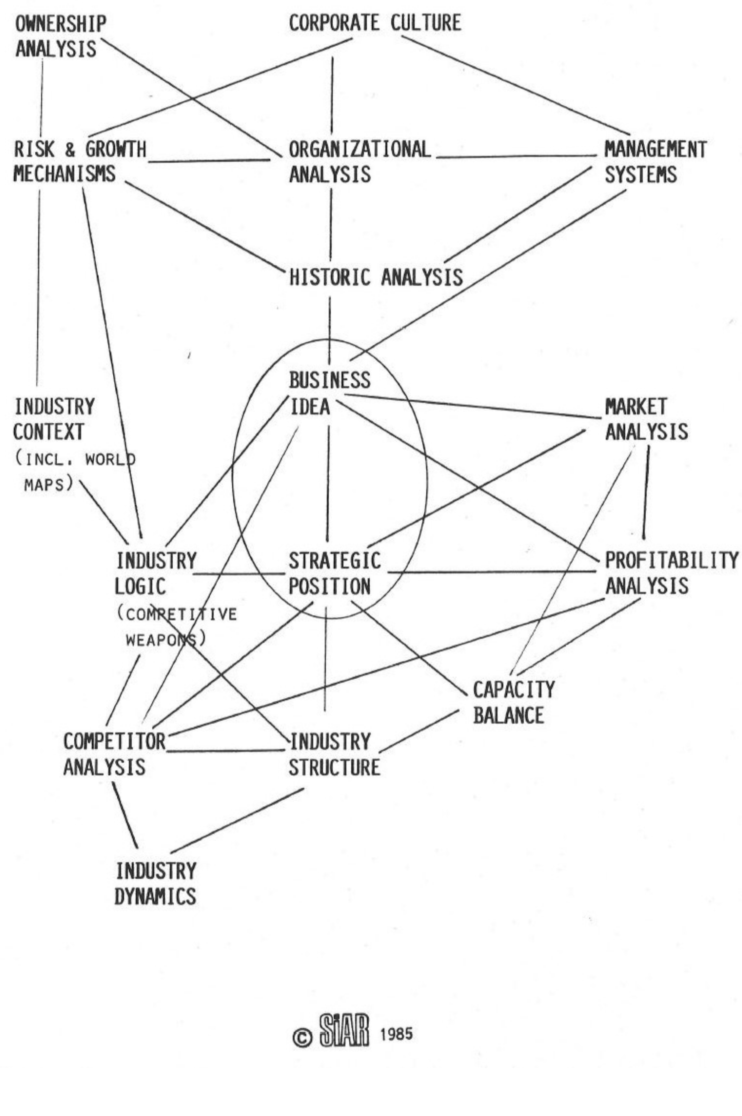

Figure 7. Critical elements of strategy and organisational analysis at SIAR in 1985
Source: ER's Map of the *Critical elements of strategy and organisational analysis*, 1985-11-14 (UPM-PEC-392) CfN/SIAR/ F 1 bp:101

Unfortunately, the map did not have a written report attached to it. The internal report was categorised under a project number that included many of the training materials produced by SIAR at this time. We can assume that the map was a finished work to illustrate the connections between different analyses and concepts performed by SIAR. The map contains SIAR's key concept of the business idea, as well as emerging concepts such as corporate culture and management systems. The combination these suggests that there was a need to tie these together and explain, possibly to both potential clients and new employees, how these were interrelated to each other.

The project cases at Alfa-Laval and Ericsson further show SIAR attempting to link their theoretical concepts to a changing business landscape. As we shall see, those projects also contributed to making SIAR become more concrete and formalised in their approach to management knowledge, organisational control, and management tools. In this chapter, we have focused solely on SIAR's development, and we can see that they established a lot of new management tools during the 1980s. SIAR also developed the concept of meta-management, which linked organisational analysis with strategy development. In the late 1980s and in managing SIAR's legacy, there was continuous work to further present and showcase the strategic aspects of SIAR's consultancy operations.

The SIAR School of Strategic Management

In 1989, Eric Rhenman and fellow SIAR consultant Jan-Inge Lindh wrote a text called "The SIAR School of Strategic Management", which was published as an academic article in the Scandinavian Journal of Management. The article was divided into three sections: the first concerns the actor-oriented research tradition, the second is on organisational learning, and the third and final section discusses organisational learning in relation to industry logic.

In the actor-oriented research tradition, Rhenman and Lindh stated that SIAR was focused on problems in organisations, and in the examination of these problems, they rarely found single explanatory factors. Rather firms' problems and successes could be observed in groups of bad or good factors that could block learning. The section on organisational learning stated that excellence in performance from firms comes from long learning processes. The realisation of this led SIAR to do an historical diagnosis of its clients in order to identify areas of excellence. Areas of excellence were thought of as the business idea of the firm. The final section on how industry logic affects organisational learning brings in the systematic view of the importance of the business environment as well as the firms' interactions with the industry it operates in, and also between industries. [239]

Similar to the above map of critical elements of strategic and organisational analysis, the text was an attempt to gather and interconnect SIAR's different theoretical perspectives into a more cohesive school of thought. Lindh and Rhenman also tied this to SIAR's own organisational learning from their consultancy work in the 1970s and 1980s. In this final section of the article, Rhenman and Lindh stated how they experienced their school of management thought in relation to the economic changes of the 1970s. They say that their casework during this time was with large companies in industries such as steel and forestry or, as they say, "more fragmented" industries such as the shoe industry, sawmills and furniture production. The authors go on to explain that attempts to organise firms in these fragmented industries into large industrial firms would fail and further aggravate the industrial problems of the times. The answer was instead found in service companies, which saw all business as local. Lind and Rhenman thought that knowledge could be gained by focusing on where clients and service delivery systems interact.[240]

Regarding central management, Lindh and Rhenman further said that:
"Central management can only provide a supporting infrastructure and set up mechanisms to facilitate local learning. Innovation diffusion

[239] Lind and Rhenman, "The SIAR School of Strategic Management".
[240] Lind and Rhenman.

processes like franchising or decentralized learning structures like federal organizations are therefore highly relevant"[241]

This quote echoed how Rhenman had described meta-management in the early 1980s. It concretely expressed how SIAR and Rhenman saw a decentralised, flexible and adaptive organisational form emerging. This type of organisational form was crucial to how firms transformed, or should have transformed, to handle the economic challenges of the 1970s. The similarities to Josserand's notion of network firms with autonomous peripheral units who have the authority to develop products through direct interaction with customersare striking. [242] It is at this point that SIAR saw organisational learning as being the most intense, therefore making it possible to bring about new, successful performance. Also similar to Josserand's view of the role of central management was SIAR's view that central management can set up the structure for how the decentralised units operate and the support mechanisms that are vital for this structure. This implies a new role for organisational control and less central authority. While not specifically stated as such, this role for central management is also connected to what the article stated on meta-management and how it was to "support the maintenance of such a growth culture, particularly by the skilful exercise of promotion and other reward systems".[243]

The suggestion of a reward systems connects to Adler and Bory's description of enabling bureaucracy in that it controls by output rather than input.[244] Emphasising that firms ought to be managed by positive reinforcement and rewards rather than control and supervision also contrasts with Chandler and Daem's description of administrative coordination.[245] Rewards can nonetheless also be seen as a type of resource allocation, depending on whether it is a temporary reward or more long-term allocation of resources. It is therefore

[241] Lind and Rhenman.
[242] Josserand, *The Network Organization.*
[243] Lind and Rhenman, "The SIAR School of Strategic Management".
[244] Adler and Borys, "Two Types of Bureaucracy".
[245] Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

difficult to distinguish exactly how this would work, but we can nevertheless identify the spirit in which the authors emphasised organisational control.

The suggestion was not just an ideal but also something that Lindh and Rhenman saw a practical need for. The text further emphasised the problems of managing through executing strategies formulated at the top of the organisation, which would then be implemented through hierarchal organisational control. In the shift from core technology industries to service-oriented companies, the management of a business needs to be able to follow the life cycle of a product.

"In the development of a product it is very important for power to be mobilized by authority from the market rather than from the hierarchy. There then comes a point at which the logic changes and top management begins to understand it. At this point rationalization and systemization is possible, and management can build a more disciplined, sustainable organization capable of maintaining a leading market position."[246]

In the late 1980s, these ideas were much in line with belief in an emerging new economy built around networks of smaller firms or firms organised as networks. As we said in chapter 3, Kunda and Ailon-Souday refer to this ideological trend as market rationalism and defined it as having the market as the ideological model for how firms ought to be managed. Different units within the firm could be understood as separate businesses which were integrated but free-standing.[247] We discuss the belief of an emerging new economy more in Chapter 8. To summarise the role of management tools and corporate bureaucracy in SIAR's development in the 1980s, we can say that these themes definitely played an important role. Organisational control and bureaucratic structures were not central for SIAR, but they kept appearing in their approach to the organisation of firms and strategic management. SIAR's perspective on this was that it was

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[246] Lind and Rhenman, "The SIAR School of Strategic Management".
[247] Kunda och Ailon-Souday, *Managers, Markets, and Ideologies*.

detrimental to firms to be hierarchal, because this made it harder to distinguish the firm's role in relation to its environment, an idea that was present in SIAR's publications from the early to mid-1970s.[248]

By the end of the 1980s, SIAR's notion of the importance of interacting with your environment had become much more focused on strategically orienting your firm on the market. As can be seen in the Lindh and Rhenman's text, the experiences from the 1970s had made SIAR's view of how firms needed to be managed much more concrete.[249] SIAR's theoretical origins initially set them apart from previous Swedish consultancy firms. The latter, such as Ekonomisk Förvaltning, emphasised rationalisation and best practice with examples from the United States.[250] SIAR's view of how to provide management knowledge was more abstract, but it also provided SIAR with an analysis of the changes occurring in the Swedish economy in the 1970s and the effect this had on the changing business environment. To a very large extent, SIAR dealt with and worked with the challenges of the profitability of firms, how to diversify from one core technology to several, and how to become more market-oriented to better learn from customers. We will see very concrete examples of this in the cases of Alfa-Laval and Ericsson, but before that we need to discuss the knowledge development that occurred in and around SIAR in the 1990s and the role of their legacy.

SIAR's legacy and further publication

When SIAR along with Bossard was acquired and absorbed by Cap Gemini, SIAR's fund for business administration research remained. The fund continued to hold meetings at which research projects were proposed, prepared and presented. A SIAR alumni by the name of Rolf

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248 See Rhenman, *Organisationsteori för Långstidsplanering* and Bruzelius and Skärvad, *Integrerad företagsadministration.*

249 Lind and Rhenman, "The SIAR School of Strategic Management".

250 Metzger 2018.

Carlsson was one of the most active participants in SIAR's research projects in the 1990s. He had been active in the firm since the 1970s and has continued to this day to preserve and showcase the legacy of SIAR. In the 1990s, Rolf Carlsson produced two books which are of interest to this research. The first one, *Ägarstyrning* (corporate governance), was published in 1997 and the anthology *SIAR – Strategier för att tjäna pengar* (SIAR – Strategies for making money) in 2000.

Carlsson perceives the emerging trend of corporate governance as an activation and renewal of the ownership's role in running the firm.[251] The view of corporate governance presented in his book stood in contrast to a notion of corporate governance as the need for rules on how to distinguish responsibilities and accountabilities in a new business environment with financial actors who used shares as financial assets rather than tools to achieve control over firms.[252] In Carlsson's view, corporate governance guaranteed an active form of ownership which he described as a type of reaction to the professionalisation of management in business. The ownership of the Wallenberg group was brought up as an example of this. Carlsson ascribed the success of the firms in the Wallenberg sphere to their active ownership. The Wallenberg group took strategic decisions and demanded accountability from their top managers. Carlsson saw the establishment of corporate governance rules and guidelines as something that ought to spread this active ownership throughout the business world. The spread of active ownership ought to also be spread to the public sector. Carlsson saw a lack of governance and accountability of the top managers in the public sector.[253]

Accountability was central to this through how corporate governance structures give the owners and stakeholders (venture capital, among others) the right and power to hold the board and executive managers accountable. In Carlsson's view, this meant that ownership had been revitalised after it had stagnated in the bureaucratic firms of the mid-20th century. Carlsson also argued for how this could be spread to the

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[251] Carlsson and Hallberg, *Ägarstyrning.*
[252] Glete, *Nätverk i näringslivet.*
[253] Carlsson and Hallberg, *Ägarstyrning.*

public sector in a form of governance in which the state (as an active owner) could set clearer goals for what different levels of government were to achieve.[254]

Carlsson described how his book drew from experiences he had gained from management. Several SIAR themes appear in the book, for example the Wallenberg group's work to successfully position their firm and demand accountability from the managers who ran them was described as meta-management. This theme was mentioned frequently by SIAR in their projects at Alfa-Laval in the 1970s.[255] In light of what this thesis has found in SIAR's work on organisational control and bureaucracy, it is once again clear that SIAR's view on what was unbureaucratic had little to do with whether it was governed by formal rules and standards or not. The book was, of course, written and published a couple of years before the Enron scandal, the U.S. Sarbenes-Oxley Act, and the standardisation of corporate governance principles by the OECD. Nonetheless, Carlsson expressed no concern that business life and active ownership might become more controlled and formal through corporate governance. Rather, he emphasised that active ownership was connected to the decrease in managerial power in general, with reference to Peter Drucker, and mentions that new technology was going to make the middle manager obsolete and corporations leaner and completely decentralised over time.[256]

In many ways, SIAR alumni saw the 1990s as a period where their idea of management became the norm of how to manage businesses. The already mentioned anthology, SIAR – *Strategier för att tjäna pengar*, which Carlsson edited, argued that many others caught on to what SIAR had been saying for years. In the book, several alumni contribute articles on different SIAR concepts such as the Business

254 Carlsson and Hallberg. Privatization of welfare services and increased competition of previously state dominated activity plays a part in how Carlsson sees this

255 Meta-management had also been a key concept in Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.

256 Carlsson, *Strategier för att tjäna pengar*.

Idea or their position on bureaucratic Gränges-management. In the introduction to this book, Carlsson and the other alumni present the start of SIAR's operations as the SIAR paradigm. The SIAR paradigm is the collected concepts and thoughts on social systems and value creation which, in the alumni's view, came to mean a radical renewal of organisational theory and business administration.[257]

In the book on SIAR's key concepts, there are further examples of similarities with new economy and market rationalism ideals. Jan-Inge Lind wrote a text on SIAR's organisational theory in which he argued that SIAR employed a perspective in which there existed no universally applicable organisation structure or core principles. Changes in the market instead required an organisational analysis dependent on how business was done in the particular industry and the business idea of the particular company. Lind also contrasted this with the bureaucratic structure that he saw in public care of older people, which was organised in accordance with hierarchy and geography.[258]

We can also note that Carlsson wrote in his book on corporate governance that the establishment of rules and procedures for how accountability was allocated between owners and managers was a clear sign that so called active ownership was going to gain ground within business life. Carlsson also saw this active ownership as spreading to the public sector in the form of government governance.[259]

When selling management knowledge, consultancy firms' package and label their services just like other businesses. Sahlin-Andersson and Engwall refer to this as a part of knowledge circulation where some parts of management knowledge can be spread more than others through being standardised but also as part of a managerial fad or branded idea.[260] We have seen many examples of how SIAR branded themselves as a different type of consultancy firm than other existing firms. However, this book was written three years after SIAR-

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257 Carlsson.
258 Lind, "Metaperspektivet på den sociala verkligheten".
259 Carlsson och Hallberg, *Ägarstyrning*.
260 Sahlin-Andersson och Engwall, *The expansion of management knowledge*.

Bossard was acquired by Cap Gemini, so Carlsson and the other alumni's efforts to present SIAR's uniqueness was not done to brand SIAR in relation to other competitors. Rather, they wanted to claim SIAR's influence in competition with management scholars. Carlsson and the other alumni were particularly focused on Michael Porter, who they thought had adapted parts of the SIAR paradigm as his own findings.[261] In the article *What is strategy?* from Harvard Business Review, Porter made a distinction between operational effectiveness and strategy, and stated that strategy did not mean to run your operation as efficiently as possible but rather to position your business to gain a competitive advantage in a market[262] The notes from the SIAR fund for business administration research in September 1998 show that the SIAR alumni had become bothered by this article and wanted to write to HBR and demand that references to the SIAR paradigm were included afterwards. Eventually they realised that too long a time had passed since the article was published and instead the SIAR alumni brought up Porter as a theme in their book on SIAR's management concepts.[263]

Per-Hugo Skärvad wrote a text on Porter and SIAR in which he summarised Porter's research since the late 1970s and the article *What is Strategy?* in detail. The conclusion of the text was that Porter's notion that strategy meant how to do business was very close to how SIAR defined the business idea as how to make money.[264] The topic of this thesis is not to determine SIAR's importance and influence in relation to international competitors within management knowledge production. In relation to the question of SIAR's view on bureaucracy and its influence on Swedish business, this is further proof that SIAR saw itself as unique and different to the rest of the business landscape.

Another factor in why SIAR felt the need to emphasise their legacy was the changing climate of the consultancy industry in Sweden.

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261 Carlsson, *Strategier för att tjäna pengar.*
262 Porter, "What Is Strategy?"
263 *Protokoll från möte i Styrelse för Stiftelsen Företagsadministrativ Forskning den 24 maj* 1998 CfBH/SIAR/F 1 A
264 Skärvad, "SIAR-paradigmets aktualitet".

SIAR's meeting notes stressed the increasing difficulties for Swedish consultancy firms in the early 1990s.[265] In parallel with this, a rapid internationalisation of the Swedish consultancy industry occurred. In the past, the presence of American consulting businesses in Sweden had been very limited. Sixteen of the twenty largest consulting firms were Swedish in 1988. By 1997, the Swedish share had dropped to only six of the twenty. Large firms from the U.S. such as Andersen Consulting, Boston Consulting Group, and Arthur D. Little established operations in Sweden around 1990 In light of the establishment of American consultancy firms in Sweden, we can see that it was important for the SIAR alumni to not just emphasise their importance for Swedish management consultancy but also for the production of management knowledge in an international perspective.

Conclusion and moving ahead to the cases

In this chapter, we have learned about SIAR's history of starting out as a research institute, shifting into becoming a consultancy firm and eventually being acquired by a larger international firm. SIAR's academic origins provided them with a distinct role compared to other Swedish consultancy firms. The basis of SIARs management knowledge and approach to business was a theoretical understanding of how an organisation interacted with its environment, rather than following the American tradition of providing set suggestions and best-practice examples of how to rationalise your firm. During the mid-1970s, SIAR turned its focus more to its consultancy operations. This in turn led to them making their theoretic approach more concrete. However, it was in the 1980s, in parallel to a boom in the Swedish consultancy industry, that SIAR also adapted tools and concepts from other producers of management knowledge.

[265] *Protokoll från möte i Styrelse för Stiftelsen Företagsadministrativ Forskning den 28 januari 1991* CfBH/SIAR/F 1 A

We have also seen specific examples of the effect of the changes in the Swedish consultancy business of the 1980s and 1990s. For example, the growing importance of providing strategic rather than organisational advice brought with it that SIAR put much effort into adapting its theoretical approaches to fitting in strategy as a theme. An early example of this was the concept of meta-management, which played an important in SIAR's book on divisionalisation from 1983. This concept and practice meant that firms ought to be strategic in how they grouped together different businesses in their organisation. The corporate management should not interfere too much with how the different businesses approached their own strategies, but instead allocate and coordinate the influence of the businesses in the corporation.[266]

In the late 1980s, Eric Rhenman and Jan-Inge Lindh authored a manifest of SIAR's approach to strategic management as an example of how the firm's management knowledge continued to develop in relation to the changing business landscape. The text, *SIAR Strategic School of Management*, aligned SIAR with the emerging idea of a new economy in which a service approach to business was to become dominant. This economy was described as flexible, decentralised and dominated by networks of smaller firms rather than huge corporations.[267]

After SIAR was absorbed by Cap Gemini in 1997, the alumni of SIAR continued to emphasise the importance of the firm's legacy. For example, they claimed that leading management scholars such as Michael Porter were highly influenced by SIARs perspective of business and management. Whether that was the case or not is not important for this examination. It is, however, of importance that SIAR's alumni were determined that the business and managerial landscapes of the 1990s were a realisation of what SIAR had believed and envisioned business would become for a long time. The SIAR alumni did, of course, have an interest in this since they were affiliated

[266] Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.
[267] *Encyclopedia of the New Economy*. Wired Magazine 1998

with the firm they had been employed by, especially those alumni who contributed to the book *Strategier att tjäna pengar* on SIAR's legacy. However, we are not assuming here that SIAR was important in the new digital economy of the 1990s but rather had some ideological similarities to it. Therefore, the firm's management knowledge and practice are appropriate for understanding how organisational change, organisational control and corporate bureaucracy developed.

Regarding SIAR's approach to corporate bureaucracy, we can see from this chapter that they were highly critical of hierarchical organisation and long-term planning. These features were characteristic of what SIAR deemed to be Gränges-management, a type of management used in mature industries and one which failed to take into account that changes in the business environment could occur. In SIAR's concept of meta-management. We also saw them arguing that the importance of central corporate management was declining and that they needed to be less involved in both the operational and strategic aspects of business.[268] This approach was further refined in the article on SIAR's school of strategic management in which it was argued that products needed to develop and be set in motion from the market rather than from hierarchical authority. Once a product or a business was in process, it was possible for management to rationalise and systematise it.[269]

Hierarchy and bureaucracy were important and continually present for SIAR. They were initially very opposed to them, mainly because this approach failed to include the firm's surrounding environment in its management. During the 1980s, the surrounding environment for business became equivalent to the market and it became important for SIAR that a firm's management and administration did not get in the way of the market's effect on business. This is an idea that we can say, once again, was similar to how new

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[268] Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.
[269] Lind och Rhenman, "The SIAR School of Strategic Management".

economy scholars perceived bureaucracy and management during that period.[270]

This presentation and examination of SIAR's history has provided further insight into how their management knowledge was developed and adapted over time. This history serves as a foundation for answering our research questions about the development of corporate bureaucracy. When SIAR's knowledge was transferred and put into practice, it was adapted and changed in many ways. The coming chapters on the projects at Alfa-Laval and Ericsson will show the way SIAR handled and expanded administrative structures in practice as well as adapted their approach to management knowledge to better serve their customers and compete on the consultancy market.

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270 For example Drucker, *Managing in a Time of Great Change*.

6. Adapting diagnosis through the Alfa-Laval case

The way in which SIAR put their views on management in practice can be studied by examining projects that they were assigned at Alfa-Laval and Ericsson. The transfer of management knowledge as well as the employment and review of management tools can be observed in these projects. This allows us to answer both what role consultants played in the development of corporate bureaucracy and how this role changed and was concretised in relation to SIAR's academic past. The historical perspective on how Alfa-Laval (and in Chapter 7, Ericsson) wanted to reform their organisations and organisational control provides crucial data. We can provide answers to what the corporate bureaucracy at these firm looked like before SIAR entered the scene. What types of changes did the firms want and how did SIAR approach these assignments? Finally, we can also see what effects these changes had and what problems remained at the firms.

We find intriguing notions of corporate bureaucracy through strengthening organisational control in a market-oriented business and adapting the managerial philosophy to uphold customer relations in the case of Alfa-Laval and SIAR. The insight into Alfa-Laval's organisational history as well as the consultant perspective from SIAR provides an understanding of two parallel developments: one from Alfa-Laval's perspective and one from SIAR's. They experienced a ten-year relationship between 1977 and 1987, with a short break between 1979 and 1981. During this break, Alfa-Laval contracted the American consulting firm Boston Consulting Group before rehiring SIAR as in-house consultants. The source material for this case comes from SIAR's internal consulting reports. An interview was also done with one of SIAR's main consultants for the project to verify facts and details.

From Alfa-Laval's perspective, the organisational development that occurred during this time concerned the establishment of increased control in a corporation with a diverse collection of businesses and subsidiaries. Alfa-Laval was already organised towards sales and markets through their many international subsidiaries. The subsidiaries were also profitable, but the managerial staff at Alfa-Laval lacked knowledge of what made them profitable. The management were therefore concerned with how well the subsidiaries fitted into the corporation's business strategies. The story of the subsidiaries' collaboration with SIAR is one of finding the right strategies, organisation, and management tools to set up an appropriate system for control.

SIAR were delighted to get Alfa-Laval as a customer and throughout this relationship, there seemed to be a congenial relationship between SIAR's founder Eric Rhenman and Alfa Laval's CEO Harry Faulker. SIAR saw the projects Alfa-Laval had contracted them for as a chance to realize their theories on business ideas and an organisation centred around them. Initially, SIAR was very focused on providing strategic suggestions for Alfa-Laval and demonstrating how Alfa-Laval's business corresponded to SIAR's academic perception of management. The academic approach did play a part in the break in the relationship, and once SIAR was re-hired, they took a much more practical approach to their consulting advice. That more practical approach led them to argue for less abstract solutions and focus more on management tools to try to fix more concrete problems at Alfa-Laval. This was a modification of management knowledge, which can be understood through how Sahlin-Andersson and Engwall discuss knowledge circulation.[271]

The corporate bureaucratic trend witnessed through this relationship is a hybrid one. Similar to many other Swedish businesses, Alfa-Laval underwent a process of divisionalisation by acquiring other firms or developing new products through new technology. This entailed a growth in the scale and scope of the firm, which required

[271] Sahlin-Andersson och Engwall, *The expansion of management knowledge.*

organisational and administrative control through managerial responsibilities and appropriate management tools. Parallel to this, the business landscape and industry logic changed, and it became important to specialise production and find technologies and tools to determine which products would be of strategic importance in the future. In this process, the local market's companies, which were established nationally to sell Alfa-Laval's products, became of great importance. Alfa-Laval and SIAR put great effort into how these should function in the corporation, as well as how they were organised and controlled.

Before we get ahead of ourselves, this chapter starts with a short background on the state of Alfa-Laval in the 1970s in order to present what problems the re-organisation projects were meant to solve. Thereafter the relationships between SIAR and Alfa-Laval are presented and narrated through SIAR's investigative reports and Alfa-Laval's annual reports. Finally, the results are presented and discussed with a specific focus on the management tools and administrative techniques used in this re-organisation and how SIAR needed to adapt its theoretical positions on management philosophy in relation to their experiences at Alfa-Laval.

Alfa-Laval's organisational background

SIAR was very pleased to establish a relationship with Alfa-Laval in 1977. The report from Eric Rhenman's initial meeting with Alfa-Laval's Executive Vice President Harry Faulkner states that Rhenman saw them as the company with the greatest potential in Swedish business. Rhenman stated that Alfa-Laval had handled the struggles of the early 1970s profitability crisis quite well. In Rhenman's view, this was because Alfa-Laval had decentralised its organisation and improved the possibilities for its subsidiaries to operate relatively autonomously. Rhenman's report also stated that he knew Harry Faulkner personally. Faulkner also had academic connections and had participated in a seminar on subsidiary management in Oxford together with Rhenman.[272] As mentioned, Alfa-Laval was one of the pioneering Swedish businesses of the 20th century, with great success within the production machinery, products and solutions used for handling (treating, separating, transport, etc) chemicals, oil and beverages among other products. The company was initially called AB Separator and was founded in 1887 to provide centrifugal separators that were an innovation of Gustaf De Laval and Oscar Lamm.

The firm changed name from AB Separator to Alfa-Laval in 1963 and four years after that the firm also changed its organisational form to a decentralised division-based structure. When this change was made in 1967, Alfa-Laval's business operations were categorised by trademark. Dairy industry products were sold under the brand "Alfa-Laval" and other industrial equipment was sold under the brand "De Laval".[273] However, the 'other industrial products' category was expanding into several different branches such as machinery and plant used for vegetable oil pressing or mechanical milking as well as the chemical and pharmaceutical industries. Its increased sales of machinery for the food industry derived from a structural rationalisation towards larger and more automated plants. The company divisionalised their organisation to make room for newly established product divisions, as well as concentrating responsibility for all activities and decision-making linked to a certain group of products. Alfa-Laval hoped this would result in an increase in the overall efficiency of the company.[274]

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272 *Introductory interview with Harry Faulkner, Executive Vice President, Alfa Laval, 5 November 1976*, 1976-11-08 (UPM-ER-1450)

273 Except for in the North American market, where De Laval was used for both kinds of products.

274 Alfa-Laval Annual report 1976

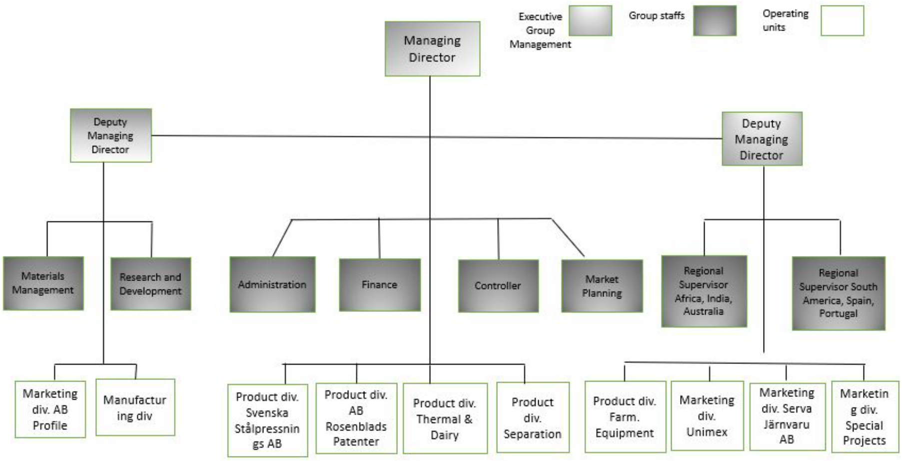

Figure 8. Alfa-Laval's new organisation in 1967

Source: Alfa-Laval Annual Report 1967

The organisational form was aiming to achieve similar goals as the multi-divisional form that Chandler described as dominating American business life by the 1960s. Business scholars Egelhoff and Wolf describe the change from a functional, divisional form to a multi-divisional form as characterised by how interdependent relationships between different departments in a hierarchal firm are weakened, and different divisions for products start becoming more and more dissimilar.[275] When SIAR came to Alfa-Laval, Eric Rhenman was impressed with how decentralised the firm was. The managerial board at Alfa-Laval however were frustrated by this organisational form. Especially troubling was the lack of control over the subsidiaries. The president of Alfa-Laval, Hans Stahle, had in fact expressed a desire to able to implement clearer policies and Harry Faulkner commented that there was a lack of clear responsibility at Alfa-Laval. Faulkner felt that SIAR had understood the complexity of Alfa-Laval's organisation and

[275] Egelhoff, *Understanding matrix structures and their alternatives.*

therefore could be helpful in studying and advising the executive? board of the company.[276]

SIAR had a negative attitude to general organisational principles. Their aspiration was to identify an organisation form that fitted the specific firm. Occasionally a type of "one-size fits all" approach to organisation form was attributed to American consultancy firms and SIAR saw themselves as opposed to this.[277] SIAR's approach was to identify the core of the organisation by distinguishing its business idea. From there, SIAR wanted to further identify the business-specific system interactions and surrounding environment. The possibility to model a specific organisational form in relation to Alfa-Laval's specific business idea and business system environment was surely captivating to SIAR.

The initial problem at Alfa-Laval 1977-1978

In January of 1977, Alfa-Laval manager Hans Stahle sent out a message that SIAR was going to conduct a study of the firm. The motivation for this study was that Alfa-Laval wanted to keep their organisation which they had adopted in the late 1960s. That form was based on decentralised operations with profit responsibility delegated to subsidiaries. However, the firm wanted to prepare the management for growing demand for competitiveness and increasing complexity in business organisations. Stahle also said that the study was a way of looking at possible future organisational structures at Alfa-Laval and not a sign of any immediate change in the organisation. The project was to be performed over a six-month period and consisted of compiling a report based on interviews with managers and other staff of importance.[278] In the interview with Gunnar Winqvist from SIAR,

[276] *Introductory interview with Harry Faulkner, Executive Vice President, Alfa Laval, November 5 1976*, 1976-11-08 (UPM-ER-1450) CfBH/SIAR/F 1 be:56
[277] Carlsson, *Strategier för att tjäna pengar*.
[278] *Organization*, 1977-01-19 (UPM-ER-1473) CfBH/SIAR/F 1 be:57

he says that Alfa-Laval saw SIAR as organisational rather than strategy consultants.[279]

SIAR presented an initial report with their view and assessment of the current organisational structures at Alfa-Laval. The notes and internal reports of SIAR on the subject shows that they took an academic approach to the assignment. They studied the history of the organisation at Alfa-Laval and try to apply their own theoretical positions on business ideas and then figure out suitable structures for organisational culture and managerial control. SIAR identified a lack of control at Alfa-Laval, especially notable at managerial level and at the market unit level and in Alfa-Laval's dairy business.

Alfa-Laval was a firm oriented towards the international markets in which they sold their products. There were few similarities with SIAR's 'enemy' Grängesberg, which SIAR saw as representative of excessive planning and central control. A centralised structure seems to have been absent at Alfa-Laval. In the report *The development of Alfa-Laval's organization* from May in 1977, the consultants from SIAR pointed out that historically Alfa-Laval had grown out of machinery invented and sold for farming. The other lines of business had grown out of this business. In the early 20th century, the firm started buying competing firms in order to remove them as competitors. Their operations were not merged with the mother company, but rather were kept as separate entities. New lines of business, such as the dairy department or "A.B. Separators Mjölknings Maskin" (AB Separator Milking Machine) were set up to produce and sell their products directly to end users, both within the Swedish market or global markets.[280]

Alfa-Laval had added on acquired subsidiaries without methodically incorporating them into the organisation of the mother company. The company was therefore not organised as a corporation of the Chandlerian kind, with centralised strategy and control and

279 Interview with Gunnar Winqvist
280 *The Development of Alfa-Lavals Organization*, 1977-05-22 (UPM-GW-230) CfBH/SIAR/F 1 bg:75

decentralised and divisionalised operations. There was no hierarchy established nor a structure for administrative coordination throughout all the subsidiaries. A hierarchy would have provided top management with information about each subsidiary's performance and tools to coordinate resources among them.[281]

When initiating the project, this complexity and market orientation was one of the aspects which SIAR found intriguing regarding Alfa-Laval. Once they got on the inside of the firm, they started to find the downsides of Alfa-Laval's history. In the working materials for the reports, problems with control in the firm were noted. Alfa-Laval saw the managerial reach of control as weak and decision-making was described as slow. Taken together, this diminished the firm's ability to react to the market. There were divided responsibilities within the integrated subsidiaries, but the 'pure' and more independent subsidiaries were more profitable.[282]

An unusual characteristic of the situation at Alfa-Laval was that the firm's total profitability was not the biggest problem. In general, the firm was profitable but since the firm was also operating in markets with products that held dominating positions, this was seen as worrisome. Specifically, in relation to maintaining this strong position in the future. Some more specific issues were identified as symbols of this. For example, an imbalance existed between cost and profit centres at the firm.[283] These terms originally derived from management theorist Peter Drucker, who established them in order to improve the allocation of costs and profits at a firm by suggesting that sections of the firm can be divided into separate businesses with isolated calculations of profits.[284] More successful businesses within the firm can be identified, which could be used as motivation for how resources are allocated through administrative coordination. The parts of the

281 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

282 *Lars Tranus opinions of the problems in Alfa-Laval*, 1977-03-10 (UPM-GW-161) CfBH/SIAR/F 1 bg:74

283 *Hur tjänar och förlorar Alfa-Laval sina pengar?*, 1977-05-16 (UPM-GW-221) CfBH/SIAR/F 1 bg:75

284 Drucker, *Management*.

firm that cannot be tied to a separate profit centre are instead referred to as cost centres.

At Alfa-Laval, the profit centres were treated as not just an allocation of the profits but also directly responsible for them. When the firm was re-organised into a divisional structure in the 1960s, some divisions included both manufacturing and sales whilst others had separated manufacturing and sales. This led to some manufacturing being treated as part of a profit centre and some not.[285] The subsidiaries with manufacturing in their division had the possibility to configure and adapt the manufacturing of products in accordance with their own demands and ideas. We shall see how this led to problems in the management tools used to calculate profits.

The other symbolic problems were the insight into and control over the autonomous subsidiaries, such as STAL and Rosenblad. These firms were profitable but not integrated into the structure of the firm. In the interviews SIAR performed with managers at different levels of Alfa-Laval, quotes such as "Living their own lives making money" and "profitable, but we don't know how!" were noted by SIAR's consultants.[286]

On the one hand, free-standing subsidiaries that were "living their own lives making money" were an example of how parts of the firm were free to operate autonomously. However, there was an obvious difference between those kinds of firms and what existed at Alfa-Laval. The separate subsidiaries of Alfa-Laval were not initially intended to function in an autonomous manner but rather came to operate in this manner due to an unsuccessful integration into the larger firm.

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285 This seems to have in the cases where the national companies were so small that it was seen as unnecessary to have separate legal entities for production and marketing in the same country

286 *Notes from Alfa-Laval discussion*, 1977-02-09 (UPM-GW-168) CfBH/SIAR/F 1 bg:74

New business groups

SIAR's first assignment for Alfa-Laval ran between 1976 and 1978. Alfa-Laval described SIAR's role as to "help us assess our organisational concepts".[287] SIAR consultants were therefore focused on the more deep-running issues in Alfa-Laval's business operations. Parallel to this work there was also a planned new organisational structure for Alfa-Laval. By studying the annual reports of Alfa-Laval in the mid to late 1970s, it is apparent that several organisational configurations were occurring. For example, the firm reported in 1977 that central corporate departments for quality governance had been initiated to enhance the use of market information and improve collaborations with subcontractors.[288] The annual reports from these years also confirm how Alfa-Laval was oriented towards its international markets. Even though the firm had set up product divisions in the late 1960s, the annual reports did not report on developments under headings for these divisions. The reports instead focused on the business trends in the different parts of the world in which the company operated.[289] The situations for the company's national subsidiaries differed more based on where they operated rather than on which products they sold. This was because of the differences in which type of food was produced in the different countries.

Gunna Winqvist from SIAR argues that Eric Rhenman was foundational in the grouping of Alfa-Laval's businesses into a business group structure. This structure was set up after SIAR and Alfa-Laval held a conference for the managers of Alfa-Laval in June of 1977. Rhenman developed the new structure in the following summer.[290] SIAR's initial report was presented in September 1977 and the new organisational form was launched in 1978. The new organisation was a structuring of the business into three business groups. The groups

[287] *Organization*, 1977-01-19 (UPM-ER-1473) CfBH/SIAR/F 1 be:57
[288] Alfa-Laval Annual report 1977
[289] Alfa-Laval Annual Report 1977
[290] Interview with Gunnar Winqvist

were the Agricultural Group, the Industrial group, and the Other Companies Group The Agricultural Group sold all the equipment for farms, the Industrial Group sold the separators and other dairy equipment as well as thermal equipment and machinery for other industrial customers, and the third group consisted of the stand-alone subsidiaries.[291]

From 1978 and onwards, the annual reports reported Alfa-Laval's results and progress by the business group organisational structure. Within the Industrial Group, a matrix organisation with a combined geographical and technological perspective was used. In a report that documented the implementation of the Alfa-Laval project, SIAR emphasised that they had continued to sort out businesses to position them in the matrix organisation. The most important task of the matrix was described as helping the business managers get control of the businesses and take advantage of Alfa-Laval's global reach. The ambition to get more control of national subsidiaries and establish better profit measurements ran like a red thread through both the new organisational project and the work SIAR did for Alfa-Laval. The report on the implementation of the project also described how Alfa-Laval provided SIAR with specially appointed staff from the firm who were to serve as "a kind of militia" that could be called on to help out with the implementation.[292] Winqvist also emphasised that this organisational project was very successful.[293]

How was the new organisational form different from a divisional one? This was a topic that was later discussed in SIAR's book on divisionalisation in Sweden from 1983. In that book, they argued that their work with categorising and sorting businesses into groups in firms (such as Alfa-Laval and Ericsson) had been significant and successful due to how it stimulated the management of the firms to set a strategic direction. The businesses that were put into the same group were seen as sharing a strategic direction which Alfa-Laval wanted to

291 Annual report Alfa-Laval 1978
292 *Discussion around implementation of Alfa Laval project*, 1977-10-20 (UPM-GW-255) CfBH/SIAR/F 1 bg:75
293 Interview with Gunnar Winqvist

move towards. This way of organising a firm was in line with what SIAR described as moving beyond divisionalisation. It contrasted with what SIAR saw as several firms having adapted a divisionalisation as a way of organising the different parts of the firm in order to achieve greater efficiency.[294]

The new grouping of businesses was nonetheless not without its problems. The categorisation between the Agricultural and Industrial groups for example was considered unclear. Products related to dairy processing existed within both groups, with Agricultural having responsibility for the dairy cooling equipment but not the dairy separating products.[295] The firm was still focused on the markets they sold to, the categorisation was not based on what type of product was being produced but rather on which type of customer the product was sold to. Dairy equipment sold to farmers remained within Agricultural whilst dairy equipment for the food industry became an Industrial responsibility. As we shall see, sorting out the role and business structure of these overlapping businesses continued to be a decisive part of SIAR's work for Alfa-Laval until the mid-1980s. So too would Alfa-Laval's problem with organisational responsibility. A parallel and underlying theme was the management tools. After presenting the initial report to Alfa-Laval, SIAR were assigned to perform sub-projects, which were a type of continuation of their organisational principles at Alfa-Laval. These concerned the subsidiaries in the Other Companies Group more specifically, as well as the use of contracting at Alfa-Laval. Before looking into these projects more closely, we shall return to highlight which management tools SIAR distinguished and discussed in their initial project.

[294] Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.
[295] *Några ytterligare tankar om organisation av contracting, mejeri och process i Alfa Laval*, 1978-10-27 (UPM-GW-384) CfBH/SIAR/F 1 bg:78

Existing management tools, credit and profit measurement

In their review of the subsidiaries' profitability, SIAR identified the tool used to measure profits and discussed possible ways to reform or reconfigure the tool. The existing tool came from Alfa-Laval's method of transfer pricing, meaning the internal system for buying and selling goods within Alfa-Laval. The system was called credit-back[296] and was a calculation to credit subsidiaries with the correct part of the total profit. Through standardised spreadsheets, information was collected about export invoicing, gross profits in Sweden, capital (equity, external debts and internal debts) as well as orders received. These numbers were than adjusted to compensate for the parent company's advertising material, and research and development costs.[297]

The system had been introduced in the early 1960s as a solution to discussions and conflicts regarding internal pricing. SIAR's report on the tool stresses that internal pricing discussions had ceased by using the credit-back system. In that sense it had worked more as a solution to internal conflicts regarding internal pricing than actually serving as a tool for measuring profits. The "local result", meaning the profit at each subsidiary, also existed as a measurement and tool to assess the earnings of the subsidiary. Criticism of the system was voiced, in how it led to allocated earnings according to the costs of sold goods. Subsidiaries that purchase more goods than they could sell were negatively affected by this, even though it made the outcome of the production of the products look more profitable. The system was used to apportion the profit of the firm as a whole to the different units of the firm, depending on the sales performance of their products. Suggestions to redesign the system into one of full cost calculation were also picked up by the consultants from SIAR but the

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[296] The english term "credit-back" was used even when this tool was discussed in Swedish

[297] *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) CfBH/SIAR/F 1 bg:74

problem of how to make sure that sales units were not charged the costs of services they did not use emerged.[298]

Gunnar Winqvist, SIAR's head consultant of the Alfa-Laval project, says that in general SIAR consultants were sceptical of these kinds of measurement systems. Such tools could be used to grasp gross profitability per product or market, but the measurement of profitability was often clouded by international tax differences. The tools also failed to take administrative overhead costs into account.[299] The described scepticism to these types of measurement tool do however stand in contrast to how often SIAR, in their reports at Alfa-Laval, desired new and better systems. There was no competence at SIAR for building profitability measurement tools and the technology did not yet exist to capture profitability data to the degree which would have been needed.[300]

When SIAR reported their work to Alfa-Laval, they were modest in their assessment of the profitability measurement. In a report from May 1977, SIAR once again wrote that profitability at Alfa-Laval was problematic. However, they continued and stressed that it was not the main problem. The firm should be more profitable going forward, since they held strong market positions and had a high knowledge level in their product and application areas. SIAR downplayed the criticism of the profitability measurement at this point and wrote that the firm had the tools to gain a fair understanding of the profitability within Alfa-Laval. The profitability control over the subsidiaries was referred to as "well developed" given the use of dual systems measuring both profitability through local results and the credit-back system.[301]

In other reports from mid-1977, SIAR continued to steer away from the technical details of the control systems' management tools

[298] *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) CfBH/SIAR/F 1 bg:74
[299] Interview with Gunnar Winqvist
[300] Interview with Gunnar Winqvist
[301] *Final chapter 4: How is Alfa-Laval making and losing money?* 1977-05-20 (UPM-GW-228) CfBH/SIAR/F 1 bg:75

and the profitability measurements. Instead, they emphasised the application of their abstract, theoretical perspectives on business management at Alfa-Laval. One part of the report consisted of a section on “diagnostic criteria” in which SIAR explained the methodology and how they should go about identifying the businesses in the corporation and specify the strategic situation for each business and whether the organisation was supporting or hindering strategic changes and development in the firm. It was also added that SIAR would be happy to provide Alfa-Laval with additional theoretical texts if they needed more help to understand the meaning of the concepts.[302] In an internal report where they discussed the continued implementation of the Alfa-Laval project, the consultants from SIAR saw it as their role to “help business managers get hold of their business”.[303] After the reports SIAR delivered to Alfa-Laval in 1977, the project moved into a second phase, with more focus on details in certain subsidiaries of the firm.

Handling the “other companies”

The second part of SIAR’s work at Alfa-Laval consisted of investigations of change in more specified parts of Alfa-Laval’s business operations. It was an attempt to crystalize how the proposed analysis of the business and management structure at Alfa-Laval could be implemented in the daily operations of the company. SIAR was assigned to examine companies in the Other Companies Group of the firm, with the ambition to strengthen the integration of the separate subsidiaries at Alfa-Laval.

As previously mentioned, these subsidiaries had been bought at different points and operated businesses outside of Alfa-Laval’s

302 *Some contributions to the Alfa Laval report*, 1977-07-29 (UPM-ER-1527) CfBH/SIAR/F 1 be:58

303 *Discussion around implementation of Alfa Laval project*, 1977-10-20 (UPM-GW-255) CfBH/SIAR/F 1 bg:74

main areas of business. Rosenblads Patenter sold machinery to the pulp and paper industry, and STAL produced industrial cooling plants for the shipbuilding industry as well as cold stores, slaughterhouses and plants for the chemical industry. SIAR examined both subsidiaries, but only wrote a specific report on Rosenblads Patenter. The project was carried out through interviews with key staff and the historical review of Rosenblads Patenter's business. Similarly to how SIAR had analysed Alfa-Laval as a whole, the ambition was to distinguish the core business idea of Rosenblads Patenter. The subsidiary had served as its own division in the previous organisational structure.[304]

The project SIAR made for this work stated that Alfa-Laval saw Rosenblads Patenter as having inherent problems. The need for a report on the firm was motivated by how the demand for Rosenblads Patenter's products had been stagnating in markets where traditionally they had held a strong position. They would need to strengthen their position in growing markets. Rosenblads Patenter was also in need of new leadership as well as innovation in technological development. In this project, the unit of Rosenblads Patenter was not broken up, nor was its organisational dissolution into the larger Alfa-Laval organisation discussed.[305]

SIAR mainly emphasised the innovative history of the firm. The compiled reports contained a lot on the firm's historical developments which identified close connections with the pulp industry during a period when the Swedish pulp industry grew and developed rapidly. In SIAR's view, there had been a successful combination between good business, innovation and knowledge development at Rosenblads Patenter, even though this analysis provided few points on whether these factors could help the firm survive and grow in the future. The statement from SIAR on the emerging business ideas at Rosenblads Patenter were vague and it was difficult to find practical suggestions:

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[304] *AB Rosenblads Patenter*, 1978-02-03 (UPM-GW-285) CfBH/SIAR/F 1 bg: 76
[305] *Projektplan Rosenblads* 1978-02-15 (UPM-GW-290) CfBH/SIAR/F 1 bg: 76

"As we could see in the historical analysis, the successful business ideas at Rosenblads have grown through an interaction between a good and close connection to the market and a deep knowledge within the thermodynamic business. We think that the future development for Rosenblads relies on going forward with this consideration".[306]

We can see that SIAR's analysis of Rosenblads marked an intersection in SIAR's first assignment at Alfa-Laval. The report on Rosenblads had a short presentation of ongoing developments at the firm, namely more specialised machinery for forest industry markets. Of importance here is SIAR's lack of the corporate perspective on Rosenblads Patenter's position within Alfa-Laval. SIAR diagnosed Rosenblads in accordance with their business idea conceptualisation. From this perspective, SIAR continued to identify several possibilities for emerging business within the innovative tradition of Rosenblads. This tradition was defined as the business idea of Rosenblads.[307] There was, however, a lack of suggestions on how to integrate the firm with the Alfa-Laval corporation. SIAR rather emphasised the potential of Rosenblads as its own firm. Alfa-Laval would later break off working relations with SIAR for a couple of years, and one of the communicated reasons for this was that SIAR was seen as costly in relation to what it delivered in the form of practical suggestions.[308] This of course implies that Alfa-Laval was not very pleased with what SIAR delivered in the projects before the break in the relationship.

Why did this analysis of Rosenblads Patenter not convince Alfa-Laval? There seemed to have been a mismatch between SIAR's business philosophy and the problems that Alfa-Laval needed to

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[306] *Utkast till Rosenbladsrapport*, 1978-05-22 (UPM-GW-314) CfBH/SIAR/F 1 bg: 76
"Som vi kunde se i den historiska analysen har de framgångsrika affärsidéerna i Rosenblads vuxit fram genom ett samspel mellan en god och nära marknadskontakt och ett djupt kunnande inom framförallt det thermodynamiska området. Vi tror att det för Rosenblads fortsatte utveckling är ytterligt väsentligt att beakta detta framgent."

[307] *Utkast till Rosenbladsrapport*, 1978-05-22 (UPM-GW-314) CfBH/SIAR/F 1 bg: 76

[308] *Corporate development report-Alfa Laval*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83

resolve. From the initial assignment to SIAR, Alfa-Laval wanted organisational and managerial principles that would help Alfa-Laval's business to blossom and create profits in a less foreseeable future.[309] In SIAR's assistance in developing the matrix organisation for Alfa-Laval, they stressed the possibilities for both short-term profits and long-term business development. When this was to be further specified and advanced in the sub-projects, the suggestions were of a visionary rather than solid character. The underlying demands for a more integrated structure between Alfa-Laval and the subsidiaries were not satisfied. We have mentioned that Alfa-Laval viewed SIAR more as an organisational consultant rather than as one that could deliver strategy. From SIAR's point of view, there were examples of how they saw organisation and strategy as integrated. Specifically, this concerned how to group together businesses in a strategic way, which was something that SIAR did for Alfa-Laval[310] and also further elaborated in their book on divisionalisation from 1983.[311]

We can see this as an attempt by SIAR to set up a goal-oriented, enabling bureaucracy. Through the perspective of their management and business philosophy, the crucial aspect was the possibility to distinguish a defined business idea. This would then guide the organisation of the firm, setting a goal through which a bureaucratic structure could enable different parts of Alfa-Laval to perform in the desired manner. However, this was not in line with Alfa-Laval's strategy, in which the ambiguous status of subsidiaries situated in the Other Companies Group was a possible source of conflict. We shall return to this in the conclusion of this chapter. We can, however, point out that this highlights how theories of enabling bureaucracies presuppose a functioning, coercive structure which is to be reformed into a structure with procedures designed for enablement. Adler and Borys's recurringly use wordings such as *adjustive development* and *flexibility in changing procedures*, [312] the problem at Alfa-Laval was that

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309 *Organization*, 1977-01-19 (UPM-ER-1473) CfBH/SIAR/F 1 be:57
310 Interview with Gunnar Winqvist
311 Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.
312 Adler och Borys, "Two Types of Bureaucracy".

the development of an integrated hierarchal structure at the firm was halted and that more control over peripheral parts of the organisation was required.

Corporate management and contracting in the new Alfa-Laval organisation

Another part of the second phase of SIAR's work at Alfa-Laval concerned the use of contracting at Alfa-Laval. This meant the delivery and assembly of entire parts of plants instead of just selling specific machinery. The background to this way of delivering products was a difference between the dairy and the brewery division of Alfa-Laval. On the dairy side, there had been occurrences where Alfa-Laval was asked to deliver not just separate machinery for dairies but entire dairy plants. These questions had stimulated the division to develop a practice of contracting, where subcontractors were engaged to deliver different sets of machinery so that Alfa-Laval could fulfil their obligation to deliver a finished dairies report. [313]

In a larger context, the contracting practice connected to changing forms of business and new ways to reach customers and markets.[314] SIAR produced a report on this topic in mid-1978. There they described Alfa-Laval's use of contracting historically and discussed the strategic possibilities for the use of contracting. The core of the advice was that SIAR returned the question of how Alfa-Laval ought to perceive contracting back to Alfa-Laval. The consultants were not intervening or direct in what they wanted their client to do, an attitude towards the client that would come to change over the years.[315]

313 *Alfa-Lavals erfarenhet av contracting*, 1978-05-25 (UPM-GW-321) CfBH/SIAR/F 1 bg: 76

314 Wilson och Thomson, *The Making of Modern Management*.

315 *Alfa-Lavals erfarenhet av contracting*, 1978-05-25 (UPM-GW-321) CfBH/SIAR/F 1 bg: 76

As we have said, Gunnar Winqvist from SIAR emphasised that they had a role as organisational and not strategy consultants.[316] However, SIAR's suggestions regarding contracting included many strategic suggestions. They did not, however, suggest particular strategic changes or administrative reforms on how the contracting was to be done. Rather, the suggestions included reasonable motivations for why and in which situations Alfa-Laval should pursue contracting. Later, in 1978, SIAR wrote a report with recommendations on how to further establish the new organisational form at Alfa-Laval. SIAR expressed the purpose of this as to "*build forward towards questions and issues that will be raised during the implementations. Most of these problems will be solved by the mangers that have been pointed for the various businesses and by the new VL group without the detail involvement of us as consultants*".[317]

SIAR presented some strategic possibilities and opportunities but few concrete suggestions. This lack of practical advice could have been a result of SIAR's method of diagnosis. As we discussed in the previous chapter, SIAR used this method to analyse and explain the situation and conditions at their client, set up a suitable organisation to the business idea and then let the regular management see the change.[318] Practically, this meant that SIAR interpreted the managerial roles for their client. At Alfa-Laval, this was exemplified in a report that SIAR presented to their client in the summer/early autumn of 1978. In a draft of Chapter 3 of the report *The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, Eric Rhenman explained the role of central management in the different business groups of Alfa-Laval. It was explained that management's role in the farm business was to support the operational managers. The business was reliant on local resources for strategic planning. SIAR stressed that the Agricultural Group faced challenges in the coordination of the market plans of each local country sales organisation with the

316 Interview with Gunnar Winqvist
317 *Chapter 1, Introduction* 1978-07-27 (UPM-ER-1711) CfBH/SIAR/F 1 be: 61
318 Rhenman, *Organisationsteori för Långstidsplanering.*

centralised product managers of the division. The emphasis on coordination could have been related to the previously discussed problems of profitability measurements, at least in the sense that this implies the lack of a control system that links the needs of the specific markets to the product development. SIAR's suggested solution for this was to give an additional operative role to the member of the managerial board with special responsibility for production, and the central manager for production should be encouraged to seek out the information that entailed the local market demands. The supporting corporate staff of Alfa-Laval should also provide full support to the head of the agricultural business and give all requested business support. This, for example, entailed supplying adequate staff for the controller function in the management of the Agricultural Group.[319]

In the industrial business, the corporate management needed to be less focused on daily operations. Rather, they should be focused on the restructuring of Alfa-Laval's industrial business through divestments and acquisitions. The report also suggested that the central management of the industrial business needed to rationalise production and be prepared for reorganisation, whilst also avoiding taking away responsibility from the head of business. The head of business here meant the manager with operational responsibility for the business. The fact that the corporate management was not to interfere in operational business also meant an increase in importance for administrative roles at Alfa-Laval such as central controllers.[320]

The suggestions in the report are interesting for two different reasons. First of all, Rhenman repeatedly used the concept of meta-management to describe the commonality in the corporate management of the farm and industrial businesses at Alfa-Laval. In the concept of meta-management, both supporting operational business and configuring the organisation of central management were included. The purpose of this new managerial function was described

[319]*Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be: 62
[320] *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be: 62

as *"to mobilize and reallocate power particularly to achieve the right balance of influence between the division and its product managers on one hand and the marketing companies on the other hand"*. They continued and stated that this was not a new task for the Alfa-Laval CEO but one that would be a higher priority and in demand from now on.[321]

The second interesting reason relates to SIAR's role at Alfa-Laval. SIAR were assigned as organisational rather than strategy consultants. From the reports on SIAR's assignment at Alfa-Laval, we can confirm that they stated that SIAR was going to help them "assess their organizational concepts".[322] As we have seen in the previous chapter, SIAR saw the way a firm organised around its business idea as something strategic and not as just applying the best organisational form or technique. The report on the role of corporate management in the new Alfa-Laval organisation also showed many examples of how organisation and strategy were integrated, for example, in the differences between how the farm industry needed to organise more locally and the industrial businesses needed to develop more products and technologies centrally.[323]

Winqvist stated that Harry Faulkner at Alfa-Laval stated that "the SIAR era was over" at Alfa-Laval after 1978. One of the reasons for this was that Alfa-Laval had finished up their organisational project and that they did not view SIAR as a strategy consultancy firm. Winqvist summarised the project at Alfa-Laval as successful and that the work consisted of a "classic SIAR analysis" of how the client made money and how this connected to the firm's history. And that SIAR has also been vital in suggestions regarding Alfa-Laval's new organisation and grouping of businesses.[324]

Unfortunately, we do not know how specific projects or reports were received at Alfa-Laval. SIAR returned a few years later

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321 *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be: 62
322 *Organization*, 1977-01-19 (UPM-ER-1473) CfBH/SIAR/F 1 be: 57
323 *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be: 62
324 Interview with Gunnar Winqvist

and reports from those assignments stated that Alfa-Laval occasionally had been sceptical of what SIAR delivered.[325] SIAR's approach of diagnosing their consultancy clients distanced them from the actual implementation of their advice. Even though SIAR presented solutions to organisational problems at Alfa-Laval, the advice they presented was seen as a bit superfluous.

SIAR clearly had management knowledge that corresponded well to how the business landscape changed during the crisis years of the 1970s. In SIAR's presentation of their own historical knowledge development, SIAR stressed multi-centre organisations and control systems as vital advances in this period.[326] The first step of the Alfa-Laval project contained signs of these advances, such as reviewing the existing tools for control (the credit-back system) as well as advocating for multi-centre organisations such as matrix organisations and business groups. In this case they nonetheless appeared in abstract form and not in actual management tools. Winqvist stated that SIAR in general was sceptical towards these kinds of tools because of problems in distributing large overhead costs. The available profitability measurement systems could show that all parts of the firm were more profitable than the corporation was as a whole. Rather than developing new profitability tools, SIAR saw it as preferable to categorise different parts of the firms in groups to better stimulate the business operations in the firm.[327]

Providing more concrete management tools could have helped SIAR at Alfa-Laval. The lack of sufficient tools to measure profitability would return as a theme in coming projects. As consultants, SIAR would also become more concrete going forward, especially because they needed to compete with other consultancy firms.

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325 *Corporate Development Client Report*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83
326 *SIAR Presentation*, 1985-06-01 (UPM-PEC-277) CfBH/SIAR/F 1 bp:98
327 Interview with Gunnar Winqvist

Interruption in SIAR and Alfa-Laval relations

In 1978, there was a break in relations between Alfa-Laval and SIAR. As Harry Faulkner had said, the SIAR era at Alfa-Laval was over, at least until December of 1983. [328] Then a report titled *The Present Overall Situation in Alfa-Laval* was written by SIAR. It stated that SIAR had lost the consulting contract with Alfa-Laval to Boston Consulting Group (BCG) in 1979.[329] It appears that BCG were hired as strategy rather than organisational consultants. The accounts of the work BCG did at Alfa-Laval suggest that they were more involved in business decisions on investments.

Since SIAR did not work for Alfa-Laval between 1979 and 1982, very few reports were produced mentioning Alfa-Laval. One of the exceptions was an outline for a discussion memorandum from Eric Rhenman. The notes were from March 1981 and were made in preparation for a meeting with the management of Alfa-Laval's farm business. In the notes, Rhenman pointed out that he should emphasise that SIAR could coordinate their work with BCG and work with organisational development from strategic changes suggested by BCG.[330] This suggests that if SIAR had any lingering work with Alfa-Laval, it was well understood that this had to be done as a kind of subordinate to BCG.

To understand this situation, we should remind ourselves of the state of the market for management consultancy in Sweden. Switching consultants was not unprecedented in international firms such as Alfa-Laval. Even though SIAR lost their role as consultants to Alfa-Laval, the project was still viewed as a success by SIAR.[331] The report from Rhenman's meeting with Alfa-Laval in 1981 also shows that SIAR could have accepted a role as a consultant collaborating with

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[328] Interview with Gunnar Winqvist
[329] *The Present Overall Situation in Alfa Laval*, 1983-12-12 (UPM GW-745) CfBH/SIAR/F 1 bg:82
[330] *Outline to a discussion for a meeting with Alfa Laval Farm Management March 19, 1981*, 1981-03-18 (UPM-ER-2054) CfBH/SIAR/F 1 be 71
[331] Interview with Gunnar Winqvist

BCG. SIAR's internal reports presenting the history of their management knowledge development state that the firm focused more on corporate management and management systems from the early 1980s and onwards.[332] This development could be because of situations such as the one at Alfa-Laval, where they were viewed as organisational rather than strategy consultants. When they returned to Alfa-Laval, they were more concrete and practical in their advice and proposals.

At Alfa-Laval, organisational changes continued during the years when SIAR was not present. The published annual reports contain several mentions of consultants, presumably from Boston Consulting Group, who appeared and studied the organisation at Alfa-Laval. In 1980, Alfa-Laval started using consultants to advise them on the strategy for the firm and parallel with this, the firm also tried to adapt their production to locate it closer to the market where the products were sold. The annual report from 1980 stated that Swedish industry needed to become more flexible to compete internationally.[333] The year after, further changes to the organisational structure were announced. The change was not a rehash of the previous business group structure but a conversion of divisions and certain units into separate companies.[334]

The reasoning for this view of needed changes in Swedish industry links back to SIAR's assignment at Alfa-Laval in 1977. Then, Alfa-Laval hoped that setting up the organisation in separate companies would clarify the profitability of the different businesses. One of the concerns in SIAR's assignment at Alfa-Laval was whether the more peripheral parts of Alfa-Laval were profitable and how.[335] The annual report nonetheless stressed the increased importance of profitability due to the Agricultural Group at Alfa-Laval having experienced difficult years in both Europe and the USA. The firm

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332 *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F 1 bp:98
333 Alfa-Laval Annual report 1981
334 Alfa-Laval Annual report 1982
335 *Final chapter 4: How is Alfa-Laval making and losing money?* 1977-05-20 (UPM-GW-228) CfBH/SIAR/F 1 bg:75

hoped that investments which had been made in the Industrial Group would prove to be successful over the coming years.[336]

Profitability was a problem for many European firms in the wake of the economic crisis of the 1970s. Many firms had employed a strategic aim to increase production capacity during the golden years of growth after the World War 2 and valued higher market shares over profitability. With the recession of the 1970s, several firms faced a dire situation and needed to change their strategies in order to find more profits. One way to do this was to diversify their business operations and become less dependent on one product or market. This shift is one of the key factors in Lazonick's argument for why the Chandlerian corporation declined in importance. Hierarchal firms focused on large-scale production needed to depart from their previous strategies for new sources of profit, often through increased innovation and specialisation.[337]

Alfa-Laval was an example of a firm that was organised in relation to the market, in that their organisation and their reporting was configured towards where products were sold and not what products were being developed. SIAR even referred to them as a market-oriented firm,[338] even though they were not market-oriented in the way that Kohli and Jaworski say. Alfa-Laval did not have organisation-wide adaptiveness to changes in the market. Rather, the firm had problems distinguishing which part or parts of the firm were responsible for the high total profitability of the firm. Alfa-Laval also lacked possibilities to adapt strategies to find new markets for profits, since it had not developed systems to execute integrated strategies throughout the firm. Combined, this highlights that achieving market orientation was not the only adaptation that was need for industrial firms in the 1970s, but rather an orientation that allowed business

336 *Final chapter 4: How is Alfa-Laval making and losing money?* 1977-05-20 (UPM-GW-228) CfBH/SIAR/F 1 bg:75
337 Lazonick, "Innovative Business Models and Varieties of Capitalism".
338 The Development of Alfa-Lavals Organization, 1977-05-22 (UPM-GW-230) CfBH/SIAR/F 1 bg:75

diversity simultaneously with the adaptiveness and flexibility to execute strategies suitable for the different businesses in the firm.

Return in 1983-1985

In 1983 the contact between SIAR and Alfa-Laval was resumed. SIAR produced five internal reports in 1982 that documented meetings between the consultants and their former customers. The meetings were not well planned. When SIAR met with Harry Faulkner in September 1982, Faulkner was surprised by the meeting and unsure what was to be discussed. The meeting eventually led to a discussion about STAL, one of Alfa Laval's industrial subsidiaries which had recently become unprofitable.[339] At later meetings in October and November, SIAR reported to managers at Alfa-Laval what they had done during their previous project at Alfa-Laval. The consultant from SIAR explained about how Alfa-Laval was organised into three business groups and that the profitability measurements at Alfa-Laval had been reviewed. At the end of the meeting in November, the top manager of the Industrial Group at Alfa-Laval explained that the firm was reorganising again. The parent company was going to be divided into fifteen different companies. These companies were going to be run separately by commission. Alfa-Laval's top management had felt a need to turn up the pressure for profitability at the firm. The operational managers were going to be forced to be more concerned with profitability. Previously, the operational managers had been of the opinion that money was always plentiful at Alfa-Laval. Because of this reform, Alfa-Laval were going to increase its financial personnel. A holding company was going to be set up and there was to be an internal bank from which subsidiaries could loan money for investments. It was stated that rich subsidiaries without real growth were going to be

339 Meeting with Alfa Laval about STAL, 1982-09-02 (UPM-GW-657) CfBH/SIAR/F 1 bg:81

held accountable by means of forced payouts.[340] Alfa-Laval's 1982 annual report further stated that new administrative governance systems had been developed as part of continuous rationalisation work. The systems had been developed centrally and were going to be implemented across the firm. The new systems had led to an increase in investments in computers, but the firm expected these costs to be balanced by saved costs in the rationalisation of office work.[341]

Eric Rhenman held a speech at an Alfa-Laval conference in the summer of 1983. Drafts of the speech show that the topic was the history of the firm.[342] At the end of 1983, Winqvist of the Alfa-Laval project produced a report called *The Present Overall Situation in Alfa-Laval*. In this report, he described how BCG had now lost the contract with Alfa-Laval because BCG had recommended that Alfa-Laval save capital rather than acquire new firms with it. The reasoning was that the capital would be needed in Alfa-Laval's existing businesses. But that had not happened, and capital had instead been stockpiled in the firm.[343] A reference to this chain of events can be found in how Alfa-Laval described their new administrative governance system in their 1982 annual report [344] as well how they presented their reorganisation in their 1983 annual report:

"*The separation of the parent company into several separate companies seems to have gained the intended effect. Operative decision-making has been moved downwards in the organisation, profitability-thinking has grown in these independent units, as well as the drive and sense of connection in the staff.*"[345]

340 *Anteckningar från mote med Lars Trane*, 1982-10-28 (UPM-GW-673) CfBH/SIAR/F 1 bg:81
341 Alfa-Laval Annual report 1982
342 *Final draft – Milestones and Crossroads in the Development of Alfa-Laval*, 1983-05-04 (UPM-ER-2324) CfBH/SIAR/F 1 be:81
343 *The Present Overall Situation in Alfa Laval*, 1983-12-12 (UPM GW-745) CfBH/SIAR/F 1 bg:82
344 Alfa-Laval Annual report 1982
345 Alfa-Laval Annual report 1983

In the annual report, Alfa-Laval expressed optimism, albeit somewhat cautious. From SIAR's report on the situation at the firm, we know that the top management of Alfa-Laval were a bit sceptical about the governance and organisations reform. SIAR saw an opportunity to take over from BCG, but they were also determined not to repeat mistakes which had led them to lose the consultancy assignment at Alfa-Laval in 1979. Going forward with Alfa-Laval, SIAR was notably more practical in their work with their client. They were distinctly more alert to becoming concretely vital for Alfa-Laval by trying to fulfil the needs and desires of Alfa-Laval that BCG did not. Perhaps it was the competition with other consultancy firms or an aspiration to prove that they could fill the role of a strategy consultancy firm. SIAR altered their business operations and made them more strategic in aiming to secure future work.

An example of this can be seen in their work on beverages and Alfa-Laval's brewery division where they tried to apprehend planned organisational change at Alfa-Laval. The project concerned who should be responsible for 'beverage applications', meaning brewing, wine, distilleries, etc. SIAR had noticed that the top manager for all industrial activities was prepared to change the overall organisation for the Industrial Group and thus planned to set up their project concerning beverages so that it would be unquestionable that they should head the project for the future overall organisational change.[346] Making themselves more integrated with their client in this way was in distinct contrast to how they had approached their assignment between 1977 and 1979. Then, they distanced themselves from taking a role in the implementation of their proposals and suggestions, and instead presented interpretations for how Alfa-Laval's manager should handle their advice.[347] From SIAR's internal educational presentation, we can also learn that one of SIAR's reported knowledge and

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346 *The Present Overall Situation in Alfa Laval*, 1983-12-12 (UPM GW-745) CfBH/SIAR/F 1 bg:82

347 *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be:62

competence developments between 1981 and 1985 was that they were able to provide "*Full service for implementation, efficient end result*".[348]

At this point, SIAR's focus was not on the whole firm of Alfa-Laval. A client development report from December 1984 states that they started off by examining the relationships within the Industrial Group at Alfa-Laval. Then SIAR devoted attention to specific parts of the Industrial Group. The report stated that SIAR had produced a project plan for working with Alfa-Laval on a new organisation of beverage applications – a project on the management and organisational development of Food and Dairy – and also assisted on acquisitions of new companies.[349]

The situation with beverage applications originated from how the responsibilities for beverages were becoming an oddity in the Alfa-Laval organisation. The Industrial group in Alfa-Laval were still organised in a matrix organisation with dimensions for products as well as geography. This meant that there was one dimension of responsibility from the product dimension and one from geographical location. Alfa-Laval's beverage applications came to sell products from several industries (brewing, wine, soft drinks, etc) within the firm. There were appeals from the specific industries to acquire the responsibility to sell their products themselves, since other industrial responsibilities in Alfa-Laval were organised in this way, for example, regarding dairy products. SIAR's role here was to resolve this conflict within Alfa-Laval, which originated from a compromise that was being questioned inside the firm.[350]

The compromise revolved around the asymmetry in the organisational and administrative structure of the firm, but it was different from the initial assignment to SIAR in 1977. At that point, it concerned a desire from the top management of Alfa-Laval to better implement policies in the firm, something that was more of an anomaly

348 *SIAR Presentation*, 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F 1 bp:98
349 *Corporate Development Client Report*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83
350 *Qualitative Project Plan Alfa Laval*, 1984-01-02 (UPM-GW-748) CfBH/SIAR/F 1 bg:82

in its bureaucratic structure. The motivation for the administrative reform was in the interests of top management and concerned how to balance accessing the information required to administratively coordinate the firm while continuously stimulating divisions and subsidiaries to operate their businesses as successfully as possible.[351]

The new situation in 1984 was not just a problem of top management not knowing the profitability of different parts of Alfa-Laval. Rather, it concerned an asymmetry of responsibilities within the firm, which affected the actual performance of different units and subsidiaries. A report documenting a meeting with the Industrial Group's top manager stated that the matrix organisation failed to structure responsibilities in a balanced manner. The different industrial products had separate solutions for how to sell their products and performed differently in this sense. The problem was exemplified by Alfa-Laval's emerging brewery business. Adaptation to Alfa-Laval's machinery and technology needed to be done in order to make them competitive within the brewery business. This situation was particularly urgent in Germany were there was competition from a firm similar to Alfa-Laval called Tuchenhagen. However, the situation was not very urgent in other countries where Alfa-Laval was trying to get into the brewery business. The industrial manager had tried to get market information from certain national subsidiaries in Germany, France, the UK, as well as Belgium and the Netherlands, and got very different answers from each of the countries. Germany wanted more advanced technology, Belgium and the Netherlands though everything was fine, and the French subsidiary recommended that Alfa-Laval avoided the brewery business altogether. The top manager for the Industrial Group saw this as an indication that the matrix was not working, since there were so many differences between the geographical markets within the same business or product.[352] SIAR was assigned to analyse the problems of the matrix organisation in the

351 *Lars Tranus opinions of the problems in Alfa-Laval*, 1977-03-10 (UPM-GW-161 CfBH/SIAR/F 1 bg:74)

352 Developing a technology into a product for a specific business, such as brewery in this case, was referred to as an "application" at Alfa-Laval

varied brewery business and was also informed that this assignment could lead to a re-working of Alfa-Laval's entire industrial organisation within 1–2 years. This prediction came not from a planned strategy from the top manager but a realisation that "*at least I cannot hold it together any longer*".[353]

Before continuing the examination of Alfa-Laval's control structures, we will describe and explain the above-mentioned subsidiaries in a bit more detail. These subsidiaries were responsible for sales in the different national markets in which Alfa-Laval operated. At Alfa-Laval, and in the reports SIAR wrote on Alfa-Laval, these firms were referred to as *market companies* and sometimes *national market companies*, since they were located and operated in specific national markets. The companies functioned as a type of sales company, and they were not marketing companies in the sense that they were responsible for marketing in specific countries. These companies did, however, have a special role in Alfa-Laval's development towards becoming more market-oriented and collecting data from markets.

Let us return to the larger organisational problems at Alfa-Laval. These also connected to SIAR's thoughts on meta-management, their concept for coordinating influence rather than resources between parts of the firm.[354] That concept had been discussed in the 1978 report on how corporate management was to function in Alfa-Laval's new organisation.[355] The situation at Alfa-Laval required increased capacity to balance influence between different parts of the firm. The organisational and control structures where divisions or other units were encouraged to act more independently still needed further coordination. It was not the same type of coordination as what Chandler and Daems described[356] but is more than present in Adler and Borys's description of an enabling bureaucracy. In a discussion

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353 *Meeting with Lars Halldén*, 1984-01-05 (UPM-GW-751) CfBH/SIAR/F 1 bg:82

354 Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.

355 *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a)

356 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

about the handling of internal conflicts, the authors advocate for including trade unions in the design of the bureaucracy in order to avoid conflicts that would constrain the enabling logic.[357] Those conflicts would be nevertheless between employer and employee rather than between responsibilities in the firm. The coordination of influence within an enabling bureaucracy is not part of Adler and Borys's theory.

This type of situation has similarities to Freeman and Sivan's notion of the limits of the non-hierarchal firm. The central authority's right to speak for the firm could be seen as the larger category in which you could also find the judiciary role of the firm or the right to rearrange or interpret the administrative structures of the firm in manner which would lead to resolving or avoiding conflicts and asymmetry in responsibilities.[358] This predicament and the internal politics enmeshed in it stemmed from the inability of a large-scale matrix organisation to maintain the stability of responsibilities within Alfa-Laval. This was at least implied by the statement of the top manager for industrial activities. Dealing with this would lead to more detailed involvement from SIAR and a desire for better control systems.

Adaptation beyond diagnosis

SIAR carried out the brewery project by means of a study of Alfa-Laval's market company in the Netherlands. This specific subsidiary had a reputation in the firm for being more advanced and performing better than the other national market companies.[359] We repeat here that these were the national subsidiaries that conducted sales in the different national markets. The workplan for the project showed that SIAR wanted to concretize and develop a philosophy for how to

357 Adler and Borys, "Two Types of Bureaucracy".
358 Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".
359 Interview with Gunnar Winqvist

manage Alfa-Laval's international Food and Dairy businesses. 'Brewery applications' was located within this part of Alfa-Laval. More concretely, SIAR wanted to examine how product development, which occurred at 'application centres' at Alfa-Laval, and market companies could collaborate. The collaboration was to be examined to get "*closer relations between ACs (application centres) and customers and make it possible for ACs to directly influence their sales organisations*".[360] It was also emphasised that the market companies were vital to reach local businesses. The management of central resources at Alfa-Laval needed to be configured in order to support market companies and transfer business ideas to them.[361]

At the end of 1984, SIAR reported both how they were performing in general at Alfa-Laval and specifically in the brewery applications project. The already mentioned corporate development client report from December 1984 stated that SIAR had carried out the organisation of brewery applications, assisted the acquisition of a Japanese company and initiated the management and organisational development of Food and Dairy. The report also stated that through this SIAR had re-established themselves as house consultants at Alfa-Laval.[362] In this report, there were comments about SIAR having *image problems with regard to cost and reliability,* not because of their recent work at the company but because of SIAR's activities at Alfa-Laval in 1977 and 1978.[363]

The comments further show how SIAR became more concrete in order to be seen as more price-worthy by their clients. Competing with established management consultancy firms such as BCG led SIAR to focus on delivering more concrete knowledge products in the following years, something that we saw that Alfa-Laval might had

360 *Workplan Alfa Laval Food & Dairy*, 1984-09-28 (UPM-GW-797) CfBH/SIAR/F 1 bg:83
361 *Workplan Alfa Laval Food & Dairy*, 1984-09-28 (UPM-GW-797) CfBH/SIAR/F 1 bg:83
362 *Corporate Development Client Report*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83
363 *Corporate Development Client Report*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83

expected them to do in 1978, even though we also know that Alfa-Laval then saw SIAR mainly as organisational consultants.[364]

The difference in which knowledge products SIAR delivered to Alfa-Laval in their first and second phases at the company is striking when it comes to the work performed in the brewery project. In that project, SIAR had once again been assigned to advise Alfa-Laval on management principles and the firm's organisation. The task was connected, topically, to the project of 1977. In the brewery project, SIAR presented a much more practically oriented report in which they more directly discussed problem areas in Alfa-Laval. They did not interpret or translate Alfa-Laval's management principles and business strategy into their own managerial concepts. SIAR were instead much more hands-on in providing answers to the problems of Alfa-Laval. With SIAR's academic tradition and theoretical origins in mind, we could say that they had developed their management knowledge beyond diagnosis.

The new ideas for management principles appeared in the drafts for the development of the management of Food and Dairy in late 1984. It stated the following as the objective of the project. The abbreviation DFO stands for decentralised flexible organisation:

1. Primary businesses should be managed on a DFO basis by starting with end customers and working backwards.
2. The management of the DFO should focus on key accounts and use windows of opportunity as tools in market planning.
3. Functional competence should be increased and functional authority be allowed to take responsibility across business units.
4. Profits centres should be used only along one dimension, and cost and revenue centres should be used more systematically.

[364] Interview with Gunnar Winqvist

5. Control and information systems for market planning and cost control must be developed.[365]

The concretisation of these objectives signalled a development for both SIAR and Alfa-Laval. A clear transition had occurred from the philosophical business principles from the mid- to late-1970s to a demand for the implementation of systems, tools and functionality.

Inadequate control and profit measurement systems appeared already in the reports on the credit-back system in 1977.[366] In 1984 however, it was more important and SIAR continually pushed for the development of better control and management systems at Alfa-Laval. The systems were required, even though Alfa-Laval was developing to become more and more flexible and decentralised. SIAR's reports from Alfa-Laval show no signs of conflict between their critical stance on hierarchical structures and the expressed need for better adapted tools for control. From their return to the firm and onwards, the lack of structures for functional authority, proper management tools and developed control systems emerged as a central problem in SIAR's project.

From the start of SIAR's work at Alfa-Laval, the topic of how Alfa-Laval had failed to integrate the different parts of the firm into one coherent unit had been one of the key motivators for why they needed to reorganise and bring in help from management consultants. This new development into a flexible organisation form that started with the end customers and built structures backwards was no different. In order to implement this form of organisation and administrative structure, Alfa-Laval needed management tools that would make market planning and cost control work. The clear need for these tools provides nuance on how the theoretical framework views the establishment of the right administrative structures for both autonomous, customer-oriented organisational units and enabling

365 *Project Plan Alfa Laval Food and Dairy. Underlag för projektplanering*, 1984-11-01 (UPM-GW-801) F 1 bg:4

366 *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) F 1 bg:83

bureaucracies. At Alfa-Laval, these structures were set up and developed at the same time as the flexible organisation. Establishing the right administrative structures was also much more complicated and labour-intensive than the theories presumed. Adler and Borys as well as Josserand see enabling structures and autonomous customer-oriented units as something that would require loosened rather than more structured administrative responsibility.[367] The ability of the administrative centre to maintain cohesion and set up customer-oriented units is taken for granted in the understanding of how flexible and market-oriented business organisations are established.

Cooperation between business areas and market companies

Alfa-Laval continued their transition towards a more flexible organisation over the following years. At the end of 1985, the firm presented a new organisation in their annual report. The ambition for the new form was to achieve both better control over the corporation and "further decentralisation of profitability responsibility closer to the market[368]. The portrayal of the form of organisation was very similar to SIAR's presentation of management principles for the Food and Dairy business at Alfa-Laval.

Concretely, this meant tightened managerial control through fewer representatives on the highest managerial board. The logic behind it was not to structure the firm in ways to actively make the business areas more autonomous, in the sense of the network firms.[369] Rather, the distinction between the highest managerial board and the operative managerial level became clearer. The new business areas contained all the managerial responsibility for the business conducted

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367 Adler and Borys, "Two Types of Bureaucracy" and Josserand, *The Network Organization.*

368 Alfa Annual Report 1985

369 Josserand, *The Network Organization.*

in that area. This set up a new area of administrative activity in controlling how the business areas were to cooperate and relate to local market companies. The new organisation was visualized this way:

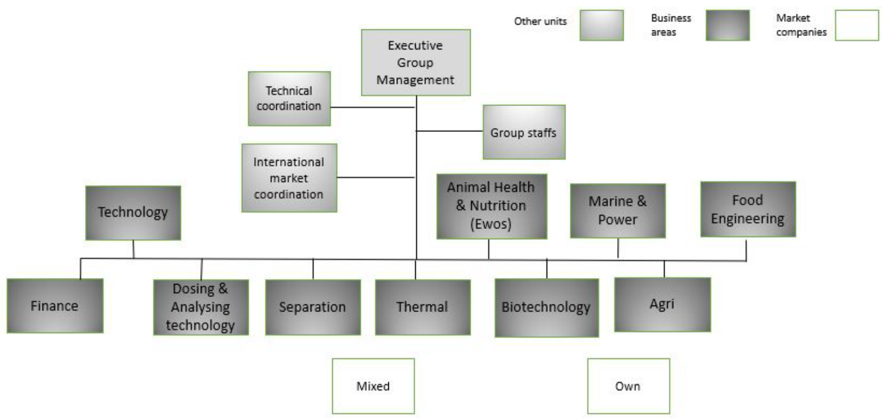

Figure 9. Alfa-Laval's new organisation in 1985
Source: Alfa-Laval Annual Report 1985

In this organisational form, the relationship between the business areas and the market companies became the key area for operating the business. The principle was that the business area formulated objectives, strategies and budgets, whilst the market companies had operative responsibility to ensure that plans were carried out within the given limits. The geographical differences in distribution were resolved through establishing that certain business areas had their own market companies. These business areas were mainly within Alfa-Laval's traditional business of products for agriculture. The previous Industrial group had a mixed set of market companies. Some were owned by Alfa-Laval and others controlled through contracts.[370]

In SIAR's work, there were immediate signs that the Alfa-Laval market organisation was the major issue in the ongoing work to change its management principles. SIAR suspected that several of the large

370 *The Development of Alfa-Lavals Organization*, 1977-05-22 (UPM-GW-230) F 1 bg:75

market companies were not able to fulfil their current responsibilities. This lack of confidence in the market companies could have made SIAR reluctant to make them more autonomous after all. Perhaps there was a belief that Alfa-Laval's Industrial Group could continue to operate in a hierarchal manner, but with management principles that, when implemented, would make their product development more customer-oriented. The administrative tools of control and information systems for market planning could still be of a traditional, administrative coordination nature, but in order to make sure that the market companies actually followed the principles and policies implemented at higher level. A SIAR report from early 1985 on the change of management principles stated: "*We know in which direction it should be changed but there is a major development task before we can actually implement the change – otherwise we run the risk of not having any control*".[371]

The same SIAR report included indications that the delicate situation with infected relationships between different divisions at Alfa-Laval remained. Gunnar Winqvist pointed out that this relationship needed to be "sorted out" and that SIAR needed to identify change agents in the Industrial Group at Alfa-Laval.[372] The consultants' lack of confidence in the operative managers at Alfa-Laval became a recurring problem. The willingness to get involved and practically implement the changes followed this. Once again, this contrasts to SIAR's previous position on how their diagnosis should be adopted into the firm by the active managers at the firm and how they distanced themselves from this responsibility in their first two reports in 1977 and 1979. The willingness to get more operationally involved also indicates how they changed their approach to the knowledge or services they provided to their client. It was a change to a more formalised form of service, which we have seen previously as being not uncommon in the interaction of management knowledge.[373]

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371 *Key Issue in Changing, Alfa Lavals Management Principles*, 1985-01-14 (UPM-GW-818) F 1 bg:84

372 *Key Issue in Changing, Alfa Lavals Management Principles*, 1985-01-14 (UPM-GW-818) F 1 bg:84

373 Sahlin-Andersson and Engwall, *The expansion of management knowledge*.

A change however did also occur in what role the management knowledge played in relation to the client. SIAR became more direct in criticising specific management functions as well as advocating for intervention in a way that contrasted directly with their previous approach to emancipating their clients.

At this point, the need for control systems once again emerged. Even though the key principle for the organisational change was flexibility and greater autonomy, the problem of having operatives who you trust to be autonomous in the right way emerged. Sahlin-Andersson and Engwall understand this as a way of finding new markets for consultancy within an existing relationship with a client, something that harmonises with a business logic of creating new demands by defining new problem areas in need of expertise.[374] However, this has most often been understood in the form of trying to expand the scope of services towards new areas of knowledge in the form of new types of clients, for example, in industries that have not previously used consultancy services as much, such as the public sector.[375] This case of consultant-client relations shows that it can also be used to understand an increased intensity in the relationship. In this case, SIAR became more direct, and almost aggressive, in how they pointed out the specific managerial posts they saw as problematic for the changes they had previously suggested. In this sense, we can say that their becoming more involved and active in the business operations of the client not only affected the knowledge they were assigned to transfer to Alfa-Laval but also what type of relationship they sought with their client.

SIAR put great emphasis on the role of management in structuring and controlling the firm. This control was vital in order to actively transform the market companies in a way which suited the vision that SIAR had for them. This was intervening in a contrasting way to how Freeland and Sivan perceive it.[376] In Freeland and Sivan's view,

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[374] Sahlin-Andersson and Engwall.
[375] Kipping, "America First".
[376] Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".

intervention is an action which proves that a hierarchal structure still exists even though the firms had tried to become less hierarchal. The contradiction between managerial intervention and a more flexible organisation is not as apparent in this case. The need to actively make sure that flexibility and organisational learning were established in the market companies was something both SIAR and Alfa-Laval prioritised, and SIAR saw as a strategic need for industrial firms.[377]

In a report from January 1985 titled *Important Areas for Increasing Competence of Divisions and DFO-Management*, we can see a clear example of how SIAR became more explicitly critical of their client. In that report, SIAR drew general knowledge from their case study of the market company from the Netherlands and highlighted the following key difficulties:

- Lack of <u>basic knowledge</u> about customers and markets on the hand of divisions results in too much time being spent on exchanging information.
- Market companies lack <u>qualified knowledge</u> about markets and customers, "*can't see the forest for all the trees*" – results in fragmented exchange of information.
- The quality of the planning process is further hampered by a lack of common definitions of key terms e.g. what is a component order and what is a plant order.[378]

The consultants from SIAR thought the Dutch market company was well-run and one of the best national market companies at Alfa-Laval. Despite this, they still had some issues with the company. Because of that experience, SIAR saw a distinct need to improve competence in the market companies, especially since these companies

377 Lind and Rhenman, "The SIAR School of Strategic Management".

378 The listed key difficulties are a quote from *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

were identified as key actors in achieving greater profitability for Alfa-Laval.[379]

The report included suggestions for how to fix these problems. These included a program to educate the staff with knowledge about markets and customers, a strengthening of resources for marketing and sales at management levels, and finally the establishment of a common planning procedure with standardised terminology.[380] Even though the aim was to make the firm less hierarchal, these suggestions were all typical examples of the administrative coordination of Chandler and Daems.[381]

SIAR took inspiration from other firms in their planning for how to educate the staff at the market companies. SIAR identified how market and sales development programmes were run at Atlas Copco and Electrolux to provide a framework for what needed to be done at Alfa-Laval. Some key proposals were to require sales managers to identify types of customers and prospective customers and to further identify the requirements for each type of customer. Collaboration needed to exist with the product manager to set up files for prospective customers with contact details, payment terms, data on which machines are installed, which service contract was used etc. Through this, sales headquarters can set up customer databases that are used as an information resource in the preparation of market plans for each company and product.[382]

SIAR presented the problems of the market companies at a meeting at the end of January 1985. In this presentation, the Dutch market company was used a case to showcase the difficulties that existed in the implementation of the new organisation. Representatives from the Dutch company attended, and they agreed with SIAR that changes were needed within the soon-to-be-operatively-responsible

379 *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

380 *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

381 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

382 *OH-Slides*, 1985-10-15 (UPM-GW-873) CfBH/SIAR/F 1 bg:85

market companies. The representative from Alfa Laval Holland also stressed that there needed to be new staff for the account executive roles. The existing staff, titled sales engineers, were not sufficient. The responsibility needed to be placed high in the organisation of the market companies and goals needed to be formulated on what the company wanted to achieve in relation to the customer.[383]

In this development, we can see how administrative coordination persists in contrast to signs of more flexible forms of organisational and administrative control. The traditional corporate bureaucracy endured and was also necessary to set up the fundamentals of how a new type of firm could function. It is perhaps not surprising that SIAR and the top management of Alfa-Laval were not engaged with transforming the firm into a network firm. It is nevertheless striking that very few to no examples of a *control by output* type of organisational control has been observable in the records. The business areas are controlled and managed by their own management and there was an ambition to steer the top level of Alfa-Laval management in a more meta-management direction.[384] A possible solution to stimulate better collaborative relations between the business areas and the market companies could have been to set up a performance goal and use that as a *control by output* tool. This did not seem like a viable alternative for SIAR; perhaps they lacked knowledge of that type of management tool. Perhaps they were drawn more towards actively intervening and producing rules and instructions for how the market companies were to function and operate in order to show those at Alfa-Laval who had hired them what they had contributed.

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383 *Notes from meeting regarding future management philosophy of Alfa Laval 1985.01.26 at Alvik*, 1985-02-11 (UPM-GW-826) CfBH/SIAR/F 1 bg:84
384 Lind and Rhenman, "The SIAR School of Strategic Management".
385 Adler och Borys, "Two Types of Bureaucracy".

Overhaul of Alfa-Laval Food (Systems)

The years 1985 to 1987 were to be the final ones for the consultant–client relationship between SIAR and Alfa-Laval. Two parallel developments reached a pinnacle during these years. One was SIAR's increased willingness to intervene and actively implement control in Alfa-Laval's organisation. The rise of this approach, which was mentioned in SIAR's internal presentations as well,[386] but in the context of the Alfa-Laval case, stood in contrast to how they initiated the relationship with Alfa-Laval by operating close to their roots of trying to emancipate their clients through diagnosis.[387] The other development at Alfa-Laval was the continuous change to make the national market companies more important in the organisation.

The continued focus was the restructuring of the food business at Alfa-Laval, a transformation that came to be used as a case that could spearhead change on a larger scale in Alfa-Laval. The Annual Reports from 1988 and state that the restructuring of 1986 had led the firm to govern the corporation through their business areas rather than separate subsidiaries. This change is said to have affected the firm for the last three years and the firm said that the changes ran deep in its business operations. All the business areas had reconsidered their strategies and business ideas. Within the food business this was said to have been done through less focus on dairy products and more on thermal technology and automation. Automation technology had grown at Alfa-Laval due to the acquisition of other firms such SattControl, which was acquired in 1986.[388] The 1989 Annual Report stated that the investments in the Food industry had resulted in the business becoming more oriented towards the market and an enhanced strategic focus on certain market segments such as dairy, ready-to-eat food, juice, vegetable oils. Several firms had been acquired

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386 SIAR Presentation, 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F 1 bp:98
387 Rhenman, *Organisationsteori för Långstidsplanering.*
388 Alfa-Laval Annual Report 1988

within this business area as well.[389] Moving forward, we shall see how the work behind these changes commenced.

SIAR continued to examine both the business area of Alfa-Laval Food and the market companies that were used to sell products locally. Shortly after SIAR had reported their case study of the Dutch market company, a report was produced with comments on new Alfa-Laval's plans for the food industry. Ideas had emerged to start a separate company for all international Food industry business at Alfa-Laval. In general, SIAR was in favour of these plans, but some concerns were raised.[390]

The managerial board of this firm was to consist of staff from the different food products as well as representatives from the market companies. A collaborative structure was to be set up by the highest managerial authority and SIAR emphasised that support was needed and a clear mandate from top management for this project. SIAR also stressed that the business area needed to establish a strong controller position. This role should play a dominant part in establishing a plan for both short-term profit and long-term expansion.[391]

The plans for a new Food subsidiary were not followed up until July 1985. SIAR and Alfa-Laval met to discuss a conference which was to take place in August. During that meeting, it was explained that an internationalisation of the Food and Dairy business area was ongoing, but that criticism had emerged that it was going to be run with an all-Swedish managerial board. The national market companies, which performed sales in different national markets and based in France, the Netherlands, Germany, etc. saw the need for a change but were worried that the authority of a market company manager was going to diminish. The top management at Alfa-Laval had not been fully supportive to starting the new company.[392]

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389 Alfa-Laval Annual Report 1989

390 *Synpunkter på bildandet av ett internationellt food-företag inom Alfa Laval.* 1985-02-13 (UPM-GW-827) CfBH/SIAR/F 1 bg:84

391 *Synpunkter på bildandet av ett internationellt food-företag inom Alfa Laval.* 1985-02-13 (UPM-GW-827) CfBH/SIAR/F 1 bg:84

392 *Alfa Laval-diskussion om konferens den 27-28 Augusti 1985*, 1985-07-24 (UPM-GW-860) CfBH/SIAR/F 1 bg:85

At the conference in August 1985, Eric Rhenman held a speech on customer control systems and market planning. The theme of the speech was the importance of having an organisation that could respond quickly and not miss opportunities that appeared as a result of rapid changes in the marketplace. Rhenman stated that Alfa-Laval had missed out on the investment waves that were associated with these opportunities. The suggested solution for this was a simplified organisation, which was to be more efficient and have fewer managers. However, the simplified organisation also required more adequate market-oriented systems.[393]

Further criticism of the state of the existing market companies was presented in a review from SIAR of the Alfa-Laval sales organisation within Food and Dairy. The report stated that the background to the review was that historically Alfa-Laval had been reliant on the efficient use of its international sales organisation. However, there had been few attempts to evaluate the performance of this organisation. Similarly, there had also been a lack of attempts to try to rationalise it and increase its efficiency in a systematic way.[394] One of the observations in the review was that there were problems handling major international customers who operated in more than one country. Even though SIAR acknowledged that the general sophistication and the competence of the market organisation had grown over the last ten years, there was still a lack of customer focus and an active approach to customers.[395]

It is not surprising that SIAR pushed for the market companies to play a bigger role in Alfa-Laval going forward. We know that the service sector approach – that all business is local – was something SIAR emphasised in their presentation of the Strategic School of Management in 1989.[396] We can also see however that this way of

393 *OH slides Alfa Laval Conference 27-28/8*, 1985-08-29 (UPM-ER-2397) CfBH/SIAR/F 1 be:84

394 *Draft for Alfa-Laval proposal*, 1985-08-05 (UPM-GW-861) CfBH/SIAR/F 1 bg:85

395 *Draft for Alfa-Laval proposal*, 1985-08-05 (UPM-GW-861) CfBH/SIAR/F 1 bg:85

396 Lind and Rhenman, "The SIAR School of Strategic Management".

doing business required more control of the personnel at the market companies and more established systems of control. Both of these themes are apparent in SIAR's comments and review of the sales organisation in Alfa-Laval's Food and Dairy business. In the review of the sales organisation, it was pointed out that marketing staff needed to become more knowledgeable about the products they were selling.[397]

Alfa-Laval's was to become more market-oriented, and a part of this was to make sure that the sales organisation and market companies were informed about the products that the firms produced. Powers has said that this type of activity was very common in the interaction between marketing and sales work. For example, conferences could be arranged where products were explained and demonstrated to the sales staff.[398] We can see that if the market companies were to be given a more important role in the firm, this would still be accompanied by a need to strictly audit, control and standardise the organisational unit closest to the customers. This is a clear difference from a network firm. The aim to establish close contact and draw in data from the customers is shared with Josserand's understanding of this type of firm. Josserand stresses that "*too much control by input clearly compromises the autonomy necessary to the network organisation, particularly if its bears on the coordination between peripheral units*".[399] Alfa-Laval and, in particular SIAR, were not trusting the market companies enough to let them be completely autonomous in this regard. The review of the sales organisation described the market companies as lacking a customer focus. It was said that:

"*In many cases the salesmen seem to have low knowledge of their customers and have difficulties in focusing their activities on the key customers. In general, the process of setting priorities and selecting customers seems to be underdeveloped. (…) The sales force seems to have a passive approach to the customers. In many cases the*

397 *Draft for Alfa-Laval proposal*, 1985-08-05 (UPM-GW-861) CfBH/SIAR/F 1 bg:85
398 Powers, "History of Selling and Sales Management".
399 Josserand, *The Network Organization.*

sales force function more as an order receiving unit than as a sales unit. This causes it to be insensitive to key factors in the relations to the customers such as pricing, delivery times etc."[400]

The review led SIAR to suggest that they should be given the task to develop a framework for how to integrate the Alfa-Laval food and dairy organisation, with a special focus on the relations between the Alfa-Laval direct sales force and the customers.[401] Here they were continually more intervening in their role in relation to their client. SIAR pointed out very specific problems in the sales force and wanted to involve themselves in shaping the market companies and salesmen–customer relations.

In the comments on the creation of a new Food company, SIAR had been even more intervening in Alfa-Laval's management. In an effort to make sure that the right type of competence existed to lead the transformation of the market companies at Alfa-Laval, SIAR had offered to let their own consultant, Gunnar Winqvist take on the responsibility to function as leading organisational and strategic staff during the first two years of the company's existence.[402] The reports from later in 1985 suggested that the Food company was not created. Wingqvist also left SIAR in 1986 to start up his own consultancy firm.[403]

Before this consultant left, a more detailed project proposal was produced for the project on improvements in Alfa Laval Food. This was the newly organised unit in Alfa-Laval for its food business. The proposal did not specify whether it was in company form or if there were more than Swedes on the managerial board. In the project proposal however, it was clear that SIAR continued to work on the

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400 *Draft for Alfa-Laval proposal*, 1985-08-05 (UPM-GW-861) CfBH/SIAR/F 1 bg:85

401 *Draft for Alfa-Laval proposal*, 1985-08-05 (UPM-GW-861) CfBH/SIAR/F 1 bg:85

402 *Synpunkter på bildandet av ett internationellt food-företag inom Alfa Laval.* 1985-02-13 (UPM-GW-827) CfBH/SIAR/F 1 bg:84

403 Interview with Gunnar Winqvist

enhancement and improvement of the planning and support systems that were used to control the market companies.[404]

The shift in head consultants might have delayed the project a little bit. Suggestions for how to establish a more efficient organisational and economic control and reporting system for the Food division was presented in March 1987. The proposal was to centralise planning and competence, but to rotate engineering staff and specialists. The market companies could initiate local projects, which led to suggestions of pre-project planning to decide whether to use central or local resources depending on project size, complexity, and other factors.[405] Reports from meetings between SIAR and Alfa-Laval show that collaboration between the central organisation and the local ones was hard to stimulate. The effect of this was that Alfa-Laval Food Systems hesitated on whether to let development be run by the central resources or by the local engineers. The central resources were often deemed more cost-effective since they were all located in the same place. If development was driven by the local engineers, then they could be more profiled and specialised. The dynamic between the business areas and the market companies was not working as planned when the new organisation was implemented, at least not in the Food business.[406]

In the project, how to develop and use management tools for distributing costs was also discussed further. The methods used by the managing directors of the market companies to distribute overhead costs were criticised and Food Systems also lacked the control to achieve cost reductions in market companies that were experiencing reduced business. A suggested solution to this was a report of good examples which could convince the managing directors of the market

[404] *Alfa Laval Food – Market Planning*, 1985-10-31 (UPM-GW-876) CfBH/SIAR/F 1 bg:84

[405] *JAD's suggestion to Food Systems, Alfa Laval*, 1987-03-05 (UPM-JAD-371) CfBH/SIAR/F 1 bj:11

[406] *Notes from first meeting with Alfa Laval, Food Systems, February 27, 1987*, 1987-03-03 (UPM-JAD 368) F 1 bj:11

companies to assist more in the development of the Food Business in general.[407]

Focusing on the distribution costs, a discussion was held in April 1987 between the consultants from SIAR and representatives from the market companies who worked with Alfa-Laval Food Systems. The consultants from SIAR presented their impressions and quotes from the interviews that they had held with Food Systems staff. The interviews were documented in a separate report and showed that the general view of the market companies was that the new organisation was too ambitious. The central functions available to assist the market companies were closely tied to the Food Systems Management and "*acting as policemen or managers towards the market companies*".[408]

Representatives from the market companies, on the other hand, stressed that the market companies felt that the profits they produced had to finance the central resources and that there were conflicting profitability demands from corporate management and business area management. It was also stressed that the market companies saw the strategy regarding food business as unfocused and that suggestions to use key account management in the market companies assumed that the structure from the Nordic market did not fit with the rest of the food markets.[409]

The comments from the market companies, and the subsequent remarks from SIAR, showed that there was a lack of clarity in the role of the market companies in the new organisation. Even though their role and actions were to be of more importance to the business areas and the corporation, they were not particularly fond of this new role. The market companies were used to selling products that had been developed centrally and were focused on producing as much

[407] *Notes from first meeting with Alfa Laval, Food Systems, February 27, 1987*, 1987-03-03 (UPM-JAD 368) F 1 bj:11
[408] *Interview with Göran Andersson, F3, Alfa Laval Food Systems, conducted by CAD and JAD on March 30th 1987*, 1984-04-02 (UPM-JAD-384) F 1 bj:12
[409] *Protocol from meeting at Alfa Laval Food Systems, with market company managers and central managers*, 1987-04-21 (UPM-JAD-395) F 1 bj:12

profit as possible. Market companies became, theoretically, more autonomous through signalling to the management of the business areas and corporate management how the market was responding to different products and through that having a stronger influence on product development. It was not perceived however as an increase in independence in relation to central management but rather that they were being policed into a new role. SIAR had previously stressed that the market companies lacked the competence to see their role in the new organisation and the consultants therefore wanted to see more programmes to re-educate the market staff into understanding their new role. Instead, the remarks from the market companies at the meeting argued that there were no problems in having market companies with less connection to the business areas and that the problem was that corporate management were unable to handle different systems of governance and diverse sales data.[410]

SIAR's consultants admitted, in their notes from the meeting, that they had underestimated how much the market companies would focus on how the organisational changes would affect their local organisations rather than their role in the corporation. It was also stressed that the market companies could not be allowed to function completely separately because the complex business structure of Alfa-Laval required managers who were able to oversee and handle the problems. SIAR stressed that even though Alfa-Laval had implemented several reorganisation projects, the control systems had not been changed. Nor had tools been implemented that assisted the different parts of the firm to avoid exhausting, internal negotiations over the division of costs and profits, both in general and in development projects.[411]

This marked the end of the final SIAR project at Alfa-Laval. Throughout the period of 1977 to 1987, the overarching focus had been on how to be both market-oriented and coherent. The problem

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[410] *Protocol from meeting at Alfa Laval Food Systems, with market company managers and central managers*, 1987-04-21 (UPM-JAD-395) F 1 bj:12
[411] *Protocol from meeting at Alfa Laval Food Systems, with market company managers and central managers*, 1987-04-21 (UPM-JAD-395) F 1 bj:12

of finding the right management tools for distributing costs, market planning and profitability measurement also persisted in the project.

The sale of the Industrial Group to Tetra-Pak

We shall give a brief account for what happened with Alfa-Laval from the late 1980s to the end of the 1990s. The firm was bought by food packaging and processing company Tetra Pak in the early 1990s and became part of a new industrial group under the name Tetra Laval Group. The group consisted of the Tetra Pak firm, which made its name in the packaging and processing of different foods, Alfa Laval as well as the Agricultural division within Alfa Laval. The division was later renamed to De Laval in reference to Alfa Laval's founder. The Tetra Laval Group eventually sold the industrial and processing parts of the old Alfa Laval firm Industrikapital in 2000.[412]

Business administration scholars Tommy Larsson Segerlind and Peter Andersson describe the sale as connected to the changes in the ownership structure of Swedish industrial firms. The Wallenberg sphere needed capital to strengthen their ownership position and therefore decided to sell Alfa-Laval to Tetra Pak. The price was high for Tetra Pak, but it gave the packaging firm control over the entire production chain in dairy products. The national market companies also seemed to be valuable to the new owners, who gained access to an international market network.[413] Under new owners, the Alfa Laval that existed during the 1990s was a very different firm than the one which SIAR had worked with during the 1970s and 1980s. The business areas that SIAR helped to implement at the firm continued to develop separately, with the agricultural business area eventually becoming a separate entity within the Tetra Laval Group. We can see that these business groupings being able to remain as separate entities

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[412] *Separation från tystnaden*, Affärsvälden 8th of May 2002
[413] Andersson and Larsson Segerlind, *Tetra*.

suggests that the strategic grouping of businesses into business areas was successful.

To summarise, we can see that the events and developments described by the secondary source material indicate that the challenges of Alfa-Laval from the 1980s continued into the following decade and that there was ongoing pressure to specialise the production and development as well as figure out how to integrate this with the market companies. This clarifies that the themes and tensions from the 1980s were representative and of continued importance to the long-term development of the management of Alfa Laval. The company aimed to streamline its operations and focus on its core competencies in heat transfer, separation, and fluid handling technologies. It aimed to expand its global presence by entering new markets and establishing a stronger international footprint. This required continued integration between production and distribution, and continued development of Alfa Laval's market companies. However, the lack of access to primary material makes it hard to analytically verify the reasons why things did or did not occur.

Summarising the Alfa-Laval case and following development of the client-consultant relationship

When SIAR started their assignment at Alfa-Laval, they described the firm as one of the most market-oriented and forward-looking in Sweden. The project that they performed at the firm was seen as very successful, despite the fact that they lost the assignment after two years. During those two years, SIAR served as organisational consultants to help Alfa-Laval become more organisationally cohesive, especially with regard to Alfa-Laval's subsidiaries. Alfa-Laval had acquired a lot of firms that had not been integrated into the corporation. The core parts of Alfa-Laval's business – the products sold to the agricultural and industrial sectors – were integrated into the management structure of the firm. Several subsidiaries were, however, operating independently from top management control. The quotes from Alfa-Laval management from 1977 and 1978 state that they knew that their subsidiaries were profitable, but they did not know how.[414]

SIAR continually stressed a combination of short-term profits and long-term strategy with their business idea concept as a central aspect. A proposal for a new organisation was presented in autumn 1977. The suggestion was to group the different businesses within Alfa-Laval into three groups in order to achieve better cohesiveness and oversight of the markets for the different businesses. The organisational change harmonised with SIAR's ideals to make businesses more flexible and adaptive to changes in the market, as well as centred around a business idea. In SIAR's internal notes on how the organisational form was developed, the concept of meta-management figured repeatedly. This concept meant that the central management ought to coordinate the influence between different roles in the firm. SIAR continued with sub-projects where they focused on specific business themes or subsidiaries at Alfa-Laval such as contracting and Rosenblads Patenter. These projects were part of the implementation of the new organisational form at Alfa-Laval and were supplemented with a report in which Eric Rhenman presented how the managerial roles and responsibilities in Alfa-Laval's new organisational form were to be interpreted.[415]

The relationship between SIAR and Alfa-Laval was strikingly different between 1977–1978 and 1983–1987. In the first period, SIAR approached Alfa-Laval rather academically. The firm was investigated and studied through the theoretical perspectives that SIAR had developed during their time as a research institute. SIAR had been hired because the management of Alfa-Laval felt that they had the capacity to comprehend the complexity of Alfa-Laval's business. SIAR studied the firm and delivered a presentation of Alfa-Laval's history together with an analysis of why the firm was successful and what their

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[414] *Notes from Alfa-Laval discussion 1977-02-08*, 1977-02-09 (UPM-GW-168) CfBH/SIAR/F 1 bg:74

[415] *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be:62

business idea was. The analysis was the material on which the proposal for a new organisational form was based. SIAR’s know-how in organisational theory in combination with their own theoretical concepts was the management knowledge that they transferred to Alfa-Laval as recipients in the consultant–client relationship.[416] In one way, the relationship can be explained as functional in Werr and Styhre’s reading of different interpretations of client–consultant relations. In the functionalist view of the client–consultant relationship, the client is the buyer of the consultant's knowledge service and the one in control of the relationship. As a buyer of a service, Alfa-Laval's hires and fires the provider and also critically evaluates the consulting advice received as part of the contract.[417]

SIAR had a different approach to how they developed advice in comparison to other consultancy firms. Because of their academic background, they were more theoretical and leaned towards studying and diagnosing firms rather than presenting them with ready-made solutions. The case of Alfa-Laval also shows that the this was an industrial firm that tried to keep up with the changes in the business landscape. SIAR saw a lot of coming changes, and how Alfa-Laval needed to be structured and managed in order to respond to those changes. SIAR had been highly critical of the bureaucratic and hierarchal approach to planning and management which existed in mature industries such as mining.[418]

Alfa-Laval’s position as a client was characterised by what they expected from SIAR as consultants. Alfa-Laval saw SIAR as providers of organisational rather than strategic advice, even though the advice SIAR delivered was of both an organisational and strategic nature. Reports from when SIAR returned as consultants to Alfa-Laval also showed that Alfa-Laval had been sceptical of the advice they had received from SIAR. The service provided by the consultant was

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416 Sahlin-Andersson and Engwall, *The expansion of management knowledge.*
417 Werr and Styhre, ”Management Consultants - Friend or Foe?”
418 See the section on Gränges-management in Chapter 5

deemed expensive and abstract.[419] Even though SIAR viewed the project as successful, their approach to providing management knowledge clearly changed when they returned later as consultants. Their role then become much more hands-on, and they advocated a realisation of new managerial principles through management tools rather than business ideals and philosophy.

SIAR also became much more critical of what competence they considered was lacking at Alfa-Laval. In their report from mid-1978, SIAR presented managerial roles and principles for the new organisation at Alfa-Laval. These roles were to be interpreted and developed as the managers at Alfa-Laval saw fit rather than in a way that SIAR saw as suitable.[420] When SIAR returned to Alfa-Laval, they analysed the role of market companies within the Food industry at Alfa-Laval. In this analysis, SIAR was much more outspoken about the existing staff and management at the market companies lacking the competence needed to make the firm successful in its market-oriented approach. *Market company* was what the national subsidiaries who performed the sales in the national markets were called at Alfa-Laval.[421]

We can see that a shortage of adequate management tools was an underlying issue in the organisational problems Alfa-Laval faced. The use of a Chandlerian type of administrative coordination was clearly not established throughout the Alfa-Laval firm. Chandler and Daems argued that hierarchal firms could be administratively coordinated by collecting information on how different parts of the firms performed.[422] This monitoring of performance was lacking at Alfa-Laval. Because of this, it was not just harder to monitor performance, but also to allocate resources between different parts of the corporation. The organisational change was linked to

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419 *Corporate development report-Alfa Laval*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83

420 *Chapter 3, The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-07-27 (UPM-ER-1721a) CfBH/SIAR/F 1 be:62

421 *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

422 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

developments in Alfa-Laval's business landscape. Alfa-Laval was determined to change their business strategy. Concretely, this meant that the firm became less dependent on their agricultural business and more focused on emerging industrial businesses such as thermal technology and food engineering.[423]

The Alfa-Laval case and the ongoing changes in the Swedish consultancy market

The development in the client–customer relationship occurred in parallel with other changes. SIAR described having developed more knowledge for corporate management and the full implementation of managerial solutions in their internal reports used for educating new staff. The firm had already transitioned from being a research centre into a consultancy firm in the early to mid-1970s. This change in the early 1980s, into providing more concrete advice, could be related to situations such as the one at Alfa-Laval. SIAR were in competition for assignments with international consultancy firms, such as Boston Consulting Group, and therefore needed to concretise the management knowledge they provided. According to Sahlin-Andersson and Engwall, changing conditions such as these led to changes in the content of management knowledge. They write:

"*Through the process of editing, an idea may be formulated more clearly and made more explicit, but reformulation may also change not only the form of the account but also its focus, content and meaning. Hence, as knowledge circulates it may be fundamentally transformed in this way, so that knowledge is constructed and reconstructed during the processes of circulation.*"[424]

In this case, the above notion of the process of change due to circulation can be shown by how it was changed and what type of

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[423] *Notes from Alfa-Laval discussion 1977-02-08*, 1977-02-09 (UPM-GW-168) CfBH/SIAR/F 1 bg:74

[424] Sahlin-Andersson and Engwall, *The expansion of management knowledge.*

circulation changed it. The interaction with the client in relation to international competition on the management consultancy market made SIAR more concrete and direct in their advice. The interaction with international competition did not just manifest in how SIAR initially lost the assignment to BCG, but also that they regained it because of strategic advice from BCG which had not led to successful business development at Alfa-Laval. BCG advised Alfa-Laval to invest heavily in the growth of the existing businesses at Alfa-Laval rather than acquiring other firms. Alfa-Laval had trouble finding the right investments and capital was placed on stand-by, which eventually became a problem.[425] The fact that Alfa-Laval were not pleased with the services they had received from BCG also meant that there was no reason for SIAR to try to emulate the type of advice their competitor had given their client. SIAR needed to find a new path going forward in their relationship with Alfa-Laval.

In notes documenting a meeting between SIAR and Alfa-Laval in 1982, there is a brief mention of a BCG analysis of how to integrate a German refrigerator producer into the Alfa-Laval organisation. This analysis is described as being influenced by the USA and not corresponding to how things are done in Europe.[426] Other than that, there are no further mentions of Americanisation or American management concepts being a factor in any way, which could otherwise be of relevance to SIAR's role at Alfa-Laval. We have discussed how SIAR's interaction with Alfa-Laval as a client and BCG as a competitor influenced the management knowledge, they provided towards becoming more formalised. In the relationship between SIAR and Alfa-Laval, this suggestion marked the most forthright integration between the two actors. SIAR wished to move from being consultants from the outside and suggested a more long-time position at Alfa-Laval, and with established responsibilities and authority at the firm.

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[425] *Corporate development report-Alfa Laval*, 1984-12-18 (UPM-GW-817) CfBH/SIAR/F 1 bg:83

[426] *Meeting with Alfa Laval about Stal*, 1982-09-02 (UPM-GW-657) CfBH/SIAR/F 1 bg:81

The consultants from SIAR became more concrete and distinct in their critique of Alfa-Laval. Part of this was how they more actively intervened, shown by their attempts to integrate themselves into the management of the firm. The presented advice was generally much more detailed and specific in comparison to the reports SIAR presented in 1977 and 1978. Those reports handed over much of the detailed work to the existing management at Alfa-Laval.[427]

The management principles that SIAR put forward in November 1984, were produced to enable a decentralised and flexible organisation. An example of how these were intervening was that one of the principles stated that primary business should be managed by starting with end customers and moving backwards, rather than the other way around. SIAR stated in their report that managerial responsibility needed to be delegated to the managers with operational responsibility over the business in order for this to work. The consultants from SIAR also stated that they wanted more control and information systems for market planning and cost control to be developed.[428] Similarly, SIAR also presented very concrete advice on how to increase the competence of DFO-management in 1985. This report stated that there was a lack of both basic and qualified knowledge about customers and market competence about customers and markets. The knowledge problems required both the education of existing staff and a general strengthening of market resources.[429]

A final example for SIAR's more intervening approach to their client can be found in the advice given about starting a new Food company at Alfa-Laval. This advice included a proposal that SIAR's head consultant at Alfa-Laval ought to be appointed leading strategic staff for the first two years of the new company's existence.[430] This suggestion was not accepted, and Winqvist have no memory of it being

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[427] *Chapter 1, Introduction* 1978-07-27 (UPM-ER-1711)

[428] *Project Plan Alfa Laval Food and Dairy. Underlag för projektplanering*, 1984-11-01 (UPM-GW-801) CfBH/SIAR/F 1 bg:83

[429] *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

[430] *Synpunkter på bildandet av ett internationellt food-företag inom Alfa Laval.* 1985-02-13 (UPM-GW-827) CfBH/SIAR/F 1 bg:84

something which he was particularly keen on.[431] Nonetheless, it serves as an important event in connection to the long-term development of the relationship between SIAR and Alfa-Laval. In Werr and Styhre's account of different approaches to the client–consultant relationship, we can see that SIAR's roles in relation to Alfa-Laval move towards the type of relationship that the critical perspective on the client–customer relation highlights. With this perspective, the consultant is in control of the relationship by using persuasive strategies and manipulating symbols. Werr and Styhre also emphasise the importance of the dependence on repeated sales and the character of inter-firm and managerial structures in how this relationship is perceived.[432] SIAR clearly aimed to become the in-house consultant at Alfa-Laval and were much more aware of internal political relationships at Alfa-Laval in comparison to 1977 and 1978.

Integration between client and consultant is not specifically brought up in Sahlin-Andersson and Engwall's discussions on carriers of management knowledge. Armbrüster and Kipping discuss the client–consultant interaction and point out that friction repeatedly occurs between the client and the consultant. In their argument, this is mainly stressed as a factor in why management knowledge is not fully adapted at the organisation which has paid for it. For example, that reorganisations are half-heartedly executed because of middle management interfering with them.[433]

Cohesive market-orientation and the shortage of management tools

The role of organisational control and management tools changed in parallel with the development of SIAR becoming more concrete and

431 Interview with Gunnar Winqvist
432 Werr and Styhre, "Management Consultants - Friend or Foe?"
433 Armbrüster and Kipping, "Types of Knowledge and the Client-Consultant Interaction".

intervening in their relationship with Alfa-Laval. As we have said previously, making Alfa-Laval more organisationally cohesive was a big part of SIAR's original assignment at the firm.[434] During the projects of 1977 and 1978, SIAR reviewed and critiqued the existing management tools for distributing costs and measuring profitability at Alfa-Laval. SIAR identified several very concrete problems regarding how the firm lacked control over their subsidiaries through the absence of adequate systems to measure profitability in the subsidiaries. A system called the credit-back system was mainly used to divide the total profits of Alfa-Laval between different parts of the firm but also came to be used to assess the profitability of the peripheral subsidiaries. SIAR noted in their internal reports that these control systems were not sufficient, but they did not address that in their reports to the higher management of Alfa-Laval.[435]

The perspectives of management tools from Chiapello assists us in describing the credit back system. The functional aspect of the system was dual, both to serve as a way to distribute the larger profits among the different subsidiaries as well as a part of the transfer pricing system. Structurally, the tool was located between the top management and the subsidiaries. It was controlled by top management who used it to gather information about the performance of the subsidiaries. The fact that they had recurring problems in accessing this information also played into an informal function of the tool. The SIAR internal reports contain notes on how the managers at Alfa-Laval used the results from the credit-back system alternately with the local result to put pressure on the subsidiaries in negotiations.[436] Finally, we can say from a processual perception that this tool is a type of transfer pricing tool. It therefore comes from a tradition of internal allocation of costs, rather than being one for measuring and assessing performance.

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434 *Organization*, 1977-01-19 (UPM-ER-1473) CfBH/SIAR/F 1 be:57

435 *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) CfBH/SIAR/F 1 bg:74

436 *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) CfBH/SIAR/F 1 bg:74

As we have said previously, Gunnar Winqvist from SIAR stressed that SIAR were sceptical about these kinds of systems. The report on the control system mentions that the data which served as the basis for the results measurement were local.[437] Therefore, the result did not take the administrative overhead cost of the central staff into account. Because of that, all parts of Alfa-Laval could appear to be profitable, but the corporation as a whole was only moderately profitable. Instead of using a profitability measurement system, the consultant argues that SIAR were in favour of strategically grouping businesses together in a manner which ought to stimulate business success and profitability. Winqvist admitted however that the right tools for measuring profitability were not available at that time. SIAR did not have the competence to develop new measurement systems which could have been sufficient for what was needed at Alfa-Laval.[438] The organisational approach to handling profitability measurement also harmonised with SIAR's theoretical approach to how firms should organise. SIAR argued that the managerial changes in the firm should emanate from the core business idea of the firm.[439]

Control systems for profitability measurement and market planning continued to feature after the return of SIAR to Alfa-Laval in 1983, even though SIAR did not believe in these types of management tools and also lacked the skills to develop them. The problem of lacking sufficient control became more and more tangible throughout SIAR's work with producing new managerial principles for Alfa-Laval's Food business. The managerial principles stressed that the Food business should be run by employing both decentralisation and flexibility. Managing on a DFO-The principle of having the end customer as the point of departure for how to structure your business is almost identical to Josserand's description of how the network firm works. Josserand's notion is that instead of controlling the firm centrally, the units closest to the end customers ought to have the most

[437] *Description of the credit back system at Alfa-Laval*, 1977-02-07 (UPM-GW-167) CfBH/SIAR/F 1 bg:74
[438] Interview with Gunnar Winqvist
[439] Rhenman, *Organisationsteori för Långstidsplanering.*

autonomy or control. If they are allowed to develop or configure products to fit the customer's needs, the firm becomes customer oriented. The role of central management is then to maintain an administrative infrastructure that enables the peripheral and customer-oriented units to operate autonomously.[440]

When SIAR got the assignment with Alfa-Laval, it was self-described as a very market-oriented firm. The concept of market orientation was discussed and undergoing change during the 1980s. Market scholars Kohli and Jaworski observed a historical change in what was perceived as market-oriented through a literature review of organisations who referred to themselves as market-oriented or scholars who discussed the meaning of the concept. They found that the concept lacked a proper definition and was often used mainly to emphasise that firms dedicated resources to maintaining strong relationships with customers and markets. Kohli and Jaworski did this academic work in the late 1980s and early 1990s and saw a parallel surge in interest in the concept. The result of their work was a definition of the concept which stated that market orientation meant that there was market intelligence, or knowledge of markets, and responsiveness to markets across departments in the firm.[441]

Similarities can be seen between how the perception of market orientation in firms widened and how the market companies at Alfa-Laval were reformed. The status of the market companies and organisational units that had contact with customers needed to be elevated at Alfa-Laval. The need for an infrastructure to make the customer-oriented units more autonomous can be seen in the project plan for Alfa-Laval Food and Dairy. The need for improved functional competence and the development of control and information systems for market planning and cost control was emphasised in the plan.[442]

The following reports however showed problems with making the customer-oriented units to become the focal point for Alfa-Laval's

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440 Josserand, *The Network Organization.*

441 Kohli and Jaworski, "Market Orientation".

442 *Project Plan Alfa Laval Food and Dairy. Underlag för projektplanering*, 1984-11-01 (UPM-GW-801) CfBH/SIAR/F 1 bg:83

food business. As we stated regarding SIAR's increased critique against Alfa-Laval, SIAR's consultants were highly critical of the competence of the staff at the market companies of Alfa-Laval. SIAR wanted to re-educate these employees, as well as implement stricter organisational control over them. This control was to make sure that they achieved a basic level of knowledge regarding customers and established a standardised terminology around customers, sales and other market-oriented work.[443]

In combination, these reports show that in order for Alfa-Laval to become an even more market-oriented firm, the staff and market companies needed to undergo a bureaucratisation. This process of bureaucratisation was in itself very similar to a Chandlerian administrative coordination. Standardised terms were to be established; systems were to be developed in order to make sure that the market companies operated in the desired way.[444] Resource allocation was a big part of administrative coordination and that was not emphasised as directly in SIAR's suggestion of how to reform the market companies. Cost control and profitability measurement could be viewed as a variant of resource allocation. These control measurements were, however, more focused on controlling the output than the input, making them more in line with how Adler and Borys argued regarding enabling bureaucracy.[445]

In general, the motif of making Alfa-Laval more decentralised, flexible, and customer-oriented was part of a development to make the firm less hierarchal and bureaucratic. However, this case also shows that the development initiated with Alfa-Laval, in a rather classic sense, a desire for more control over their subsidiaries. In these last steps however, we see a new form of organisational and administrative control emerging, one which was focused on control and managing the market units that collected data on sales, which was now being interpreted as the behaviour of and changes in the market. At Alfa-

443 *Important Areas for Increasing Competence of Divisions and DFO-Management*, 1985-01-28 (UPM-GW-820) CfBH/SIAR/F 1 bg:84

444 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

445 Adler and Borys, "Two Types of Bureaucracy".

Laval, these units strongly resisted their new roles and with the assignment SIAR questioned the managerial competence to run these functions. The writings of Josserand, Adler and Bory as well as Rhenman and Lindh suggest that these types of functions require a form control which is a lot less rigid than in a hierarchal firm. The case of the development of corporate bureaucracy at Alfa-Laval puts a spotlight on the effort needed to shape and setup these units into the desired form. An effort which also went into how they interacted with other parts of the firm and what type of competence was seen as needed to run these units.

Historically, SIAR had been highly critical of bureaucracy but mainly in relation to long-term planning. This was the core of their critique against so-called Gränges-management.[446] Now the management tools of coordination and control re-emerged but directed towards how to setup a customer-oriented firm. A need for another type of planning, market planning, was expressed in this work.

Market planning was a unifying category for several management tools which were to be used to run the firm in a customer-oriented manner. It was a strengthening of planning, and support systems related to it, within the marketing and sales functions at the firm. In one of SIAR's reports, three key ingredients were identified as part of market planning:

1. Financial control systems developed in order to obtain relevant and reliable data on the market
2. A market planning model which includes a customer data base, investment waves and a rule of thumb method for evaluating project potential
3. Customer control system/key accounts which includes customer models, reward systems and training.[447]

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[446] See Chapter 5

[447] *Alfa Laval Food – Market Planning*, 1985-10-31 (UPM-GW-876) CfBH/SIAR/F 1 bg:85

In relation to the discussion on how to define market-orientation, we can see this attempt to establish market planning as a tool which could spread market knowledge and market responsiveness to new parts of the firm.[448] The other side of that observation is also that administrative structures and to broaden that type of knowledge. It did not just proliferate on its own. Looking at this type of management tool for market planning, we can analyse it through Chiapello's schema on different perspectives. The function of the market planning was to collect, interpret and provide strategic data for the top management. To allow the decision-making to be done with data on what the customers and market wanted, an increased focus on profitability was required. Market planning was structurally positioned at the market companies. The staff there had traditionally been salesmen and primarily focused on administrating sales without being integrated into the strategic development of business at the firm. The process to establish market planning became gruelling for Alfa-Laval, because this required most of the existing market companies and their staff. Much effort needed to be put in to making this management tool work. Towards the end of SIAR's work at Alfa-Laval, they were forced to admit that they had underestimated how much focus the managers at the market companies would put on how these changes affected their local divisions, rather than their place in the firm as a whole.[449]

From a processual perspective, it is notable that a dominant aspect of the market planning management tools was being part of an administrative, bureaucratic tradition. The market companies were now to start collecting relevant information, set up files to allow for a customer database and categorise customers into different groups with corresponding standardised rules for evaluating project potential. A lack of professionally educated staff became a hinderance to executing this. We have noted that a standardisation of the marketing and sales work was needed at Alfa-Laval. That standardisation and control had

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448 Kohli and Jaworski, "Market Orientation".

449 *Protocol from meeting at Alfa Laval Food Systems, with market company managers and central managers*, 1987-04-21 (UPM-JAD-395) CfBH/SIAR/F 1 bj:12

similarities with Chandlerian administrative coordination and also harmonised strongly with Weber's notion of bureaucracy as based on professional work and written instructions for how work and decisions are to be made.[450]

The example of the need to standardise and bureaucratise the market companies' links to Freeland and Sivan's notion that firms are inherently hierarchal.[451] The monitoring and preparation of an un-hierarchal organisation for the firm still requires the authority to change and control the relationships between different parts of the firm. The coordination is similar to the classic administrative coordination but deals more with the coordination of roles and influence rather than resources (such as the possibility to hire staff or invest in new products). SIAR were touching upon this issue in their second report to Alfa-Laval when they stressed the need for a 'meta management' in which influence from the different parts of Alfa-Laval needed to be coordinated by top management.[452]

SIAR's increased focus on control systems at Alfa-Laval ran parallel with the historical development of their management knowledge and competence development. SIAR stated that they developed knowledge of management systems, corporate management (with *beyond divisionalisation* being stated specifically) and full implementation of consultancy services in the years following 1981.[453] What becomes clear in the Alfa-Laval case is that this emerged, or at least intensified, in the competition with other consultancy firms. The need to deliver more concrete advice and suggestions became more apparent for SIAR when they saw that clients could leave them for other consultancy firms if they did not feel that the knowledge products, they received were corresponding to what they were paying for.

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450 Weber, Roth, and Wittich, *Economy and Society*.
451 Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".
452 *Chapter 3 – The Functions of Corporate Management in the Three Parts of the Alfa Laval Organization*, 1978-02-27 (UPM-ER-1721a) CfBH/SIAR/F1 be:62
453 *SIAR presentation*. 1985-06-03 (UPM-PEC-277) CfBH/SIAR/F1 bp:98

The shortage of adequate management tools was also used as an excuse for why the changes in organisation were not having the desired effect. This appeared explicitly in the discussions on the further development of Alfa-Laval Food Systems, when a concern was raised from a manager in Alfa-Laval who was worried that six reorganisations had been done within the Alfa-Laval business area organisation in the last six years. It seems, to this manager, that the problems in Alfa-Laval were hard to treat through reorganisations. Eric Rhenman answered this by saying that the problem is that the control system had not been changed and that the current way of negotiating internally in Alfa-Laval consumed energy, taking it away from external work.[454]

A sophisticated market organisation was of high importance for industrial firms, especially those who saw themselves as market-oriented, if we assume that what Alfa-Laval and SIAR saw as market-oriented was at least similar to what would later be more strictly defined as market-oriented. Management tools and control systems were a way of enhancing a market organisation. Therefore, it became of greater importance for consultancy firms to have part of the knowledge products they could deliver. These tools were also part of a new form of corporate bureaucracy that emerged through the need for techniques to control customer- or market-oriented firms. Sahlin-Andersson and Engwall present how management knowledge came to be more standardised because of an increased circulation of management knowledge.[455] The SIAR–Alfa-Laval case shows that management knowledge did not just become more standardised and in tool form because of circulation but that this was required in order to participate in the competition between consultancy firms, which in many ways caused the circulation. SIAR did not need to move themselves towards the more technical tradition of management

[454] *Protocol from meeting at Alfa Laval Food Systems, with market company managers and central managers*, 1987-04-21 (UPM-JAD-395) CfBH/SIAR/F1 bj:12
[455] Sahlin-Andersson and Engwall, *The expansion of management knowledge*.

consultancy[456] but rather make their own theoretical approach to business more concrete and formalised.

The case also highlights the efforts and challenges of examining how market companies were to be shaped to function in a desired way. The apparent efforts show the need for this type of corporate bureaucracy. It is also striking in this case that there was a shortage for adequate management tools, not just at Alfa-Laval but also in the recommendations from SIAR. Repeatedly, SIAR recommended that Alfa-Laval should improve their control systems but did not seem to offer many concrete examples of what could have been implemented.

The area in which the management tools would have been implemented is clear. It started in the gap between the core business and the independent subsidiaries, and around the mid-1980s it was in the relationship between the business areas and the market companies. The faulty systems for dividing costs between the central and local resources restrained collaborations between business areas and market companies. This highlights how the market companies did not adapt to their role as driving the business development. In a hierarchal firm, this could have been handled through strategy being implemented and controlled by commands from top management being delivered as instruction through middle management. The technologies to manage this in the custom-oriented firm were not developed and available in this project.

At one point, Alfa-Laval commented on this organisational reform in relation to bureaucracy. It stated that large organisations tend to be run bureaucratically in that activities become rituals and tasks are performed seriously but without knowledge of their utility and original justification. The effort to become more customer-oriented was to make the organisation less bureaucratic since the customers would help Alfa-Laval identify which services were actually beneficial to the

[456] The Taylorist roots of consultancy in accordance with Chiapello and Gilbert, *Management Tools*.

customer.[457] The bureaucratic structure needed to manage the firm in practice in relation to these principles was not mentioned however in this discussion.

To finish off the discussion of this case, we can return to what Edgren, Rhenman and Skärvhed said about corporate management in their book on divisionalisation from, 1983. There, they argued that the role of corporate management was of great importance for firms through how they managed to make the whole greater than the sum of its parts through being strategically directed towards a specialised business. In the Alfa-Laval case, it was clear that much effort was focused on this through how businesses were divided into groups and that new organisational forms of collaboration were set up.[458] Collaborative arrangements were emphasised as decisive tools in this book, but towards the end of the project at Alfa-Laval it had become clear for SIAR that these tools also needed to be controlled or that control needed to be constructed in a way that made sure that the collaboration functioned as desired. In SIAR's concretisation of their own approach for consulting and in this underlining of control in collaborations, we see pivotal development in how corporate bureaucracy emanated from the strengthened role of corporate management, something which will be further manifested in the project at Ericsson.

457 *Speech at the US-Sweden Partnership Conference Jun 25, 1985. How to Improve Performance of a Marketing Company*, 1985-07-01 (UPM-ER-2386). CfBH/SIAR/F1 be:84 This report is of special character since it contains the transcript of a speech held by an Alfa-Laval manager. The transcript is a copy of a file from Alfa-Laval, even though it lacks record-id from Alfa-Lavals archive
458 Edgren, Rhenman, and Skärvad, *Divisionalisering och därefter*.

7. Genuine Corporate Management - SIAR and LM Ericsson

The telephone company LM Ericsson (hereafter referred to as Ericsson) was a leading Swedish actor in introducing and developing digital technology in the 1980s and 1990s. The firm's roots go back to 1876 when it operated as a telephone repair shop as well as a supplier of switchboards and other telephone equipment.[459] B By the 1970s, the company had established itself as a developer and supplier of public telephony switching systems, which they sold to national telecommunications authorities all over the world. Ericsson announced its AXE system, which was its first switching system that relied on digital technology in. The success of this product allowed Ericsson to explore and implement other areas of digital technology. This set the direction for Ericsson's future in which it went into the computer and radar business in the 1980s and continued with the mobile telephony business in the 1990s.[460]

Administratively and organisationally, this meant that Ericsson shifted from a firm dominated by one business to one which operated several. By initiating what it called Ericsson Information Systems in the early 1980s, the firm introduced a new business next to public telephony. This came with an organisational change at Ericsson. In 1982 and 1983, Ericsson changed into an organisation that consisted of several business areas. The way that Ericsson took on the venture into digital technology contrasts with how the emergence of this form of technology is perceived to have affected the firm's organisation. In his writing on the Innovative Firm, William Lazonick contrasts between old economy and new economy business models. In the US environment, which Lazonick focus on, older industrial firms where

[459] Lundström, *Grundat 1876*.
[460] Åsgård and Ellgren, *Ericsson*.

being challenged by Japanese firms in the late 1970s and early 1980s. Digital technology was being developed in parallel in a new economy that relied on more financialization from venture capital.[461] Ericsson, as an older industrial firm, invested in this new form of technology and tried to adapt its organisation to make room for the businesses that came out of these investments. This makes Ericsson a suitable case to examine how the existing corporate bureaucracy was affected by these reforms.

In this chapter, we will follow the story of Ericsson Information Systems (EIS) and how the firm evolved around its creation and demise. However, the main focus will be on the changes in bureaucracy that occurred in parallel. SIAR were hired as consultants in 1983 to help implement the new organisation. Over the coming years, their role in the new organisation grew, and this chapter presents the role and influence they played in the changes at Ericsson. In collaboration with Ericsson, they constructed new principles and management tools. Together they put a new type of corporate management into practice and changed the bureaucracy to one which was more auxiliary in its character, rather than originating from the hierarchal execution of orders.

The examination of the project will also show the challenges of reforming specific managerial functions at the firm. Further clarity on SIAR's notion of the bureaucratic will be found from examining the work and interactions between consultant and client. SIAR also became more concrete and direct in how they approached management knowledge and tools. Further, the examination of the assignments SIAR completed at Ericsson show that these projects were very influential on how SIAR came to view the role of corporate management. In texts from 1983 and 1989, Eric Rhenman and other important figures at SIAR argue that the central corporate management served a new purpose in comparison to the previous hierarchal organisational form of industrial production firms. The reorganisation of Ericsson and the reweaving of organisational control

[461] Lazonick, "Innovative Business Models and Varieties of Capitalism".

in the corporation shows the type of corporate bureaucracy that resulted from this change.

As mentioned in the methodology chapter, the consultancy reports from SIAR provide insight into the organisational project at Ericsson. They will be supplemented by the annual reports from Ericsson as well as newspaper articles from newspapers *Dagens Industri* and *Affärsvärlden*. These show how the developments at Ericsson and Ericsson Information Systems were reported and described at the time they occurred. Of importance is also the book that Göran Dahlgren and Per Witt wrote in 1988 about the forming of Ericsson Information Systems. The book was based on their joint PhD thesis in business administration and has a specific focus on and insight into the management and decision-making culture at Ericsson.

Ericsson Information Systems

EIS was Ericsson's undertaking in digital technology. Dahlgren and Witt write that there were internal discussions at Ericsson in 1979 about which way the firm was moving forward. Many in the firm believed that sales of public telephony equipment and systems was going to stagnate in the coming decade, because of the predicted deregulation and privatisation within the sector. On the other hand, the telecommunications sector in general was expanding and especially within information technology. This development was also visible within the office equipment sector. There was an expectation that the three sectors of computers, telecommunications and office equipment would become integrated. [462]

Ericsson set up an organisational unit in the firm for information systems in 1980. Later that year, Ericsson acquired the firm Datasaab from SAAB, another company in the Wallenberg sphere. The merger of Ericsson's information systems unit and

[462] Dahlgren och Witt, *Ledning av fusionsförlopp.*

Datasaab led to the creation of Ericsson Information System as a subsidiary of Ericsson. In 1983, the firm Facit was also merged into EIS to assist its office automation business.[463] I t is not clear who initiated the formation of EIS. Jan Glete states that it was typical for the Wallenberg sphere to strategically move and group firms together. He mentions EIS as an example of this, where the computer-oriented firms in the Wallenberg sphere were placed together in Ericsson.[464] Dahlgren and Witt saw this move as a result of strategic ambitions at Ericsson rather than in the larger Wallenberg sphere.[465]

We shall return to what came of EIS, but it can be said that there were high expectations of this new business venture. In Ericsson's annual reports from the mid-1980s, EIS was very much in focus. It was also discussed a lot in the Swedish business press. Ericsson's private telecommunications system was described as the backbone of future office technology. Ericsson was described as pioneering the possibilities to communicate text and images through local networks. The US market was the most important one for this business. Here, EIS planned to go head-to-head with its biggest competitor, the Ethernet, which had been launched by Xerox, Digital Equipment and Intel.[466] In their annual report of 1984, Ericsson wrote that "*the business systems, terminal equipment and office equipment sectors were the primary contributors to the favourable development of the Information Systems Business Area, while the Communications sector continues to incur very heavy development costs. These expenditures were expected to result in sharply higher sales of newly introduced systems in 1984*."[467]

The business that Ericsson had started to turn away from was public telecommunications. This had been a cornerstone of Ericsson's business since its beginnings as a seller and repairer of telephone equipment in 1876. Ericsson was one of the leading

463 Ericsson Annual Report 1981
464 Glete, *Nätverk i näringslivet.*
465 Dahlgren och Witt, *Ledning av fusionsförlopp.*
466 *Lokal kommunikationsnät ryggraden i ny kontorsteknik* - Dagens Industri 1982-03-09
467 Ericsson Annual Report 1984

telecommunications firms and had been especially successful in selling telecommunications switching systems in the post-war period. Ericsson developed systems and equipment, such as switches, in collaboration with the Swedish Telecommunications authority Televerket. To sell these products, Ericsson needed to obtain and maintain good relations with the national authorities in charge of telecommunications. Here the close connections to Televerket were also favourable to the firm.[468] The product shares of Ericsson's sales in 1975 demonstrate how reliant the firm still was on products related to public telephony and the development to stimulate the other businesses in the firm.

Table 9. The sales shares of Ericsson products in 1975

Product	Percent
Public telephone exchanges	49.4
Private exchanges, telephone instruments and intercom systems	17.1
Transmission equipment for telecommunications, radio systems	6.3
Other systems and products	8.9
Military electronics and development projects	3.1
Cable, wire and line equipment	12.7
Other products	2.5

Source: Ericsson Annual Report 1975

468 Åsgård and Ellgren, *Ericsson.*

The dominance of the public telephone exchanges business had influenced Ericsson's organisational form and business culture. The products that were developed for the public telecommunications market were also sold for internal communications at firms. These were the available private telecommunications markets at the time. Even though they were separate businesses, the division for private telecommunications markets were still fully reliant on the technology and products from the public telecommunications business.[469] However, the times were changing in telecommunications during the 1980s. Ericsson expected countries to deregulate the market for telecommunications and allow private operators. The UK pioneered this development by allowing private telecommunications operators from 1983 and onwards. EIS was a way for Ericsson to prepare for this institutional change. In 1982, Ericsson was asked to comment on the demands for a deregulated telecommunications industry. The representative from Ericsson stated that the current monopoly served Ericsson's public telecommunications business but that their information systems business was expected to be favoured by deregulation.[470] Inserting new types of businesses into Ericsson would, however, prove to be complicated.

Both Dahlgren and Witt and the consultants from SIAR stressed how the dominant culture of the public telephony business added to the problems of transforming Ericsson into a multi-business firm. In Åsgård and Ellgren's view, the technical developers in Ericsson Information Systems were of a different corporate culture than the rest of Ericsson, and that they were too independent on the rest of the corporation. This led to costly product development that failed to produce products that the customers wanted.[471] Dahlgren and Witt also argued that merging together different firms and units to form EIS made it hard to form a cohesive business culture that could meet the demands of the markets in the computer world.[472] This

[469] Dahlgren and Witt, *Ledning av fusionsförlopp.*
[470] *Internationellt krav på tele: frigör marknaden* – Dagens industri 1982-10-15
[471] Åsgård och Ellgren, *Ericsson.*
[472] Dahlgren and Witt, *Ledning av fusionsförlopp.*

chapter will show that the struggles to form a coherent culture at Ericsson were highly connected to the firm's lack of management tools, and to how corporate management and bureaucracy were organised. We shall also examine SIAR's challenges in assisting Ericsson's management to reform corporate staff units and administrative structures to ones suitable for a multi-business firm. Before beginning with that, we need to get acquainted with the organisational reform of Ericsson into a business area-based organisation.

Administrative and organisational changes in the multi-business firm

In its annual report for 1982, Ericsson presented their new organisation under the heading of Business Areas. They described how the firm had previously relied on common technology and a common marketing organisation. During 1982, the firm had developed a new group structure with the aim to improve the ability to adapt smoothly to changing requirements from markets. The new organisation was built around Business Areas, which would have operational responsibility as well as the responsibility to develop technology and long-term strategies.[473]

In this new organisation, eight business areas were created.

- Public Telecommunications
- Information Systems
- Cable
- Defence Systems
- Radio Communications
- Network Engineering and Construction
- Components

[473] Ericsson Annual Report 1982

- Other Operations

Several of these business areas included technology that was to become important for Ericsson. At the time, it was nevertheless clear that the Information Systems Business Area was the one that drove the organisational change. Ericsson specifically justified the organisational change with the argument that telecommunications had become a part of information technology, specifically in that telecommunication contained methods and equipment for handling information in different forms such as speech, pictures and text.[474]

Ericsson's previous organisational form had been pretty much the same during the whole post-war period. It was a type of divisional organisation with managerial responsibility being delegated to different units in the firm. Some examples of different businesses than public telephony did exist. However, all technology that was related to public telephony was under the managerial responsibility of top management. This included the previously mentioned telephony systems sold to private users. They were referred to as subscription equipment (*Abonnentutrusting*) and were organisationally a part of public telephony.

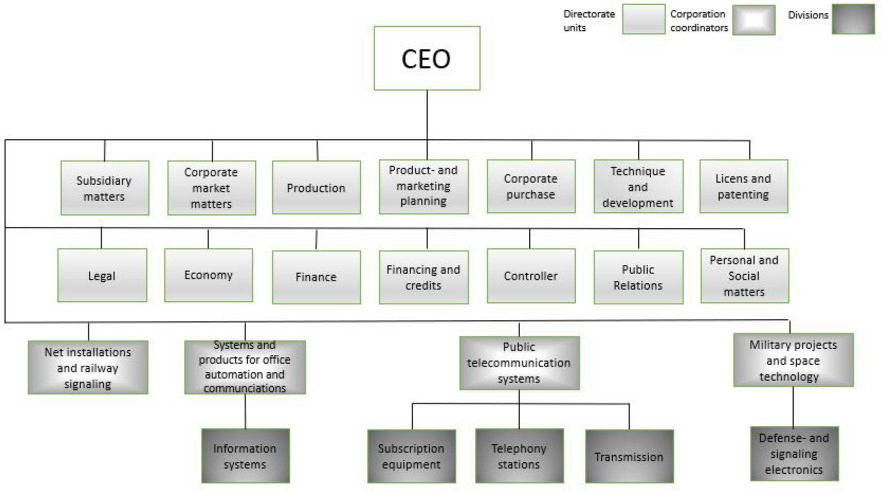

Figure 10. Ericsson organisation in 1980

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Source: Designed and translated from a Swedish original in the report *Ericssons' Organization* (UPM-MHO-006)

This organisation chart presents the different units as *corporate management units*, *corporate coordinators* and *divisions*. The different parts of the public telephony business were divided into *divisions*, organised under *corporate coordinators*. The corporate management units consisted of corporate level officers and management staff. They were directly linked to either one of four deputy CEOs or eight chief officers, who held the title of *Direktör* (director). The deputy CEOs each had one managerial responsibility: Economy, Production, Subsidiaries and Telecommunications. The deputy CEO for Telecommunications was responsible for all businesses with the *Corporate coordinators* in the organisational chart. The categorisation of businesses under the *corporate coordinators* was more specific and often linked to specific products sold by Ericsson rather than lines of business that the corporation was attempting to develop several new types of products for.[475]

Dahlgren and Witt write about the managerial coordination of Ericsson at this time. They state that it was hard to oversee all parts of the corporation, especially with regard to technological development. The organisation was complex, with different subsidiaries and managerial responsibilities that were structured geographically. Oversight and coherence were to be improved in the Business Area organisation. Dahlgren and Witt also mentioned that there was a certain Ericsson spirit of an informal nature. This was a unifying culture within the public telephony division where managers and staff had long-standing relationships. This informal culture also affected managerial decision-making. The lunchroom of the central management had a special standing. Dahlgren and Witt states that many informal decisions were taken there, often without a clear chain of command or documentation. This informal culture was also said to be in line with the leadership of the CEO, Björn Svedberg. The authors

[475] Dahlgren and Witt, *Ledning av fusionsförlopp.*

stated that he was inclined towards this informal decision-making. Svedberg worked as a technical manager at the public telecommunications division prior to becoming CEO.[476]

The organisational change into a Business Area organisation was planned during the last years of the 1970s and was finally announced in 1982.[20] It meant not just making way for the new businesses, which became more independent on central control. It also meant that the business of public telephony became less dominant in Ericsson. The new business areas consisted of a merger of the corporate coordinators and the divisions into units designated to drive and advance business development in that area. Ericsson had made the decision on and developed the plan for the new organisation internally. Ericsson wanted to achieve better oversight of the corporate management and therefore assigned SIAR to examine and analyse the central corporate organisation.[477]

Corporate staff behind the business areas

In January 1982, Eric Rhenman wrote the report *A first attempt to structure the LM Ericsson Central Staff Problem*. It was based on notes from a conversation with Ericsson CEO Björn Svedberg and in which the phrase *genuine corporate management* first appeared. The report said that Ericsson's president Björn Svedberg wanted to reorganise the central management of the firm in order to transform the firm from a one business firm into a genuine multi-business company. Therefore, they also needed *to establish a genuine corporate management which is separate from the management of the public telecommunications business*.[478] The idea harmonised with Edgren, Skärvad and Rhenman's book from 1983, where they described the new role of central management. The authors

[476] Dahlgren and Witt.

[477] The hiring of consultants to analyse the corporate organisation is mentioned in Dahlgren och Witt. They do not name SIAR as the consultancy firm but it is clear from SIARs reports that they were assigned for this.

[478] *A first attempt to structure the LM Ericson Central Staff Problem*, 1982-01-11 (UPM-ER-2116)CfBH/SIAR/F 1be:74

from SIAR argued that corporate management should bring together adjacent businesses into groups rather than divisionalise to increase economic control and business profitability.[479] The book was published after the Ericsson project, so it is likely that the Ericsson project played an important role in the development of this concept. It was a transformation that occurred at both the level of the central managerial functions of the firm, and through its managerial practice.

The same SIAR report described both the motives for SIAR's assignment and how Eric Rhenman interpreted Ericsson's needs. Rhenman authored the report and in it he stated that there were big differences in the relationships between different businesses at Ericsson and the corporate management functions (*the corporate management units* and the *corporate* coordinators). The road to this new type of corporate management started with an analysis of the capabilities of the new central staff units. These changed name and function in the new organisation. Their old title had been *direktionsavdelningar* (which roughly translates to corporate management departments) and they served as management and expertise to the deputy CEOs and *Direktörer* (chief officers) at the firm. As can be seen below in the new organisation from 1983, these units were to be reformed in corporate staff units.

479 Edgren, Rhenman, and Skärvad, *Divisionalisering och därefter*.

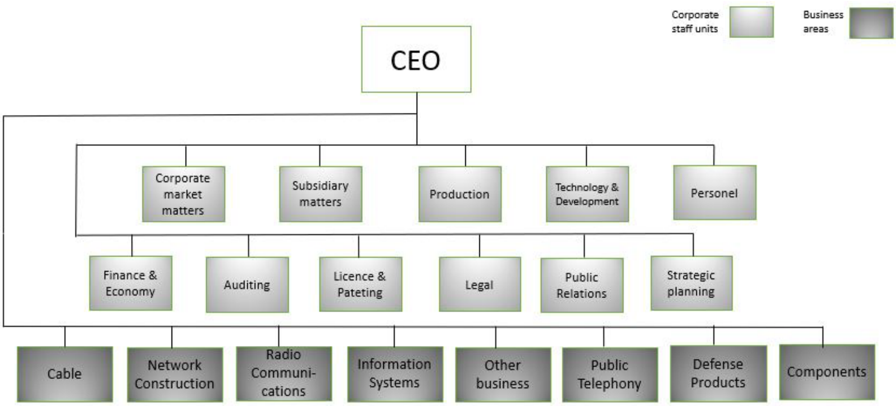

Figure 11. Ericsson's organisation in 1983
Source: Designed and translated from a Swedish original in the report *Ericssons' Organization* (UPM-MHO-006)

In SIAR's next report, *Principles for a new organization of L.M. Ericsson central staff units* there was an outspoken concern that the employees in these units lacked the competence to perform the function of a new corporate management.[480] The essence of the competence problems concerning the employees was that they were oriented towards assisting public telephony and that the distinction between corporate management staff units and central service units was unclear. The two problems were related in how Ericsson had been built around public telecommunications as its dominant area of business and that all type of services that were considered of high importance to the business of public telephony were also of importance to the corporate management. SIAR analysed the situation concerning the corporate staff units through a list of six types of problems:

- Type A: There are some units which do not satisfy the needs of corporate management

480 *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

- Type B: There are also some needs to strengthen staff services to units outside public telecommunication
- Type C: Some service departments must work on the conditions of the market. This will probably impact their size and internal organization
- Type D: Some units which are basically serving the Public Communications Division are probably overstaffed and/or suffering from competence obsolescence
- Type E: The production division should continue building its organization by establishing clear strategic contracts with various businesses. This might have an impact on the internal organization of the division
- Type F: It should be reviewed if the newly appointed directors with responsibility for business areas also have a need of staff support.[481]

The list from this report shows which entry points SIAR had for their initial work at Ericsson. They were not focused on the big design of Ericsson's organisational form or the strategy for EIS. Rather, they came to touch upon these matters indirectly over time. Regarding the role of the corporate staff units, we must remember that they had previously served either the public telephony business specifically or the firm in general. Now, Ericsson reformed to be capable of managing several businesses. In relation to that, SIAR identified a dilemma in what role the corporate staff units should have. SIAR questioned the efficiency of these units and that they must work more based on the conditions of the market. But some of the staff units were also too focused on assisting the public telephony business, which at the time was the most profitable business Ericsson had.[482]

SIAR also noted that operational management of customer credits should be delegated to the business area. Likewise, should they be allowed to operate all accounting functions in a manner that suited

[481] Quote from *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

[482] *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

them as well as getting more leeway over the type of auditing they needed to coordinate their business operations.[483] This also corresponds to Dahlgren and Witt's statement that Ericsson delegated managerial responsibility for both operations and strategy to the business areas in the new organisation.[484]

We can see the need to strengthen the administrative capacity of the business areas as an effect of the delegation of managerial responsibility. A question emerges from this: at whose expense was this done? On the one hand, it would have been apparent that this weakened or at least limited the authority of the central management. But the first listed type of problem was that SIAR saw staff units that did not satisfy corporate management needs.[485] Rationalisation and profitability existed as an underlying theme but were not the direct motivation for the organisational reform. Ericsson projected that profits from the new businesses they established were to come in the long term rather than the next few years. SIAR's identification of the main problems of the new corporate staff units relied more on an ideal of what was rational rather than a defined notion of the issues. This is something which bears value into what SIAR viewed as bureaucratic. We can observe that delegating more authority to the business areas did not weaken central authority, because it was not there. Therefore, this organisational change in the corporate management and its adjacent staff units was of importance to how organisational control and bureaucracy developed at Ericsson. The decentralisation of authority did not mean the direct weakening of the organisational control and bureaucracy used by Ericsson's central management. The authority over and the bureaucracy of the public telecommunications business was of more importance here because it was the culture of this business that dominated the firm. We can see that in order to give new business areas more autonomy, the corporate management that

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483 *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

484 Dahlgren and Witt, *Ledning av fusionsförlopp.*

485 *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

did not directly serve public telecommunications needed to be strengthened. The corporate management units that had primarily served public telecommunications also needed to be reconfigured away from that business. The most important example of this was how SIAR suggested that *marknadsstaben* (corporate marketing) was to be reformed at Ericsson.

The Type C problem was that some service departments needed to work more based on the market and through that have fewer staff and be better organised. This was followed by the Type D problem, which specifically listed the Public Relations corporate management unit as overstaffed. In general, SIAR had many issues with how marketing, internal communications and advertising were performed at Ericsson. There were separate corporate management units for marketing and public relations. The corporate management unit for marketing had annual expenses of over 50 million Swedish kronor and 39 million of those was due to travel and related expenses. There was also a specific unit for advertising who produced the adverts. Information used within Ericsson was produced by the corporate management unit for public relations.[486]

SIAR wanted an overhaul of the role of marketing and how it was performed at Ericsson. This was connected to the expected growth of EIS since their products were directed towards other types of markets than public telephony. The products of business automation were directed towards businesses rather than public authorities. For public telephony, Ericsson had built up a form of marketing that was done at official events, with diplomats and politicians, rather than through advertising. At these gatherings, officials from Ericsson and Televerket tried to convince representatives from other national telecommunications authorities to buy products such as Ericsson's telephony exchanges.[487]

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[486] *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120). CfBH/SIAR/F 1be:74

[487] *Transnational organization*, 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91

SIAR's envisioned change for the transformation of the role of marketing echoed the notion that *all business is local*, from Lind and Rhenman's 1989 article.

"*Central marketing support should be organized within each business area because of the different needs of the different areas. Ericsson Information Systems for example needs to have central resources that can support the development of effective sales organization while the support of individual sales is less essential. This kind of central staff is the most important for the success of EIS. (…) Direct marketing responsibility for markets that the business divisions have difficulties in handling on their own. This responsibility if sometimes described as the 'international division' and in most cases it is working on a commission basis. One of the difficulties is when it would be successful and natural for the business division to take over marketing responsibility themselves.*"[488]

The new role for marketing was not appreciated by the current corporate management unit for marketing. SIAR was open in its internal report that they had reoccurring problems with the marketing staff and that the marketing staff saw themselves as negotiating with SIAR on what role they should have in the future.[489] The existing marketing unit was also powerful and important in Ericsson. Their work was essential to sell Ericsson's public telecommunications products, which were still the dominant products at the firm.

The change that SIAR was promoting was also part of a larger development of the practice of advertising into marketing communications. Rather than producing pamphlets and informative material about the products, marketing communications was meant to position the brand in the market through a range of channels.[490] For examples, it was not uncommon for firms to have conferences where sales staff were shown products and taught to carry the advertising

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488 *A first attempt to structure the LM Ericson Central Staff Problem*, 1982-01-11 (UPM-ER-2116) CfBH/SIAR/F 1be:74

489 *Principles for new organization of L.M. Ericsson central staff units*, 1982-02-25 (UPM-ER-2120) CfBH/SIAR/F 1be:74

490 Broberg, *Svensk reklam.*

message to the customers.[491] The issues with marketing were also related to EIS and the emerging new business of information technology. Eric Rhenman compiled an internal report called *How Ericsson can strengthen its marketing organization* in October 1982. There, he argued that it was important, in the information technology business, to not build up a big sales organisation. It should instead be a budget-controlled cost centre or a profit centre. [492] Rhenman wanted strategic marketing competence rather than an expanding the sales organisation for public telecommunications. Better strategic marketing competence was not wanted by either the public telecommunications-oriented engineers, or the computer technology engineers, but by managers educated in business. SIAR saw this as a competence that was lacking at Ericsson. They became more directly outspoken about this in later years. In reports from 1982, this is brought up mostly as an aspect of the culture at Ericsson. An internal SIAR report from 1982 stated that there was a peculiar culture at Ericsson, characterised by *a fascinating mix of competence and sophistication alongside large gaps.* [493]

This desire for a more business-oriented management of the firm came to be important for the organisation of the corporate level management at Ericsson, and also the organisational control and bureaucracy that came from it. As was described in Chapter five, SIAR saw bureaucracy as a hierarchal and mechanical way of governing an organisation. They did not specifically define it as formalising and rule based. In the following section, we shall see the effects of how SIAR wanted to shift the authority and the service staff to the business areas and that this came to require much more formal policies, principles and contracts within Ericsson.

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491 Powers, "History of Selling and Sales Management".

492 *How Ericsson can strengthen its marketing organization*, 1982-10-05 (UPM-ER-2150 CfBH/SIAR/F 1be:74)

493 The report *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1 bg:81 states in Swedish, *LM-kulturen karakteriseras av en fascinerande blandning av oerhörd kompetens och sofistikation jämsides med ganska stora luckor*. The structure of the sentence has been re-worked to make it easier to understand in English.

Principles for corporate management

The advice and suggestions SIAR gave regarding the corporate staff units were taken to heart by Ericsson. In April 1982, the Ericsson managerial board made the decision to implement large parts of SIAR's suggestions in a new managerial organisation (the changes became effective from 1 January 1983).[494] In October 1982, SIAR also presented new principles for how Ericsson as a corporation was to be managed in an extensive report called *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation* (Ericsson – principles for corporate management in a Business Area organisation). The internal reports at SIAR present their ambitions for these principles. They wrote in September that they were working on a report that described their ideas about the content of Ericsson's new management philosophy. The internal report also stated that SIAR had read up on reorganisations in IBM, Xerox and Wang at the time, in order to get inspiration for how to organise Ericsson's sales organisation for the private market.[495]

The report on principles of corporate management started with two general points regarding the context of SIAR's assignment. The report also stated that the purpose of Ericsson's new organisation was to achieve better international coordination and increase its capacity to manage different types of businesses in different ways. SIAR then went on to say that the reorganisation assumed that the corporate management was to be separated from the role of being the parent company. The managers of the business areas were also to be appointed with a corporate-wide responsibility for their business areas regarding profitability and development.[496]

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[494] *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1 bg:81

[495] *Status of various Ericsson projects in mid-September, 1982-09-17* (UPM-ER-2147) CfBH/SIAR/F 1be:74

[496] *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667). CfBH/SIAR/F 1bg:81

The way SIAR expressed themselves here was a bit puzzling. They listed three conditions for the reorganisation at Ericsson and described these as assumptions. For the sake of the report, these three conditions served as the basis for the reorganisation, and the principles and rules which followed explained and concretised these conditions. In that sense, it would have been more understandable for SIAR to state that these were *their* assumptions. In later SIAR reports, which we shall examine in more detail under the next heading, SIAR stated that they experienced some frustration with Ericsson. The reorganisation, which Ericsson had decided upon, had not been fully elaborated and much of the detail of how it was going to work needed to be developed by SIAR. We shall soon discuss that, but with regard to this report the context was that SIAR felt that they needed to map out these principles in order to make the reorganisation work in practice.

SIAR also stated that their reorganisation of the corporate staff units had been outlined according to the principle that the business areas should be as independent as possible. Service units, which served multiple business areas, should also work according to *marknadsmässiga principer* (the principles of the free market). These were to become effective from 1 January 1983 and are further explained and discussed in the specific section on these. Ten principles for corporate management at Ericsson were listed in the report. The already mentioned second general point stated that corporate management were not to be involved in the duties and responsibilities of serving as a parent company. This point also stated that managers of business areas had responsibility for subsidiaries that acted within their business area. SIAR included an appendix to the principles which explained how to categorise the subsidiaries into the different business areas, something that required both additional principles and formal rules.[497]

The seventh principle for corporate management additionally set out the arrangements for how subsidiaries were to be managed. The subsidiaries that are fully responsible within a business area report were

[497] *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667). CfBH/SIAR/F 1bg:81

to the manager of the area. Other subsidiaries were to report to the CEO, who could appoint a nationally responsible person and delegate managerial responsibilities. Contracts were to be written that regulated business between the business areas in those cases where subsidiaries had business activities that corresponded to a business area, unless the subsidiary already lay under the managerial responsibility of the business area in question. SIAR had written examples of how to interpret the categorisation of subsidiaries in its own appendix. They had also provided another appendix that specified the different types of contracts that should be written between business areas.[498]

SIAR's suggestion to Ericsson of a highly formalised approach to determining managerial responsibility stands in stark contrast to how Dahlgren and Witt describe the managerial culture at Ericsson prior to the new organisation. They state that the only written rules Ericsson had for managers until 1980 was a file with general advice and rules concerning human resources, and one with instructions regarding which payments you could approve. The management was very informal and new staff were taught by older colleagues rather than guided by policies and rules. SIAR's suggested principles for Ericsson were a clear formalisation of both how managerial responsibilities were delegated at the firm and how management was to be carried out. The common theme of the principles was to make the new business areas at Ericsson more autonomous, the corporate management staff units less intervening, and the central service units more market oriented. However, the detailed principles and appendixes also gave administrative responsibility to the business areas. For example, principle number 6 stated that each business area needed its own financial controllers with the responsibility and authority to provide necessary profitability measurements for the business area. Principle number 10 continued this theme by specifying that corporate staff units - the previous *direktionsenheter* (corporate management units) that had previously been directly involved in management - were to be

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498 *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667). CfBH/SIAR/F 1bg:81

transferred to the business areas. Internal auditors and strategic marketing staff were to remain in corporate staff units, but with the assignment to control the business area financial controllers and to develop and implement national marketing strategies.[499]

The report provided clarity and formalisation regarding the managerial boundaries at Ericsson. For us, it also shows that these administrative structures and tools were necessary for how the firm was to be operated in practice. Even more so since the underlying ambition of the reorganisation was to make the business areas independent, allowing them to develop their own strategies and operations. The fact that there was such a lack of written rules at Ericsson made the formality of these ones stand out. The written rules made the management more formal, and the question arises whether these rules would have been required if there were already expressed principles and policies for how Ericsson was to be managed? If formal rules had existed, which specified that central service units and management were to mainly serve the dominant business of public telecommunications, then a reduction in and loosening of these rules could have had the effect of increasing the autonomy and independence of the new business areas. Since the dominance of public telecommunications existed on an informal rather than formal basis, the rules for the new organisational principles needed to be made formally explicit.

SIAR did not reflect on how these rules entailed a new formalisation. They did not see this reform as an increase in bureaucracy or any type of administrative rationalisation; rather their focus was fully on changing the strategy to become more adaptive to and prepared for future markets. As was said in the SIAR report from January 1982, a genuine corporate management was needed for Ericsson to become a genuine multi-business firm.[500] We can see that the genuine corporate management came with a genuine corporate

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499 *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667). CfBH/SIAR/F 1bg:81

500 *A first attempt to structure the LM Ericson Central Staff Problem*, 1982-01-11 (UPM-ER-2116) CfBH/SIAR/F 1be:74

bureaucracy. The reform of the corporate staff units constituted the reconfiguration of the tools that SIAR thought Ericsson would need. SIAR therefore remade the corporate market staff unit? so that it would act strategically rather than functionally. They should not necessarily perform marketing tasks but set certain national marketing strategies. The staff who had done much of the administrative and supporting tasks were moved to the business areas.

This can be concretely seen in a SIAR consultancy report from the 1990s which looked back at reorganisation project of the corporate staff units. This retrospective report confirmed that Ericsson went with SIAR's suggestion and provided some information about how the reorganisation of the corporate staff units had turned out. That report emphasised that the managerial expertise needed to be streamlined. This was of symbolic importance, and it was stressed that the wishes of specific individuals should have minimal consideration. The number of staff in the corporate staff units was to be no greater than 2% of the parent company staff in total and presented estimations of the costs to be saved for central management. The estimated total cost reduction was over SEK 300 million. However, this estimation did not take into account that some staff would just be transferred from central management to the business areas. For example, the cost of facilities, presumably both maintenance and project planning of new factories, went from SEK 90 million to SEK 0. Similarly, the cost of computer services was reduced from SEK 20 million to SEK 0. In short descriptions of how facilities and computer services was to work, SIAR stated that the corporate staff units for these functions were to serve as service units that should compete with external service suppliers in the free market. SIAR was clear that cost reduction had not been the primary purpose of this reform. The biggest motivation was to redistribute the managerial responsibility to the business areas.[501]

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501 *A summary of earlier work at Ericsson*, 1996-10-08 (UPM-MHO-013) CfBH/SIAR/F 1bm:91

The consultants as missionaries

From an internal SIAR report from November 1982, we get further insight into Ericsson's preparations for its reorganization project, as well as into SIAR's role as consultant. The report was a summary of what SIAR had done at Ericsson and has been referenced a couple of times already. It described the initial contact between Ericsson and SIAR as well as how SIAR became aware of the key issues at Ericsson. In this report, SIAR expressed frustration with Ericsson having made a strategic decision to move to a new organisational form but without having decided how this would work in day-to-day operations. That part of the work was left for SIAR to sort out. The report says that the *new corporate organisation was far from as well thought out as Ericsson had let on at the initial meeting. There was lack of clarity regarding both the division (of businesses) and the responsibilities of the business area managers.*[502]

As was alluded to in the previous section, SIAR needed to sort this out in order to complete their assignment of reorganising the corporate staff units. This got in the way of SIAR's optimistic approach to configuring the central management and service units in a manner which would give the heads of the business areas more operational power. When SIAR started executing the suggested changes, they faced a situation where many parts of the organisation were unaware of what the coming changes would mean. The SIAR report described how they had to serve as missionaries. The consultants had to try to explain the changes and spread enthusiasm and belief in the corporation's organisational future. The internal report from SIAR stated that the consultants had collected a lot of input from different groups in the firm and that this was included in the proposed principles of corporate governance from October 1982. Their work with a new set of corporate staff units also came to involve the relationships between the higher corporate level of Ericsson and the self-supporting

502 *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81. The quote is translated from Swedish. The report omits what was references regarding *the division* but was clearly the business in the business area.

business areas. Concerns appeared regarding the managerial competence in the new business areas and whether they would be able to handle their new responsibilities.[503]

The report further stated that it was not clear for the employees how the new organisation was supposed to work on a day-to-day basis, and this caused a lack of enthusiasm for the Business Area organisation.[504] Their work as missionaries for the new organisation therefore harmonised with formalising the managerial responsibilities and demanding new management tools. Even though the main motive behind the establishment of the business areas was to stimulate product development and make the (formerly) secondary businesses of information systems and radio systems more independent from public telephony, it also meant that they were given the administrative responsibility of more operational tasks such as customer credit and managing data processing resources. If the business areas had the managerial resources to cater for these new responsibilities, it could lead to the business areas being more trusted to operate as separate businesses. But the competence and capability of the existing managerial resources were called into question soon after the re-organisation. Without the proper managerial resources and administrative capabilities, these new responsibilities would only be a new burden for the new business areas. The suggested, and accepted, solution for this was the transfer of staff from the central to the business area management.[505]

Another problematic feature of the Business Area organisation was that some of the new business areas had not been fully distinguished and defined. SIAR argued in their reports that there was a need to infuse the concept of the business area organisation into significant parts of the organisation, not just in the corporate staff units

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503 *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81

504 *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81

505 *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81

concerned but also in Ericsson Information Systems as well as part of the Radio Communications Division. SIAR's status report from mid-September 1982 showed that SIAR pushed for more detailed categorisation and the assignment of international subsidiary companies to the different business areas. This further categorisation compelled them to examine and analyse Ericsson's operations in each of the countries where the corporation hade foreign subsidiaries. The fact that SIAR saw the need for this does not mean that they went against what Ericsson wanted. The consultants could have initiated this task from an internal suggestion, since the report from November 1982 stated that they had picked up suggestions and requirements from the different parts of the firm they interacted with.[506]

Ericsson management was unprepared for the work that was needed to adapt the old organisation to the new structure. The report from November 1982 ended by explaining that, starting in mid-1982, Ericsson wanted to cut down on the consulting costs.[507] When SIAR presented their suggestions in October 1983, the content of the report they presented might have been affected by SIAR knowing that they would not be getting any more assignments from Ericsson in the near future. In the status report from mid-September, there are some wordings which signal that SIAR wanted to coordinate all their ongoing projects into one report. However, there was no indication of what the exact motivation for this was.[508] SIAR did also return to Ericsson in early 1984 and there are no records or reports which suggest that there was a clear break in the contract such as was the case with Alfa-Laval.

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[506] *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81

[507] *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675) CfBH/SIAR/F 1bg:81

[508] *Status of various Ericsson projects in mid-September*, 1982-09-17 (UPM-ER-2147) CfBH/SIAR/F 1be:74

The re-organisation project in relation to Ericsson Information Systems

SIAR did not directly discuss the organisation of Ericsson Information Systems in its report on the principles of corporate management from 1982.[509] A reason why this was not a factor in their work was that the internal organisation and development of EIS was still ongoing during that period. To recap in brief, Ericsson started engaging in information systems for private businesses in 1980. The S division, the organisational unit for information systems, was set up. Ericsson followed this up by buying Datasaab AB in two stages in late 1980 and early 1981. Ericsson Information Systems was started as a subsidiary on 1 January 1982 and was formed as a merger between the information systems units at Ericsson and the acquired Datasaab. This merger was the topic of Dahlgren and Witt's thesis, and it showed that it was a complicated matter. They write that there were far more staff joining EIS from Datasaab than from Ericsson, but the management expected the new firm to be a part of the Ericsson corporation.[510]

Ericsson's ambition in starting EIS was to develop office automation products, relying on developed products for private telecommunications and data processing skills from Datasaab. According to Dahlgren and Witt, the target was that this business would become profitable by the mid-1980s but in 1982, there was no real business idea for EIS as a company. The firm was to develop technology which eventually could be realised in products. Within EIS, the units coming from different firms worked separately. Knowledge regarding the new technology was higher among the former Datasaab staff but the staff from Ericsson had connections to the parent company. Dahlgren and Witt also state that there was confusion within EIS on how to relate to the corporate management units, which SIAR at the time had reorganised into corporate staff units. Traditionally,

[509] *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667). CfBH/SIAR/F 1bg:81.
[510] Dahlgren and Witt, *Ledning av fusionsförlopp.*

subsidiaries at Ericsson had reported to the corporate management staff but had not been directly managed by them. Datasaab had subsidiaries of their own and had a history of integrating them into the firm, rather than managing them as separate entities with their own managerial structure. The discussion on how EIS as a subsidiary and the subsidiaries of EIS were to function within the Ericsson corporation resulted in intense negotiations.[511]

The managers with a Datasaab background did not accept being absorbed into the Ericsson culture. There was also a discrepancy between the parent company's ambition to coordinate EIS with the rest of the corporation and its capacity to do so. Dahlgren and Witt describe interviews with former Datasaab staff who stated that they had more experience of formal management with written policies and formal rules than the Ericsson people. The policies and systems that the staff from Datasaab had used were also developed for the computer industry rather than the telecommunications industry. For example, there was no functional accounting and planning system for EIS, since the one used at Ericsson had been developed specifically for telecommunications. Financial reporting had to be done manually by collecting and coordinating information from Ericsson's system and systems from Datasaab.[512] During 1982, Ericsson also acquired the business machinery firm Facit and merged it with the other parts of EIS. Ericsson hoped to find a market for EIS products in offices that wanted to automate communications and administration. Facit had extensive customer contacts and was therefore an asset for EIS.[513]

These problems in the merger that created EIS show that the difficulties of making the new corporate organisational form work was not an isolated issue. There were clear similarities between the clashes of management cultures, the lack of sufficient management tools within the new subsidiary EIS, and the new Business Area organisational form. The ongoing problems at EIS during 1982 might

511 Dahlgren and Witt.
512 Dahlgren and Witt.
513 Åsgård and Ellgren, *Ericsson*.

also have required more attention from Ericsson's top management, which could further explain why they lacked the capacity to spread the gospel about the new organisation.

We can also see here that it was complicated and managerially demanding to change an existing firm and set up a new one, and to establish the administrative responsibilities in accordance with the new ideas. Over time, issues that were not initially the focus of the re-organisation project, such as specific procedures or the culture of the firm, became decisive for it. The relationship between administrative routines and business culture were decisive in the re-organisation of the corporate staff units at Ericsson as well as in the creation of EIS. When uniform management tools were not available, this could either lead to informal cultures remaining or that organisations had to use the existing tools. At this point, it is clear that Ericsson's lack of formal routines weakened its capacity both to reorganise and set up new businesses. The connection between the lack of sufficient management tools and renewing the business culture would be augmented in the next step of SIAR's assignment at Ericsson.

Review of the Business Areas

Returning to the collaborations between Ericsson and SIAR, we have already stated that SIAR did not do any jobs for Ericsson in 1983. Nothing suggest that the break in relations came as a result of Ericsson being disappointed in what SIAR delivered but rather that Ericsson wanted to keep down the costs. The collaboration started up again in early 1984 and would lead to a type of evaluation of the Business Area organisation. As we shall see, SIAR continued to produce reports and give advice on details and further potential areas for development in the administration of the corporation. Also, in the evaluation of the new organisation, they deepened their criticism of the traditional culture at Ericsson and became increasingly sceptical about the competence and abilities of Ericsson's managerial personnel.[514]

The evaluation project was initiated by a meeting between the head consultant at SIAR, Gunnar Winqvist, and the manager of the human resources corporate staff unit, Rolf Skillner. The meeting was documented in an internal SIAR report. The topic of the meeting was the development of the new corporate staff units.[515] The Ericsson manager admitted that the reformation of the corporate staff units had not achieved the desired effect within the corporation. The problem was described as stemming from how specific managers and individuals at the corporation had trouble adapting to their new roles. The managers responsible for the business areas and the corporate management staff turned their focus towards their departments and units and reverted to their established ways of managing them rather than complying with the suggested governance and management of the new organisation. The report mentions managers' names and the corporate staff units they were managing. The problems described were a combination of staff units that had not been properly reformed and certain managers who had underperformed in the public relations manager's view. An example of the more general problems mentioned in the report was that the new profitability system was not in place, which made it hard to make the desired cost cuts. In the meeting, the suggestion was finally made to bring SIAR back to Ericsson. Their assignment was to examine the corporate staff units once again and provide the CEO, Björn Svedberg, with material estimating the costs of the different staff units and what was being gained by having them. They were also to re-organise the business areas and further strengthen the capabilities of the business areas. It was explicitly stated that public telecommunications must operate according to the same principles as the other business areas. Besides this, the manager of the public relations corporate staff unit also expressed concern at the meeting

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[514] See for example *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

[515] *Möte med Rolf Skillner, Ericsson*, 1984-01-04 (UPM-GW-749) CfBH/SIAR/F 1bg:82

about how decisions were made at Ericsson. This manager had been recruited from outside of Ericsson and expressed many of the same hesitations about the culture at Ericsson as had been expressed by SIAR.[516]

The next step in the new project was a report that contained a more detailed description of SIAR's new assignment at Ericsson. This report, *Ericsson – Organisational Review* from late January 1984, tied the new assignment to what SIAR had previously done by repeating the wordings from SIAR's previous reports. For example, the report on the new assignment once again stated that one of the most important effects of the Business Area organisation was that the corporate management was separated from functioning as the parent company of the subsidiaries. The report then stated that a review of the re-organisation was to be performed and that this had already been decided during the re-organisational project.[517] There were no actual suggestions of this in the reports that SIAR outlined on Ericsson in 1982, and pre-existing plans for an organisational review were not discussed during the meeting between Ericsson and SIAR that preceded the new assignment.[518]

In the following internal reports from SIAR, the issues they focused on were recruitment traditions and established career paths within Ericsson. In an internal report on Ericsson's key strategic issues from March 1984, SIAR stated that all top managers and staff at Ericsson were engineers who had been educated at the Royal Institute of Technology in Stockholm and worked at Ericsson for their entire careers. The consultants argued that there were difficulties in integrating externally recruited senior managers. Ericsson had failed to utilise managers from firms they had acquired. SIAR saw the managers from Datasaab and Facit, which Ericsson had acquired to form EIS,

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[516] *Möte med Rolf Skillner, Ericsson*, 1984-01-04 (UPM-GW-749) CfBH/SIAR/F 1bg:82

[517] *Ericsson Organisation, förslag till arbetsuppläggning*, 1984-01-30 (UPM-GW-755) CfBH/SIAR/F 1bg:82

[518] A planned organisational review ought to have been a port of reports as UPM-GW-667, UPM-GW-675 or UPM-ER-2147

as qualified top managers. However, they were held back in favour of internal managers from Ericsson. The report also mentioned a specific problem that the management of Ericsson had focused on a long-term perspective when it came to evaluating results, which meant that they lacked sufficient systems for measuring profitability. SIAR saw this as connected to the Public Telecommunications business where long-term relationships with customers were common. It was also noted that Ericsson's legal department was used to evaluate businesses and contracts, and that this department traditionally had been focused on cost control rather than profitability.[519]

SIAR presented a report to Ericsson in mid-1984. The drafts of the report had five chapters: (1) General evaluation of the Business Area organisation, (2) Subsidiary management, (3) The need for increased market orientation, (4) The creation of a bigger BX, and (5) Priorities and professionalism in business/expansion.[520] The initial chapter stated that the new organisational philosophy was well accepted at Ericsson but that the new organisation had not been clarified well enough. For example, the informal decision-making culture still existed even though new formal instructions were available. The chapter continued by stating that for the business areas Public Telecommunications and Cable and Components "*the organisation has resulted only in an overlay of a BA organisation on the old organisation*". The new organisational form was merely placed on top of the old one and these business areas had therefore not really been changed by the business area reform. The named business areas had also not adopted the new business philosophy. The report also stated that there was a lack of control systems and suitable management resources. SIAR specifically advised Ericsson to recruit management

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519 *Input to short paper of Ericsson's key strategic issues*, 1984-03-28 (UPM-GW-761) CfBH/SIAR/F 1bg:82

520 *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82. Two versions exist of this draft or outline. They are identical in regard to first three chapter. The first draft than has a gap for chapter four but mentions chapter five with the heading of Priorities and professionalism in business/expansion. The second draft has chapter four with the title The creation of a "Stor-Bx" (Greater BX in Swedish) but no chapter five.

externally in order to develop *a genuine business culture within Ericsson as opposed to the old LM culture.*[521]

From the first chapter in the report, we can also see that the change in day-to-day operations had not occurred to the degree that SIAR had hoped for. Many of the problems they identified were variants of what they had argued should change in their presentation of the new principles for corporate management.[522] The lack of tools for measuring profitability had become more pressing. These had been requested in 1982 but in 1984 their lack was viewed as one of the reasons that the old Ericsson culture was still dominant.

In Chapter 3, SIAR also stated that a new system for market planning was desirable as well. Their critique of the business areas' lack of market orientation was outspoken and direct:

The business areas are relatively unsophisticated in their own use of business planning and market planning methods. This means that their own priorities are often based on wishful thinking rather than sound business judgement.[523]

SIAR explained this problem with business judgement and market orientation as the business areas being product-oriented and pushing for a higher production volume rather than higher profitability within their business. The business areas were also defined by the products they sold rather than who they were selling them to, which made them even more product oriented.[524] Here we can note that the engineering culture of Ericsson's traditional business was being singled out by SIAR as a big problem. SIAR wanted Ericsson to use the formal rules and the proposed control systems as solutions to this problem. It is of interest that the control systems were not to operate in directly

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[521] *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

[522] *Ericsson – Principer för koncernstyrning I en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667) CfBH/SIAR/F 1bg:82

[523] *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

[524] *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

hierarchal way. They were not tools for executing decisions from top management down, but they were required to establish a new, business-oriented way of operating the firm.

The Public Telecommunications business area (which had the internal acronym BX) was the stronghold of the old Ericsson culture. The SIAR consultants became more and more frustrated in their attempts to deal with the old culture. This can be seen in how the outline of Chapter 4 of the report existed in two different versions. One was the draft of the suggestion to create a bigger BX. In this version of the outline, SIAR wanted to assign the production and marketing corporate staff units to the Public Telecommunications business area and give the management of that business area full authority over them. The suggestion was motivated by part of the reorganisation project having been to assign all corporate staff units connected to the public telecommunications business to that business area, but this had not been followed through. The corporate staff units for production and marketing had remained as corporate staff units even though they did not serve the whole corporation.[525]

More motivations for this suggestion were expressed in an internal report written in parallel with the report that was presented to Ericsson. This was titled *What I would really like to recommend to Ericsson*. This report suggested creating a bigger business area for public telecommunications, similar to what was presented in Chapter 4 of the report. However, there was a different tone with a clear motivation to try to push public telecommunications and the older Ericsson culture aside into their own sphere. The suggestion was to make a certain person at Ericsson manager for this business area, and then remake the rest of the corporation without the influence of public telecommunications. The corporate staff units for production and marketing were to be remade from scratch and a new corporate staff unit for technical development and strategic foresight were to be

[525] *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

created as well.[526] SIAR wanted the latter to be run by Lars Ramqvist, who at that time served as top manager of EIS. He would later serve as CEO of Ericsson between 1990 and 1998.

This would have been a drastic move since the public telephony business stood for most of the profits and business success at Ericsson. Ericsson did, however, expect this business to become less profitable; an expectation that had been one of the reasons behind re-organising into a multi-business corporation.[527] The title of what the consultant *really* wished to recommend to Ericsson also implied that this was a drastic organisational move.

At Ericsson, it was problematic to expand into new markets and areas of business. At meetings between SIAR and Ericsson managers, a fear was expressed that Ericsson's customers in the public telephony business could turn into competitors with Ericsson in other markets, such as when Ericsson wanted to break into local markets for radio systems equipment and private telephony services.[528] The public telephony business area (BX) had also started questioning the principles of corporate management which stated that the corporate staff unit for finance had the authority to develop certain national strategies. Public telephony wanted the authority to create strategies for all the countries in which they operated.[529]

Ericsson gave feedback on the report that included the A-D suggestions, not what the consultant really wanted to recommend to them. In this report, they were highly positive about the ambition to make the firm more market-oriented and to increase demands for profitability. The representatives from Ericsson were the top finance manager and the manager of Ericsson Information Systems, Lars Ramqvist. They felt that increased demands for profitability would

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[526] *Vad jag egentligen skulle vilja rekommendera Ericsson*, 1984-05-24 (UPM-GW-775b) CfBH/SIAR/F 1bg:82

[527] Dahlgren and Witt, *Ledning av fusionsförlopp.*

[528] *Meeting with Ove Ericsson and Bengt Kellgren*, 1984-03-07 (UPM-TB-1105) CfBH/SIAR/F 1bt:24

[529] *Vad jag egentligen skulle vilja rekommendera Ericsson*, 1984-05-24 (UPM-GW-775b)) CfBH/SIAR/F 1bg:82 (Some comments by Rolf and Lars on the report outline)

create incentives for other business areas to follow the ways of the public telecommunications business area. SIAR's criticism of the quality of the managerial resources was met with a belief that the existing managers could improve through internal training.[530]

Developing new managerial tools

In parallel with SIAR's review of the Business Area organisation, Ericsson CEO Björn Svedberg gave SIAR the assignment to provide a model and a solution for how transfer pricing was to function at Ericsson. Transfer pricing was a management tool that was to be used when different business areas were going to collaborate with each other by using each other's human resources as well as in finding new markets for products. The assignment did not of the same gravitas as the previous work SIAR had done for Ericsson. It was, however, a continuation of the principles of corporate management that SIAR had presented to Ericsson in late 1982. The transfer pricing assignment also stood out as an example of SIAR developing and providing a management tool for Ericsson. In their previous reports on the firm, SIAR had mainly critiqued the existing tools, or the fact that there were too few of them.[531]

Dahlgren and Witt described the management tools that were in use at Ericsson up until 1982. They stated that there was an accounting system that was used for financial reporting as well as budgeting. Each division and subsidiary submitted a one-year budget which served as the basis for the corporate budget. The authors stated that the system was slow because of a lack in uniformity in how the financial data was produced. Ericsson also used a market planning system called the Central Marketing System. This system reported sales

530 *Vad jag egentligen skulle vilja rekommendera Ericsson*, 1984-05-24 (UPM-GW-775b)) CfBH/SIAR/F 1bg:82

531 See for example *Ericsson's key problems*, 1984-02-16 (UPM-ER-2188)) CfBH/SIAR/F 1be:73

data to the corporate management unit for marketing. This data was supposed to be coordinated with the system for setting the budget, but this did not work perfectly at Ericsson. In general, Dahlgren and Witt were critical of the administrative structures at Ericsson. They pointed out that Ericsson had a very informal decision-making culture and pointed towards a lack of sufficient administrative structures as one of the key problems in the formation of EIS.[532]

Previous to the specific project on transfer pricing, SIAR touched upon the subject in their report on the principles for corporate governance. In an appendix to that report, they argued that transfer pricing was part of dealing with situations where two different business areas had overlapping responsibilities in the same subsidiary. Different types of contracts were designed that also regulated which business area was responsible for setting internal prices for the subsidiary.[533]

The transfer pricing project that took place in 1984 had a different character. Rather than being used to set boundaries and responsibilities within the Ericsson corporation, this project was about stimulating the business areas to collaborate more with each other. In a report on the project, SIAR wrote: "*the need for integration mechanisms was emphasised after the introduction of the new BA organisation, when separate profit centres started to 'emancipate' but the technological linkages, and the even more integrated communications industry, increased the need to somehow reintegrate the newly separated units.*"[534]

This connected to a problem which we know about from Dahlgren and Witt's account of the start of EIS. The part of EIS's technology that had been developed at Ericsson came from the division that had previously included both public and private telecommunications. EIS functioned as its own company and much of the technological knowledge came from the former Datasaab staff.[535]

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532 Dahlgren and Witt, *Ledning av fusionsförlopp.*
533 *Ericsson - Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667) CfBH/SIAR/F 1bg:81
534 *Integration mechanisms- A contribution to SIAR memory from Ericsson Transfer Price Project*, 1985-02-06 (UPM-TB-1192) CfBH/SIAR/F 1bt:27
535 Dahlgren and Witt, *Ledning av fusionsförlopp.*

Collaborations with the Public Telecommunications and Cable and Components business areas were crucial for EIS, and Ericsson needed to figure out how to regulate how to set prices when buying goods within the corporation. SIAR produced a report titled *Manifesto on Ericsson collaborative culture* in July 1984. It stated that Ericsson needed to link together common technologies, joint projects and genuine collaborations in order to build on the industrial strength of the corporation. Joint marketing, component sourcing and original equipment manufacturer (OEM) relationships were other type of collaborations that SIAR saw as important. Joint marketing concerned providing other business areas with access to the marketing channels that had been established within the public telecommunications business. This was also connected to OEM relationships, which meant setting up parallel marketing channels for the same products but targeting different groups.[536] In practice it meant that public telecommunications market staff did not have exclusive access to the customers established in this business area.

Component sourcing meant using internal rather than external components. The transfer pricing system was set up so as to *not* force business areas to use internal suppliers of components if external ones were cheaper or more suitable to the business area's needs. But on the other hand, there was a discussion about what prices should be offered internally and the rules for transfer pricing set up a fixed method for internal sourcing with prices fixed to factory cost plus a 10% mark-up.[537] So, unless there was a strategic need to set up a collaboration with an external partner, it would have been systematically effective to use internal resources (in the cases where these were available). The fixed prices and set markup were also a way to avoid adding risk margins into internal collaboration proposals. Concrete examples of this could be products in Ericsson (such as the AXT switch) with fairly small margins, which to a degree relied on the very profitable AXE

536 *Manifest on Ericsson Collaborative Culture*, 1984-07-31 (UPM-TB-1143) CfBH/SIAR/F 1bt:27
537 *Manifest on Ericsson Collaborative Culture*, 1984-07-31 (UPM-TB-1143) CfBH/SIAR/F 1bt:27

system and were invoiced at prices that endangered the profit margins of the smaller product.[538]

The *Manifesto for a collaborative culture* was a suggestion for a policy. The tone was different to the principles for corporate management and reviews that SIAR had previously produced. This was more encouraging and set out to stimulate what the consultancy firm saw as needed at Ericsson rather than critiquing what they were not pleased with. The policy did, however, lead to formal rules. The follow-up to the manifesto was a document with the title *Rules for collaborations and transfer pricing between business areas* as well as another titled *Manual for BA business collaboration.*[539] In light of what we have seen in the Ericsson case, the manifesto, rules, and manual for transfer pricing were concrete examples of this type of infrastructure. They assisted Ericsson in making the multi-business firm with its new organisational form function. This infrastructure was also part of a development to make Ericsson functioning more formally as a corporation. Something that we can see going forward was a necessity for Ericsson's future.

The collaboration between Ericsson and SIAR ended in 1985. In parallel with this, EIS was going through severe struggles. The information systems business was expected to be profitable from the mid-1980s. EIS also saw an increase in sales of business information systems products by 25% between 1983 and 1984. However, the operating loss of the business was over SEK 200 million.[540] Ericsson had made a big investment in starting up a line of office stores under the name Ericsson City. This was done on the basis of the stores that Ericsson acquired when it acquired Facit.[541] The ambition with Ericsson City was to sell a new office environment with personal

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[538] *Discussion with Åke Lundqvist, President of ERA, about transfer prices*, 1984-08-17 (UPM-TB-1146 CfBH/SIAR/F 1bt:27)

[539] *Integration mechanisms- A contribution to SIAR Memory from Ericsson Transfer Price Project*, 1985-02-06 (UPM-TB-1192). CfBH/SIAR/F 1bt:27 BA in the title of the second document stands for Business Area.

[540] Ericsson Annual Report 1985

[541] *Ericsson startar "kontorsbutiker", ska fördubbla försäljning* - Dagens industri 1984-05-25

computers, new office furniture and other products. It was launched in combination with lifestyle books that recommended suitable artwork and lunch recipes suited for the new office environment.[542]

The cost of this investment was followed by a rise in costs in the second half of 1984 related to difficulties in planning the production of information systems and radio systems. The weak results further led Ericsson to reorganise their Information Systems Business Area to create better collaboration between production, product development and marketing. The role of the US market was specifically highlighted in how Ericsson discussed their issues regarding their information systems. The US market was the one that was most ready to adapt and use the products from Ericsson's information systems business. Ericsson believed they possessed the required competence but that they needed to establish themselves quickly and firmly as suppliers and system developers for the US companies which controlled the development of the information systems industry.[543] They took a huge risk in their costly attempt to enter the US computer market.

Ericsson saw favourable development in its investments in new technology within radio systems, defence systems and cable in the mid-1980s.[544] The AXE system was continually successful and spread to new parts of the world, and mobile telephony was a growing market. However, Ericsson Information Systems saw its problem continue. In 1985, Ericsson reported that the development of the market for office automation had been slower than anticipated.[545] Ericsson saw a sharp decrease in profits in 1985 and haltered its investment in the US. They also shifted away from developing their own line of personal computers and instead turned their focus back on the digital infrastructure such as terminals and electronics systems.[546] In 1986, EIS laid off 2,000 employees and reorganised production in many of

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[542] *Det nya svenska kontoret.*
[543] Ericsson Annual Report 1984
[544] Ericsson Annual Report 1985
[545] Ericsson Annual Report 1985
[546] *Ericssons ödesdag* - Dagens industri 1985-08-23

its factories.[547] The percentage of the corporation's total sales contributed by Ericsson Information Systems declined from 28.4 % to 11.3 % between 1987 and 1988. Ericsson split up EIS and sold the production of data terminals to the Finnish company Oy Nokia Ab. The business that remained was consolidated and the new business area was given a new name, to Business Communications, in 1987. Ericsson's own comment on the reasons why the business venture had failed was that "*increased standardization makes it possible to integrate products of various makes into a company's systems*".[548]

Towards the end of the 1980s, Ericsson's development over the decade was described as a big failure. The venture into EIS cost the corporation huge amounts of capital due to investments that never turned a profit. Ericsson also had to spend the middle part of the decade trying to stop the haemorrhaging of funds, stop investments and eventually sell EIS. The Business Area organisation that Ericsson had launched to become a multi-business corporation did, however, remain at the firm.

Ericsson from crisis to success to crisis

SIAR consultants were not involved with Ericsson in the 1990s to the same degree as they had been in the 1980s. During Rolf Carlsson's contacts with managers at Ericsson in the early 1990s however, SIAR did become involved in the review and development of certain management tools at Ericsson. SIAR performed an analysis of Ericsson's strategy processes, using a management tool similar to business process mapping. This tool became popular in the early 1990s as what Kunda and Ailon-Sunday describe as a market rationalist measure to fundamentally reinvent existing firms' business processes.[549]

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547 *Ericsson ökar takten för neddragningar* – Dagens industri 1986-03-10
548 Ericsson Annual Report 1987
549 Kunda and Ailon-Souday, *Managers, Markets, and Ideologies.*

Describing this management tool with Chiapello's schema, we can say that the general function of the process mapping management tool is to organise the strategic decision-making at the firm by presenting a process in which tasks and activities are visualised. Applied to the strategy decision-making at Ericsson, it was to make sure that the right managers and decision-maker at Ericsson were involved in the important strategic decisions. Organising, in this case, is very adjacent to planning since process mapping or process design also sets up the strategic process in a way that is efficient and does not lead to decisions that need to be revised due to not being carried out correctly.

The structural dimension of the management tool is that this tool handles the activities of the managers involved in the strategic decision-making. It does not control or affect the responsibilities of the staff involved in the work; they should have the same assignments and responsibilities even with a designed process for strategic decision-making. It does, however, visualize their activities and specific roles in this work.

Lastly, the processual dimension of this tool has already been mentioned. This tool of process mapping and process design has its roots in engineering, where it has been used to visualize production of different kinds as well as making it easier to review and configure the process through which goods are being made. The similarities between the current approach and Taylor's Scientific Management can be observed, as both methods have been employed to analyse, evaluate, and oversee industrial production processes.[550] In this management tool, we can observe the utilisation of this approach in corporate management for the purpose of evaluating and formulating its own operations. This phenomenon implies, to some extent, that this field of work underwent increased levels of oversight and standardisation during this period. In the particular case of Ericsson, it also demonstrates the capacity of their corporate staff and management, as

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550 Wren and Bedeian, *The Evolution of Management Thought*.

well as their ability to effectively oversee their own operations in this manner.

We learned in the last chapter that the culture at Ericsson was dominated by engineers educated at KTH. The planning of the strategy decision-making process through a tool that combined both an engineering and a business perspective on planning could have been a suitable compromise for the firm. It was also a continuation of the formalisation that we saw (in Chapter 7) SIAR introduce to Ericsson. In the interview with Carlsson, he suggests that the main contribution of the project was the finding that Ericsson had neglected to invest more in the ongoing digitalisation of information processing.[551] Nonetheless, this observation of SIAR's work with configuring bureaucratic processes at Ericsson once again emphasises that SIAR was not particularly averse to formalisation, even though they have repeatedly expressed being hostile to bureaucratic planning.[552]

The work and the discussions between Carlsson and managers at Ericsson led to SIAR being involved in a major overhaul of Ericsson's organisation and strategy in 1996. This project was called Ericsson 2005, and we will look more closely at what happened in it in the next chapter. However, we can say that similar to the creation of Ericsson Information Systems, the new strategy was centred around presumed changes in the communications industry. In the early 1980s, Ericsson had envisioned a new industry forming around the combination of information processing, telecommunications, and office automation. This new industry was the production of personal computers as well as how they were used in office environments.[553] The deregulation of the public telecommunications market and the advancements in communications technology had created a need for telecommunications infrastructure. The Ericsson 2005 project included projecting different scenarios regarding whether the future telecommunications industry would be dominated by infrastructure

551 Interview with Rolf Carlsson
552 See for example Carlsson, *Strategier för att tjäna pengar*.
553 Dahlgren and Witt, *Ledning av fusionsförlopp*.

providers or the businesses who sold new services for the new technology.[554]

During the 1990s, SIAR had little to do with how Ericsson's business areas were operated. As we shall see, the topic Ericsson's Business Area organisation appears in the discussion Rolf Carlsson had with different members of the Ericsson's management. In an interview with Carlsson, he says that Ericsson had used McKinsey as strategy consultants in the mid-1980s. The reason behind Carlsson's contact with Ericsson in 1993 was personal relations with managers at Ericsson.[555] Despite not having any relations with SIAR in the late 1980s, Ericsson did not change their organisational structure too much between the late 1980s and the mid-1990s. Smaller changes to and mergers of business areas were made such as *Nätbyggnad's* (Network Construction) merger with Cables and *Kabel och nät* (Networks) in 1989.[556] When SIAR, through Carlsson, returned to Ericsson in 1993, their assignment was of a limited nature due to conditions at both Ericsson and SIAR. The years after the re-organisation were quite turbulent at Ericsson and SIAR-Bossard would be bought by, and become fully integrated in, Cap Gemini in 1997.[557]

Starting in the early 1990s, Ericsson was notably affected by the economic downturn in Sweden. The bursting of the real estate bubble, the banking crisis, and the subsequent severe economic recession exerted a significant influence on the wider economy, encompassing several sectors such as Ericsson's corporate operations. Ericsson experienced a decrease in demand for their products and services in Sweden. The economic crisis resulted in significant job reductions across all sectors, and Ericsson was not exempt from this trend. The firm had fiscal constraints, and because of that Ericsson needed to reduce expenses. The workforce was rationalised and there were redundancies in order to align the labour force with the

[554] *Collection of Internal Material from Ericsson.* 1996-10-08 (UPM-MHO-012) CfBH/SIAR/F 1bm:91
[555] Interview with Rolf Carlsson
[556] *Ericssons Organization* (UPM-MHO-006) CfBH/SIAR/F 1bm:91
[557] Carlsson, *Strategier för att tjäna pengar.*

diminished demand. Ericsson eventually recovered from the commercial downturn and achieved better profits because of the firm's proficiency in telecommunications technology, extensive global presence, and its dedication to fostering innovation. Ericsson's CEO Lars Ramqvist wrote in the annual report of 1991: "*Investments in public telecommunications in particular, continue to be weak in Ericsson's main markets. Customers are deferring their orders and competitive pressure continues to increase. The market for mobile telephony is indeed expanding but, short term, this is not compensating for the softness in traditional wired public telephony where we are concerned*".[558]

Even when Ericsson made its way out of the crisis, they were viewed as being in line for further business success. Swedish business magazine *Affärsvärlden* did a yearly analysis of Ericsson and noted in 1994 that Ericsson had started to become profitable but that they also had high costs because of investments in technology. *Affärsvärlden* also deemed it especially problematic that Ericsson's costs continued to rise since this created big expectations on the profitability of the new technology.[559] In 1996, *Affärsvärlden* had a similar analysis. The profits kept rising but the development costs were high and by this point the public telecommunications business had become unprofitable.[560]

Åsgård and Ellgren explain that Ericsson had started to develop a new telecommunication switching system in 1987, which was to replace the highly successful AXE switches. In the new system, AXE-N, the switch and the telecommunications network were fully integrated as one. The desired functionality of the new system was very close to what the Internet came to do, and the success of the latter eventually forced Ericsson to stop the development of AXE-N in 1995. The technological knowledge of telecommunications switching systems was, however, also the basis of Ericsson's success within mobile telephony. Ericsson played a pivotal role in the advancement

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[558] Ericsson Annual Report 1991

[559] *Storvinsterna dröjer – Företagsanalys Ericsson.* Affärsvärlden no 7, 16th of February 1994

[560] *Ericssons tillväxtsvacka – Företagsanalys Ericsson.* Affärsvärlden no 7, 14th of February 1996

and establishment of GSM (Global System for Mobile Communications), a widely adopted digital cellular technology utilised for mobile communications. Ericsson had a significant role in the development and establishment of the GSM standard, which was conceived in the 1970s but saw its first commercial iteration in 1991. Additionally, Ericsson was actively engaged in the global deployment of GSM networks. It is noteworthy that GSM represents an industry standard as opposed to a proprietary technology exclusively held by a single entity such as Ericsson. Regarding Ericsson's market share in the deployment of GSM networks, the business emerged as a prominent participant and provider of GSM equipment, infrastructure, and technology during the extensive implementation of the GSM standard. During the period spanning the 1990s and early 2000s, Ericsson emerged as a prominent player in the telecommunications industry, specifically as a provider of telecommunications equipment.[561]

Ericsson was also one of the companies that helped pioneer the development of the very first generation of mobile phones. These early mobile phones were cumbersome and were largely used for voice communication. The mobile phones Ericsson manufactured led the firm to prominence all over the world, particularly in Europe. When *Affärsvärlden* analysed Ericsson's situation in 1997, the magazine emphasised how Ericsson was turning towards mobile telephones as consumer goods rather than just selling infrastructure. Ericsson had increased their sales of mobile telephones by 50% in 1996, a growth in sales that was on a par with the increase in mobile telephony systems. *Affärsvärlden* also noted that there was tough competition in the mobile telephony market and that it did not reward a pioneering position in technological development in the same manner as within telecommunications infrastructure. The management of Ericsson responded that they were still optimistic about the future prospects of

[561] Åsgård and Ellgren, *Ericsson*.

the mobile telephony market and that they had prepared a new organisation to become more market oriented.[562]

Organisationally, Ericsson had kept the same structural form that was established in the 1980s. The set-up of corporate staff units and business areas remained intact until the 1990s, then the staff units were renamed *koncernledningsfunktioner* (Corporate management functions). During 1990 and 1991, the corporate management functions *Inköp och produktion* (Purchasing and production) and Product management (*Produktledning*) where introduced, whilst *Teknik och standard* (Technology and standards) and *Marknad och strategisk planering* (Marketing and strategic planning) where dissolved into other corporate management functions. This was presented as a new organisation in their annual report of 1990. It was stressed that Ericsson needed an even stronger market orientation, and this was to be done through better integration between Business Areas and local companies. The authority and the global market responsibility of the Business Areas were also emphasized through stating that "*The General Manager of each Business Area issues instructions with strategies, pricing and other matters to all units within his organizational structure and is also responsible for the global operating results of the Business Area*".[563]

The change in 1990 to 1991 that strengthened the corporate management functions also suggest that the Business Area organisation was not an initial step to make the Ericsson organisation fully decentralised. It had been an issue in the 1980s to reform the (then) corporate staff units into being adequate management units for the new Business Areas as well as less dominated by public telephony. When they were strengthened in the early 1990s, it was clear that they continued to be an important part of Ericsson. The firm's management continued to grow and expand, both through added management in the business areas and through growing and strengthened central corporate management. Another change was that corporate

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562 *Konsumentvaruföretag – Företagsanalys Ericsson.* Affärsvärlden no 8, 19th of February 1997

563 Ericsson Annual Report 1990

management's position was strengthened with the establishment of a Corporate Executive Board? with an increased responsibility for planning, business development, and the coordination of Ericsson's operations.[564] In 1995, when Ericsson was riding high on the success of mobile telephony and had left the crisis years behind them, their organisation looked like this.

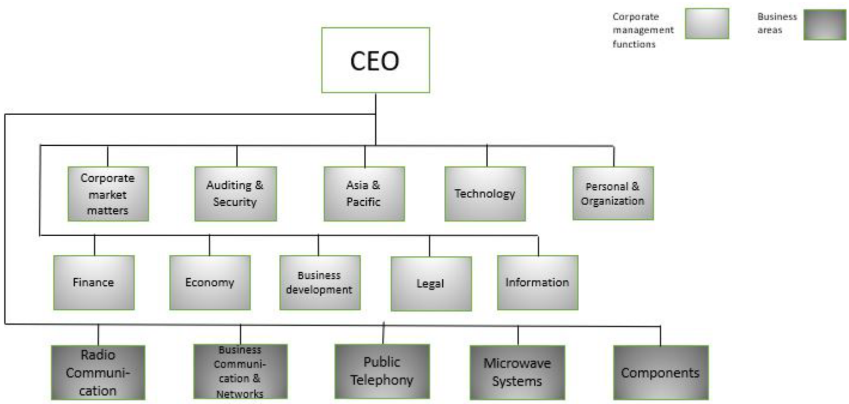

Figure 12. Ericsson's organisation in 1995
Source: Designed and translated from a Swedish original in the report *Ericssons' Organization* (UPM-MHO-006)

The 1995 organisation chart shows how the firm was positioned with business areas in important technology fields. Even though the firm, at that time, was successful in selling mobile telephones, its main area of technological expertise lay in digital systems and infrastructure rather than consumer products. They had also just added a specific corporate management function focused on Asia and the Pacific, a geographical area of high importance to telecommunications in the 1990s. The addition of this function marked something different from the firm. Up until this point, business development had been delegated to the business areas, whilst there was also a corporate management function for corporate-level

[564] Ericsson Annual Report 1990

marketing matters. The shift in business development had coincided with efforts to make the business areas cooperate to sell new products to existing customers by using key customers accounts (which was described in the previous chapter). With this new geographical unit at central management level, Ericsson had both a corporate management function with central marketing responsibility as well as one specifically focused on the growing Asia-Pacific market. The dual focus on specific markets and geography would be a central topic in future re-organisation projects.

Ericsson's 1995 annual report noted that the Asian market was of great importance to the firm, but nothing was said about the new corporate function. The report pointed out that the firm at this time started incorporating new management tools for total quality management. They also started adapting to the standardisation of management through the ISO 9000 and 14000 standards series. [565] In 1996, Ericsson also announced an internal strategic review of their business operations with the purpose of bringing Ericsson into the 21st century. This was titled "*2005 - Ericsson entering the 21st century*" and provided a significant section of the 1996 annual report. This review came with an extensive managerial effort to strategize where the telecommunications market was headed, what position Ericsson could take in it, and how the firm was to be organised. [566] As we have already mentioned, SIAR was part of this project to review the role of the corporate management functions.

The new organisation emerged from the vision guiding the 2005 project. The firm saw that the telecommunications, computers and media industries were converging into one and that Ericsson needed to rationalise to make room form the required investments to become the leading firm in this convergence of industries. In the annual report, this was described as a measure to change a winning team, suggesting that there was not a strategic problem with the current organisation but rather that the new venture required changes.

565 Ericsson Annual Report 1995
566 Ericsson Annual Report 1996

The re-organisation was further motived by the goal to "*increase our rate of capital turnover – by continuing our strategy of purchasing certain components and products from other companies, by forming partnerships or, in some cases, by divesting operations*"[567] The firm needed to improve its short-term profitability to afford to do what was necessary to grab a pole position in a new, more customer-oriented telecommunications industry.

We shall return to what became of the new organisation near the end of this chapter. The project to set up new strategies and an organisation for a new industry was followed by quite turbulent times at Ericsson. Before presenting this turbulence, it is time to review what SIAR did for Ericsson in the 2005 project.

SIAR at Ericsson in the early 1990s

Midway through 1993, representatives from SIAR and Ericsson got in contact. This contact evolved into a series of discussions between Rolf Carlsson and the Executive Vice President (and Chief Financial Officer), who Carlsson knew personally.[568] In all, Carlsson met almost fifteen times with different Ericsson managers from July 1993 to July 1994. These meetings did eventually lead to a project between the two firms. In the first meeting in 1993, Carlsson made a presentation on the state of *koncernstyrning* (corporate management) and the changing conditions surrounding it. One of the points in the presentation was the increased importance of risk reduction and the usage of systematic risk analysis as a tool for this. The motivation for the meeting was to collect feedback from Ericsson's Executive Vice President on the presentation and to arrange a seminar on the topic of corporate management in the future. This seminar was not to be exclusive for

567 Ericsson Annual Report 1996
568 Interview with Rolf Carlsson

Ericsson management but would also be open to managers from other firms.[569]

In the discussion on the changes in corporate management, bureaucracy was brought up as a theme. Carlsson commented that they were living in the waning days of the bureaucratic era of governance. According to his point of view, the development of modern ICT has paved the way for new methods of management, such as the lean organisation, which calls for employees who are capable of self-control and are willing to independently seek the information they require.[570]

Carlsson's next meeting with Ericsson was in August 1993 and this time he met with Ericsson Senior Vice President and Corporate Business Development manager Lennart Grabe. Grabe was responsible for the corporate management at Ericsson, and he and Carlsson discussed the possibilities of SIAR analysing and making suggestions for Ericsson's strategy for the Eastern European markets. During the course of the discussions on the Eastern European strategy, the topic of market responsibility at Ericsson emerged. Among Ericsson management, there were worries that some Ericsson business managers did not benefit from having an overall market responsibility. This type of delegation had worked out very effectively for public telephony, which already had a well-established set of local market companies. The Mobile Telephony Business Area experienced more difficulties with the centralised market responsibility than other business areas. The rapid expansion of mobile telephony had an effect on the organisation, and rather than requiring a consistent marketing strategy for the Business Area, there was a need to coordinate marketing on a local level. Often together with local representatives from other parts of the Ericsson organisation, such as public telephony.[571]

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569 *Notes from discussions with CW Ros, Ericsson, July 2*. 1993-07-05 (UPM-RC-2436) CfBH/SIAR/F 1 br:86

570 *Notes from discussions with CW Ros, Ericsson, July 2*. 1993-07-05 (UPM-RC-2436) CfBH/SIAR/F 1 br:86

571 *Notes from a short meeting with Lennart Grabe, Ericsson, Sep 24*. 1993-09-30 (UPM-RC-2451) CfBH/SIAR/F 1 br:87 & *Market responsibility in Ericsson as outlined by Lennart Grabe*, 1993-09-30 (UPM-RC-2452) CfBH/SIAR/F 1 br:87

The issue of how to delegate responsibility for marketing and distribution as well as making the business areas collaborate in their market planning had been a vital part of SIAR's work at Ericsson during the 1980s. SIAR had produced formalised rules and different types of contracts that were to be used in situations like these. Whether these rules were not followed or had been dismissed was not brought up in the discussions between SIAR and Ericsson in the 1990s. One of the big problems in the 1980s had been the lack of competence regarding markets (at least from SIAR's point of view) and that the development of this competence was hindered by the dominant culture of the public telephony business.[572]

The Eastern Europe plan that was given by SIAR and Rolf Carlsson was accepted and adopted by Ericsson. SIAR got another smaller assignment to review and analyse Ericsson's strategic planning process. This task was specified as Ericsson wanting to strengthen its position by being able to make high-quality judgements quicker, as well as improve their ability to develop engagement and establish their strategic pathway.[573] One of the reasons for this was that Ericsson, in general, did not have any processes by which the development of strategy was handled. In the meeting between Rolf Carlsson and Lennart Grabe, it came up that Ericsson did not utilise predetermined management procedures but rather operated according to a shared culture and a common set of ideals. This was a strength of the company, but in an increasingly globalised corporate scene, it also presented a challenge. It was especially emphasised that it may be difficult for a manager from Italy or the UK to be integrated into the culture of Ericsson's top management because all of Ericsson's top managers were Swedish and the culture of Ericsson's top management was Swedish.[574]

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572 *Revised outline to Ericsson report*, 1984-05-21 (UPM-GW-774) CfBH/SIAR/F 1bg:82

573 *Ericsson ESP – Input for discussions with Lennart Grabe, June 16*, 1994-06-21 (UPM-RC-2526) fBN/SIAR/F 1 br:88

574 *Short notes from a lunch meeting with Lennart Grabe, Corporate Development Manager, Ericsson, May 5*, 1994-05-24 (UPM-RC-2511) CfBH/SIAR/F 1 br:88

This another example of an issue that had been part of the work SIAR did at Ericsson in the 1980s. The informal culture that Dahlgren and Witt had described favoured the public telecommunications business at Ericsson because all the top managers at Ericsson had gone to the same schools and spent their entire careers at the firm.[575] The projects in the 1990s, which were distinctly smaller than those in the 1980s, showed how a strong shared culture at Ericsson had delayed the enactment of new management knowledge regarding strategy development as well as the implementation of specific new management tools. Here it concerned the effort to highlight and review the decision-making in an organisation by drawing up and presenting the process. This was a new management tool at the time and one that in this case served the purpose of rationalising and configuring the way of making decisions at Ericsson.[576] Using flowcharts and process mapping to visualise repeated and interconnected tasks and activities had a long history in engineering and planning production. It was introduced into management by the emergence of Total Quality Management and Business Process Reengineering. The latter concept has emerged as a popular management tool because of Hammer and Champy's book *Reengineering the corporation*, from 1993. The book emphasised a continuous review and rationalisation of business processes through design and redesign.

The reports lack the exact results of the task to provide a new strategic planning process. The assignment seems to blend with a review of Ericsson's ongoing strategy in which Ericsson also presented plans to SIAR on how they intended to construct a new strategy. In the discussions between SIAR and Ericsson, a suggestion emerged that Ericsson needed an overhaul of their strategy in in general.[577] In the interview with Carlsson, he also stated that the strategy analysis showed that Ericsson had neglected the information processing aspect

575 Dahlgren and Witt, *Ledning av fusionsförlopp*.
576 Dahlgren and Witt.
577 *Ericsson – Strategy Review*, 1995-02-03 (UPM-RC-2571) CfBH/SIAR/F 1 br:90

of the new digital technology and let firms such as Cisco get a lead in digital communication.[578] Ericsson's history of Ericsson Information Systems and the debacle of investing in information processing technology in the 1980s in mind, we can see that it is not surprising that the firm had steered away from computer technology. However, the development of a new strategy for Ericsson was already in motion.

As we know from the annual reports of Ericsson, the big project at Ericsson to construct a new strategy based on how they saw the entirety of the telecommunications industry in the 2000s was just around the corner. SIAR was involved in the project and, similar to in the 1980s, they had the role of reviewing the corporate management functions. The functions were the corporate management staff units that SIAR had been involved in reforming from corporate management units in 1983. The planning reports and documents nonetheless show that this work was not run by consultants but thoroughly controlled and integrated by Ericsson's top management. SIAR was also not the only consultancy firm involved, as notes show that firms such as McKinsey and Arthur D. Little had assignments in this project (running specific sub-projects for the bigger business areas).[579] The tendency to not rely fully on consultants for this type of work but rather use them to execute more detailed parts of the bigger organisation is a repetition of the introduction of the Business Area organisation in 1983. Some points were also made about SIAR's history of installing and implementing the Business Area organisation in the projects SIAR did for Ericsson prior to *Ericsson 2005*. In the notes documenting a meeting between Rolf Carlsson and Lennart Grabe in mid-1994, it was pointed out that the Business Area organisation that SIAR implemented in the 1980s had impacted the firm too much. This organisation was heavily technology-oriented to give product knowledge a greater impact in decision-making at

[578] Interview with Carlsson

[579] *Ericsson – Overall vision, goals and strategies 1995-2005*, 1995-03-16 (UPM-RC-2580) CfBH/SIAR/F 1 br:91

Ericsson.[580] Similar thoughts also appeared in notes of other discussions.[581]

We can see here that the Business Area organisation had been crucial in developing new technologies and making sure that expertise in new technological fields such as computers and radio communications was favoured and promoted. The situation now was more focused on making sure that local distributors got the flexibility to market and sell the technologically developed products in a manner that suited the specific market conditions of different regions and countries. These conditions could differ between different products, but there could also be similarities between one nation's conditions for products from different Business Areas, which most probably played into the planned disassembling of the Business Area organisation and the return of a geographical dimension into managerial responsibility.

Examples of the introduction of a geographical dimension of management responsibility was mentioned in one of the initial reports SIAR did for the Ericsson 2005 project which looked for examples of organisational form for transnational organisations. A copy of an article titled "*The return of the country manager*" from McKinsey Quartely was included in the report. It described how a manager with country responsibility used to be a common role for corporations who wished to expand globally but that this traditional role had fallen from favour in the early 1980s where these types of managers were instead seen as "*obstacles in the spread of globalization*".[582] SIARs consultants also saw this role as fitting for a return at Ericsson and state:

"*My feeling so far is that the old Business Area-organization does not fit the new markets. Rather the old organization would be better suited, since it once again revolves around big deals with governments or state enterprises. The countries*

580 *Short notes from a lunch meeting with Lennart Grabe, Corporate Development Manager, Ericsson, May 5*, 1994-05-25 (UPM-RC-2511) CfBH/SIAR/F 1 br:88
581 For example, *Summary of discussions with Lennart Grabe, sep 24*. 1993-10-01 (UPM-RC-2453) CfBH/SIAR/F 1 br:87
582 Quelch, John A. & Bloom, Helen. The return of the country manager. McKinsey Quarterly n2 1996, through *Transnational organization*. 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91

of those might also operate a bit different than how Ericssons big market do. It is not sure that the same organizational structure fits in all parts of the world, for example compare Northern Europe to Latin America. Perhaps the corporate market staff once again needs to function as diplomats and visit cocktail parties?"[583]

SIAR's consultant was outspoken in how the business of building infrastructure for mobile telephony was going to be very similar to how Ericsson had operated previous to the 1980s, meaning trying to sell products to agents of certain countries (governments or state-owned enterprises, depending on how the country was institutionally organised) rather than to private consumers. We can interpret this development as Ericsson having succeeded in integrating new areas of innovative technologies and business during the 1980s, something which required a move away from the dominant business of public telephony. Now some of these businesses and markets had developed more, and the best way to operate them was in a way similar to how Ericsson traditionally had handled selling telephone exchanges to countries around the world.[584]

As we stated in the description of Ericsson in the 1990s, the development of Ericsson was influenced by a projected market shift in the mobile telephone industry. The firm had made significant accomplishments in the manufacturing and commercialisation of mobile telecommunications devices. The firm found itself in an unusual role of selling products to consumers rather than other businesses. However, it was anticipated that the competition in the consumer mobile telephony business would intensify.[585] Between 1995 to 1997, Ericsson was actively involved in strategic initiatives on how to organise, manage and control the firm in a new telecommunications

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583 *Transnational organization.* 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91

584 *Transnational organization.* 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91

585 *Konsumentvaruföretag – Företagsanalys Ericsson.* Affärsvärlden no 8, 19th of February 1997

industry. We shall return to that project and a special assignment that SIAR had in it in the next and final chapter of this thesis.

Genuine corporate bureaucracy

The reorganisation project at Ericsson was a complicated one in which the firm implemented a new organisational form to incorporate and stimulate new businesses and products at the firm. Ericsson was technologically advanced and one of the leading international firms in selling public telecommunications switching systems. This technological expertise was central at the firm and the attempt to venture into new fields of technology, such as office automation and information systems, was complicated. Even though the consultants at SIAR often expressed frustration over the assignment at Ericsson, we can see the longevity of the Business Area organisation and the success of mobile telephony as a sign of success for the assignment. As consultants and clients, SIAR and Ericsson had a short but very intense relationship between 1981 and 1985. SIAR had little to do with the reasoning behind Ericsson's decision to move into a multi-business organisation but were instrumental in making the new organisation function in day-to-day operations. The client-consultant relationship was also notably different between Ericsson and SIAR compared to that between Alfa-Laval and SIAR. At Ericsson, SIAR was not involved in planning or developing the new organisational structure. Rather they were brought in to execute it and make it function in a pragmatic way. SIAR's theoretical approach to business and management was not particularly present during the Ericsson project. Concepts such as the business idea were not mentioned in many of the reports from the projects. SIAR were not involved in reviewing how Ericsson was to become more profitable or successful in their business. The strategic plans and the organisational framework at Ericsson had already been planned ahead of SIAR's arrival.[586]

The head consultant, Gunnar Winqvist, at SIAR also stressed that the consultants experienced obstacles in their assignment as soon as they arrived at Ericsson. The public telecommunications staff were sceptical about the new organisation and slowed down the implementation of the shift to a business area organisation as well as the reform of the corporate management units. The head consultant remembers the project at Ericsson as complicated and messy.[587] Armbrüster and Kipping describe this as a type of situation which can hinder the consultants' work and the transfer of management knowledge. Middle management can be an obstacle to organisational change that threatens their role at the company.[588] In the Ericsson project, it was not just middle management in general but managers at the most successful business branch of the corporation who were opposed to the change.

In relation to Werr and Styhre's division between the functional and critical image of the client-consultant relationship, we can see an example here of a relationship that was complex and ambivalent. On the one hand, the client had hired the consultant for a specific task and were in control of assessing how well the consultant performed that task. SIAR had little control over the limits of the assignment at Ericsson. The lack of formal structures at Ericsson made it hard for SIAR to perform its assignment, but this led SIAR to take on the role of missionaries for the new organisational form. SIAR got to interpret and present the new organisation at Ericsson. This role was hard and the consultants at SIAR were displeased with needing to perform this work. However, it was also a role that brought with it a possibility to further define and recognise problems at Ericsson. This possibility gave SIAR more influence at the firm. This increased

586 *A first attempt to structure the LM Ericson Central Staff Problem*, 1982-01-11 (UPM-ER-2116) CfBH/SIAR/F 1 be:74

587 Interview with Gunnar Winqvist

588 Armbrüster and Kipping, "Types of Knowledge and the Client-Consultant Interaction".

influence led SIAR to a position that was similar to how Werr and Styrhe presented the critical image of the client-consultant relationship. The critical image depicts the client as the victim of the consultant's ability to impress the client and influence the roles in the relationship.[589]

It is apparent that the changes in Ericsson's management and business organisation between 1981 and 1983 was something of a paradigm shift for the corporation. In order to insert and stimulate new forms of business into the corporation, Ericsson had to shift from having a management and bureaucracy that supported one business into one that could support many, a shift that links to Lazonick's notion of the demise of the Chandlerian corporation in order to become more innovative.[590] The type of corporation that Chandler theorised also had several types of businesses within it. What was characteristic of Lazonick's theoretical perspective, and the reality at Ericsson, was that the new businesses needed to be developed within the corporation. This development of businesses is similar to how Josserand sees businesses as being allowed to serve as autonomous peripheral units in the corporation. Through that autonomy and close interaction with the customers, the business was to become more adaptable to what was desired by the market.[591]

Even though the Ericsson project was fraught with difficulties, SIAR remained at Ericsson until 1985. SIAR had substantial influence over the development of corporate bureaucracy at Ericsson during this time. However, there is little in the report to suggest that SIAR took advantage of their advantageous role at Ericsson. Rather, the consultants from SIAR seemed frustrated with the hostile environment and the dominant culture at Ericsson.[592]

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589 Werr and Styhre, "Management Consultants - Friend or Foe?"

590 Lazonick, "The Chandlerian Corporation and the Theory of Innovative Enterprise".

591 Josserand, *The Network Organization.*

592 *Kort projekthistorik, LM Ericsson*, 1982-11-01 (UPM-GW-675). CfBH/SIAR/F 1 bg:81

Previous research on Ericsson has stated that the differences in culture between the parent company and the subsidiary Ericsson Information Systems was one of the reasons why the latter ended up a failure. Dahlgren and Witt stated that the merger between Ericsson's information system units and Datasaab was complicated by differences in culture between the firms. The new firm of EIS needed to quickly get going and develop products for the emerging computer business and the development was not quick enough for EIS to break into the US market. There were also specific problems regarding organisational and administrative control, meaning the bureaucracy of the new firm. Ericsson lacked the administrative capacity to fully take over Datasaab as a company and was reliant on the management tools that it had taken over from that company. The competence of the Datasaab staff was of great importance to EIS but they had trouble fitting into the informal culture at Ericsson.[593]

The problems with the intractable culture at Ericsson were nonetheless linked to frictions regarding administrative structures and management tools. Neither the top management at Ericsson nor the consultants from SIAR expressed a desire for increased or persistent managerial control. SIAR's main express frustration was over their role as missionaries for the new organisational form. They were also concerned about the lack of managers with a business background, rather than an engineering one. The prevailing? managerial control and bureaucratic tradition stemmed from a need to resolve the problems of how to make the new organisation function and how to change the culture of Ericsson. The administrative processes and structure there came to be the focus of SIAR's work with their assignment on the corporate staff units. The work on these staff units was focused on realising the vision of the autonomous business areas, but because that the new organisational form wasn't fully planned.

The perspective gained from studying SIAR's report shows that a similar problem existed in the corporation more broadly. Ericsson was in urgent need of new management tools such as systems

[593] Dahlgren and Witt, *Ledning av fusionsförlopp.*

for profitability measurement, market channelling and transfer pricing to get the new Business Area organisation up and running. The consultants from SIAR were frustrated by this and wanted new marketing and business competence at Ericsson. The traditional Ericsson culture was something that they tried to control and discipline in various ways. They did it by suggesting a reformation of the corporate staff units so that the central corporate management would be less interconnected with the public telecommunications business. They did it by formalising the decision-making and managerial processes at Ericsson through presenting principles of corporate management. These principles provided detailed rules for how managerial responsibility was determined and how business areas were to collaborate and interact. They also wanted to isolate the public telecommunications business into its own separate organisation at Ericsson so that it could not influence the rest of the corporation too much.

The motivation for and ideal behind the new organisational form was close to that which Adler and Borys describe as an enabling bureaucracy. They argue not just for more control of output but also for allowing managers and employees to learn the tools used for organisational control and possibly also to adapt them.[594] In the new Business Area organisation, Ericsson and SIAR wanted the business area level to be allowed to set up their own control systems. They wanted to transfer management roles and staff to the business areas so that they could develop the auditing and financial reporting that was suitable for those specific businesses.

The possibility to alter tools and techniques was also what differentiated the bureaucracy of this new organisational form, and the one linked to the Chandlerian corporation. The administrative coordination that Chandler and Daems theorised was based on hierarchal administrative and organisational control. Information, in the form of reports, was produced at the operational level of the business and then transferred upwards through layers of management.

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[594] Adler and Borys, "Two Types of Bureaucracy".

The purpose was to give the top management the administrative capacity to formulate and execute business strategies. They were executed by allocating resources, monitoring performance, and coordinating. With this combined administrative coordination, business operations could be decentralised but still managed and controlled centrally.[595] In Ericsson's Business Area organisation, the administrative coordination was also decentralised, and the management of the organisation was set up so that the business areas could themselves take care of at least monitoring and coordination. SIAR championed a corporate management that did not actively coordinate the divisions but rather created a supportive environment for business to flourish.[596]

This notion of creating a supportive infrastructure which enabled those units that performed the business to function more autonomously had similarities with how Josserand was to view the role of the centre in the network firm. It should be made clear however, that Ericsson did not change into a network firm. The multi-business approach that Ericsson adapted was very different from the network business that Josserand discusses. At this time, Ericsson was much more focused on grouping together businesses into areas to stimulate technological development rather than directing this development towards the interaction between the customer and client. Both Ericsson's reformation and Josserand's theoretical concept share that an administrative infrastructure needs to be set up that allows business areas or peripheral units to become more autonomous.

SIAR's view of the activity and role of the central corporate management, as the highest level of management of the corporation, was also different to a Josserandian network firm. The corporate staff units were the starting point in the reformation of the corporation. These staff units were redesigned and reformed to execute the change in the organisation. From SIAR's point of view, the top management at Ericsson had underestimated the need for this particular change.

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595 Chandler, *Strategy and Structure*.
596 Lind and Rhenman, "The SIAR School of Strategic Management".

With SIAR's guidance, the change in the role of central managerial expertise was carried out, and within key areas (corporate marketing and auditing among others) staff were moved from corporate staff units to the business areas.[597] This was part of an expansion and increase in managerial roles and organisational control rather than the creation of a supportive infrastructure for autonomous peripheral units.

At Ericsson, the management also had a particularly informal character. Dahlgren and Witt discuss that there were very few formal rules and policies and that it was hard to discern exactly how decision-making took place. SIAR's activities to assist in realising and executing the new Business Area organisation meant that the management at Ericsson became more formal and bureaucratic. SIAR's assignment led to written corporate principles, rules for managerial responsibilities, calls for new administrative systems for profitability measurement, and the development of tools and manuals for transfer pricing.

The formalisation was developed in contrast to the existing culture at Ericsson. This culture was dominated by engineers who had been trained at the same schools and had spent their entire careers at Ericsson. This culture hindered the new Business Area organisation from functioning properly, and reforms were needed to counter it. Central to this was the lack of management tools that were intended to strengthen the new business areas and replace the hierarchal control of the firm. SIAR and Ericsson had high hopes for profitability measurement systems, which were to be developed and maintained centrally but also be possible to adapt at business area. [598]

A question is raised regarding what was required for a firm to be able to become less hierarchal and bureaucratic. Did it need to have formalised and hierarchal control in order to become less centrally controlled or could it be directly reformed to be both operationally and bureaucratically decentralised? The organisational control that

[597] *A first attempt to structure the LM Ericsson central staff problem*, 1982-01-11 (UPM-ER-2116)) CfBH/SIAR/F 1 be:74

[598] *Integration mechanisms- A contribution to SIAR memory from Ericsson Transfer Price Project*, 1985-02-06 (UPM-TB-1192) CfBH/SIAR/F 1bt:27

Ericsson had used up until 1982 was not the type of administrative coordination that Chandler and Daems describe in their article.[599] Ericsson was instead controlled by a common culture which made hierarchies and structures less formal. SIAR developed formal structures to limit the influence of that culture, but they also needed to be developed in order to be decentralised to the business areas. This started with the principles of corporate management for Ericsson. These principles were developed in order to make the new organisation work in its day-to-day operation.[600] They were very detailed, and rule based. The ambition of the new tools however was not to control the business areas from the managerial centre, but rather that the managerial centre was to set up how the business areas could collaborate with each other.[601]

Using Chiapello's schema for management tools, we can see that the processual perspective of the management tools came from a bureaucratic and hierarchical tradition. They instructed the business areas on which type of contracts they could set up to collaborate better, or in how they were to divide the costs of joint resources through transfer pricing policies. The functional perspective of the tools did change however, since the purpose was not to assert managerial control over what was to be done at business area level, but rather stimulate the desired collaboration and innovativeness. The firm became less dependent on the dominant culture, in that more interaction could exist between business areas without involving the corporate centre. The managerial control over how this collaboration could occur did not, however, decrease.

At Ericsson in the 1990s there were new management tools, organisational reform, control through corporate culture and attempts to remove managerial layers. However, it is not always clear how the

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599 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

600 *Ericsson - Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667) CfBH/SIAR/F 1 bg:81and *Kort projekthistorik, LM Ericsson*, 1982-11-02 (UPM-GW-675) CfBH/SIAR/F 1 bg:81

601 *Ericsson – Principer för koncernstyrning i en affärsområdesorganisation*, 1982-10-07 (UPM-GW-667) CfBH/SIAR/F 1 bg:81

different topics are related to each other, because SIAR were not as directly involved in Ericsson's organization as in the 1980s. They became involved through a series of informal discussions of the development of Ericsson's corporate management. SIAR then performed an analysis of Ericsson's strategy processes, using a management tool similar to business process mapping.

Analysing this management tool with Chiapello's schema, we can say that the general function of the management tool of process mapping is to organise the strategic decision-making at the firm by presenting a process in which tasks and activities are visualised. Applied to the strategy decision-making at Ericsson, it was to make sure that the right managers and decision-makers at Ericsson were involved in the important strategic decisions. Organising, in this case, is very close to planning since the task of process mapping or process design is also to set up the strategic process in a way that is efficient and does not lead to decisions that need to be revised due to not being carried out correctly.

The structural dimension of the management tool is that this tool handles the activities of the managers involved in the strategic decision-making. It does not control or affect the responsibilities of the staff involved in the work they should have the same assignments and responsibilities even with a designed process for strategic decision-making. It does, however, visualize their activities and specific roles for this work.

Lastly, the processual dimension of this tool has already been mentioned. This tool of process mapping and process design has its roots in engineering where it has been used to visualize production of different kinds as well as to make it easier to review and configure the process through which goods are being made. In this management tool, we can observe the utilisation of this approach in corporate management for the purpose of evaluating and formulating its own operations. This phenomenon implies, to some extent, that this field of work underwent increased levels of oversight and standardisation during this time period. In the particular case of Ericsson, it also demonstrates the capacity of their corporate staff and management, as well as their ability to effectively oversee their own operations in this manner. In the interview with Carlsson, he suggests that the main contribution in the project was the finding that Ericsson had neglected to invest more in the ongoing digitalisation of information processing.[602] Nonetheless, this observation of SIAR's work with configuring bureaucratic processes at Ericsson once again emphasises that SIAR were not particularly adverse towards formalisation, even though they have repeatedly stated that they are hostile towards bureaucratic planning.[603]

In relation to Freeland and Sivan's discussion how hierarchies in firms persist, there were examples of this at Ericsson, firstly, in how the business of public telecommunications became more and more controlled from the centre due to this reform. They had previously been fully supported from central management but were now treated as one of several different businesses of the firm. Some of the managerial support staff who had previously been part of the corporate management team of Ericsson now became managerial staff for just public telecommunications. Secondly, we can say that the corporation retook control over Ericsson Information Systems once their weak business results became a problem for the corporation as a whole. Freeland and Sivan write that hidden hierarchies can become apparent in situations when who can speak for the firm or who can intervene needs to be decided.[604] The decision to rationalise Ericsson Information Systems and later sell big parts of it is an obvious example of that type of intervention.

Finally, we shall discuss what characterised the new corporate bureaucracy and what this can teach us about SIAR's views on bureaucracy. The role of the corporate management was an important aspect of what SIAR saw as significant in the transformations of Swedish industrial firms in the 1970s and 1980s. They wrote in their article on its Strategic School of Management that there was no other

[602] Interview with Carlsson
[603] For example Bergkvist, "Våra fiender".
[604] Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".

role for the central corporate management but to delegate authority closer to the business operations at the firm and instead focus on creating a supportive culture.[605] At Ericsson this was also expressed in the terms that central management shifted from operating as a parent company and instead became management for the corporation as a whole.

What effect did this have on the corporate bureaucracy? It increased the number of managerial staff as well as increased the positions at the firm where managerial authority existed. The problems with developing new administrative systems to manage and control the organisation led to an increased focus on projects such as how to delegate authority over subsidiaries, how to set up contracts which regulated subsidiaries that deviated from the system of authority, as well as transfer pricing. Here SIAR produced very formal and detailed regulation with extensive instructions and rules.

Similarities exist with SIAR's view on how bureaucracy primarily concerned a mechanical way of planning an organisation. Unbureaucratic in their view did not necessarily mean fewer rules or less formal authority. This was especially apparent in the examples of the reformation of the corporate culture at Ericsson and the establishment and tools for transfer pricing. That there would be a type of tension between the cultural and the administrative elements in the firm could be expected, due to culture referring to the intangible elements of a corporate organisation, whilst the administrative techniques are connected to very practical and tangible work tasks which are to be carried out in the everyday life of the organisation. In this case, however, the need for new and improved administrative techniques was motivated by the lack of a collaborative culture at Ericsson and consequently viewed as a tool for producing a new type of culture at the corporation. Reports from SIAR on corporate culture

[605] Lind and Rhenman, "The SIAR School of Strategic Management".

were full of suggestions on new administrative routines and techniques.[606]

The corporate bureaucracy that stemmed from the new role of the corporate management and the new organisational form was less crucial to making Ericsson function coherently as one organisation. In this sense, bureaucracy was less essential and central than the bureaucracy of the administrative coordination of Chandler and Dames.[607] It had more of an auxiliary character, but it still grew and expanded through the increased managerial staff and formalisation. In this development, SIAR had a very active role in bridging the break from the former hierarchal control to a new one. Through being external experts, they pushed for new tools to assist Ericsson in shifting the culture from being dominated by engineers with experience from public telephony to instead being more educated in business and market oriented.

An important factor in this development was how producing and adapting new routines had come to be an important aspect of the consultancy business. The consultants were not just required to be carriers of business knowledge, but their knowledge products also needed to include tools for how to apply this in their client's operations. SIAR here is an example of an actor in the business ideology landscape who were initially very critical of bureaucratic structures and administrative solutions which were not derived from the business idea of their client. Their criticism of bureaucratic tools vaned, because of the competition with other consultancy firms and the need from clients to develop and implement tools for making sure that the new organisation was realised in the model intended.

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606 *Manifest on Ericsson Collaborative Culture (2nd* Draft), 1984-08-27 (UPM-TB-1151) CfBH/SIAR/F 1bt:25

607 Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".

8. Corporate Bureaucracy in the 1990s

We have come to the penultimate chapter of the thesis. It specifically covers the 1990s which was an important decade for the development of corporate bureaucracy and management in Sweden. The period has partly been covered in the previous three chapters where we have discussed the last decade of SIAR as well as the effects of the re-organisation projects at Alfa-Laval and Ericsson. In Chapter 4 on the development of administrative occupations in Sweden, we could also note a shift during the decade in what was categorised as administrative as well as what type of administrative jobs increased. This chapter will not be a chronology of events that occurred in the decade but a presentation of some important themes which have not been fully explored in previous chapters. We will examine the continued expansion of management, managers desiring a more functional role in the organisation, managerial staff interpreting minor strategies and objectives into larger ones, as well as corporate governance.

In the 1990s, the technological development of information technology and related services continued to increase in importance. When Ericsson founded Ericsson Information Systems in the early 1980s, they saw a new industry emerging with products and services from the combined businesses of telecommunications, information processing and office automation. This sphere of digital technology, products and services continued to emerge in the 1990s with new types of businesses. SIAR was one of the voices that advocated a turn towards market orientation and a service approach to business during the 1980s.

In the dynamic landscape of the 1990s, Swedish business underwent a profound transformation that reflected both global trends and the nation's unique economic and social fabric. On a global scale, this decade marked a pivotal period of change and innovation with increased global integration of markets and breakthroughs in digital technology. Sweden's industries navigated this new landscape and its currents of globalisation, technological advancement, and shifting economic paradigms. In the 1990s, Swedish business strategies continued to evolve in the light of the restructuring of traditional industries and the emergence of new entrepreneurial ventures, all of which contributed to shaping the economic landscape.[608]

The impact of the economic crisis of the early 1990s on Swedish business was profound. During the latter half of the 1990s, there was an increasing acceptance and adoption of digital technology, which led to a rise in the number of entrepreneurial enterprises. The export-oriented industries of Sweden benefited from the ongoing globalisation. The telecommunications and pharmaceutical industries became driving forces in the blossoming of new digital technologies and an expanding private services sector in Sweden.[609] Telecommunications became a leading symbol of the new economy in Sweden, with Ericsson at the forefront of mobile telephony and telecommunications equipment. Sweden was also the place of notable pioneers and startups within online retail and Internet communication services. Several of these, such as Skype and Spotify, had their biggest breakthroughs during the 2000s rather than the 1990s but decisive developments occurred in these types of services.[610]

Venture capital firms invested heavily in telecommunications and pharmaceutical firms. The involvement of this form of financing meant an increase in capital towards nascent, promising startups and emerging enterprises, aiming to provide significant financial gains. Venture capital businesses gave financial support in return for ownership shares, frequently assuming an involved role in their advancement and expansion. The economic crisis in Sweden caused the Swedish currency to fluctuate in the early 1990s. When the Swedish currency was cheap, Swedish enterprises became relatively

[608] Broberg, *Svenskt näringsliv i omvandling.*
[609] Schön, *En modern svensk ekonomisk historia.*
[610] Broberg, *Svenskt näringsliv i omvandling.*

inexpensive, which, in conjunction with tax reforms and the subsequent growth of the stock market after the crisis, contributed to the success of venture capital. During the mid-1990s, venture capital firms exhibited significant profitability, and by the end of the decade, these businesses had become a customary aspect of the Swedish economic environment.[611]

The expansion of the private services sector in Sweden occurred because of a combination of international and political factors. The new digital technology made it administratively easier to replace internal services with external ones. The integration of digital technology interplayed with managerial ideas of focusing on core business and effectively responding to changing conditions. Knowledge about how to recognise supply and value chains became more prominent as a commodity.[612] The combination of digital technology, the expansion of services and greater emphasis on knowledge in the production process were the cornerstones heralding a new economy. Political scientist Tony Smith describes the supporters of the notion of a new economy as having seen this as an era in which the antagonism between firms would be replaced by an economic landscape where cooperation and sharing of information would benefit those firms who participated in it.[613] The network was seen as advantageous to closed forms of organisations because it provided improved resource use and risk-spreading, improved flexibility and adaptability, and better access to information and skills.[614] Kunda and Ailon-Souday describe how the computer network served as an important inspiration for how the ideology they refer to as market rationalism perceived the market as a flexible interconnectedness which enabled market demand and customer behaviour to signal how firms should behave and be managed.[615]

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611 Schön, *En modern svensk ekonomisk historia.*
612 Broberg, *Svenskt näringsliv i omvandling.*
613 Smith, *Technology and capital in the age of lean production.*
614 Powell, ”Neither Market nor Hierarchy: Network forms of organization”.
615 Kunda and Ailon-Souday, *Managers, Markets, and Ideologies.*

The material that SIAR collected from Ericsson in the 1990s will serve as the beginning of the venture. This material differs from the internal reports from SIAR which documented the cases of the re-organisation of Alfa-Laval and Ericsson. The collected material stemmed from the *Ericsson 2005* project and consisted of organisation charts, internal documents from Ericsson, and presentations from Ericsson. The project was to produce a new strategy and organisation for the firm. SIAR's assignment in the project was to evaluate and review the role of the Corporate Functions in the corporation. The managers of the corporate functions were gathered on 19 January 1997 to participate in a workshop with the purpose of identifying the challenges and problems of this managerial layer of Ericsson. At the workshop, many themes were discussed which can be linked back to previously work done by SIAR at the firm. The workshop did not, however, lead to any concrete suggestions from SIAR on how the corporate functions were to be reformed. The transcription from the workshop in combination with the other collected material from the Ericsson 2005 project serves to demonstrate the state of corporate management and bureaucracy at Ericsson at the time.

The future role of Corporate Functions

The corporate market functions were already in preparations for a regionalisation in the sense that specific marketing managers had been assigned responsibilities over different parts of the world. This reform raised the following question: how should the regional managers in the corporate marketing function interact with the managers of the business areas whose products they were marketing? At the workshop, comments were made that a regionalisation of the Corporate Functions should be at the request of "*the regions*" not at the initiative of Corporate Functions themselves. Uncertainties emerged on exactly how the regions should be represented within the firm. For example, there had been a suggestion during the early 1990s to start a regionalisation of the firm with specific staff assigned as resources to specific parts of the world. This had not been applied since the CEO did not wish to create another organisational layer that could start competing with the Business Areas. Several of the managers of Corporate Functions pointed out that the managerial board of the firm was skewed towards production rather than marketing due to the Business Area managers having filled up many places on the managerial board. [616]

On the one hand, Ericsson contained so many businesses and covered global markets in a way which made it hard for a corporate management to oversee all areas and regions in detail. The role of the corporate management followed what SIAR had noted several times in the 1980s, namely that the corporate management needed to relinquish its central authority.[617] But, assigning managerial independence to the business areas increased the number of managers and when the need for specific responsibility over certain markets also arose, the question of how to create a balanced managerial board became an issue. A hierarchal solution to that would have been to increase the number of managerial layers and control these through administrative coordination. However, this was not in line with the new-economy direction the industry and the firm were headed in.

A few more detailed issues were also brought to light, some of which can be traced back to the first examination of and discussions about the Corporate Staff units conducted by SIAR in the 1980s. For instance, one of the concerns that SIAR was tasked with answering as part of their duties during the years 1984 and 1985 concerned the appropriate way for different Ericsson departments to collaborate with one another.[618]

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[616] *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

[617] Mentioned in both Lind och Rhenman, "The SIAR School of Strategic Management" and Edgren, Rhenman, och Skärvad, *Divisionalisering och därefter*.

[618] *Manifest on collabourative culture (2nd draft)*, 1984-08-27. (UPM-TB-1151) CfBH/SIAR/F 1bt:25

At the workshop in 1997, what kind of collaborations there should be as well as how they were to be performed were discussed. The managers in the workshop sought more collaborative efforts on integrated strategies and policies for the Business Areas as well as improved quality audits. There was agreement that collaborations ought to be in project form, but the corporation faced challenges when attempting to finance these initiated projects. Many times, the Business Areas or particular Marketing Companies were the ones who took the initiative to start new projects, and a significant amount of the planning was completed before Corporate Relations became involved. This corporate function was tasked with bringing issues of this nature to the attention of the managerial board, but it lacked the capacity to make sure these projects were initiated. The head of Corporate Relations lacked insight into all the business details that validated the suggested projects and if the projects were not approved by the managerial board, it frustrated the employees who had already started working on them.[619]

We can recall that it was the business complexity at the firm which had led Ericsson to set up the Business Area organisation in the early 1980s. The organisation required new forms of collaboration and both in the 1980s and 1990s the problems with how to initiate and manage these collaborations were responded to with new formal rules. In the project in the 1980s, SIAR had introduced the collaborative contracts and new rules for transfer pricing.[620] In the 1990s, the issue of which chain of command was to be connected to the collaborative projects had emerged. Both types of formalities are examples of a secondary type of corporate bureaucracy. This corporate bureaucracy was not directly attached to a hierarchal structure with corresponding administrative coordination. The secondary corporate bureaucracy was tied to new management systems that were needed to control and manage the firm, as well as the formalised instructions governing how

619 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92
620 See for example *Manifest on collabourative culture (2nd draft)*, 1984-08-27. (UPM-TB-1151) CfBH/SIAR/F 1bt:25

the more independent business areas were to interact with each other. We can see this as an example of how the secondary form of corporate bureaucracy had stabilised and become more standardised in the mid-1990s, with the collaborations solidifying in projects and management tools for designing strategic decision-making in the firm. These efforts were nonetheless needed in order to sort out how managerial responsibility over projects as well as different markets was to be handled.

At the workshop in January 1997, the more overarching question was the future role of Corporate Functions at Ericsson. When these units were analysed and designed in the early 1980s, the objective was to make them independent from the traditional core business of Public Telephony and through that actually make them supportive as well as governing in a manner which served all the Business Areas at Ericsson. The discussion of their future role brought up that the Corporate Functions in general had an unclear role because they lacked a common manager who coordinated their responsibilities and assignments. The different Corporate Functions had big differences in how they interacted with the Business Areas. Some, like Corporate Auditing, had a supporting role whilst others, such as Corporate Development, had a more autonomous role with the responsibility to strategize and develop the firm. One of the suggested solutions for this unclear and somewhat messy role was to create a Corporate Office that consisted of the managers from a selection of the Corporate Functions, and let this group represent all the functions on the managerial board. Another suggestion was to design a model for what a Corporate Function was and to then demand that this was accepted by all Corporate Functions so that a *gemensam modell* (common model) existed for this layer of the firm.[621]

The participants at the workshop expressed concerns about how thick the middle-management layer at Ericsson had grown. At Ericsson, there were managers and staff at the Business Area levels as

621 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

well as in the Corporate Function layers. These multiple layers of managements made the relationships and authorities of the different managers and staff fuzzy. At the workshop, it was mentioned that managers hired staff whose roles were unclear, especially in relation to each other. The Corporate Function managers wanted SIAR to be hired to try to rationalise the managerial layers at Ericsson. However simultaneously the managers suggested the creation of several new Corporate Functions, for example one for internal audits and management accounting, as solutions to other minor problems which was discussed during the workshop.[622]

We can see that even though the Corporate Functions' authority had decreased compared to the Corporate Staff units prior to the 1983 re-organisation, their capacity had not. The managerial layer of the Corporate Functions held important roles and responsibilities such as a central development role at the firm (the Corporate Development Function), to greenlight which collaborative projects were to be given approval by the top managerial board (Corporate Relations Function), or to manage the firm's investments in a strategically important global region (the Corporate Function for Asia, which had been an indication of the coming regionalisation of the firm).[623]

The shifting and somewhat ambiguous role of the Corporate Functions occurred in parallel with Ericsson's move away from a hierarchal form. When Ericsson was organised around public telecommunications as the dominant business, the role of the corporate management units had been to support and manage the firm's business.[624] As we could see in Chapter 7, this changed when Ericsson became a multi-business firm. The new corporate management staff units were intended to assist the Business Areas in their development of new and existing viable businesses centred around new technology. The discussions in the workshop in 1997

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622 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

623 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

624 Dahlgren and Witt, *Ledning av fusionsförlopp*.

showed that the Corporate Functions themselves had become more autonomous, in parallel with the Business Areas becoming more autonomous. Being more autonomous was, however, not uncomplicated. To operate as a central managerial unit, with certain managerial responsibilities over the corporation but without the hierarchal structure to shape duties and obligations around it created both autonomy and a lack of clarity. The managers of the Corporate Functions repeatedly expressed more operational and less functional responsibilities for the Corporate Functions in the new Ericsson organisation.[625]

The internal material that SIAR collected from Ericsson for the Corporate Functions project contained a presentation which can help bring clarity to the Corporate Functions' efforts to interpret their own role. Ericsson's Corporate Human Resources (CHR) had presented SIAR with a report called "*The Future Begins Now*". The report showed how this Corporate Function supported the firm at the time, as well as how it was to support it in the future. Corporate Human Resources did not just have a supportive role in the handling and administration of the firm's human resources tasks, in the form of paying wages and keeping track of appointments. They had also taken on a role as being responsible for strategies concerning competence, company culture and leadership development. In the presentation, they listed five roles for the Corporate Function:

- Guardian of the Corporate Values
- Strategic Business Partner
- Implement and Drive Key Initiatives
- Role Model for the Ericsson Manager
- HR Leadership and Sharing of Best Practices[626]

[625] *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92
[626] *A collection of internal Ericsson information*, 1996-10-08 (UPM-MHO-012) CfBH/SIAR/F 1bm:91

The list of roles shows that CHR had a combined role of being both strategic and supportive in relation the Business Areas at Ericsson. The roles of being a *Role Model for the Ericsson Manager* and implementing *HR Leadership and Sharing of Best Practices* were connected to the supporting role. In these roles, CHR coordinated managers and developed best practices for them to follow. In the role of *Strategic Business Partner,* they were much more strategic and governing. In this role, CHR set objectives, created accountability systems, and selected managers.[627]

Both the strategic and supportive parts of CHR's role were described as cultural rather than commanding. Organisational theorist Martin Parker has written about the surfacing of a culturalism within management from the late 1970s and onwards. Parker argues that this can be understood as a shift from control to commitment. During the late 1970s to the 1990s several popular books, such as Peters and Waterman's *In Search of Excellence* and Deal and Kennedy's *Corporate Cultures* were published on the theme of how to handle the culture at corporations to influence employees' action in a desired way. Analysing this from an employee perspective, Parker sees this as an attempt to save the costs of a controlling bureaucracy and instead influence the employers to control themselves.[628] There were examples of this at CHR, for example within the role of *Guardian of the Corporate Value* where there was a Corporate Citizen Strategy that was described as shaping employees into corporate citizens so they could "*take a visible community position by sharing our expertise and participating as partners to develop and support the communities in which we operate*".[629] From the perspective of corporate bureaucracy, this form of management meant not managing and exerting control from the top down within the organisation but rather interpreting and integrating your own strategies, objectives and missions into those of the corporation as a

627 *A collection of internal Ericsson information*, 1996-10-08 (UPM-MHO-012) CfBH/SIAR/F 1bm:91

628 Parker, *Organizational culture and identity*.

629 *A collection of internal Ericsson information*, 1996-10-08 (UPM-MHO-012) CfBH/SIAR/F 1bm:91

whole. This can be further shown through how CHR presented their missions and strategies connected to Ericsson's main business goals:

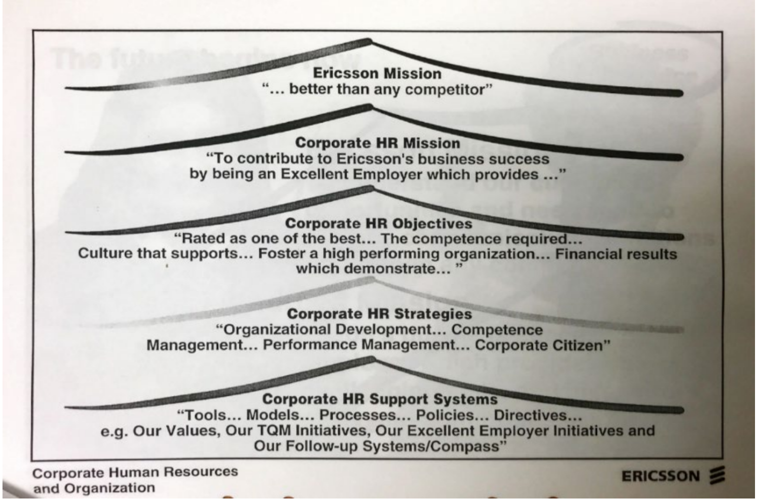

Figure 13. The Corporate Human Resources and Organization of Ericsson presentation of missions and objectives
Source: *A collection of internal Ericsson information*, 1996-10-08 (UPM-MHO-012) CfBN/SIAR/F 1bm:91

Even though this image bears a resemblance to a pyramid (or other type of hierarchal form) through the repeated wide arrows, CHR instead showed how the HR support system ascends into the strategies which ascend into objectives, then the mission of the Corporate Function and finally into the missions (or one of them) of the firm. The other side of this is of course the processes which produce the Ericsson Mission and how these were produced as well as what type of role they played in the organisation. We cannot confidently draw conclusions regarding whether this method aligned the Corporate Function with the corporation a whole successfully or was used over the entire firm. It is, however, an example of how the Corporate Function units at Ericsson were trying to find their functional role at the firm. At the workshop in January 1997, the managers of the Corporate Functions wanted a more defined role for their own units. The managers were worried about management expanding and stated that the Corporate Functions ought to be rationalised. The managers did not mention any Corporate Functions that they thought ought to be merged or downsized, but they voiced suggestions for the creation of new Corporate Functions for internal audits and management accounting.[630]

In the interview with Carlsson, he states that it was not clear what the next step was going to be after the workshop. The discussions were recorded, and the material was submitted to Ericsson, but it was unclear how Ericsson were to use it. The collected internal material from Ericsson shows that the workshop on the role of the Corporate Functions was to be part of the Ericsson 2005 project which was connected to Ericsson's new strategy and organisational form.[631]

The new organisation after Ericsson 2005

Times at Ericsson were turbulent after the Ericsson 2005 project. Lars Ramqvist, who had been with the firm since the 1980s, and leading it since the early 1990s, stepped down from the CEO spot to make way for Sven-Eric Nilsson. The tenure of Ramqvist had been very successful and he remained on the board of directors to continue to oversee the development of the firm going forward. When the new organisation was announced and established, it was a decisive step away from the business area organisation. In its 1998 annual report, Ericsson stated that industry convergence would soon lead to a "*New Telecoms World*" and that the firm needed "*fewer units and hierarchal levels, stronger customer orientation, greater speed and sharp focus on the future*".[632]

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[630] *A collection of internal Ericsson information*, 1996-10-08 (UPM-MHO-012) CfBH/SIAR/F 1bm:91
[631] *Project specification – Ericsson* 2000, 1995-03-09 (LME/DU-95:039, through *Ericsson – Overall vision, goals and strategies 1995-2005*, 1995-03-16, UPM-RC-2580) CfBH/SIAR/F 1br:91
[632] *Project specification – Ericsson* 2000, 1995-03-09 (LME/DU-95:039, through *Ericsson – Overall vision, goals and strategies 1995-2005*, 1995-03-16, UPM-RC-2580) CfBH/SIAR/F 1br:91

The Business Area organisation had been adopted in 1982/1983 and lasted for about fifteen years before Ericsson took a turn towards an even less hierarchal organisation. The new organisation shared the ideals and visions of the new economy, with its emphasis on customer orientation and fewer managers. In relation to the changes Ericsson made in the 1980s, it does seem as if this was more of an intensification of the focus on adaptability rather than technological change, which had been a crucial factor in the strategic and organisational change of 1982-1983. Instead of business areas, Ericsson was organised in business segments. The segments were fewer and described as being more dedicated to meeting customer demands. The segments were:

- Network Operators and Service Providers, who were to develop markets systems solutions, mobile telephone systems and networks for data and telecom.
- Consumer Products, who concentrated on production and sales of mobile telephones
- Enterprise Solutions, who supplied telecom systems for enterprise customers[633]

The segments were constructed so that Network Operators and Service Provides focused on developing and providing infrastructure for telecommunications, while Consumer Products focused on products for mobile telephone customers and Enterprise Solutions was for enterprises who needed a complete telecoms solution. Similar to the business area organisation, the segments were complemented by a group of corporate functions. These had been rationalised from 11 to 8 and were now Finance, Technology, Supply and Information Technology, Marketing and Strategic Business Development, Human Resources and Organization, Corporate Communications, Legal Affairs, and Audit and Security. The entirely new feature in Ericsson's organisation was however a geographical aspect in the form of Market

633 Ericsson Annual Report 1998

Areas: one for Europe, the Middle East and Africa, which was to be managed from an office in London; one for North American, which had its office in Texas; one for the Asia and the Pacific, which was to establish an office in Hong Kong; and finally one for Latin America, which was to be run from an office in Miami.[634]

The corporate function for Asia and the Pacific, which had been established in the mid-1990s, had been spun off Ericsson's central corporate functions and led to the creation of a new managerial layer of geographical management. The managerial assignment for the Market Area managers was very similar to the Business Areas of the 1980s. For the 1997 re-organisation, they were described as being assigned to "*strengthening the marketing organisation to provide better service to customers and to provide customers with direct contact with representatives of corporate management.*"[635]

Ericsson had prepared their firm and employees for the coming change. The Ericsson 2005 project was an important part of this. The collected internal material from Ericsson contains an extensive material that was produced to cover different possible scenarios for how they were to achieve their wanted position for the 21st century. The scenarios presented different alternatives for how electronic devices were expected to be continually become more capable and that the Internet would lead to online consumer information services finding a mass market. The document sees three possible future scenarios for how this would play out in the 21st century.[636]

The three scenarios were named. First was *Up and away*, which was described as the scenario with a society flooded with information and devices that receive and transmit it. The telecommunications sector was described as fully deregulated with information and entertainment services distributed through the Internet's successor, titled Futurenet, and equipment financed through advertising. The

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[634] Ericsson Annual Report 1998

[635] Ericsson Annual Report 1998

[636] *2005, Wanted position, etc* 1997-02-03 (UPM-MHO-045) CfBH/SIAR/F 1bm:92

second scenario, *Gran Tradizione*, was described as characterised by that consumers would experience a saturation with technology and instead orient themselves towards their families and local communities. Therefore, the telecommunications industry in this scenario was to be dominated by traditional services, such as mobile voice services, and a slowdown in deregulation. The providers of telecommunications infrastructure would be in control of technological development in this scenario. The third and final scenario was titled *Service mania* and characterised by an abundance of information and entertainment but distributed through telecommunications networks rather than the Internet. Interactive service providers would exist in abundance, with an increase in subscription-based access to news, entertainment, and other services.[637]

The created material was professionally designed and produced to be used to spread knowledge of this strategy work throughout Ericsson's organisation. The document ends with a presentation of what is next, which is that this strategy was to be implemented by Ericsson's new organisation of 1997. However, the organisational changes would not be in the spotlight for Ericsson during the late 1990s and early 2000s. Ericsson, a Swedish firm that specialises in telecommunications, was confronted with a huge crisis in the late 1990s and early 2000s. This crisis had a substantial influence on the company's business operations, financial stability, and overall reputation. Ericsson had made significant investments in the development of third generation (3G) mobile technologies, such as the Universal Mobile Telecommunications System (UMTS), with the hope that the demand for these technologies would be greater than it actually turned out to be. As a result of the slower-than-expected rollout of 3G networks, the company was under a significant amount of financial strain. The late 1990s and the early 2000s were characterised by a period of economic stagnation as well as the bursting of the dot-com bubble. This resulted in spending being cut

637 *2005, Wanted position, etc* 1997-02-03 (UPM-MHO-045) CfBH/SIAR/F 1bm:92

back on telecommunications infrastructure and equipment, which in turn had a detrimental impact on Ericsson's earnings and profitability. During this period, Ericsson was forced to contend with intense rivalry from a number of other telecommunications businesses, most notably Nokia and a number of other Asian manufacturers. The introduction of new competitors who offered creative and economical solutions ratcheted up the level of competition in the market. The cumulative effect of these difficulties resulted in a precipitous drop in the share price of Ericsson, which had a negative impact on the confidence of investors as well as the company's ability to raise capital.[638]

The firm was experiencing a leadership crisis as a result of these occurrences. A new chief executive officer had been appointed before the blueprint of the new organisation was drawn up in 1998. Lars Ramqvist, the previous CEO, was then serving on the boards of Volvo and Scandia and was the chair of Svensk industriförening (a Swedish industry association). It has been said that the new CEO, Sven-Christer Nilsson, who had a lot of experience working in the mobile telephony Business Area, was the one who most energetically championed a change towards the convergence of the telecoms and data-processing industries. In the book *Makten över Ericsson* (Power over Ericsson) by journalist Torun Nilson, the personal conflicts in Ericsson during this time were discussed. According to Nilsson, Ericsson's value on the stock market was more important than previously because of the growing significance of venture capital as a stakeholder in the company.[639]

Nilsson wanted to change the culture at Ericsson and promote younger managers to initiate a more entrepreneurial attitude at the firm. Due to the challenges described above, this change was hard to execute. During the years 1997 and 1998, the sales of mobile telephones rose dramatically and Ericsson's market share for these products increased from a couple of per cent to 17 per cent in a very short time. In an even shorter time, this market share was lost once the

638 Nilsson, *Makten över Ericsson*.
639 Nilsson.

Finnish company Nokia experienced great success with their cheaper mobile phone. Nilsson writes that Nokia had been more focused on reducing costs and prices through the realization that phones did not need to be great, but good enough. Ericsson lost in this competition since they kept producing mobile phones for a customer with greater purchasing power. Ericsson also faced increased competition to their AXE systems and lost several races to buy highly sought after acquisition targets such as Bay Networks. Nilsson lost his job in summer 1999 and was replaced by his predecessor Lars Ramqvist. After just a couple of years, which was also marked by continued turbulence, he also stepped down as CEO in 2002.[640]

These events mark the end of the period which this thesis has researched. The crisis marks a good place to end this examination since the turbulence led to a new situation at Ericsson as well as a new decade. It has not been possible to examine the final years of the 1990s for Ericsson to the same degree as the late 1970s and 1980s. These years were nonetheless still important, and we can move forward with the observations and knowledge from that time into a concluding discussion about the state of corporate bureaucracy at the end of the decade and the century.

Corporate bureaucracy at the end of the century

The workshop of the corporate function managers and the collection of internal Ericsson material in this short chapter have provided an insight into the state of corporate management and bureaucracy at one of Sweden's leading firms during the mid to late 1990s. The available material is notably different than the reports that documented the work SIAR did internally and at Alfa-Laval and Ericsson in the late 1970s to the early 1990s. The material presented in this chapter does not show what went on "*under the hood*" of large re-organisation and re-structuring projects. A big project of this kind went on at Ericsson, but

[640] Nilsson.

the workshop which we have reports from only presents a small part of it. Similarly, the documents and reports from Ericsson's Corporate Human Resources function also provide only a snippet of how these central corporate units worked at Ericsson during that time.

This chapter therefore does not produce knowledge about corporate bureaucracy's development at firm level or in the relationship between the client and consultant as in Chapters 5, 6 and 7. Rather it can draw connections between what we know from the previous chapters about the development and important managerial themes of the mid to late 1990s. For example, we can see that Ericsson was clearly moving in a direction which shared clear similarities with the knowledge economy and the emerging new economy ideology. Within the field of management, the increased importance of knowledge work and knowledge workers had been discussed and emphasised since the 1960s. During the 1990s, the practices of knowledge management became more coherent and concrete. As an example of this, we can look at Peter Drucker, who coined the term 'knowledge worker', and his writings from the time. In his book *Managing in a Time of Great Change* from 1995, Drucker focused on how organisations could effectively navigate the challenges brought about by rapid societal, technological, and economic transformations. He stressed that change could no longer be viewed as an occasional disruption but rather a constant reality. Furthermore, businesses should foster an entrepreneurial spirit by providing employees at all levels with the authority to experiment with new ideas and pursue new opportunities. Drucker recommended that businesses maintain their capacity for adaptability and responsiveness to movements in the market. He also advised putting managerial methods into practice that promoted continuous learning and self-development among individuals as well as organisations. Businesses ought to actively build their futures rather than simply respond to the issues that they are facing by actively searching out new development and innovation opportunities. Drucker further stressed the significance of re-evaluating processes, strategies, and structures to ensure that they are aligned with the changing business landscape. He advocated for the elimination of outmoded business procedures that were no longer contributing to the achievement of the organisation's goals.[641] Another herald of this development was Wired magazine. Their articles repeatedly discussed the new economy and made predictions about how the combined breakthrough of new communications technology and new ways of running businesses would lead to a long economic boom. [642] The magazine also released a special issue titled *Encyclopedia of the New Economy*, in which key issues and concepts were described. There, they described the new economy as promising to bring a world where rapid change was a constant and where investments bought concepts rather than machines. According to the *Encyclopedia of the New Economy*, key concepts in relation to organisations included decentralisation, diseconomies of scale, knowledge management, outsourcing, privatisation and restructuring.[643] The perception of the function of corporate management and corporate bureaucracy was affected by this through the New Economy ideology favouring flexibility, few organisational layers, and more use of external contracting.

When Ericsson presented their new organisational form, they shifted from business areas to business segments. The business segments were fewer and described as more dedicated to meeting customer demand. In that sense, the changes at the corporation harmonised with the ongoing trends to become more decentralised and flexible. The range of material used to analyse the changes in the telecommunications market does, however, also show that a lot of strategic and managerial work, centrally at the corporation, went into planning and analysing how the new organisational form was to be more decentralised and flexible, a type of contradiction which occurred repeatedly in the corporate bureaucracy at Ericsson during the period. For example, the transcripts from the workshop show that there was an agreement that there were too many managers and corporate

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[641] Drucker, *Managing in a Time of Great Change*.

[642] *The Long Boom: A History of the Future, 1980-2020*. Wired Magazine July 1, 1997

[643] *Encyclopedia of the New Economy*. Wired Magazine 1998

functions at Ericsson. There were nonetheless no concrete suggestions for which corporate management functions were redundant. Instead, there were proposals for existing corporate management functions such as one for internal audits and one for management accounting. There was also an expressed need for a corporate office which could make sure that all corporate functions operated under a common model.[644] In the new organisation, the number of Corporate Functions had been slightly reduced, but unfortunately, we do not know whether a corporate office was formed or whether a higher-level manager was assigned who was collectively responsible for all of them.

We can see that a high concentration of managers and managerial control had remained at Ericsson since the 1980s. By the mid-1990s, the expressed desire to decrease managerial layers and managerial control had intensified. In one way, we could say that Ericsson as a firm had become less reliant on managers to serve as middlemen to make sure that decisions from the top were executed. In another way, we could say that managers continued to remain as internal experts and strategists. In this form, a corporation like Ericsson was as reliant on managers as they had been historically. The high concentration of managers was still a requirement for running a firm of Ericsson's size and scope.

In previous research on managerial capitalism in Sweden, such as the writings of Jan Glete and Hans Sjögren, a focus has been on whether the big firms can be said to have been in the control of managers or owners. Owner control over firms from the 1960s and onwards has been seen as evidence that managerial capitalism did not dominate Swedish business life.[645] Certain groups of owners, such as the Wallenberg Sphere, have been noted as particularly important in this.[646] The findings in this thesis on how managerial control persisted and intensified during the 1980s and 1990s show that managerial capitalism cannot only been determined through whether a manager

644 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92
645 Glete, *Nätverk i näringslivet.*
646 Sjögren, *Den uthålliga kapitalismen.*

or owner had the authority to make the decisions for the firm. Even in cases where owner control of firms and corporations was strong, the reliance on larger and larger corps of managers increased. Duménil and Lévy stress that managerial capitalism persisted throughout the 20th century and that the changes of the late 1970s and early 1980s constituted a transformation of social relationships where the alliance between upper levels of management and owners intensified. A basis for this argument is data showing a significant increase in managers' salaries and less autonomy for managers in relation to owners.[647]

Another theme of importance was corporate governance, which means the different mechanisms and processes by which corporations are governed. SIAR consultant and alumnus ?? wrote a book on this topic in the late 1990s in which the emergence of corporate governance was interpreted as a rise in active ownership and a decline in managerial power. Because of the rise of venture capital and new ownership structures, institutional changes were made in the 1990s regarding the owners' responsibility for corporations' behaviours and performance. The way that Rolf Carlsson from SIAR actively discussed corporate governance bears many resemblances with how SIAR approached bureaucracy.[648]

In the 1990s, there were events that actualised the need for new standards for corporate governance. In Britain, the death of media executive Robert Maxwell led to the discovery that GBP 440 million was missing from the company's pension funds. Deciding to what degree Maxwell's firms, and their co-owners, were accountable for this led to a report called *The Cadbury Report*. Published in 1992, the report set out a set of standards for how firms were to handle the separation of ownership and control in companies, for example emphasizing distance between the board of directors and company management. The report also provided suggestions and points of best practice, for example that the chair of the board and the CEO should be separate

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647 Duménil och Lévy, *Managerial Capitalism*. The authors specify that the decreased autonomy of managers mainly affected non-financial managers
648 Carlsson och Hallberg, *Ägarstyrning*.

people and it should the board's role to oversee and control the management. The report highlighted the importance of transparency through demanding clear and comprehensive information to shareholders and stakeholders in the firm, something that can also be tied to the rising role of venture capital and more complex ownership structures.[649] In the early 2000s, the regulatory aspect of corporate governance would develop further through the American Sarbanes–Oxley Act of 2002. This was legislation aimed at addressing issues related to the series of high-profile corporate accounting scandals such as Enron, WorldCom, Tyco International and others. These scandals revealed cases of financial fraud, misrepresentation of financial statements, and unethical behaviour by corporate executives and shook investor confidence as well as exposed major flaws in corporate governance and financial reporting practices.[650]

The assumption that less administration to hierarchically coordinate a firm would mean less administration in general was reiterated in Rolf Carlsson's book on corporate governance from 1997. The book, *Ägarstyrning*, stated that this form of governance would be intrinsically characterised by active ownership. It would limit managers' influence in firms and make sure that the owners could strategically steer the firm. Carlsson was very optimistic and enthusiastic about the possibilities of limiting managerial control over firms in favour of ownership control. The book was published some years before the Enron case and the subsequent Sarbanes-Oxley Act of 2002 which made corporate governance an obligation for firms.[651] Another example of how corporate governance developed in a more standardised direction came in 1999 when the OECD started publishing the continually updated document "*Principles of Corporate Governance*". There, they defined corporate governance as the set of relationships (as well as legal and policy structures) between management, the board, shareholders, and other stakeholders.[198] A

649 Sridhar R, Arcot & Bruno, Valentina G. 2006
650 Arcot and Bruno, "In Letter but Not in Spirit".
651 Sogner and Colli, *The Emergence of Corporate Governance*.

similar Swedish report stated the purpose of corporate governance to be to stabilise this relationship in order to allow for the dominant owner to be challenged or to set certain goals for top management without risking the social legitimacy of the system.[652]

To summarise, we can say that it was common for those who were enthusiastic about possible new organisational forms to focus on the possibilities to be rid of bureaucracy and management tools associated with hierarchal control. However, it was also common to overlook the need for new management tools to make new types of firms and governance function. In this sense, the striving in the 1990s for fewer managerial layers, more flexibility and adaptiveness had similarities with SIAR's Ericsson case in the 1980s. In that project, which was covered in Chapter 7, the business areas were to be authorized to be more independent and autonomous, but this also came to require more formalization and rules for how the different parts of Ericsson were to collaborate and operate in relation to each other. The transfer of managerial tasks and staff to the business areas came to mean a doubling of managerial responsibility since audits and control could be configured locally but also needed to be coordinated centrally.

The unfunctional corporate bureaucracy

SIAR's assignment in the Ericsson 2005 project was to hold the workshop where the managers of the corporate functions discussed the role of these units. The consultants documented the discussions but were not involved in suggesting or executing reforms to the Corporate Functions.[653] The content of the workshop shows interesting tendencies in the corporate bureaucracy. Ericsson had an organisational form in which the units responsible for operating the business had high levels of independence. The central corporate functions had no functional role in running the businesses. The firm

[652] Söderström, *Corporate governance and structural change.*
[653] Interview with Carlsson

clearly wanted to move the organisation and managerial responsibilities further in this direction. Ericsson's 1998 annual report presented a new organisational form with business segments and fewer managerial layers.[654]

Several of the desired effects of the new organisation of 1998 have similarities to what Ericsson wanted to achieve in the 1980s. Then, the fact that the business areas were recommended to employ managerial staff to decide on and set up the kind of audits and control functions they found necessary, makes one wonder exactly how this new organisation would lead to less bureaucracy and fewer managers, especially in light of the discussion in the strategic project that preceded this organisational change, where the problems of how to both add corporate functions and rationalise them had occurred.[655]

The emergence of another level of responsibility in geographical administration also prompts questions into how the new organisational structure differed from a matrix organisation. As mentioned in the Alfa-Laval chapter, this organisational structure had two dimensions of management responsibility that overlapped, resulting in each employee being accountable to two superiors. Despite the emphasis on market orientation, fewer units, and closer proximity to customers in the company's annual report, it is important to note that such measures would also result in an increase in the level of managerial control exerted. At the same time, the notion that increased management and less bureaucracy could occur in tandem was similar to the notion SIAR had that bureaucracy only meant hierarchal managerial control, not necessarily less managerial control. The general expansion of managerial control and corporate bureaucracy occurring simultaneously with the development of a market-oriented approach stands in contrast to Josserand's viewpoint on the significance of customer orientation in firms with a network organisation. Ericsson had never been a network firm but at this point the new organisational

[654] Ericsson Annual Report 1998

[655] *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

structure was described as having some of the characteristics of one. Josserand does not explicitly suggest the ongoing reinforcement of the managerial centre, as observed in the Ericsson's practices. However, there is the potential for the existence of a consistent administrative centre aimed at supporting customer-oriented and peripheral units in the pursuit of their increased autonomy.[656]

Her, we are seeing a situation that can be interpreted in different ways. On the one hand, that there was a contradiction between how firms tried to decrease hierarchal forms of bureaucracy whilst also maintaining managerial control. The observation of this contradiction within Ericsson is particularly significant since there was a surge of ideological belief in this period that firms such as Ericsson and the telecommunications industry were at the forefront of the new economy. Voices such as Peter Drucker and Wired magazine argued that innovativeness, entrepreneurship and the development of concepts regarding how new technology was to function were more important than maintaining control over firms and rationalising production and machinery.[657]

In this belief of how the new economy was to operate, smaller and more adaptive firms were believed to have an advantage over bigger ones. However, when Ericsson once again started attending cocktail parties with representatives from national governments, this indicated that the firm was moving in a different direction. [658] Also, there was internal criticism of the corporate bureaucracy voiced at Ericsson at the workshop with the managers of the corporate functions. The managers wanted the corporate functions to become more streamlined and have a clearer functional role at the firm, even though they also expressed the desire for new corporate functions to be formed.[659] This criticism could also be seen as an indication that the

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656 Josserand, *The Network Organization.*
657 Drucker, *Managing in a Time of Great Change.*
658 *Transnational organization.* 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91
659 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

focus to make the firm less hierarchal had not necessarily decreased control and bureaucracy in general at Ericsson. The effort to find the right form of managerial responsibility over markets and to continually add on and adapt management tools developed the other form of corporate bureaucracy which had started to appear in the 1980s. This was formed through the need to build new management tools and systems, such as profitability measurement systems and strategic planning process visualisation, as well as managing and frequently adapting to complex, and globally integrated, market structures. Josserand, Teo and Clegg have also researched how organisations transition into a network organisation. There, they say that post-bureaucratic organisations do not completely lack older forms of bureaucracy but combine rationalisation mechanisms with network logic.[660] We see clear examples of this at Ericsson.

Not everyone was convinced that the economic landscape of digital technology was going to favour smaller firms. Political economist Bennett Harrison argued that corporations and big firms were going to continue to dominate the economy, but in a different way than previously. According to Harrison, evolving networks of joint ventures, supply chains and strategic alliances were playing a bigger role in the economy. Smaller firms could blossom in these networks, but they were still going to be dominated by bigger firms. Harrison summarised this as being an expression of *concentration without centralisation*.[661] This expression also adequately describes the development of corporate bureaucracy. A concentration was occurring because of an increase in managerial control and formalisation but it was without the hierarchal centralization that had characterised it in the times of the Chandlerian corporation and administrative coordination.

Freeland and Sivan also argue against the belief that the quest for flexibility and adaptability could lead to non-hierarchal organisations and firms. Their argument however is that the hierarchy

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660 Josserand, Teo, och Clegg, "From Bureaucratic to Post-bureaucratic".

661 Harrison, *Lean and mean*.

remains through the roles of speaking for the firms or intervening in the operations of the firm.[662] They do not take into consideration that attempts to decentralise the firm could entail a parallel process of concentrating managerial control, even without hierarchal structures. The observations and tendencies presented in this chapter add a dimension to their argument.

The degree to which the specificities of Ericsson matter to the general development is unfortunately hard to distinguish. The development that we have said is similar to Harrison's concentration without centralisation could of course also have occurred because of incapabilities and failures at Ericsson. The period after their reorganisation in 1998 was characterised by a crisis, to a large degree because of their problems with competing with other manufacturers of mobile telephones.[663] It was a new venture for Ericsson to develop and sell products for consumers rather than operating within telecommunications infrastructure. The business press warned that pioneering technology was less advantageous in the mobile telephone business compared to telecommunications infrastructure.[664] It could very well be that Ericsson's attempt to reconfigure their firm, away from a focus on developing technology towards being customer-oriented failed because they were still too dominated by an engineering perspective. We end this thesis at the end of the 1990s. Large platform corporations came to start dominating the information and communications industry in the 2000s and even if the findings of this thesis surely matter for how to perceive the changes in corporate bureaucracy under platform capitalism, we will not move onto that theme or period. This short chapter with the examination and discussion on Ericsson's reorganisation in the mid to late 1990s serves as the end of the thesis. As the curtain comes down on this thesis, it is now time to conclude and summarise the findings of this thesis.

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662 Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".
663 Åsgård and Ellgren, *Ericsson.*
664 *Konsumentvaruföretag – Företagsanalys Ericsson.* Affärsvärlden no 8, 19th of February 1997

9. Conclusion

This thesis has examined how the corporate bureaucracy in Sweden developed between 1970 and 2000. We have studied this development from several different perspectives. The emphasis has been on the examination of how administrative and managerial work as well as how new management knowledge and tools were brought to and adapted at firms. In this concluding chapter, we will conclude the findings by returning to the research questions and provide answers to them. We will also discuss how the answers to these questions show a larger, combined development of corporate bureaucracy in Sweden.

As we said in the introduction, Sweden had a low exposure to managerial ideas, and it has been questioned whether managerial capitalism actually broke through in Sweden. The findings in this thesis brings new perspectives on corporate bureaucracy in Sweden by examining both occupational compositions of administrative and managerial work, the development of management knowledge in Sweden as well as how organisational control was changed at firms.

This thesis has examined the development of corporate bureaucracy by answering the following three questions

- RQ 1: How did the share of managerial and administrative work change in Sweden?
- RQ 2: How did management knowledge and tools develop in Swedish firms?
- RQ 3: How did the relations between management consultancy and clients manifest in Swedish firms?

As we said in the introduction, the first question examines the development of the share of administrative work as well as the changes in how that line of work was measured. The second and third questions are much more integrated and the answers to these questions have been discerned from both the examination of SIAR's development in relation to the consultancy industry in Sweden and in the cases of Alfa-Laval and Ericsson.

The general finding of this thesis is that corporate bureaucracy expanded in Sweden during the decades the research has covered. The development is apparent in the tables showing the share of administrative work and the changes in the composition of administrative work. The development is also apparent in the case studies. At both Alfa-Laval and Ericsson a clear formalisation of structures at the firms occurred. Despite differences between the firms, they both became less centralised and hierarchical. The firms did, however, need a concentration of corporate management and an expansion of corporate bureaucracy to enable the shifts to more flexible and decentralised forms. An important factor in this development was also the growing importance of firms being market-oriented, which was intertwined with a perception of how the markets were changing and how firms needed to change to be able to be responsive to this.

The expansion of corporate bureaucracy and the increase in the share of managerial occupations[665] also sheds new light on the discussion of the history of managerial capitalism in Sweden. The results in this thesis focus on the managerial and bureaucratic structures inside the firm rather than the struggle for control over the firms between managers and owners. The findings concerning how management tools, knowledge and corporate bureaucracy evolved at SIAR, Alfa-Laval and Ericsson are of course specific to these firms. They cannot be taken as evidence of a general evolution or development of corporate bureaucracy. Some parts of what went on at SIAR and in their collaborations with Alfa-Laval and Ericsson occurred because of specific context and events. Examples of this are the events which led to Ericsson starting Ericsson Information

[665] Which can be seen in Table 8 *Percentages of administrative work in national workforce in Sweden 1965-2001.*

Systems as well as Ericsson's success within mobile telephony. These events led to strategic decisions and objectives at the firm, and these were decisive for how SIAR and Ericsson in collaboration developed managerial principles and administrative structures. Still, the examples covered in the empirical chapters are big, important Swedish firms. The development at the firms of SIAR, Alfa-Laval and Ericsson matter in the landscape of Swedish business, and the way corporate bureaucracy developed there played a big role in how corporate bureaucracy developed in Sweden in general. Even though we cannot decisively state that this development is generalisable, there have been few to no suggestions that the developments at these firms were outliers to a development which occurred in the rest of Swedish business. Unless other research can show contrasting findings, the findings here can be assumed to show much of the development of corporate bureaucracy in Sweden between 1970 and 2000.

The starting point for the following concluding discussion is the changes in corporate bureaucracy in contrast with what was historically considered to be bureaucratic. SIAR's own notion of bureaucracy and bureaucratic firms played an important role in how Alfa-Laval's and Ericsson's corporate bureaucracy shifted from the 1970s to the 1990s.

What was bureaucracy?

To what degree was the development of corporate bureaucracy intertwined with managerial capitalism? The changing occupational structure, the success of the leading Swedish management consultancy firm, and two organisational and administrative changes at two important Swedish firms as part of the economic changes of the 1970s prompts a critical examination of this relationship.

During the late 1970s and early 1980s, there was a notable transition away from traditional industrial business models. SIAR saw this most clearly in the mature sectors, such as the mining industry, for example Grängesbergsbolaget. Instead, there was a pivot towards the services industry, where "*all business was local*"[666] at this point in time. In Sweden, this coincided with a shift in the ownership of Swedish businesses. The emergence of the Wallenberg family meant that a significant majority of Swedish firms were controlled by entrepreneurial ownership rather than managers.[667] Considering how both the services sector and entrepreneurial ownership were associated with less hierarchal structures and a closeness to the market, it could be assumed that this transition would lead to a decline in corporate bureaucracy.

During the late 1980s and the period of the new economy, this was assumed to be happening by Peter Drucker and others.[668] The optimism which Robert J. Gordon sees as surrounding increased productivity because of a growing use of and investments in computers,[669] was believed to bring with it an organisation of business that did not include bureaucratic structures. The results of this thesis suggest otherwise. Even though it is apparent that the emergence of managerial capitalism brought with it an increase in managerial layers and administrative work, it is clear that these structures were modified and renewed rather than dismantled. Managers became less essential to how firms were operated from the highest level of corporate management to day-to-day business operations. Having a big group of managers was also perceived as possibly wasteful rather than as a sign of capability.

In these cases, however, we can nonetheless see how managers were central to how firms were run and controlled. An increase in and the reorganisation of managers was also essential to how management tools were developed and applied. Both Ericsson and Alfa-Laval introduced new businesses into their corporation and their corporate bureaucracy expanded as a result of this. The interplay between

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666 Lind and Rhenman, "The SIAR School of Strategic Management".
667 Glete, *Nätverk i näringslivet*.
668 Drucker, "The Coming of the New Organization".
669 Gordon, "Does the "New Economy" Measure up to the Great Inventions of the Past?"

different areas of businesses needed to be both stimulated and controlled, new systems to measure performance needed to be developed, and the division and staff that sold products and tried to read the markets needed to be reformed. The continued decentralisation of authority to more independent business groups and divisions also required more managerial staff and divisional levels. These managers were needed to develop their own forms of performance measurement as well as being a guarantee for autonomy in relation to the central managerial staff.

Chapter 4, on the occupational structure of administrative work outlines how the share of administrative work in Sweden was relatively low. In Gordon's previous research, this is seen as symptomatic of the Swedish economy and its labour management policies and relations.[670] Gordon's data is critically examined in this thesis. The results question whether it is fruitful to rely on measurements of the administrative share of the labour market. The development of the composition of administrative work shows how managerial work rose at the same time as clerical support work decreased in many industrialised countries. The development was particularly noticeable in the US and UK. There was a pattern of development there which we can refer to as an Anglo-Saxon one. [671]

The observation of a shift in the composition of the administrative workforce differs from what scholars predicted regarding the future of administrative work as continually expanding. Braverman and Beniger saw the office as continually growing, mainly from a perspective of labour management.[672] Much of the clerical work was rationalised but the managerial share of the workforce continued to increase. So too did occupations in Sweden within commercial administration, even the ones of a clerical support type. The increased use of technology to monitor and supervise workers support Braverman's and Beniger's notion that the office as a controlling

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[670] Gordon, *Fat and mean.*

[671] See Figure 1. *Percentages of administrative work in national work force in the U.S.A. and U.K. 1960-1980*

[672] Braverman, *Labor and monopoly capital*; Beniger, *The Control Revolution.*

function would continue to expand. Nonetheless, managerial and administrative work developed in more diversified ways.

The Swedish experience of changes in administrative work is also seen in a new light due to the emphasis on the composition of administrative work. Sweden continued to have a fairly low share of managerial workers and a stable share of clerical workers up until the late 1980s.[673] Sweden's relatively low share of managers, at least from the 1960s to the early 1980s, supports Gordon's findings. In the mid to late 1980s, an increase in management work occurred in Sweden as well as a shift within clerical support work. Table 2, *Administrative employees as a percentage of non-farm employment*, in Chapter 4, shows that administration of a commercial nature increased during the 1990s when other clerical support work had started to be rationalised and automatised. During the 1980s, a boom occurred in the Swedish consultancy industry and the work to reform traditional industrial organisations was in full swing. Together with the case studies of Alfa-Laval and Ericsson, these findings bring a new perspective on existing research on managerial capitalism in Sweden. Glete's and Sjögren's research on the phenomena emphasise whether managers or owners primarily controlled Swedish firms, a perspective used to test the hypothesis of Chandler and Berle and Means.[674] The consensus in the research is that managerial capitalism never achieved a breakthrough in Sweden, because the dominant control over Swedish firms was in the nature of entrepreneurial ownership rather than managerial. In this thesis, we see that even if firms were not fully controlled by managers, they were reliant on them. This reliance on managers persisted, which can be seen in how the share of managers in the Swedish labour market increased. We can also see that Swedish firms needed managers and managerial control in order to adapt to the increased importance of changes in markets. This development might not play into the question of power over firms but matters regarding power within firms.

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[673] See Figure 3. *Percentages of administrative work in national work force in Sweden 1965-2001*

[674] Glete, *Nätverk i näringslivet*; Sjögren, *Den uthålliga kapitalismen*; Chandler, *The Visible Hand*; Berle och Means, *The modern corporation and private property.*

Internal material from Ericsson is presented and examined in Chapter 8. The records exemplify the need for managers, even when firms wished to be more and more decentralised. For example, the corporate function for human resources at Ericsson served as the guardian of corporate values at the firm and established role models for managers at Ericsson among other things. This corporate staff unit had autonomy in how it interpreted these responsibilities, and their work was to support and assist other parts of the firm rather than play a part in how the firm was administratively coordinated in a Chandlerian manner.[675] Still, it was clear that the corporate function was a managerial unit within the corporation and they put great effort into showing how their own assignment was in line with the "*Ericsson missions*" that had been decided at the very top level of the firm.[676]

Managers and a managerial approach to responsibilities spread and increased both in the Swedish labour market and within the Swedish firms examined here. Could that have been done without an increase in bureaucracy? As we have said, Peter Drucker argued in the late1980s that firms in the future would employ dramatically fewer managers. He did not necessarily mean that they would become less bureaucratic. The notion that a smaller number of managers is related to less bureaucracy is also not shared by all actors featured in this thesis. SIAR's point of view, with Eric Rhenman as the chief ideologist, was that the bureaucratic mode of management was connected to a mechanical view of planning in which you did not take into the account how the industry you operated in changed as well how the environment of the industry changed over time. The origins of this position came from his academic roots in organisational studies and more specifically systems theory and the ideas of Philip Selznick.[677] When SIAR advised and consulted firms, this concretely meant that firms ought to be prepared to adapt to the market and strategically move in the direction where their business could flourish.

[675] Chandler and Daems, "Administrative Coordination, Allocation and Monitoring".
[676] *Collection of internal material from Ericsson*, 1996-10-08 (UPM-MHO-043) CfBH/SIAR/F 1bm:92
[677] Carlsson, *Strategier för att tjäna pengar*.

In Adler & Borys notion of controlling by output, the requirement of an adaptiveness to the market appears in how employees are to have the power to modify and change bureaucratic rules to learn to master and use them.[678] In Josserand's network firm, the units closest to the customers are to be autonomous so they can bring in market data and develop products that the market wants or needs.[679] It is assumed in these theories that these new techniques came with a decline in administrative coordination and bureaucratic structures. SIAR's perception of this was rather a continuation of how large firms evolved and their organisational control developed. In the 1980s, they saw the need for Swedish firms to move beyond divisionalisation, which meant becoming more strategic in their choices of how to organise rather than abandon this organisational tradition, for instance, regarding how Alfa-Laval and Ericsson each adopted business group/area organisations. SIAR mentioned how this type of grouping together of businesses was desirable since it pushed those in control of the firm to strategically analyse and decide on which businesses they saw as related to each other.[680] This was an adaptation of divisionalisation to become more centred around the firm's own view of what its business was, which harmonised with SIAR's concept of the business idea: the idea of how and why the firm's business was successful, which the organisation should be formed around.[681]

SIAR viewed this as more fundamental to making firms less stale and bureaucratic than to reducing their reliance on managers or organisational control. Organisational cohesion was therefore viewed and valued differently between firms. In the case of Alfa-Laval, the consultants saw the need for more cohesion and managerial control of the firm. The Alfa-Laval management needed this control to analyse their businesses and determine what they wanted to do with the businesses that existed in their different subsidiaries. Furthermore, they needed the analysis of what their business was in order to establish

678 Adler and Borys, "Two Types of Bureaucracy".
679 Josserand, *The Network Organization.*
680 Edgren, Rhenman, and Skärvad, *Divisionalisering och därefter.*
681 Carlsson, *Strategier för att tjäna pengar.*

cohesion in the firm. At Ericsson, SIAR's involvement came through the execution of a new organisational form which was to expand Ericsson's businesses. The firm needed to make use of the competence that had developed electronic switches for public telephony, whilst also becoming less dependent on the public telephony business. At Ericsson, the culture of the dominant public telephony business became something that the consultants from SIAR saw as a big hinderance to implementing the new organisational form in the day-to-day operations of the firm. Here the cohesion, in a cultural form, became a problem for what SIAR saw as vital to the firm's development.

Overall, this goes against what Freeland and Sivan saw as central in a move away from a hierarchal organisation. They argue that the hierarchal structure always remains in an organisation, even when it tries to move in a non-hierarchal direction. In their analysis, hierarchy is fully intertwined with cohesion and authority. However, they also claim that when firms establish more diverse ways of operating, which are less reliant on central control and authority, the hierarchal authority remains in an almost dormant condition. It reappears in situations where someone is required to speak for the firm or in situations when ownership or management are required to intervene, often in relation to legal situations. Neither of the reformations of Alfa-Laval and Ericsson were aiming for a totally non-hierarchal organisation. Through SIAR, influences on how the reforms were to be made came from the services sector, but they were still industrial firms that were marked by how several different businesses were combined into one common organisation. Nonetheless, organisational cohesion was not seen as something that was necessarily decisive (in a good or bad way) for whether the business group/business area organisation would be successful. In the Alfa-Laval case, cohesion was one of the motivations for the new organisation. But in the Ericsson case, it was instead a problem for it.

SIAR's notion of how to move away from bureaucracy also differed from a Hecksherian sense of post-bureaucracy. When Hecksher defines this concept, he focuses on a shift towards legitimising the organisation on a consensual basis rather than on structure.[682] In SIAR's academic origins there were notions of emancipating firms by making them aware of their business surroundings. There was nothing in SIAR's critique of what was bureaucratic which suggested that they wished for units in the firm to sort out managerial responsibilities and how to categorise or group businesses themselves. Hecksher also stated that assigning accountability away from permanent offices and onto cooperative teams and groups was a feature of post-bureaucracy. This shift was not something that featured in SIAR's critique of bureaucracy. Their implementation of formal rules and the execution of reforms at firms instead suggest that SIAR saw a recurring need for clear structures regarding managerial responsibilities.

Before moving on and discussing how the new forms of bureaucracy evolved, we can emphasise that the bureaucracy that business life – internationally and in Sweden – tried to evolve away from was one of reliance on hierarchy and mechanical planning rather than formal rules and managers. The slow layers of middle management were what was considered bureaucratic by both SIAR and heralds of the new economy. From a business history perspective, the American development of managerial capitalism is used as a standard in the conceptualisation of features connected to this type of bureaucracy. Several of these features, for example divisionalisation and organisational capability, remained when Alfa-Laval and Ericsson reformed to become decentralised with more autonomous business groups. The fact that the divisionalisation of firms had occurred later in Sweden than in the US surely played into this. The American context required more drastic changes due to how the American industrial corporations' leading roles were being challenged by international firms.[683]

[682] Heckscher, "Defining the Post-Bureaucratic Type".
[683] Lazonick, "Innovative Business Models and Varieties of Capitalism" but Gordon, *Fat and mean* strongly challenges whether the reform to make American firms less managerial succeeded.

SIAR's initial assignments at the firm were not intended to specifically revolutionise organisational control. Neither was it the express purpose of the projects that followed at Alfa-Laval and Ericsson, respectively. The optimism surrounding the new economy is helpful in examining the role of organisational control in the changes at these firms. Robert J. Gordon emphasises how the new economy was a burst of enthusiasm after a long period of a lack of real growth in productivity.[684] The mission of both the assignments at Alfa-Laval and Ericsson was to find suitable organisational forms and structures for a business landscape that was undergoing change. The firms were trying to become flexible and adaptable to gain ground in the new markets they saw emerging. They needed more managers and manager-like experts in order to achieve this, especially Ericsson since it needed managerial competence in new areas. Looking back, it seems as if those who heralded the new economy undervalued the importance of managers and organisational control in their efforts to navigate the new business landscape. The desired flexibility and adaptability served a specific strategic purpose for the firms and their corporate managements although he findings in this thesis do not suggest that it was a purpose in itself.

The new link between corporate management and corporate bureaucracy

Corporate management plays a decisive role in the way in which corporate bureaucracy takes shape. In Chandler's research on the growth of the corporation, he finds that both new layers of middle management as well practices of administrative coordination were needed to make sure that the strategies and decisions of corporate management were executed throughout the corporation.[685] In Chapter

684 Gordon, "Does the "New Economy" Measure up to the Great Inventions of the Past?"
685 Chandler, *The Visible Hand* and Chandler, *Strategy and Structure*.

5, we saw that SIAR talked about how the role of corporate management had changed and that they had to accept that more strategies and much more business development occurred independently in the organisational units that ran the business. The projects at Alfa-Laval and Ericsson differed in many ways, but they shared that the decentralisation of authority occurred in the form of groupings of businesses rather than divisions. SIAR thought that the project at Alfa-Laval was much more successful than the one at Ericsson. Alfa-Laval was more oriented towards what the market required than Ericsson. The latter's pioneering position in the telecommunications market came mainly because of their technological expertise.

In both the successful and the problematic projects, there was nonetheless a strong need to establish rules for managerial responsibility. Rules were also needed for how the new groups in the firm were to collaborate. The project at Alfa-Laval was initially focused on managerial philosophy and distinguishing the firm's business idea. Over time, more focus was placed on organisational control and the need for new management tools for profitability measurement. This focus emerged because the tools were needed to realise the new organisational form but also due to competition with other consultancy firms. The advice SIAR gave Alfa-Laval regarding how to implement suggestions and proposals became much more interventionist in the mid-1980s than had been the case in the late 1970s.

At Ericsson, the reorganisation was done to equip the new businesses with managerial staff with the authority to develop products for a future market. The business area was to be a hierarchal unit in itself rather than one that followed the orders of the top management. Corporate management was to be less involved in the daily operations of the business. In reality, corporate bureaucracy and managerial control did not decrease. Ericsson took the advice of SIAR to greatly reform the corporate staff units to create new ways of supervising the corporation. These central managerial units were decisive in executing both the new organisational form and the business philosophy behind it. One of the reasons for this was of course that the corporate staff units were integrated with the public telecommunications business which had been the staple of Ericsson's success. In order to allow for more businesses to grow, the corporate staff units therefore needed to be modified to serve a multi-business structure.[686] Another reason why the corporate staff units were so important was that they were the central organs for Ericsson's administrative coordination. Even in cases where firms were to be made less hierarchical, the organisational units that carried and realised the hierarchy were central for the reform.

At Alfa-Laval, one of the initial problems was that the firm lacked the cohesiveness to carry out strategies across all subsidiaries. SIAR was assigned to help the firm become more united in its structure.[687] Later in the project, Alfa-Laval wanted to transform the firm into a more decentralised and flexible organisation. In this project, a lot of the problems from the 1977–1979 project re-emerged. SIAR stated that Alfa-Laval had never really solved its problem of finding or developing new control systems. A similar conclusion can be drawn as in the Ericsson project. When a firm was restructured into a more decentralised model with greater autonomy, central units that ensured cohesiveness and organisational control were essential. If these units lacked capacity, the newly decentralised and flexible organisation would suffer, even though the move towards a flexible organisation was also a move away from organisational cohesiveness and central control.

At Ericsson, similar to the case at Alfa-Laval, new systems to measure profitability and new systems for reporting were wanted by both the consultants and their clients. The new systems were to function in parallel with the audits that were carried out at business area level. Over time, the role of these corporate staff units did not diminish; they were strengthened in the early 1990s and assigned new tasks. When Ericsson reviewed their corporate staff units in the mid-

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686 *A first attempt to structure the LM Ericsson central staffs problem*, 1982-01-11 (UPM-ER-2116) CfBH/SIAR/F 1be:73

687 *Introductory interview with Harry Faulkner, Executive Vice President Alfa-Laval, November 5 1976*, 1976-11-08 (UPM-ER-1450) CfBH/SIAR/F 1be:56

1990s, there was a common feeling among the managers of these functions that the "*managerial waist*"[688] of the firm had expanded quite heavily. At this point, Ericsson was once again in a re-organisation project to become more flexible and decentralised. The managers came with suggestions to reduce both the total number of corporate functions and to add new ones. A clash existed between the firm being supposed to become both more decentralised and also maintain the bureaucratic capacity needed to ensure fluidity and flexibility.[689] This problem connected to what we said regarding Freeland and Sivan above. The findings suggest that when a hierarchal backbone remains in flexible organisations, it is not just as a type of emergency structure. Freeland's and Sivan's examples of this type of emergency is when someone needs to speak for the firm or intervene in some way.[690] The corporate bureaucracy of the cases we have examined was instead needed perpetually to make sure that the flexible organisation could persist and evolve.

The organisational change also stimulated a corporate bureaucracy that formalised the management at Ericsson. The firm had previously been run much more centrally and informally. Decisions were made at corporate management level, but they were not documented or even made at specific meetings. [691] The reforms SIAR proposed to Ericsson included the establishment of principles of management that stated formal rules for how collaborations between the business areas were to occur. The principles established which business area had the responsibility for which business operation and the types of internal contracts that were to be written for the business areas to collaborate.[692]

From SIAR's book on divisionalisation, we can discern that this was part of what they saw as a new role for corporate management.

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688 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92
689 Ericsson annual report 1997
690 Freeland and Zuckerman Sivan, "The Problems and Promise of Hierarchy".
691 Dahlgren and Witt, *Ledning av fusionsförlopp*.
692 *Manifest on Ericsson Collaborative Culture (2nd* Draft), 1984-08-27 (UPM-TB-1151) CfBH/SIAR/F 1bt:25

It was not possible for central management to serve any specific function for the day-to-day operations of the corporation. It was not their role to develop strategies which they then ordered lower layers of management to execute. This was done at other levels of the firm. Corporate management was to manage the influence of different businesses at the firm.[693] To do that, they were required to set up new principles and rules and continue to collect and control information.

Alfa-Laval and Ericsson both operated more under what Adler and Borys saw as an enabling rather than coercive bureaucracy. The business areas were given the authority to develop organisational control in accordance with their own strategy. At the same time, the measurement of profitability, and reports and audits were designed to provide the corporate management with information about how the different business areas were performing. In conclusion, the implementation of this form of enabling bureaucracy or control by output led to the creation of two parallel systems of organisational control: one which occurred within the business areas and one which occurred between each business area and the corporate level. Corporate bureaucracy of this kind was less essential in how the firm was run but it still expanded.

The new corporate management also recognised needs for change in the corporate culture at Alfa-Laval, but particularly at Ericsson. The early 1980s saw a rise in focus on culture as a managerial theme. When culture emerged as a theme in the SIAR project that we examined, it was notable that new administrative structures played a vital role in succeeding with changing the cultures at the firms. At Ericsson, SIAR's first mentions of culture pointed out that the internal culture was peculiar. Over time the mentions became more and more directed towards the culture needing to change and that the firm needed fewer managers with an engineering background and more managers with a business education. The need for new tools went hand-in-hand with the need to make the existing managers more business-minded. From the point of view of managerial discourse,

[693] Edgren, Rhenman, and Skärvad, *Divisionalisering och därefter.*

Barley and Kunda find that the new managerial scholars of the 1980s criticised the dominant discourse of systems rationalisation. The argument was that the emphasis on rational systems of control meant that firms were lacking in social integration, quality, and flexibility.[694] Corporate culture has not been a major focus of this thesis, but the findings that a new form of corporate bureaucracy emerged also suggest that the transformation of culture needed new systems of control rather than the fewer systems of control.

In the 1990s, these seeds of corporate bureaucracy had come into full bloom at Ericsson. The complexities of managing how to finance joint projects were one of the topics discussed at the workshop for the Corporate Functions managers.[695] a type of project that had not existed in a strict hierarchal organisation but was required in a firm where business areas were autonomous and needed to have management tools to collaborate in structured manner. The new management tools that have been identified in this expanding corporate bureaucracy are also representative of the new role of corporate management. The need for tools for profitability measurement are repeatedly mentioned at both Ericsson and Alfa-Laval. Market planning tools were also mentioned at Ericsson but did not materialise during SIAR's time at the firm.

The head consultant from, Gunnar Winqvist, SIAR felt that the Alfa-Laval project was successful, and that the Ericsson project was fraught with problems.[696] In the long run however, it can be said that the re-organisations that both Alfa-Laval and Ericsson performed were successful. Alfa-Laval was split up and sold during the 1990s, and in this sale their international network was viewed as highly valuable. This indicates that the organisational form succeeded in connecting developing industrial businesses, such as food processing and thermal industries, with the markets that the corporation was already aligned with. Ericsson was deemed successful in that they managed to develop

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694 Barley and Kunda, "Design and Devotion".

695 *Material for internal meeting, preliminary version*, 1997-01-19 (UPM-MHO-043) CfBH/SIAR/F 1bm:92

696 Interview with Gunnar Winqvist

new forms of technology and advance their business areas towards profitability within radio systems and mobile telephony. It is highly unlikely that these successes could have come without the changes that both firms underwent in the 1970s and 1980s.

It is also probable that the corporate bureaucracy at these firms would have grown even more, and been less efficient, if they had not adopted this type of business group/business area setup. In this sense, the development of corporate bureaucracy is likely to have been one that was more efficient than the hierarchal form of corporate bureaucracy. These firms were already technologically advanced and the businesses they operated were complex. It is hard to see how it would have been possible to use their existing technological knowledge to develop new forms of business and manage these in one coherent organisation without an expansion of corporate management and corporate bureaucracy.

This reasoning leads us to a concise answer to the research question concerning how corporate bureaucracy evolved. It expanded, but more in the form of formalisation then an increase in or persistence of hierarchy. Rather than serving as part of a firm's administrative capacity, the bureaucracy also became more complex. It was needed to ensure that central management could balance businesses within the firm and make sure that they were autonomous and controlled, and that they collaborated to the right degree. In parallel with this, an ideological approach to bureaucracy emerged that was critical of the phenomenon, as well as hopeful regarding the possibilities of disposing of layers of bureaucracy. The findings in the case studies of this thesis, and specifically Ericsson, suggest that this ideology made firms more willing to emphasise their flexibility and ambition to decrease the number of managerial layers and managers. In reality however, both corporate management and corporate bureaucracy expanded, and this was a prerequisite for the firms to become more flexible and decentralised.

The theme of managerial expansion links back to Gordon's research from 1996 and the question of how administrative work developed on a quantitative level. The findings in this thesis on that harmonise with the findings on how corporate bureaucracy developed. There was a shift in how managerial occupations increased, in parallel with clerical work decreasing. In that sense, this research follows up on Gordon's research and expands on it in different ways, one being the addition of the perspective of occupational composition to his measurements of the administrative share of the labour market. Another aspect of Gordon's research was whether it would be possible to rationalise the administrative layers of a firm or organisation. Gordon argued that it was managers and administrative staff that executed cutbacks and downsizing.[697] This claim leads us to the next step in this conclusion, which is to discuss the role of the consultants and the relationship between client and consultant.

The role of the consultants

The results from this thesis contribute to the literature on management consulting in Sweden, how management knowledge is transferred, and on the client–consultant relationship. In popular academic literature, there is a tendency to focus on how consultants operate behind the scenes and are in a position to influence clients in ways they are not themselves aware of. This thesis has looked more under the hood than behind the scenes and found that consultants were vital in bringing management knowledge to firms. We can also see that the knowledge they provided changed through the interaction with their clients and the changes in the conditions of the consultancy market.

It is apparent that SIAR's background as an academic research institute had a lasting influence on how they operated as consultants, right up to the end of their existence. They held strong managerial values and saw themselves as creators of a school of strategic management which they intended to have an international influence

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[697] Gordon, *Fat and mean*.

on management.[698] Their ideals concerned how to make firms aware of their business environment and that the industry they operated in was constantly changing. Changing firms in this manner was something SIAR saw as an emancipatory mission that they favoured ahead of providing fixed solutions or recommending best practice. In both the cases of Alfa-Laval and Ericsson, this quality was something that their clients desired. SIAR were seen as capable of understanding businesses undergoing big changes and operating in complex organisational settings.

The consultants faced different challenges in these projects. Both of the projects concerned assisting in strategically regrouping the businesses in the firms. In the Alfa-Laval case, SIAR felt that the prerequisites were positive for them. In the Ericsson case, the situation was more problematic, much because SIAR entered the project at a later stage and came to serve as missionaries of a re-organisation project that they had not themselves been involved in developing. We have already stated that even though the projects had decisive differences, both led to an expansion of corporate bureaucracy. Regarding the client–consultant relationship, both projects also eventually led SIAR to become more direct and intervening in their review and critique of their clients.

At Alfa-Laval, SIAR started out by providing rather abstract and theoretical advice. Their role in the reorganisation was concrete and hands-on in the sense that they played a vital role in planning what the new organisation at Alfa-Laval was to look like. When it came to the implementation of that organisation, SIAR consciously left that in the hands of the managers and management of Alfa-Laval. The fact that SIAR lost the assignment at Alfa-Laval could have been a factor in this but much in their approach to Alfa-Laval harmonised with their academic and theoretical origins. In their academic publications, they had frequently favoured supplying a diagnosis of their clients, in contrast to ready-made treatments in the form of best practice and concrete management tools.

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698 Carlsson, *Strategier för att tjäna pengar.*

Sahlin-Andersson and Engwall note how interaction between different carriers of management knowledge has been part of how management knowledge becomes more standardised and formalised. The circulation of management knowledge can explain both how knowledge moves along structured and well-worn pathways, as well as how some ideas are more easily transferred within networks and therefore accepted as best practice. The results from this thesis support that notion from Sahlin-Andersson but also adds to it that the formation of the consultancy market also required the consultancy firms, as providers of management knowledge, to concretise and standardise their knowledge.[699] In Chapter 5 on SIAR's knowledge products, we could see how their advances in management competence became more and more tool-oriented and that they also put much effort into adapting their theoretical framework to developments in management thought.[700] During this time, the Swedish consultancy market was experiencing a boom, which favoured Swedish consultancy firms. We can see how firms such as SIAR needed to absorb new management concepts and competence to become competitive in that market. In the 1990s, the situation for Swedish consultancy firms got tougher due to increased competition from international consultancy firms. At the meetings where SIAR discussed why and how to merge with Bossard, they also talked about how several of their previous competitors were struggling. It was stated that firms needed to become more specialised in a core aspect of consulting rather than expanding to new fields and concepts.[701] These details about the Swedish consultancy market contribute to the literature on the establishment and development of consultancy in Sweden. The influx of American consultancy firms has previously been researched[702] as well as how certain managerial concepts came to find

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699 Sahlin-Andersson and Engwall, *The expansion of management knowledge*.
700 *SIAR presentation*, 1985-06-03,(UPM-PEC-277) CfBH/SIAR/F 1bp:98
701 *Protokoll från möte i Styrelse för Stiftelsen Företagsadministrativ Forskning den 28 januari 1991*CfBH/SIAR/F 1A
702 See Engwall, Furusten, and Wallerstedt, "The Changing Relationship between Management Consulting and Academia: Evidence from Sweden".

their way into Swedish consultancy firms. However, the effect of the changing consultancy business on the management knowledge that consultancy firms provided has not been researched to this degree previously. Neither has what impact this effect had on the Swedish firms that hired consultants from SIAR.

In the relationship between Alfa-Laval and SIAR, increased interaction also led the consultants to become more interventionist in their attitude towards their clients. The advice that the consultants provided come more in the form of management tools once the consultants wanted to become more involved in what details needed to be changed and how suggestions were to be implemented. Changes in the relationship occurred through consultants trying to make themselves more integral to the client. In both the examples of Alfa-Laval and Ericsson we see how SIAR became increasingly more direct in what they advised their clients, through implying problems with specific units, managers, and tendencies at the firm. This directness also made the consultants aware of what competence was lacking at the firms and played into how they hoped the firms would reform their marketing and sales units.

Over time, SIAR became much more actively concerned with what type of control systems were lacking, such as profitability measurement systems. These were tools that the consultants repeatedly expressed a need for, but which they also could not develop themselves.[703] The fact that the consultants got more and more involved in the daily operations of the firms, becoming more and more interventionist in their approach to what went on at the firm also brought them close to the management tools associated with organisational control and corporate bureaucracy. The projects at Alfa-Laval and Ericsson did not, however, include any indication that this changed the consultants or SIAR's approach to corporate bureaucracy. They still maintained a critical approach to bureaucracy. An example of this can be found in the text on the SIAR School of Strategic Management where authors Lind and Rhenman emphasised the need

703 Interview with Gunnar Winqvist

for a flexible rather than mechanical approach to business.[704] The same argument is found in the texts on bureaucracy in the book *SIAR – Strategier för att tjäna pengar*.[705]

We can find further results in how consultants and managers interacted in the cases of Alfa-Laval and Ericsson. Armbrüster and Kipping discuss this as a factor in how well management knowledge can be transferred from carrier to receiver,[706] Werr and Styrhe describe it as how the distribution of power in the client–consultant relationship has been perceived in different traditions of thought.[707] The results of this thesis add the perspective of how the consultants were specifically critical of managers at the firm with the wrong competence and how the concepts of culture and organisational control were used to address this. At Alfa-Laval, the consultants from SIAR were repeatedly critical of the fact that the staff working at the market companies lacked a basic knowledge of sales and customers. The consultants wanted to establish training courses and standardisation of concepts in order to improve the knowledge of market personnel which included managers. It frustrated the consultants that the staff they saw as more and more important in Alfa-Laval lacked the same understanding, and possibly education, as they themselves had.

It was even more apparent in the Ericsson case that the consultants from SIAR were frustrated with the lack of managers educated in business administration. There are several accounts of the managers at Ericsson being mainly engineers who had been schooled at the same educational institutions and experienced similar careers in the firm. When the SIAR consultants became increasingly frustrated with the continued dominance of the public telecommunications business at Ericsson, they called for more external managers with experience from other types of firms. SIAR was a management

704 Lind and Rhenman, "The SIAR School of Strategic Management".
705 Carlsson, *Strategier för att tjäna pengar*.
706 Armbrüster and Kipping, "Types of Knowledge and the Client-Consultant Interaction".
707 Werr and Styhre, "Management Consultants - Friend or Foe?"

consultancy firm that had started out as a research institute at the Stockholm School of Economics. We can assume that many of the consultants had studied at business schools and that any of the personal connections which SIAR's consultants had were with people they had studied with. A vital aspect of the consultant–client relationship between both SIAR and Alfa-Laval and SIAR and Ericsson was the consultants' desire to have more people at the firms with the same culture and attitude to business as they had.

In the cases we have researched here, the difference in educational and cultural background between the consultants and client was of importance. This factor mattered more than that the consultants came from the outside and therefore had a different interest in the firm than the internal managers. In the perception of hierarchal firms, the middle managers are seen as important since they make sure that orders from above are executed and that instructions are followed. Middle managers had an essential role in these types of firms, with stable career paths and status as the social fabric of the organisation.[708] Management consultants acted as competitors to middle managers in that sense, specifically, by having an external position that enables them to help ownership and top management make and execute uncomfortable decisions at the firm.

The examples of SIAR's attitude towards the marketing staff at Alfa-Laval and the engineer managers at Ericsson can be seen as supportive of this. Unfortunately, we know little of how the reforms persisted at Alfa-Laval. We do know that internal management continued to expand at Ericsson, albeit in another form than middle management. Nothing in the material documenting Ericsson in the 1990s suggests that management consultants were seen as competitors to managers or having the status of being the social fabric of the firm. We can say however that it seems that Ericsson's Corporate Human Resources function took on the role of serving as the social fabric of Ericsson in their role as *Guardians of Corporate Values*. We do not know too much about how this role developed but the findings suggest that

[708] Osterman, *The truth about middle managers*.

it continued to exist within the firms rather than through a service from a consultancy firm.

Finally, this thesis shows how SIAR played an important role as management consultants in Swedish business life during the decades of the 1970s and 1980s. The consultancy firm had important assignments at big firms in Sweden and had significant interactions with important business leaders. Their ties to academia allowed several of their alumni to write and publish books on topics such as the business idea, divisionalisation and entrepreneurial ownership. It has not been possible to study in this thesis the degree to which these impacted business education in Sweden but is a possible future topic for research regarding the role of SIAR in Swedish business history.

Market- and customer orientation

The final part of this concluding discussion, and the thesis in general, concerns the ambition from both SIAR and the firms they worked with to become more market-oriented in various ways. The theme of market orientation has not been a primary focus of this thesis but recurs in the form of vital context for the development of corporate bureaucracy. Because of that, a need has emerged to discuss the meaning of the concept of market orientation, in light of these results on how corporate bureaucracy has developed. The decades following the 1970s has been distinguished as a period marked by the increased importance of the market and the growth of markets.

An example of the growing importance of markets can be found in the increased focus on the concept of market orientation during the 1980s and 1990s. In the discussion on how SIAR perceived Alfa-Laval to be market-oriented in Chapter 6, we talked about the framework on market orientation from scholars Kohli and Jaworski. Their framework was produced in the 1980s, a period of growing interest in the market. A result of their work was a definition of market orientation which said there was market intelligence, or knowledge of markets, and responsiveness to markets across departments of the firm.[709] In this thesis, the results show that much administrative reform and management modification went into making firms market oriented. It required managerial expansion and changes in corporate bureaucracy to provide separate businesses within the firm with the capacity to focus on the needs of specific markets or to develop products for future markets.

In their book on how the 1970s, 1980s and 1990s was the *era of the market* in Sweden, Andersson, Glover, Husz and Larsson Heidenblad state that markets did not emerge through an invisible hand but rather were arranged and planned in different ways. The market as an ideal for operating organisations was also not neutral but politically defined and interpreted.[710] Kunda and Ailon-Sunday describe the managerial ideology which use the market as the ideal model which should guide managerial practices as market rationalism.[711] We referred to it in the introduction as a type of ideologic counterpart to Josserands example of the network firm.

The results on market orientation from this book can add to that notion that managing firms to become better aligned to the market was not necessarily something which favoured the marketing staff at the firms. SIAR's attitude harmonised with the new economy ideology of the 1990s, that an orientation to their markets would make firms more directly connected to the market environment they operated in.[712] SIAR believed they helped to emancipate firms through making them organised around their business idea, but in relation to those who worked with market responsibilities this came with increased formalisation, administration and higher demands on professionalisation. The managerial effort it took to become market-oriented is contrasting to how service sector-inspired market-orientation was to bring with it high adaptability, flexibility and a decreased need of management. We have used Chiapellos schema to distinguish the management tools and structure them to describe the

709 Kohli and Jaworski, "Market Orientation".
710 Andersson m.fl., *Marknadens tid*.
711 Kunda and Ailon-Souday, *Managers, Markets, and Ideologies*.
712 Lind and Rhenman, "The SIAR School of Strategic Management".

tools from a functional, structural and processual perspective.[713] In this structuring, it has been clear that the new tools desired and developed for supervising sales and markets had a function to bring better control to management regarding market activity. From a processual perspective, the tools which existed within these field had a traditional connection to accounting.

At Alfa-Laval, specific bureaucratic changes were done to market divisions and the manner in which marketing was done. That firm was already considered market-oriented when SIAR started the assignment there but over time the consultants from SIAR became more and more critical of the market competence at the subsidiaries that performed the sales, distribution and marketing in relation to different national markets. These market companies, as they were called, faced heavy criticism from SIAR in the mid-1980s because they were believed to lack basic competence concerning customers. There was a need to not just re-educate the staff but also to standardise the concepts and practices used at these subsidiaries as well as introduce market planning and profitability measurement systems to gain better control over marketing. We have pointed out the need for these new systems previously but mainly in light of how corporate bureaucracy was reformed. Through the lens of market orientation, we can see that this is an example of how marketing needed to become standardised and bureaucratised during this period. Previously these firms had served the role of salesmen for the products that the engineers at Alfa-Laval had developed. The salesmen were not particularly suited for a new role of having knowledge of and being responsive to markets in a strategic manner.

When following Ericsson's organisation and corporate bureaucracy into the 1990s, it is also notable that this effort was not just something which appeared in the assignment to reorganise the firm but that the focus on the market required Ericsson to repeatedly redirect market attention as well as shift how they organised the firm in relation to the market. The most apparent example of this came

713 Chiapello and Gilbert, *Management Tools*.

when Ericsson, in the mid-1990s, discussed once again setting up their marketing organisation to target different geographical regions. SIAR consultants then mentioned that Ericsson might need to return to a similar approach to marketing as in the 1970s, specifically, that Ericsson managers were going to attend cocktail parties again.[714] That was a reference to how marketing had been done at the public telecommunications business which had been so dominant at Ericsson prior to the 1980s. Much work had been put into making the corporate staff for marketing less associated with the public telecommunications business and more of a marketing staff for the multi-business corporation.

As a concept, the market also played an ideological role during the period. In the cases we have studied here, ideological explanations to why organisational control and corporate bureaucracy needed to be less hierarchical served more as a contextual than a direct factor. How the firms were to become more oriented towards markets was connected to how markets were believed to develop in the future and that firms needed to be prepared for coming changes. Later, Peter Drucker and Market rationalists had belief that the new economy was to give smaller and more adaptive firm an advantage over bigger ones.[715] The cases of Alfa-Laval and Ericsson can exemplify the problems of bigger firms in adapting their corporate bureaucracy in order to detect and understand how ongoing changes in the market would affect the success of their products. Possibly, the ideological belief that smaller firms would find it easier to compete on changing markets emerged out bigger firms' burdensome efforts to develop management tools which would help them be more flexible on the market. rather than the success of smaller firms.

This thesis has in different ways wrangled with the perception of the new economy and how it would bring with it less management and bureaucracy and more flexibility and autonomy. The enthusiasm

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[714] *Transnational Organization*, 1996-10-02 (UPM-MHO-009) CfBH/SIAR/F 1bm:91

[715] Kunda and Ailon-Souday, *Managers, Markets, and Ideologies*.

for how computers technology would increase productivity was clearly tied to how the ideal for firms became to be more flexible, decentralised and adaptable to the market. The final remark in this thesis is that it is not a given that markets would actually favour smaller firms. The cases show that firms needed corporate bureaucracy in order to make the firms decentralised in a strategic manner. The following development in the economy after the 2000s indicate that to be true. Growing in firm size once again became a sign of success. Organisational capability and strong administrative structure remained crucial, even with the advent of new technologies and new managerial ideologies.

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Svensk sammanfattning

Den här avhandlingen i ekonomisk historia undersöker och analyserar hur svenska industriföretag förändrade och utvecklade sin företagsbyråkrati och kontroll över organisationer för att bli mindre hierarkiska och mer flexibla och marknadsorienterade mellan åren 1970 och 2000. Undersökningen tar sin utgångspunkt i hur företag under 1900-talet expanderade i sin organisation och hur administrativt arbete växte, både i form av ledning- och kontorsarbete. I en internationell kontext har det här benämnts som *ledningskapitalism* (managerial capitalism) även om näringslivshistorisk forskning ifrågasatt huruvida denna på riktigt slog igenom i Sverige.

Avhandlingen undersöker hur administrativt arbete utvecklades i Sverige under tidsperioden 1970 till 2000, samt hur företagsledarkompetens materialiserades i verktyg för företagsledning när landets konsultbransch växte. Undersökning börjar med utvecklingen av administrativt arbete i Sverige genom att granska tidigare forskningsresultat om att Sverige skulle haft en lägre andel administrativt arbete än andra länder. Vidare sammanställs statistiska uppgifter från Folk- och Bostadsräkningen som visar att trots att det andelen administrativt arbetet inte ökade i sig under tidsperioden så skedde en förändring i yrkeskompositionen inom det administrative arbetet. Andelen kontorsarbete minskade medan andelen ledningsarbete ökade. Den här utvecklingen följde ett mönster som går att observera i både USA och England. Kategoriserandet av olika former av arbete i produktiv respektive administrativt arbete blir dock svårare att göra från slutet av 1980-talet och framåt. Standarder för kategoriseringar av arbete förändrades, vilket kräver att yrkesstatistik behöver kategoriseras enligt äldre standarder för att följa upp utvecklingen från 1970- och första halvan av 1980-talet.

De här resultaten följs upp av fallstudier av uppdrag som konsultfirman SIAR (the Swedish Institute of Administrative

Research) utförde på två svenska industriföretag, Alfa-Laval och Ericsson. SIAR var ett tidigt svenskt managementkonsultbolag som initialt bildades som ett forskningsinstitut på Handelshögskolan i Stockholm. SIAR var teoretiskt drivna och förespråkade att industrifirmor skulle förändras och bli mindre hierarkiskt organiserad samt vara mindre centrerade kring långtidsplanering. I stället borde industriföretagen reformeras kring sin affärsidé, för att bli mer decentraliserade. Företag råddes också att förstå sin omgivning och anpassa sig mer till marknaden samt att efterlikna serviceföretags inställning att anpassa sin affärsverksamhet till kundernas behov.

Dessa idéer konkretiserades på Alfa-Laval och Ericsson, som båda genomförde omfattande organisationsförändringar i slutet av 1970-talet. Alfa-Laval ville bli mer sammanhängande som företag få bättre insyn i sina dotterbolags lönsamhet samt få bättre möjligheter att strategiskt styra sin produktion mot marknader som väntades bli lönsamma i framtiden. Ericsson behövde en ny organisation för att bli mindre beroende av sin försäljning av telefonväxelsystem, en affärsverksamhet som framför allt riktades mot statliga telefonimonopol. Genom ny digital teknik ville Ericsson utveckla affärsverksamhet som skulle automatisera kontorsarbete och stimulera utveckling och kompetens inom digital teknik.

SIAR bistod företagen att utvecklande och inrätta sig i nya organisationsformer samt att anpassa och konfigurera sin organisatoriska kontroll och företagsbyråkrati. Både Alfa-Laval och Ericsson införde affärsområdesorganisationer där affärsverksamheten delades upp i grupper som skulle ha mer autonomi och självbestämmande. Dessa grupper skulle vara mindre kontrollerade uppifrån, de skulle ha större eget inflytande över affärsverksamhetens strategiska inriktning samt få utveckla egna verktyg för att mäta sin lönsamhet. Båda företagen lyckades med sina ansatser att bli mindre hierarkiska och flytta mer operativ och strategisk kontroll till affärsområden Dock visar resultaten att ledningskontrollen i stort inte minskade. Både standardisering och så kallade administrativ koordinering ökade när specifika affärsområden och organisatoriska enheter skulle bli mer marknadsorienterade.

Trots att hierarkisk kontroll minskade så krävdes fortfarande centrala administrativa strukturer. Det behövdes fortfarande en överblick över hur affärsområden presterade och i de fall där affärsområden skulle samarbeta med varandra så behövde regler för hur sådant samarbete skulle fungera upprättas. När kontroll över företaget decentraliserades och resultatet av den typ av reformer blev en dubblering av kontrollstrukturer. Organisationerna blev mindre hierarkiska men fick en ökad mängd formalisering. Det här var särskilt tydligt hos Ericsson där det tidigare saknades tydliga formella strukturer för beslutsfattande. SIAR återvändes till Ericsson under 1990-talet, när försäljningen av mobiltelefoni ersatt telefonväxelsystem som viktigaste affärsverksamhet. Då går det se att tendenserna till formalisering fortgått och att den centrala ledningen fortsatt öka i storlek. De centrala ledningsfunktionerna beklagar sig vid denna tid över att ledningsfunktionerna är för många, och att en gemensam modell införs för hur de ska hålla ihop. Hos Alfa-Laval går dock också att observera att försäljningsenheterna som jobbade närmast marknaden ansågs undermåliga för den nya organisationen. De fick hårdare krav på sig att bevaka marknaden och samla in uppgifter om hur den förändrades. Kunskap för att utföra den sortens uppgifter ansågs saknas och företagsledning och konsultbolag föreslog att den verksamheten genomgick ökad standardisering och formalisering.

Avhandling visar hur företagsbyråkrati växte även när företags blev mindre hierarkiska. Nya typer av företagsbyråkrati krävdes för att stötta nya uppgifter för den centrala ledningen. Företagsbyråkratin växte, men mer genom formalisering än genom förstärkandet av hierarkiska strukturer.

Appendix

Appendix A – ISCO Classification Systems

ISCO-68 classification system

number	Major group	Notes
0/1	Professional, Technical and Related Workers	Architects, engineers, medical workers, teachers, lawyers etc
2	Administrative and Managerial Workers	Legislative officials, General manager, Production managers etc
3	Clerical and Related Workers	Stenographers, Bookkeepers, Computing Machine Operators, Stock clerks, Receptionists etc
4	Sales Workers	Sales supervisors, Insurance, Real Estate, Securities and Business Services Salesmen
5	Service Workers	
6	Agricultural, Animal Husbandry and Forestry Workers, Fishermen and Hunter	
7/8/9	Production and Related Workers, Transport Equipment Operators and Labourers	Production Supervisors and General Foremen included
x	Workers Not Classifiable by Occupation	
y	Members of the Armed Forces	

Source:
https://www.ilo.org/public/english/bureau/stat/isco/isco68/major.htm

ISCO-88 classification system

number	Major group	Notes
1	Legislators, senior officials and managers	Corporate managers, Specialist managers, Managers of small enterprises etc
2	Professionals	Computing professionals, Architects, Engineers, Business administration professionals etc
3	Technicians and associate professionals	Computer associate professionals, Finance and sales associate professionals, Administrative associate professionals, Administrative associate professionals etc
4	Clerks	Secretaries and keyboard-operating clerks, Numerical clerks, Customer services clerks etc
5	Service workers and shop and market sales workers	
6	Skilled agricultural and fishery workers	
7	Craft and related trades workers	
8	Plant and machine operators and assemblers	
9	Elementary occupations	
0	Armed forces	

Source:
https://www.ilo.org/public/english/bureau/stat/isco/isco88/publ3.htm

MEDDELANDEN FRÅN EKONOMISK HISTORISKA INSTITUTIONEN VID GÖTEBORGS UNIVERSITET (1-73) MEDDELANDEN FRÅN EKONOMISK HISTORISKA INSTITUTIONEN, HANDELSHÖGSKOLAN VID GÖTEBORGS UNIVERSITET (74-100)

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3. Rolf Adamson: Den svenska järnhanteringens finansieringsförhållanden. Förlagsinteckningar 1800-1884. 1963.
4. Rolf Adamson: De svenska järnbrukens storleksutveckling och avsättningsinriktning 1796-1860.1963.
5. Martin Fritz: Gustaf Emil Broms och Norrbottens järnmalm. En studie i finansieringsproblematiken under exploateringstiden 1891-1903. 1965.
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