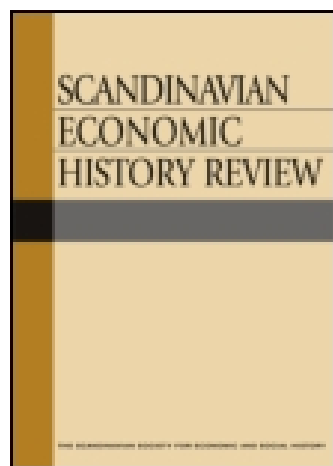


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The Professionalisation of Management in Finland:

The Case of the Manufacturing Sector, 1900–1975¹

ABSTRACT

In this article the professionalisation of top management in Finnish large-scale manufacturing firms provides the focus of attention. The aim is to investigate what characterised the professionalisation process. Besides the shift from owners to salaried managers, it is evident that management became a full-time job, that a more professional attitude among managers emerged and that the division of labour in top management became clearer. The study also shows that professionalisation led to remarkable changes in the managerial profile, that is in the educational and career backgrounds of managers. It is observable that the professionalisation process was closely related to Finnish industrial development, particularly the emergence of the large-scale bureaucratic firm, but also to more general social changes. Finally, such Finnish developments are put into a broader international perspective, the Finnish managerial profile showing some interesting features. For instance, the high level of formal education of the Finnish business élite at an early stage of industrialisation is striking.

Introduction

Industrialisation, technological development and the emergence of large firms affected management in many ways. One prominent feature of the twentieth century has been the professionalisation of management, itself a complex concept and often somewhat vaguely used. The most common meaning of the concept is that management and ownership are separated. The professionalisation of management, however, also includes a competence aspect and a certain attitude towards the managerial task. Managing large firms required new skills and a stronger commitment to the job.² According to Alfred D. Chandler Jr. the professionalisation of management brought with it a "managerial revolution". Old *ad hoc*-based systems of management were replaced by more systematic management. However, already in the 1920s, Adolf C. Berle and C. Gardiner Means observed negative

1 I wish to thank two anonymous referees for useful comments on an earlier draft.

2 For instance, the "unprofessionalism" of British management has been seen to stem from shortcomings both in management education and in the 'enterprise culture'.

effects from the dispersion of ownership and the professionalisation process, as there was a shift in power from owners to professional managers. These salaried managers lacking ownership in the firm could have other goals than the owners.³ It has also to be noted that owner managers could be extremely competent with profound management training, while salaried managers could lack formal training and have an 'unprofessional' attitude towards their task.

The professionalisation of management, particularly in the United States, was already well evident by the inter-war period. In the 1950s Mabel Newcomer pointed out that the professionalisation process had been marked by five characteristics:⁴

- Wealth and family position had declined in importance in the route to the top;
- The amount of formal education had increased;
- Increasingly long years of experience were required before a person was entrusted with top positions;
- Managers became completely absorbed in their work;
- A professional code of ethics among managers emerged.

Furthermore, it has also been pointed out that the professionalisation of management led to, for instance, clearer career routes into top management and increasing outside succession. The rise in managers' level of education and the development towards some form of 'general managerial skills', made managers more mobile between firms, at least at early stages in their careers.⁵

This development gradually raised the question whether 'management' can be regarded as a profession, in the same way as a traditional 'liberal profession'. Although such thoughts have appeared from time to time – particularly in business education – there is a widespread agreement that the professionalisation of management does not mean that management became a profession, to which a certain type of education is required or that managers can be seen as forming a professional group. In particular, aims to monopolise management through educational credentials are bound to fail. The idea of a developing a general management education capable of generating a general managerial competence suitable for any firm, irrespective of size, branch or nation has been rejected. Managerial competence is highly organisation-dependent.⁶ Michael Reed and Peter Anthony

3 Chandler, Alfred D. Jr., *The Visible Hand: The Managerial Revolution in American Business*. Cambridge (MA): Belknap 1980; Berle, Adolf C. & Means, Gardiner C., *The Modern Corporation and Private Property*. New York: Macmillan 1932, book I, chapter V.

4 Newcomer, Mabel, The Professionalisation of Management, *Business History Review*, vol. 22, 1955:1, 54–63. Even though managers do not form a professional group in the strict sense, there are clearly some parallels between Newcomer's criteria and the criteria of a classical liberal profession. Beside the role of formal education and qualification systems, a profession is marked by a full time occupation and a particular code of ethics. The 'professional code of ethics' of managers was, according to Newcomer, for instance, a high degree of commitment to the firm, but professionalisation has also been seen to require a high profit-orientation. See Whitley, R. & Thomas, A. & Marceau, J., *Masters of Business? Business Schools and Business Graduates in Britain and France*. London: Tavistock Publications 1981, 25.

5 According to Joseph Raelin, the choice of CEO is, however, more a question of finding the best fit between a prospective CEO and the organisation in question, than of finding the very best "professional" executive. Raelin, Joseph A., Executive Professionalisation and Executive Selection, *Human Resource Planning*, vol. 20, 1997:2, 16–27.

6 See, for instance, Reed, M. & Anthony, P., Professionalizing Management and Managing Professionalization: British Management in the 1980s, *Journal of Management Studies*, vol. 29, 1992:5, 591–613; Whitley, Richard, On the Nature of Managerial Tasks and Skills: Their Distinguishing

see, however, managers as a prototype of what has been characterised as an 'organizational profession'. Managers do have an expert knowledge base that can provide some resistance towards intrusion from competitor groups, although the control is much more limited than for a liberal profession.⁷ Moreover, the professionalisation of management took place simultaneously with a general professionalisation of the whole society and the emergence of certain key professions, which clearly strengthened the professionalisation drive among the managerial class.

The rapid industrialisation and transformation of Finnish business life over the twentieth century, particularly the emergence of bureaucratic, hierarchical, large-scale firms, led to the professionalisation of Finnish management. This article aims to study the professionalisation of top management in Finnish manufacturing firms, following, basically, the developments outlined by Chandler and Newcomer. Furthermore, we will study how this process was reflected in the managerial profile. We will look at the shift from owner managers to salaried managers, the change in managers' educational and career backgrounds, and the growing importance of competence and experience in the recruitment process. We will also investigate whether a new, more 'professional' attitude to the managerial task can be observed.

The outline of the paper is as follows. We start in Section 2 with a short presentation of the data material forming the base for this empirical study, while Section 3 deals with the empirical results. Section 3.1. studies the shift from owner managers to salaried managers, while Section 3.2 provides a brief investigation of the changes in the social background of top industrial managers following the professionalisation process, and Sections 3.3. and 3.4. deal with how the professionalisation process was mirrored in the educational and career backgrounds of the managers. In Section 4 some conclusions based on the empirical results are drawn. The Finnish path of development is discussed with regard to Finnish industrial and social development and is also put in an international perspective, the Finnish case showing some interesting features.

Data material

The data material used in this investigation consists of a sample of 324 managers in 66 large-scale Finnish manufacturing firms during the period 1900–1975. The firms were primarily selected according to Riitta Hjerppe's classification of the largest firms in the Finnish manufacturing sector during this period.⁸ The sample of

Characteristics and Organization, *Journal of Management Studies*, vol. 26, 1989:3, 209–223. Furthermore, as Andrew Abbot has pointed out, the problem with management science is the 'tenuous connection between the various abstractions applied to the area and the actual work of the manager'. Abbott, Andrew, *The System of Professions: An Essay on the Division of Expert Labor*. Chicago: University of Chicago Press 1988, 103.

7 Reed & Anthony, *Professionalizing Management*.

8 Hjerppe, Riitta, *Suurimmat yritykset Suomen teollisuudessa 1844–1975* [The largest enterprises in Finnish industry, 1844–1975]. Bidrag till kännedom av Finlands natur och folk 123. Helsinki: Societas Scientiarum Fennica 1979. For details about data material, see Fellman, Susanna, *Uppkomsten av en direktörsprofession – Industriledarnas utbildning och karriär i Finland 1900–1975*. Bidrag till kännedom av Finlands natur och folk 155. Helsinki: Societas Scientiarum Fennica 2000, chapter 2.3.

managers consists of managing directors (*verkställande direktör*) or directors with an equivalent position in these 66 firms. It was not in every case easy to select the manager in question. Firstly, before 1978 the Companies Act (*Aktiebolagslagen*) did not specify the function of managing director and it was not compulsory to appoint a separate 'managing director'. Not every firm had at the beginning of the period a separate managing director. This was particularly the case in new firms in the beginning of the period. For instance *Finska Socker Ab* (founded in 1918) and *Rauma Wood* (later *Rauma-Repola Oy*, founded in 1912) had at their beginning no person equivalent to a 'managing director', the members of the board dividing the daily duties between themselves. It was, however, soon observed in both firms that a separate managing director was required. In principle, all large firm had a separate managing director in the inter-war period (see also below). Secondly, the firms' organisational structures and managerial hierarchies also varied considerably. In some cases the division of labour in the top management was vaguely defined and the person who in practice took care of top daily management could hold another title than *verkställande direktör*. In some cases the titles were inconsistently used or two titles were used simultaneously (see also below).⁹

In the majority of cases the selection of the manager in question proved, however, not to be a problem. The firms which are studied here belonged to the largest firms, and even though it was not compulsory to appoint a separate managing director it was customary to do so.

The selection of the period 1900–1975 is obviously somewhat ambiguous. For instance, the last 25 years have offered an interesting era in Finnish business life. To start at 1900 is fairly easy to justify: the firm sample would have been very small if, for instance, the 1880s or 1860s had been chosen as a starting point. Finnish further education was also fairly limited until the 1880s, but developed rapidly in the later nineteenth and early twentieth centuries. Furthermore, as many managers had been appointed before 1900, the earlier period is also covered to some extent. The end year was driven primarily by two factors. If the investigation had continued later, the data would have grown explosively. Moreover, in the 1960s and 1970s, Finnish business life went through a rapid concentration wave, and as a result the firms data would have been difficult to handle. Actually, in an earlier pilot study, it was observed that the period in question was long enough to cover both the changes in the educational system and the transformation and modernisation of Finnish business life in the 1960s and '70s.¹⁰

The personnel data of the 324 managers was collected from various sources, primarily registers of different types. Top managers form a well-documented group. They belonged to the business élite and often had a high level of education, which meant they could be found in books like *Who's Who in Finland* (*Kuka kukin on, Vem och Vad*) and in registers of certain educational groups (*matriklar*). Beside the difficulties of picking the right managers to represent the managing director, it had also to be borne in mind that personal registers were not always fully reliable. Some individuals were prone to leave out some unfavourable data and regu-

9 For instance, in *Tammerfors Klädesfabrik Ab*, the company bylaws requested the appointment of a *verkställande direktör*, but this person was in daily administration called *disponent*. See Kaukovalta, Yrjö & Riipinen, Ale-Einari, *Tammerfors Klädesfabriks Ab 1797–1947*. Helsingfors 1948, 74, 92.

10 Fellman, Susanna, *The Educational Background of Industrial Managers in Denmark and Finland 1880–1975: Some Preliminary Results*. LOS Arbejdsnotat, 9640. Senter for Ledelse og Organisasjon. Universitetet i Bergen, 1996.

lar 'slips of the memory' are only human, but by using several editions and several different registers, the data could often be complemented and double-checked.

The 324 managing directors were investigated primarily by cohort analysis. They were divided into three cohorts according to their year of birth and into three cohorts according to their year of appointment as a managing director. In the case of analysis by year of appointment, the number of managers adds up to 347, as 23 managers had been managing directors in more than one of our example firms. As the sample of managers was established by selecting those who were managing directors during the period 1900–1975, some managers had been appointed long before 1900, the first in 1856. The first manager was born in 1829 and the last in 1940. The three cohorts according to year of appointment were as follows: 1856–1918, 1919–1945 and 1946–1975. Allocation into periods in this case was fairly easy to decide, as there were three clear periods, combined with cohorts of fairly similar sizes. The age cohorts were composed of managers born between 1829–1874, 1875–1904 and 1905–1940 respectively. This cohort allocation was driven by two factors; an aim to obtain, on the one hand, cohorts of about the same size and, on the other, cohorts relating periods of about the same length.

This study relates to large-scale firms in the Finnish manufacturing sector. It would have been interesting to study other sectors of the Finnish economy as well, but in order to get an in-depth analysis of change over a long period of time the study was limited to only one sector and only large firms. This limitation of the study has to be borne in mind when considering the empirical results. The focus on managing directors in large-scale manufacturing firms clearly affects the results when it comes to, for instance, educational levels or age of appointment.¹¹ Managers in large firms were usually better trained than the managers in small firms, and managers in the manufacturing sector were better trained, for example, than managers in retail sector. Moreover, engineers were particularly common in industrial management. Although the results concerning the level or kind of education presented here are only valid for managers in large firms in the manufacturing sector, similar development trends would most likely be found in other types of firms and in other sectors of the Finnish economy as well.

Empirical results

From owners to salaried managers

We start by studying the shift from owner managers to the salaried managers in daily top management. In Table 1 a breakdown of owner managers and salaried managers according to their year of appointment is presented. This is obviously just one aspect of the professionalisation process. In many firms the owning family still exercised great influence and, for instance, the chairman of the board was often a family member with much influence.¹² To separate 'owner managers' from 'salaried managers' was not in every single case easy. The first criterion of owner

¹¹ Oiva Laaksonen has showed that the educational background of Finnish managers in manufacturing and in retail companies diverged considerably, see Laaksonen, Oiva, *Suomen liike-elämän johtajisto* [The managers in Finnish business]. Borgå: WSOY 1962, 104.

¹² For definitions of a "family firm" see Rose, Mary B., *Beyond Buddenbrooks: the Family Firm and the Management of Succession in Nineteenth-Century Britain*, in *Entrepreneurship, Networks and Modern Business*, eds. J. Brown and M. B. Rose. Manchester: Manchester UP 1993, 127–143.

manager adopted here, was that the person was an owner or member of the owning family *at the time of appointment*. Some managers acquired substantial ownership in the firm at later stages in their careers. To set the criterion of the extent of family relation and of ownership was more complicated. Family relation has been drawn as far as nephews and cousins. Moreover, the ownership had to be 'considerable'. What 'considerable' means is obviously somewhat ambiguous, but a rule of thumb has been an ownership of about 15–20 per cent, but if ownership was dispersed a firm could be controlled through a much smaller minority position. In some cases exceptions to this rule of thumb had, thus, to be accepted. For instance Göran J. Ehrnrooth (managing director of *Oy Fiskars Ab* between 1968 and 1983) owned personally only roughly 2 per cent of the shares of *Oy Fiskars Ab*, but his mother, Louise von Julin, came from the owning family, which controlled the firm. These types of border cases formed a minority.¹³

In Table 1 it can be seen that there was a considerable increase in the proportion of salaried managers over the period of investigation. There were two periods when the shift from owners to salaried managers was particularly rapid; what could be called a 'first professionalisation wave' which occurred in the first two decades of the twentieth century and a 'second professionalisation wave' from the 1960s. After the 1960s only a few 'typical' family firms, like *G. A. Serlachius Ab*, *Oy Karl Fazer Ab* and *Oy Rettig-Strenberg Ab*, were managed by a member of the owning family.

Table 1 The breakdown between owners and salaried managers, by year of appointment as managing director

Year of appointment	Owners	Salaried managers	Total	Owners	Salaried managers	Total
	No.	No.	No.	%	%	%
1856–1900	29	12	41	70,8	29,2	100,0
1901–20	45	41	86	52,3	47,7	100,0
1921–40	24	59	83	29,0	71,0	100,0
1941–60	22	53	75	29,3	70,7	100,0
1961–75	11	51	62	17,8	82,2	100,0
Total	131	216	347	37,8	62,2	100,0

Note: χ^2 -test = 40,614 > $\chi^2_{0,01} = 18,467$, for 4 degrees of freedom. Results are statistically significant.

Source: Data on managing directors presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

The first professionalisation wave was also characterised by a new attitude towards management and a clearer division of labour in top management. During the first decades of the twentieth century, coinciding with the 'first professionalisation wave', the management of the Finnish large firms gradually became a full-

¹³ In three cases possible family or ownership relations could not be traced at all: these managers have been documented as salaried managers. It is also important to point out that even though somebody may have had no formal ownership or family relations, he could have had intimate personal contacts with the owning family. This was actually more the rule than the exception in Finnish business life during this period, but such managers are here regarded as salaried managers.

time job. In the early twentieth century it was still common for managers to manage more than one firm at the same time. For instance, Hjalmar Grönblom, the managing director of *Suomen Triko Oy* was simultaneously the managing director of *Wasa Aktiebank's* Tammerfors-branch and of *Oy Pyyrikki Ab*. This feature disappeared in large firms during the inter-war period. In the early twentieth century it was not uncommon that firms did not appoint a separate managing director and that the division of labour between board members, particularly the chairman of the board and the managing director was often blurred. In the inter-war period all the firms in this study had one separate managing director. The division of labour in top management gradually clarified, and the role of the managing director increased.¹⁴

The clarifying of the division of labour in top management and the strengthening of the role of the top executive was also reflected in the title of the person who took care of the daily top management. At the beginning of the period, it was not uncommon that the top daily manager was titled '*disponent*'. This title was also commonly used for plant managers. Gradually *verkställande direktör* became established as the most common title, while the title *disponent* became exclusively reserved for plant managers. Also new titles such as *chefdirektör*, *generaldirektör*, *koncernchef* (CEO, director general) were introduced. The latter form of titles was primarily a consequence of the emergence of large corporations. This pattern of development was no surprise, as titles do change over time. However, the changes also reflected a power shift in daily top management. A good example was *Tammerfors Linne- och Jern Manufaktur-Aktiebolag* at the beginning of the twentieth century. The full-time top manager of the whole firm, Napoleon Wesander, was titled *disponent*. In the year 1906 there was a reorganisation of the firm's top management, and a new management position of *verkställande direktör* was established. The position of *disponent* was at the same time abolished. It was pointed out that the reform was a consequence of new demands on top management in the expanding company: this person was to work in closer co-operation with the board.¹⁵ Wolter Ramsay, not Wesander, was appointed managing director. Wesander became at the same time deputy managing director, which also was a new assignment. This reorganisation of the firm's top management was also most likely a result of a wish to replace Wesander.

This professionalisation of management is also assumed to have brought with it a new 'professional attitude'. It is difficult to draw any conclusions concerning this from the present empirical material, but some previous studies have indicated such a development in the first decades of the twentieth century. Riitta Hjerpe has pointed out that Finnish firms were until the inter-war period inefficiently managed.¹⁶ According to Marjatta Rahikainen, some leading manufacturing firms managed by owners in the late nineteenth century were also often badly managed. In particular financial management may have been disastrously handled. In the early twentieth century a new attitude can be observed and financial records

¹⁴ The managing director was often also chairman of the board, thus concentrating the power on one and same person.

¹⁵ *Tammerfors Linne & Jern-Manufaktur Aktie-Bolag, 1856–1931*. Helsingfors 1931, 12–14.

¹⁶ Hjerpe, Riitta, *Suurimmat yritykset*, 45–6.

were more systematically kept.¹⁷ In the inter-war period interest in rationalisation issues and in an efficient production process clearly increased, and the first more systematical organisational planning work can be observed in large firms.¹⁸

The professionalisation of management and changes in the managers' social background

It has been assumed that the professionalisation of management opened up new career possibilities for young men lacking the expectation of inheriting a firm. On the other hand, as skill requirements grew and formal education became more important as a selection criteria in business careers, such a development was somewhat averted. Institutions of higher education recruited for long primarily among the sons of the upper and middle classes. Moreover, most international studies of the social background of the business élite have shown that top managers were primarily recruited from the upper social strata.¹⁹ From Table 2 it is evident that there was little change in the social background of Finnish industrial managers in spite of the rapid shift from owner managers to salaried managers. The managers of the large industrial firms over the whole period were recruited from sons of upper and middle class families.

It is particularly interesting that the number of sons of business managers grew over the whole period. An increase in the share of 'sons to business leaders' would primarily indicate a growth in the share of heirs, but their share actually declined rapidly. Obviously, one explanation is that there was in general an increase of persons who can be classified as business leaders. As the development was remarkable, it appears that business life was showing more 'inbreeding'. There are possible explanations for this. It is obvious that professionalisation brought with it the importance of the right type of training and a focus on a business career (see below). Sons of businessmen were in general fairly well motivated for a business career, and entered business schools and technical universities. In the later cohorts, many managers with an engineering education, had fathers with the same type of training.²⁰ Moreover, a certain 'social capital' or 'social competence', which includes factors such as communication skill and an ability to co-operate with people and also extensive informal social networks, have always played an important role in business careers. Lately, the importance of tacit knowledge, that is the skills that the sons of businessmen and inheritors received during their upbringing, has been much to the fore.²¹ Whether the importance of such intangible factors have increased or decreased over the course of time is difficult to access. However, the professionalisation process clearly favoured the determined young man with career ambitions in business, and improved the odds of the sons of business leaders.

17 Rahikainen, Marjatta, *Centuries of Child Labour*. Unpublished manuscript, 2001.

18 See Fellman, *Uppkomsten av en direktörsprofession*, chapter 3.

19 On this, see for example Cassis, Youssef, *Big Business: The European Experience in the Twentieth Century*. Oxford: Oxford UP 1997.

20 Fellman, *Uppkomsten av en direktörsprofession*, 65.

21 Rose, Mary B., *Networks and Leadership Succession in British Business in the 1950s*, in *Yearbook of European Business History*, No. 1, eds. W. Feldenkirchen & T. Gourvish. Society for European Business History. Aldershot: Ashgate 1998, 57–74.

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Table 2 The social background of Finnish top managers in large manufacturing firms (number of managers, by year of birth)

Fathers' occupation	1829-74						1875-1904						1905-40					
	Owners		Salaried managers		Total		Owners		Salaried managers		Total		Owners		Salaried managers		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Top civil servants, high officers, landowners	9	17,6	7	17,9	16	17,8	6	10,5	11	13,1	17	12,1	1	..	10	14,1	11	11,8
Business leaders, entrepreneurs	24	47,1	7	17,9	31	34,4	34	59,6	19	22,6	53	37,6	18	..	22	31,0	40	43,0
Professionals	6	11,8	10	25,6	16	17,8	4	7,0	24	28,6	28	19,9	3	..	15	21,1	18	19,4
Lower white-collar workers	-	-	-	-	-	-	3	5,3	6	7,1	9	6,4	-	..	11	15,5	11	11,8
Craftsmen	5	9,8	1	2,6	6	6,7	3	5,3	3	3,6	6	4,3	-	..	1	1,4	1	1,1
Farmers	5	9,8	2	5,1	7	7,8	1	1,8	8	9,5	9	6,4	-	..	6	8,5	6	6,5
Workers, foremen	1	2,0	1	2,6	2	2,2	1	1,8	8	9,5	9	6,4	-	..	4	5,6	4	4,3
Unknown	1	2,0	11	28,2	12	13,3	5	8,8	5	6,0	10	7,1	-	..	2	2,8	2	2,2
Number of managers, total	51	100,0	39	100,0	90	100,0	57	100,0	84	100,0	141	100,0	22	..	71	100,0	93	100,0

Source: Data on managing directors as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

However, even though the Finnish industrial élite over the whole period recruited among the sons of an élite – and, to a growing extent, a business élite – the recruitment base inevitably widened. The very small circles based on business family-networks which were difficult to penetrate for an outsider and which were prevalent in the late nineteenth and early twentieth centuries, were widened in the inter-war era. This is, for example, supported by the fact that the share of Finnish-speaking managers grew in the later cohorts. In the first cohort the majority of the managers were Swedish-speaking.²²

Professional training for professional managers

In this section a closer look will be taken at the changes in the industrial managers' educational background. A rise in the educational level of managers as a consequence of the industrialisation process has been documented in other countries.²³ Technological development and the bureaucratisation of firms demanded new skills. The increasing level of formal education among managers was also a consequence of a general professionalisation process in society; formal training and educational credentials had become a basis for selection and exclusion, and this was the case also to some extent in business life. Mabel Newcomer observed in the 1950s for the US that 'big business not only tolerates the college man; a college degree is increasingly the ticket of admission to jobs within big corporations.'²⁴ According to Lars Engwall *et al.* higher education has become in business a first screening device.²⁵ The role of formal education became crucial in the early career, although its role decreased higher up in the hierarchies.

From Table 3 it is evident that considerable changes in the top Finnish industrial managers' educational backgrounds took place: the level of education rose and the type of education changed. In the early twentieth century there was still many managers without a formal further education. Such managers had been trained at a time when there was little formal training for business life. This does not necessarily mean that they were not well prepared for their tasks. On the contrary, many had received a profound basic education and some had also attended a university or college without completing any examination. Others, particularly the heirs to family firms, had received a practical business training, that is they had engaged in various tasks in one or more firms, often abroad. Actually until the beginning of the twentieth century this was the most common training for young men intending to go into business.²⁶

One explanation for the rise in the managers' educational level, was obviously the rapid increase in the supply of higher education opportunities for business

22 Fellman, *Uppkomsten av en direktörsprofession*, table 4.1., 61.

23 For instance, Cassis, *Big Business*; Amdam, Rolv-Petter, *Utdanning, økonomi og ledelse: Fremveksten av den økonomisk-administrative utdanningen 1936–1986*. Acta Humaniora. Oslo: University of Oslo 1999. Engwall, Lars & Gunnarsson, Elving & Wallerstedt, Eva, *Mercury's Messengers: Swedish Business Graduates in Practice*, in *Management, Education and Competitiveness: Europe, Japan and the United States*, ed. Rolv-Petter Amdam. London: Routledge 1996, 194–211.

24 Newcomer, *The Professionalisation of Managers*.

25 Engwall *et al.*, *Mercury's Messengers*.

26 Practical business training was common in many other countries as well at this time. For foreign study trips among Norwegian business leaders, see, for instance, Amdam, *Utdanning, økonomi og ledelse*, 86–92.

life in Finland in the period 1880–1910.²⁷ If Table 3 is compared to Table 1 it is, however, evident that the increase in formal training to a large extent coincided with the shift from owner managers to salaried managers. Obviously, owner managers tended to have less formal education than did salaried managers, but the educational level rose rapidly in both subgroups.²⁸ The 'first professionalisation wave' appears to have been marked by a rapid increase in the share of managers with a higher education, and particularly in the number of engineers. Still, it was not uncommon that managers had another kind of professional training. There were foresters in forest industry firms, chemists and agronomists in food and beverage industry firms, and pharmacists and physicians in the pharmaceutical firm *Orion Oy*, for example. Managers with such training often held a branch-specific competence. The importance of knowledge about the branch of industry and the production process was often explicitly stated.²⁹ This was the heyday of the 'branch specialist'. Another reason for the high educational level but somewhat varying types of training among Finnish managers in the early twentieth century was that some of them had originally not intended to go into business, but rather to pursue another professional career. Some were, for instance, second or third sons of the family, who had not been intended to work in the family firm. For instance, Wilhelm Rosenlew was a physicist by profession and entered the family firm, *W. Rosenlew & Co. Ab*, after the death of his elder brother George Rosenlew. According to one contemporary observer, Wilhelm was not at all happy when he had to leave his medical career.³⁰

The 'second professionalisation wave' meant primarily a change in the type of higher education; there was a convergence towards training for business life, that is managers in the manufacturing sector had had primarily a technical education, a business school education or – perhaps to be included under this group – a law degree. In particular the number of managers with a business school training or with a professional management education, that is primarily a management training program, increased.³¹ Nothing comparable to an MBA program existed in Finland until the 1980s, but management training programs of different kinds were established from the late 1950s. Only a few managers had completed a Finnish management program, but many managers in the last cohort had been abroad to study management and organisation in foreign business schools or to attend foreign management training programs. For instance, Pentti Salmi had visited Chicago Business School, Gustav Rosenlew the Harvard Business School and Gustaf Serlachius the *Centre d'Etudes Industrielles* in Geneva. Sakari T. Lehto and Risto Alanko had passed a Senior Executive Course at MIT.

27 Higher technical education started in 1879, but the number of graduated engineers was low until the establishment of the Finnish University of Technology in 1908. There was a rapid growth in the number of engineers graduating from the FUT after the second decade of the twentieth century. The first Finnish business school was established in 1911. See, for instance, Fellman, *Uppkomsten av en direktörsprofession*, chapter 5.

28 Fellman, *Uppkomsten av en direktörsprofession*, 109.

29 Fellman, *Uppkomsten av en direktörsprofession*, 117.

30 Fellman, *Uppkomsten av en direktörsprofession*, 124.

31 By 'management education' is here meant an MBA-program or another type of postgraduate management training program.

Table 3 The educational background (further education, by highest degree) of top managers in the Finnish manufacturing sector (number of managers, by year of appointment)

	1856–1918		1919–45		1946–75		Total	
	No.	%	No.	%	No.	%	No.	%
Doctoral or licenciate degree	7	6,1	5	4,6	9	7,3	21	6,0
Higher technical education	34	29,6	47	43,1	61	49,6	142	41,1
Law degree	8	7,0	10	9,2	11	8,9	29	8,4
Business school	–	–	4	3,7	23	18,7	27	7,8
Forestry degree	–	–	4	3,7	2	1,6	6	1,7
Agricultural degree	–	–	–	–	4	3,3	4	1,2
Military academy	5	4,3	2	1,8	–	–	7	2,0
Other higher education	2	1,7	7	6,4	6	4,9	15	4,3
Total, higher education	56	48,7	79	72,5	116	94,3	251	72,3
Vocational technical training	7	6,1	–	–	–	–	7	2,0
Voc. commercial training	12	10,4	9	8,3	1	0,8	22	6,3
Other vocational training	5	4,3	6	5,5	2	1,6	13	3,7
Total, vocational training	24	20,8	15	13,8	3	2,4	42	12,1
No professional education	33	28,7	12	11,0	2	1,6	47	13,5
Unknown	2	1,7	3	2,7	2	1,6	7	2,0
Total number of managers	115	100,0	109	100,0	123	100,0	347	100,0

Source: Data on managers as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

Salaried managers had, as mentioned earlier, over the whole period a somewhat higher formal educational level than did the owner managers. Owner managers had also more varying types of training. This is no surprise, as owners did not have to legitimise their position through formal competence.³² Still, owner managers were by no means badly trained. Firstly, it was particularly common among owners to have studied at a university or college, but never to have completed a degree. Secondly, heirs in particular had received an extensive practical business training. Thirdly, even though the founders generally had less formal training, many heirs to business had a strikingly high level of formal training. Sons in large family firms had often acquired the best available training: their education was often well planned and many visited the most prominent universities abroad. Many business heirs can be found among the early ones who went abroad to study management. In the last cohort the owner-managers' educational background resembled to a large extent that of the salaried managers. This was a result of the professionalisation process; irrespective of the ownership relation to a firm, managers had to acquire a profound competence. And owners had also to legitimise their position by formal competence.

32 Cf. Torstendahl, Rolf, *Engineers in Industry 1850–1910. Professional Men and New Bureaucrats: A Comparative Approach*, in *Science, Technology and Society in the Time of Alfred Nobel*, eds. C. G. Bernhard & E. Crawford & P. Sörbom. Oxford: Pergamon Press 1982, 253–270.

It has earlier been pointed out that Finnish top managers quite early already appeared to have been well trained in an international context. An international comparison carried out in the early 1970s showed that Finnish managers had the highest educational levels in Europe. The authors were not able to explain this feature and they concluded that Finland was a 'black box' of Europe.³³ The data presented here (Table 3) also provides evidence of high educational levels among Finnish managers. Possible explanations for this have been dealt with more extensively elsewhere,³⁴ but one reason for the high educational levels of managers in this investigation was their high social background. There are most likely other explanations as well. Formal, and particularly academic, education had been highly regarded in Finland, and academic education was early fairly well developed, whereas intermediate vocational training developed late. Some educational groups, particularly the engineering and law professions, had also formed quite strong professional associations in Finland. Moreover, it has been pointed out that Finnish managers showed a high degree of uncertainty avoidance, marked by, among other things, an inclination to adopt formal competence criteria also at the level of the firm.³⁵ Educational credentials formed one important selection base in Finland, and also at the firm level.

One of the most prominent features to come out of this investigation is that more or less all the managers had either studied, practised or had made study trips abroad. Foreign experience appears to have been extremely important in business careers over the whole period. The form and content of these visits abroad may have changed to some extent, but the goals of these trips remained fairly similar. In the first cohort it was common to go abroad to receive a practical business education or to study at a technical university or a business college. The supply of engineering or business education was still in the early twentieth century limited and at a modest level. Still, the majority of the managers in our investigation received their professional training in Finland, but complemented it with studies abroad. In the inter-war period there was a decline in the number of managers who had received their professional training abroad. The Finnish educational system had already at that stage reached a satisfactory level and there was a national orientation in the educational system; Finnish engineers were to be preferred over foreigners and domestic education over foreign training. Many educational institutions also put restrictions on the number of foreign students.³⁶ However, young men who were intending to pursue a business career continued to go abroad for study trips. But after the Second World War there was a new international orientation. A new feature now was to go abroad to study management and organisa-

33 Bettignies, H. C., de & Lee Evans, P., Europe Looks North at the Scandinavian Business Elite, in *European Business* 1971 (autumn), 59–69.

34 Fellman, *Uppkomsten av en direktörsprofession*, 134–136; Fellman, Susanna, Academic Patriots or Individualistic Entrepreneurs? Finnish Management in a Nordic Perspective, in *The Democratic Challenge to capitalism. Management and Democracy in the Nordic Countries*, eds. H. Byrkjeflot & al. Bergen: Fagbokforlaget 2001.

35 Lindell, Martin & Sigfrids, Camilla, Ledaregenskaper och det finländska samhället, *Ekonomiska Samfundets Tidskrift* 1996:2, 83–90.

36 On this, see Myllyntaus, Timo, 'The Best Way to Pick up a Trade': Journeys Abroad by Finnish Technical Students 1860–1940, *ICON Journal of the International Committee for the History of Technology*, 1996:2, 138–163.

tion, while in the last cohort we can also observe a completely new feature, international careers.

The goal of the study trips or study periods abroad changed fairly little. Firstly, they were seen as the best way to acquire new knowledge. At the beginning of the twentieth century young men went abroad to get acquainted with new technical knowledge, while in the inter-war era it became common to go abroad to study management and organisation. Secondly, study trips were undertaken in order to become acquainted with local business culture and trade practices, while the establishing of personal networks was another important motive. Many of the early business inheritors worked in firms with a close connection to the family firm. Later, the new professional men were also sent to work abroad in firms which had close business contacts with the home employer.³⁷ Mary Rose has particularly emphasised that the re-establishment of social networks was crucial for successful leadership succession.³⁸ This is also apparent in this investigation. For instance, Henning von Rettig practised over a long study trip extending to several European countries, including for a while in a tobacco firm, Sanders, in Berlin: the owner, Georg Sanders, was a close friend of Henning's father and had himself as a young man worked in the Rettig firm. After returning home Henning was responsible for the correspondence and the external relations of the firm.

From entrepreneurial careers to bureaucratic careers

Managerial careers also changed as a consequence of the industrialisation process and the professionalisation of management. In particular the emergence of large-scale firms and the bureaucratisation of firms are assumed to have affected career patterns. It has been observed that 'entrepreneurial careers' were substituted by 'bureaucratic careers', that is the entrepreneur was replaced by the 'company man', who climbed up the ladder in large firms.³⁹ Even though this is a simplification, such a feature can be observed among managers in our data. The number of managers who had founded the firm in question, decreased rapidly.⁴⁰ Many of early managers had during their early careers mainly been engaged in entrepreneurial activities, but later, both heirs and salaried managers climbed to the top in large-scale hierarchical firms.

37 Fellman *Uppkomsten av en direktörsprofession*, chapter 8. See also, Ojala, Jari, *Tehokasta liiketoiminta pohjanmaan pikkukaupungeissa: Purjemerenkulun kannattavuus ja tuottavuus 1700–1800-luvulla* (with English summary: Efficient business activity in small Ostrobothnian towns). Bibliotheca Historica 40. Helsinki: Finnish Historical Society 1999, 270.

38 See for instance, Rose, *Networks and Leadership*.

39 With "bureaucratisation" is generally meant a system of well-defined and strict hierarchies, systematically-ordered authority relations and the routinisation of procedures. Bendix, Reinhard, *Work and Authority in Industry: Ideologies of Management in the Course of Industrialization*. New York: John Wiley 1956, 211ff. According to Mills the concept of 'bureaucratic career' also includes the setting up of strict and unilateral qualifications criteria and the idea that men work themselves up without the expectation of coming to own even a part of the firm. He concluded, however, that managerial careers and the selection process in business firms seldom follow any strict or well-defined qualification criteria. Mills, C. Wright, *The Power Elite*. New York: Oxford UP 1956, 132–134, or Bendix, *Work and Authority*, 251–253. Katherine Stovel et al. have also observed that even though there is a correlation between the emergence of large bureaucratic firms and modern achievement-based careers, the relationship was by no means simple. Stovel, K. & Savage, M. & Bearman, P., *Ascription into Achievement Models of Career Systems at Lloyds Bank, 1890–1970*, *American Journal of Sociology*, vol. 102, 1996:2, 358–399.

40 As this is a study of the largest Finnish manufacturing firms, few new firms entered the data.

Top managers' career patterns also changed in other respects. According to Mabel Newcomer the professionalisation of management meant, for example, that managers had to gain more experience before being entrusted with top management positions. The remarkable growth in firm size in Finnish firms may be assumed to have made the path to the top longer. It is evident from Table 5 that the length of the career path from the first job to the present appointment became a little longer, and the age of appointment increased to some extent (Table 4), but these changes were not remarkable. This can be explained by two factors; firstly, the increase in educational levels meant that the managers in the latter cohorts started their careers higher up the hierarchy and, secondly, managerial candidates moved more rapidly from one hierarchical level to another (see further below). Career patterns also appear to have become more similar as a result of the professionalisation process. Even though the average length of career paths or the average age of appointment did not change much, there was a convergence in the length of the career path and in the age of appointment.

Table 4 Age of appointment of top industrial managers (number of managers, by year of birth)

Age of appointment	1829–74		1875–1904		1905–40	
	No.	%	No.	%	No.	%
–25 years	2	2,2	4	2,9	–	–
26–35	18	20,0	36	25,5	17	18,3
36–45	34	37,8	50	35,5	33	35,5
46–55	27	30,0	36	25,5	36	38,7
56–	2	2,2	14	9,9	7	7,5
Unknown	7	7,8	1	0,7	–	–
Total number of managers	90	100,0	141	100,0	93	100,0
Average age	41 years		42 years		44 years	
Median age	42 years		42 years		45 years	
Standard dev.	8,4		9,6		7,6	

Note: χ^2 -test: $\chi^2 = 26,341 > \chi^2_{0,01} = 23,209$ for 10 degrees of freedom. Results are statistically significant.

Source: Data on managers as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

The mobility of managers also grew as a result of the professionalisation of management (Table 6). Owner managers were obviously less prone to switch firms than managers without an ownership relation to the firm. Moreover, the increasing levels of education also made managerial candidates more mobile. Employees with little or no formal training held primarily a firm-specific competence, while those with a higher level of education had a 'general' competence, which was applicable in a wide range of firms. Managers with a higher education also showed a higher inter-firm mobility.⁴¹

41 Fellman, *Uppkomsten av en direktörsprofession*, 160.

Table 5 Length of career path¹ (number of managers, by year of birth)

Number of years	1829-74		1875-1904		1905-40	
	No.	%	No.	%	No.	%
-5	6	6,7	6	4,3	3	3,2
6-10	11	12,2	17	12,1	12	12,9
11-20	24	26,7	53	37,6	33	35,5
21-30	31	34,4	44	31,2	33	35,5
31-	4	4,4	16	11,3	6	6,5
Unknown	14	15,6	5	3,5	6	6,5
Number of managers, total	90	100,0	141	100,0	93	100,0
Average length	18 years		20 years		19 years	
Median length	19 years		19 years		19 years	
Standard dev.	8,8		9,1		8,1	

¹ Number of years in full time employment before appointment to top manager in an example firm.

Note: $\chi^2 = 17,857 < \chi^2_{0,05} = 18,307$ for 10 degrees of freedom. Results are not statistically significant.

Source: Data on managers as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

Table 6 Inter-firm mobility among top managers (number of managers, by year of birth)

Number of change of employer	1829-74			1875-1904			1905-40		
	Owners	Salaried	Total	Owners	Salaried	Total	Owners	Salaried	Total
	No.	No.	No.	No.	No.	No.	No.	No.	No.
0	10	5	15	13	7	20	8	8	16
1	14	6	20	7	11	18	3	11	14
2-3	19	14	33	22	35	57	10	39	49
4-	4	5	9	9	28	37	1	13	14
Unknown	4	9	13	6	3	9	-	-	-
Total number of managers	51	39	90	57	84	141	22	71	93
Number of change, average	1,6	2,3	1,8	2,1	2,8	2,6	1,6	2,4	2,2
Standard deviation	1,2	1,6	1,5	1,7	1,6	1,7	1,6	1,3	1,4

Note: χ^2 -test for three cohorts. Total number of managers: $\chi^2 = 29,4 > \chi^2_{0,001} = 26,125$ for 8 degrees of freedom. Salaried managers: $\chi^2 = 32,673 > \chi^2_{0,001} = 26,125$ for 8 degrees of freedom. Owner managers: $\chi^2 = 10,638 < \chi^2_{0,05} = 15,507$ for 8 degrees of freedom. Results are statistically significant for the whole population and for salaried managers, but not for owner managers. Number of observations in some cells less than 5.

Source: Data on managers as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

It is, however, interesting to observe that there was a decrease in inter-firm mobility in the latter period. Managers in the last cohort climbed to a growing extent within the same firm. This result can be seen in Table 6. One explanation was the increase in firm size in the inter-war period, in which it was possible to obtain a broad and profound experience from different tasks and at different levels. Previously, managerial competence was primarily acquired in top managerial positions in smaller firms, but in the inter-war era it was, to a growing extent, acquired at different levels within the same firm. In the investigation by H. de Bettignies and P. Lee Evans, it was observed that Nordic managers were comparatively mobile between firms. They explained this feature by the relatively small size of Nordic firms.⁴² The larger the firms, the less inter-firm mobility.

Table 7 Career background of top industrial managers (number of managers, by year of appointment as managing director)

	1856–1918		1919–45		1946–75	
	No.	%	No.	%	No.	%
Whole career in same firm	19	16,5	10	9,2	20	16,2
Whole career in same industrial branch	37	32,2	20	18,3	33	26,8
Whole career in manufacturing sector	50	43,5	53	48,6	48	39,0
Total number of managers	(115)		(109)		(123)	

Source: Data on managers as presented in Appendix I in Fellman, *Uppkomsten av en direktörsprofession*.

In spite of a somewhat decreasing inter-firm mobility in the last cohort, it can be argued that managers overall became more mobile, as managerial intra-firm mobility grew. Managers became more mobile, both between hierarchical levels and between separate jobs.⁴³ This is also supported by Table 8 and Table 9. For instance, job mobility in the managers' early careers grew rapidly (Table 8). It is also evident that managers in the later cohorts stayed in office for shorter periods (Table 9). One reason was that the age of retirement decreased. Many managers in the first cohort remained in office until their death, while a substantial share of the managers in the last cohort left the firm to work for another one.⁴⁴

It also became more important to show career ambitions at an early stage in one's career. In career literature it has been pointed out that the early career was of great importance for success in later business life.⁴⁵ Potential candidates need-

42 De Bettignies & Lee Evans, *Europe looks North*.

43 Fellman, *Uppkomsten av en direktörsprofession*, Tables 7.11. and 7.12., 174–175.

44 Fellman, *Uppkomsten av en direktörsprofession*, Table 7.16, 198. In the early twenty-first century the inter-firm mobility of Finnish top managers is very large.

45 Forbes, James B. & Piercy, J. Benjamin, *Corporate Mobility and Path to the Top*. Studies for Human Resource and Management Development Specialists. New York: Quorum Books 1991, 8–12.

Table 8 Average length in years of top managers' first job, by year of birth

	1829–74 First job	1875–1904 First job	1905–40 First job
All managers	4,8	3,3	2,6
Salaried managers	4,7	2,9	2,5
Owners	5,1	3,8	3,0

Source: Data on managers as presented in Appendix I, in Fellman, *Uppkomsten av en direktörsprofession*.

ed to be selected early for the 'fast track'. This gains support in Table 8. The managers in the later cohorts changed their first job after a shorter period of time. Moreover, it was not uncommon among managers in the first cohort to have worked during their early careers in some other sector: there were managers who had been teachers, doctors, civil servants and even farmers. Managers with such careers are not found in later cohorts.

Finally, the professionalisation process was marked by the growing importance of extensive experience from business life and particularly from management positions. It became crucial to have a deep 'managerial competence'. However, the importance of managerial experience was by no means negligible in the early cohorts, but there was a considerable change in how this experience was gained. Managers in the early cohorts had often been managers of a small firm or alternatively plant managers. This is interesting in an international perspective. Mabel Newcomer has pointed out that American firms in the early twentieth century often employed managers with experience of managing smaller firms, as they preferred general administrative competence to specialist knowledge of the company.⁴⁶ Moreover, many early heirs to large Finnish firms were well trained and had a broad experience from different tasks in the family firm. Their education and careers were often tailor-made in order to prepare them for taking over the firm. For instance, Henning von Rettig was first sent on a *grand tour* to Europe, where he studied languages and worked in tobacco firms. His father gave him, in an educational sense, various assignments to perform, primarily concerning the purchase of tobacco. When Henning returned from abroad, he was employed in the head office, where he mainly took care of external relations. Gradually he was entrusted with a larger share of the business.

Managers in the later cohorts primarily gained managerial experience in middle and top management position in large firms. This also explains the decrease in inter-firm mobility. The number of managerial hierarchies grew rapidly in the post-1945 era, and particularly from the 1960s when an organisational model based on division by branch was adopted. New managerial positions at the head office emerged, where potential recruits could gain experience. This development

⁴⁶ Newcomer *The Big Business Executive*, 248. It has also elsewhere been pointed out that specialists had a fairly strong position in management in Europe, while generalists were preferred in the USA. Byrkjeflot, Haldor *Institutionelle forutsetninger for faglig og profesjonell ledelse – Industriedelse i Tyskland og USA*, in *Fra styring til ledelse*, ed. Haldor Byrkjeflot. Bergen: Fagbokforlaget 1997, 85–122.

Table 9 Top managers' years in office (number of managers, by year of appointment)

Number of years	1856–1918			1919–1945			1946–75		
	Owners	Salaried	Total	Owners	Salaried	Total	Owners	Salaried	Total
	managers			managers			managers		
–3	3	7	10	5	14	19	1	16	17
4–10	13	18	31	13	26	39	7	43	50
11–20	15	14	29	8	16	24	11	25	36
21–30	19	4	23	6	10	16	9	9	18
31–	18	4	22	2	4	6	–	1	1
Unknown	–	–	–	1	4	5	–	1	1
Total number of managers	68	47	115	35	74	109	28	95	123
Average	22 yrs	13 yrs	19 yrs	15 yrs	12 yrs	13 yrs	16 yrs	10 yrs	11 yrs
Median	22 yrs	8 yrs	17 yrs	10 yrs	8 yrs	9 yrs	16 yrs	9 yrs	10 yrs
Stdv.	13,0	10,7	13,1	11,7	9,5	10,5	7,9	7,0	7,1

Note: Whole population: $\chi^2 = 33,636 > \chi^2_{0,001} = 29,588$, owners: $\chi^2 = 26,681 > \chi^2_{0,01} = 23,209$, and salaried managers: $\chi^2 = 17,703 < \chi^2_{0,05} = 18,307$ for 10 degrees of freedom. Results are statistically significant for whole population and owners, but not for salaried managers. Number of observation in some cells less than 5.

Source: Data on managers as presented in Appendix I, in Fellman, *Uppkomsten av en direktörsprofession*.

further centralised power to the head office, which meant its importance as a route to the top increased.⁴⁷

Leo Ahlstedt, who carried out a study of top managers' careers in Finland in the 1970s, divided managerial careers into four 'ideal types': the practical generalist, the academic generalist, the mobile specialist and the firm-devoted specialist.⁴⁸ Representatives of all these categories can be found in our data. In Ahlstedt's investigation the most common category was the academic generalists, that is they had a high level of formal education, they were mobile between firms, and had early in their careers attained managerial positions. It was easy to observe that this category also represented what could here be seen as representing the 'modern' professional managers of the last cohort. However, mobile specialists were not uncommon, particularly in the earlier cohorts. Mobile specialists were highly trained specialists, for instance, engineers, which are here called branch specialists. Firm-devoted specialists and practical generalists were fairly uncommon, but, for instance, some corporate lawyers were typical representatives of the firm-devoted specialists' category; they were highly specialised professionals, with a thorough knowledge of the firm; practical generalists again, while highly mobile between firms, had little formal education. However, in our data a type of manager can also be found in the early cohort, whose career pattern did not fit well into

47 Fellman, *Uppkomsten av en direktörsprofession*, 175–176.

48 Ahlstedt, Leo, *Erikoistuminen ja liikkuvuus liikkeenjohtajan urakehitystekijöinä* [Specialising and mobility as potential factors in the career of top managers]. *Acta Academiae Oeconomicae Helsinkiensis* A:25. Helsinki 1978, 180–182. The practical generalist had little formal training, but was mobile between firms and fairly rapidly reached managerial positions.

any of Ahlstedt's four groups. This fifth 'ideal type' could be called the firm devoted practical generalist. These managers had little or no formal professional training and their competence sprang from their long experience in the firm, often in general administrative tasks. Typical of such were office clerks and the heads of office.⁴⁹ These managers were primarily found in the first cohort and disappeared over the period of investigation.

Discussion

This investigation has been a study of the professionalisation of top Finnish industrial management. There occurred a shift from owner managers to salaried managers; a rise in the top managers' educational levels; and a convergence towards education for business life. Managerial career paths became more similar, management became a full-time occupation, managers developed more professional attitudes and there was a power shift towards daily management. Furthermore, all the changes in the managers' background reflected the professionalisation process. The transformation was partly a result of the shift from owner managers towards salaried managers, as the backgrounds of these two subgroups somewhat diverged. However, the changes also stemmed from the transformation process, as the managerial background changed within both subgroups and the managerial profile of owners and salaried managers became more similar.

Two 'professionalisation waves' have been observed. The first occurred in the early twentieth century, while the second wave is dated to the 1960s and '70s. During the first professional wave there were rapid shifts from owner managers to salaried managers and large changes also in educational backgrounds. Professional education among managers grew in importance and knowledge about the branch and production technology was focused on. This was the era of the 'branch specialists'. As a consequence of the second professionalisation wave, a new generation of professional managers with more of a 'generalist' competence emerged.

The professionalisation of management was a result of the industrialisation process and the transformation of Finnish business life, particularly the emergence of bureaucratic, hierarchical large-scale firms. These professionalisation waves appear to have taken place in a close relationship to the Finnish pattern of industrialisation. The take-off in Finnish industrialisation is dated to the late nineteenth century, and there was rapid industrial growth from the late nineteenth century. Rapid industrialisation, the growth in firm size, and technological development, which had begun in the late nineteenth century, were reflected in a growing number of managers with new competences and particularly in managers with technical skills.⁵⁰ Moreover, a so-called break-through period in industrialisation occurred in the inter-war period.⁵¹ As the first professionalisation phase rather preceded

49 Fellman, *Uppkomsten av en direktörsprofession*, 167–168.

50 This has been observed for other countries as well, see Torstendahl, *Engineers in Industry*.

51 With this Olle Krantz means a swift rise in industrial production and employment in absolute terms and relative to total production in the country. Further, it involved a swift transformation of the internal structure of manufacturing industry with a lot of new lines of production gaining momentum while older industries either stagnated or declined. Krantz, Olle, *Industrialisation in Denmark, Finland, and Sweden: A Comparative View*, in *Economic Convergence? Industrialisation in Denmark, Finland and Sweden*, ed. H. Kryger Larsen. Helsinki: Societas Scientiarum Fennica 2001, 27–28.

the break through-phase, it is interesting to ask whether this new generation of well-trained managers with new professional attitudes not only reflected this period but actually also contributed to the rapid industrialisation phase of the inter-war period.

The second professionalisation wave took place from the 1960s. This development was clearly connected to the changes in Finnish business life. During the 1960s and '70s Finnish business life went through a large transformation process, when the growth in firm size was rapid, new organisational models were adopted and the first steps towards the internationalisation of Finnish business life took place. This development demanded managers with new competences. For instance, the new division by branch required a new focus on financial control while new accountancy systems were introduced. New positions of financial executives were established in central offices. Foreign influences also affected this development. Models from abroad were copied, while foreign experience made Finns aware of shortcomings in managerial and business skills.

On the other hand, it should be stressed that the professionalisation of management actually took place somewhat later than, for instance, solely the rise in the levels of education would indicate. Firstly, the high levels of formal education in the first cohort was really more an indication of the high social background of the managers. This is strengthened by the fact that the type of education varied much. Secondly, a majority of those managers who in the first cohort had explicitly intended to pursue a business career had acquired a practical business training.

The professionalisation of Finnish management was also a result of other factors in Finnish society. In particular, the emergence of a 'professional' society and the strong position of certain professional groups clearly influenced the managerial profile. Neil Fligstein, who has studied the functional background of managers in US industry, sees the path to the top as an intra-organisational power struggle between certain professions.⁵² As mentioned earlier, some professions, for instance the law profession, appear to have had a fairly strong position in Finnish society at large, and also in Finnish business life. Managers with a law degree formed a small, but important group in top industrial management. While their role decreased in, for example, Swedish top management in the post-1945 era, they preserved their position in Finnish top management.⁵³ However, engineers had also formed a strong professional group from the 1920s, and they had a particularly distinguishable position in the manufacturing sector. Their professional aims also included attempts to claim competences to manage large firms. The importance of specialist knowledge in top management during the era of the 'branch-specialist' probably strengthened the role of the engineers at the expense of the lawyers.

The growing share of business-school graduates in top industrial management occurred simultaneously with the first professionalisation aims of the business school graduates. These aims became more pronounced in the 1960s and took place in connection with the lifting of the traditional business-school education to an academic level and the first attempts to develop a 'management education'.⁵⁴

52 Fligstein, Neil, *The Intraorganizational Power Struggle: Rise of Finance Personnel to Top Leadership in Large Corporations, 1919–1979*, *American Sociological Review*, vol. 52, 1987:1, 44–58.

53 For the case of Sweden, see Engwall et al., *Mercury's Messengers*.

54 Cf. Tainio, Risto & Ahlstedt, Leo & Pulkkinen, Kyösti, *Business Economics – Administration in Finland: A Historical Review*, *Liiketaloudellinen Aikakauskirja* 1982:1, 18–35.

Claims that management was a 'profession' were raised, and business school graduates argued that they had the best qualifications for managerial tasks. However, contrary to the law profession and the engineering profession, business school graduates were not able to form any strong professional group. As pointed out earlier, management cannot be monopolised, and business school graduates have in general problems in acting as a professional group.⁵⁵ Moreover, the tradition of 'specialist knowledge' in top Finnish industrial management made the engineers' position stable also in general management positions.

The change in social background was small in spite of the professionalisation. This is interesting. Why did not the professionalisation process to a greater extent open up new career opportunities for sons from the lower social strata? Obviously, one explanation is that our investigation was of a relatively small segment of a business élite. If other sectors of the Finnish economy and smaller firms had been included, the social background would have looked quite different. In spite of this, Finnish top management appears to have been strikingly inbred. It has been assumed that the élite sets the selection criteria for the élite, in order to exclude 'unwanted' entrants and avoid competition.⁵⁶ It appears that the Finnish business élite succeeded quite well in excluding others. When the recruitment of top managers to large firms is studied closely, it is easy to see that over the whole period they were recruited on internal labour markets for managers, that is within a small group of potential candidates.⁵⁷ One of the most interesting features of this study has been that the owner managers were well trained and well prepared for their future assignments. But as competence became more important as a selection criterion for top management positions and particularly as formal competence seems to have been an important selection criterion in Finland, the owner-managers high educational levels and their eagerness to go to the best training schools is no surprise. The Finnish élite appears to have been fairly efficient in preserving barriers to entry. Even though skills and other managerial experience became more important, this did not mean that any one was able to reach top management positions.

Seen in an international perspective, the Finnish development path shows some clear similarities with findings in the international literature. In all countries the professionalisation of management was reflected in a shift from owners to salaried managers, in a rise in top managers' educational levels and an increasing importance of 'bureaucratic careers'.⁵⁸ However, there are some interesting divergences as well. Finnish managers were well trained already at a very early stage of indus-

55 See further, Lindenfeld, H., *The Professionalisation of Applied Economics: German Counterparts to Business Administration*, in *German Professions, 1800-1950*, eds. G. Cocks & K. Jarusch. New York: Oxford UP 1990.

56 See, for example, Byrkjeflot, Haldor, *The Structure of Management Education in Europe*, CEMP Report, No. 8, Universitetet i Bergen 2000, on the recruitment of managers from an 'inner circle' in Europe.

57 Fellman, *Uppkomsten av en direktörsprofession*, 187ff. For the role of internal labour markets in the recruitment of managers, see, for instance, Rose, *Networks and Leadership*.

58 Cf. Cassis, Youssef, *Big Business: The European Experience in the Twentieth Century*. Oxford: Oxford UP 1997; and *Men in Business: Essays on the Historical Role of the Entrepreneur*, ed. W. Miller. New York: Harper & Row 1962; and Kaelble, Helmut, Long-Term Changes in the Recruitment of Business Elites: Germany Compared to the U.S., Great Britain and France since the Industrial Revolution, *Journal of Social History*, vol. 13, 1980:3, 404-423.

trialisation. This has been explained earlier. They were also fairly young when they reached the top. One reason was the – in an international perspective – fairly small firms, but another explanation is that owner managers overall were fairly persistent in top management. However, in response to the professionalisation process, the owner managers' profiles started to resemble those of the salaried manager.

Finally, it would be interesting to ask what has happened over the last decades, as Finnish business life has undergone a rapid transformation. Finnish firms has internationalised and truly global firms have emerged. This has evidently affected the managerial profile as well. We could observe the first generation of the 'modern professional manager' in the 1960s and '70s in Finland. As more or less every manager in the last cohort at that time had one or even two academic degrees, it can be assumed that no large changes in basic education any longer took place. However, as a consequence of the internationalisation process and based on indications in the last cohort and contemporary discussion, we can conclude that at least two things have happened; firstly, management education has grown in importance and, secondly, a new feature, international careers. But this is another story.