

Neoliberalism in the making? The role of managerial agency in the corporatisation of swedish public enterprises

Early-stage draft paper. Do not cite

Rasmus Nykvist, rasmus.nykvist@hhs.se

Department of Management and Engineering, Linköpings universitet, Linköping, Sweden & Institute for Economic and Business History Research (EHFF), Stockholm School of Economics, P.O. Box 6501.

SE-113 83 Stockholm, Sweden.

Rickard Björnemalm , rickard.bjornemalm@gmail.com

Stockholm School of Economics

Abstract:

An often overlooked aspect of the neoliberal shift within the Swedish national context is the process of corporatization of public enterprises. Corporatization was a decades-long, gradual process, starting with formalisation in 1911 and its culmination in the early 1990s as the Swedish ‘affärsverk’ (public enterprises) –specific types of “business-like” government authorities– went from being *public agencies* to being state-owned *enterprises*. As such, the corporatisation of the ‘affärsverk’ is a key part of this shift towards market orientation.

The research presented is focused around a critical juncture in the historical trajectories of the ‘affärsverk’: The public inquiry into the public enterprises - the enterprise leadership committee (‘verkledningskommittén’) that was initiated in 1983 and delivered its two final reports in 1985. These reports were then developed into a legislative proposal. This proposal officially granted the Affärsverk results-based, corporate group governance structures (Berg, 1999). This marked the “last gasp” and a distinct market oriented shift in the organisational and regulatory structure of the ‘affärsverk’, however it did not entail full corporatization. In this conference paper, we seek further understanding how and to what extent management attempted to utilise their agency to influence their own regulatory structures. Our tentative conclusions suggest that several “under-the-hood”- developments, which pre-date the conclusion of the inquiry, converge to shift values and reorganise the public enterprises internally and as a consequence the inquiry merely formalised changes which had already occurred within the public enterprises.

Acknowledgements

We especially want to thank Henrik Kinblom, Clara Fallkenek and Dante Ljungh for excellent research assistance throughout this project. In addition, we also want to thank the other members of the DigiHist Consortium and the StateCorp-project.

Introduction

Today, the “marketization of the state”(Andersson, Erlandsson, and Sundström 2017) is a continuously present phenomenon. Whether it is market-reforms in Swedish schooling (Henrekson and Wennström 2022), the increased presence of public procurement (Öjehag-Pettersson and Granberg 2019) or the Swedish state conceptualisation of itself as an “active owner”, similar to a holding company:

“Companies with state ownership should act long term, effective and profitable as well as be given the opportunity to develop” (Regeringskansliet 2023, 101)

Market-oriented values truly do permeate the structures and functions of the state. In fact, both scholars and policy-makers alike conceptualise the state as an investor, which ought to have a broad portfolio of investments and provide capital (research grants, subsidies etc.) for companies, to solve “grand challenges” (Mazzucato 2018; 2021). From a historical perspective, we argue, this is as an institutionalisation of market-structures within the state, to the point where the state and market are interconnected to the degree that it is hard to draw clear boundaries between the two.

To understand how market oriented-values came to permeate the state to begin with, one can look at the extensive existing research which covers the adoption of new practices related to marketisation, such as New Public Management (Hood 1991). However, an often overlooked aspect of the neoliberal shift within the Swedish national context is the process of corporatisation of the ‘Affärsverk’ (public enterprises). The corporatisation process was a decades-long, gradual process, starting with formalisation in 1911 and its culmination in the early 1990s as the Swedish public enterprises –specific types of “business-like” government authorities– went from being *public agencies* to being state-owned *companies*. Importantly, this process started with a massive expansion of public enterprise subsidiaries in the 1930s and then accelerated after the economic downturn of the 1970s, eventually necessitating rationalisation. As such, the corporatisation of the public enterprises is a key part of this institutionalisation of market-oriented governance structures, and the subsequent change in values associated with the neoliberal shift.

This paper is focused around a significant critical juncture in the historical trajectories of the public enterprises: The public inquiry into the management and leadership government agencies and public enterprises (‘Verklekningskommitén’, henceforth VLK) which was initiated in 1983 and delivered its two final reports in 1985. These reports were then developed into a legislative proposal and accepted in 1987. This marked the public enterprise-form’s ‘last gasp’ and a distinct legislative effort to reorient the organisational and regulatory structure of the public enterprises towards corporate group governance, however it did not entail full corporatisation. The proposal officially granted the public enterprises results-based, market-oriented governance structures such as management by objectives¹, results oriented management and corporate group governance² of subsidiaries (Berg 1999).

¹ In Swedish: Målstyrning

² In Swedish: Koncernstyrning

Because of their structure, the affärsverk were part market overseer and regulator, part market actor and part the creator of markets. Often acting as both regulator and participant in the very same market. In addition, each of these organisations arose from specific historical circumstances (Waara 1980). The structures governing the public enterprises were often unclear and non-uniform. This gave the individual affärsverk varying levels of discretion depending on the specific regulatory rules that governed each organisation. As such, there was considerable tension between the structures governing the affärsverk and agency in terms of managerial discretion within each affärsverk. Therefore, to know how and to what extent management attempted to influence their own regulatory structures through the policy process is significant for better understanding the neoliberal shift in the Swedish state corporate sector. Thus, this paper fills an important gap because previous research on public enterprises has focused on the political debate and legislative process and explicitly looked at the policy level and thus largely ignored archival material internal to the public enterprises (Berg, 1999).

Previous research

Research on Staten Owned Enterprises

Extensive economic and business history research exists on SOEs (see for instance Nevalainen 2019; Davids 2005; Millward 2005; Fowler and Edwards 2023). There is also research on SOEs which centres on the Swedish and Finnish context (Friedl and Lakomaa 2022; Nevalainen 2017). However, there is a lack of clarity on the definition of an SOE.

For instance, Bognetti (2020, 26) defines an SOE as:

“SOEs can take very different forms of legal status: a department of a government ministry, an agency, a firm acting under the rule of corporate law, or a listed corporation totally or partially owned by the government. Here we will consider an SOE to be any unit that sells products or services at a price with the intent to cover at least a significant part of costs and which is under the control of a public subject: a municipal government, a region, a state or a federal government.”

Based on this definition, a ‘SOE’ is a broad umbrella term which makes no distinction between different types of state organisational forms. As such, this definition fails to account for the significant differences between government ministries, government agencies or state-owned companies. Thus, the term SOE loses necessary nuance when discussing the kinds of shifts that occurred throughout the 20th century. For instance, mere state ownership reflects a certain set of limited options for governance, (through the board and directives) but in the case of government agencies or hybrid organisations, governance can be extensive such as through parliament or through approval from the government (see for instance Berg 1999). As such, a distinction between different types of state organisational forms are necessary to fully grasp their development trajectories. Based on the previously mentioned definition however, the changes of SOEs throughout the 20th century could be considered rather limited. They were and continue to be SOE’s despite shifts in legal status, degree of state ownership and types of governance. This, we argue, is problematic because significant developments have taken place throughout the

20th century. Thus, we distinguish between two different types of Swedish SOE, the ‘public enterprise’ (affärsverk) and state-owned companies (aktiebolag).

Research on Neoliberalism (To be developed)

For the purposes of this draft conference paper, we focus on the neoliberal shift as the introduction and expansion of market-oriented structure in the public administration. Specifically, management by objectives and results-based governance, internal corporate governance (corporate group governance, creation of subsidiaries etc) and a corporate governance leadership structure, (i.e. the CEO answers to a board, the board votes on issues et cetera), in addition a focus on business, markets, customers and competition rather than public utility, public good, oversight, regulation. This understanding is only grounded in previous literature on corporatisation of the Swedish state corporate sector (Waara 1980; Holmgren 2009; Berg 1999) rather than the larger discourse on the neoliberal shift.

Theoretical Framework

Institutionalisation and leadership

To further understand the corporatisation process and how market-orientation came to permeate the Swedish public enterprises, we utilise the framework of “institutionalisation”. As Philip Selznick (1957, 57) described, institutionalisation is “to infuse with value beyond the technical requirements of the task at hand.”. Selznick insisted that institutionalisation was a historical process (1957, 16). As such, values are infused in organisations overtime, necessitating not only understanding organisation as a process (van de Ven and Huber 1990) but also by “historicizing” organisational research (Harvey 2020, 4).

Selznick's understanding of institutionalisation sheds light on the role and influence of management within organisations. According to Selznick, it is the responsibility of leadership to oversee the process of institutionalisation. Consequently, leadership possesses the agency and capacity to actively shape the integration of values within their organisation. When Selznick refers to “leadership”, he is essentially referring to the “promotion and protection of values” (Kraatz, Flores, and Chandler 2020, 487). In this context, the “social skill” (Fligstein 2001) exhibited by a manager or director general of a public enterprise also plays a crucial role in determining the effectiveness of their efforts to promote and safeguard values.

However, as Selznick's (1949) study on the Tennessee Valley Authority revealed, organisational values could easily be displaced by managerial opportunism and pursuit of short-term organisational objectives (Kraatz, Flores, and Chandler 2020). As such, not all managers prioritise values, leaders do. To paraphrase Stinchcombe (1997), the guts of institutions lie in the fact that somebody somewhere genuinely cares about their organisation and its values. Without this care, whether internally or externally, chaos ensues. Thus, Selznick, along with subsequent scholars following in his footsteps (Kraatz and Flores 2015; Kraatz 2020; Kraatz, Flores, and Chandler 2020), have developed an institutional theory that places a greater emphasis on values.

Normative pillar and values

In Richard Scott's (2013) framework, this is described as the normative pillar of institutional theory. Scott (2013) argues, scholars who fall within the normative pillar emphasise "normative rules that introduce prescriptive, evaluative, and obligatory dimension into social life" (64). Defining values as "conceptions of the preferred or the desirable together with the construction of standards to which existing structures or behaviours can be compared and assessed." (64). Importantly, Scott (2013) holds that norms are included under the normative pillar as well.

While this paper is primarily interested in values, as Kraatz, Flores and Chandler (2020) highlights, discussions on definitions of the concept of "values" in institutional theory have, to a large extent, been absent. As such, Kraatz and colleagues turn to sociology-literature on values which often includes discussions on norms. However, values are more abstract and norms are more specific and concrete. These can also be in direct conflict as pressure resulting from norms can be in conflict with values. Kraatz and colleagues (2020) also highlight the parallel this has with isomorphic pressure in New institutional theory (Meyer and Rowan 1977; DiMaggio and Powell 1983), though they contend that organisational values can act as counteractive pressures to isomorphic pressures are often not taken into account. In short, Kraatz and colleagues (2020) find that values are:

(1) cognitive ideals ("conceptions of the desirable"), (2) long-term goals, (3) normative beliefs, (4) emotionally laden, and (5) relatively enduring and trans-situational. (501)

For the purpose of this paper, the role of values pertains to their function. Here, Kraatz and colleagues (2020) provide tangible insight, stating that values are:

functions found that they (1) motivate and guide action, (2) provide meaning and purpose, (3) affect justifications and evaluations, and (4) occupy a key role in the self (as the source of personal and institutional identity). (501)

Thus, values are shaped by one's experiences, motivate and guide action, are cognitive ideals and normative beliefs and enduring regardless of the situation. Values can either be in conflict with or aligned with isomorphic pressures. Within organisations, values can be perpetuated through action (technical tasks as Selznick (1957) calls them) and actively pursued, safeguarded and monitored by leadership.

In the case of the public enterprises, the aforementioned extensive opportunities for management to exert agency and social skill also allows management to pursue, discourage or safe-guard certain values over others within their organisations. The VLK provided senior management with the opportunity to influence the policy-process by favouring the adoption of certain organisational changes. Thus, the values promoted by those changes would act as a vehicle for the preferred values of management to be enshrined in the formal regulatory structure of the public enterprises.

Material and Sources

We utilise or plan to utilise material from the following archives:

Verklekningskommittén archive (Riksarkivet, Marieberg)

Postverkets archive (Riksarkivet, Arninge)
 Televerkets archive (Riksarkivet, Arninge)
 Domänverkets archive (Landsarkivet, Kusthögden 46)
 Statens Järnvägar archive (Riksarkivet, Arninge)
 Statens Vattenfallsverk archive (Riksarkivet, Arninge)
 Luftfartsverkets archive (Landsarkivet, Kusthögden 46)

Our archival collection is a work in progress, In table 1, the progress is displayed, displaying the relevant enterprise, the archive (s) we are collecting materials from and the relevant years. For Domänverket and Luftfartsverket we have been unable to collect material because of the location of the archives. In FFV's case the archives in Marieberg and Arninge were not able to locate any material for the years of interest to us. Finally, for Televerket, thanks to the DigiHist Consortium,³ a relational database with digitised and OCR:ed materials, covering a very extensive period beyond the scope of this project.

Table 1: Public Enterprise board with selected attachment archival collection (work in progress)

Collection of board minutes with selected attachments									
Public Enterprise	Archive	1980	1981	1982	1983	1984	1985	1986	1987
Postverket	Postverket Verkchefens kansli 1977-1989								
	Postverket Koncernstaberna Postverkets understödskassa 1984-1994								
Statens vattenfallsverk	Statens Vattenfallsverk Administration / Juridiska sektionen Styrelsens protokoll 1970-1992								
FFV	NA								
Statens Järnvägar	Statens Järnvägar (SJ) med föregångare, Förvaltningsarkiven, GD Bengt Furbäcks arkiv 1979-1988								
Domänverket	Domänverket Generaldirektörens arkiv 1974-1993								
Luftfartsverket	Luftfartsverket. Generaldirektörens arkiv 1929-2002								
Televerket	DigiHist Consortium Database								

Note: Collected: Green, To collect: Orange, Not available: Red

Swedish Public Enterprises and the Swedish state corporate sector

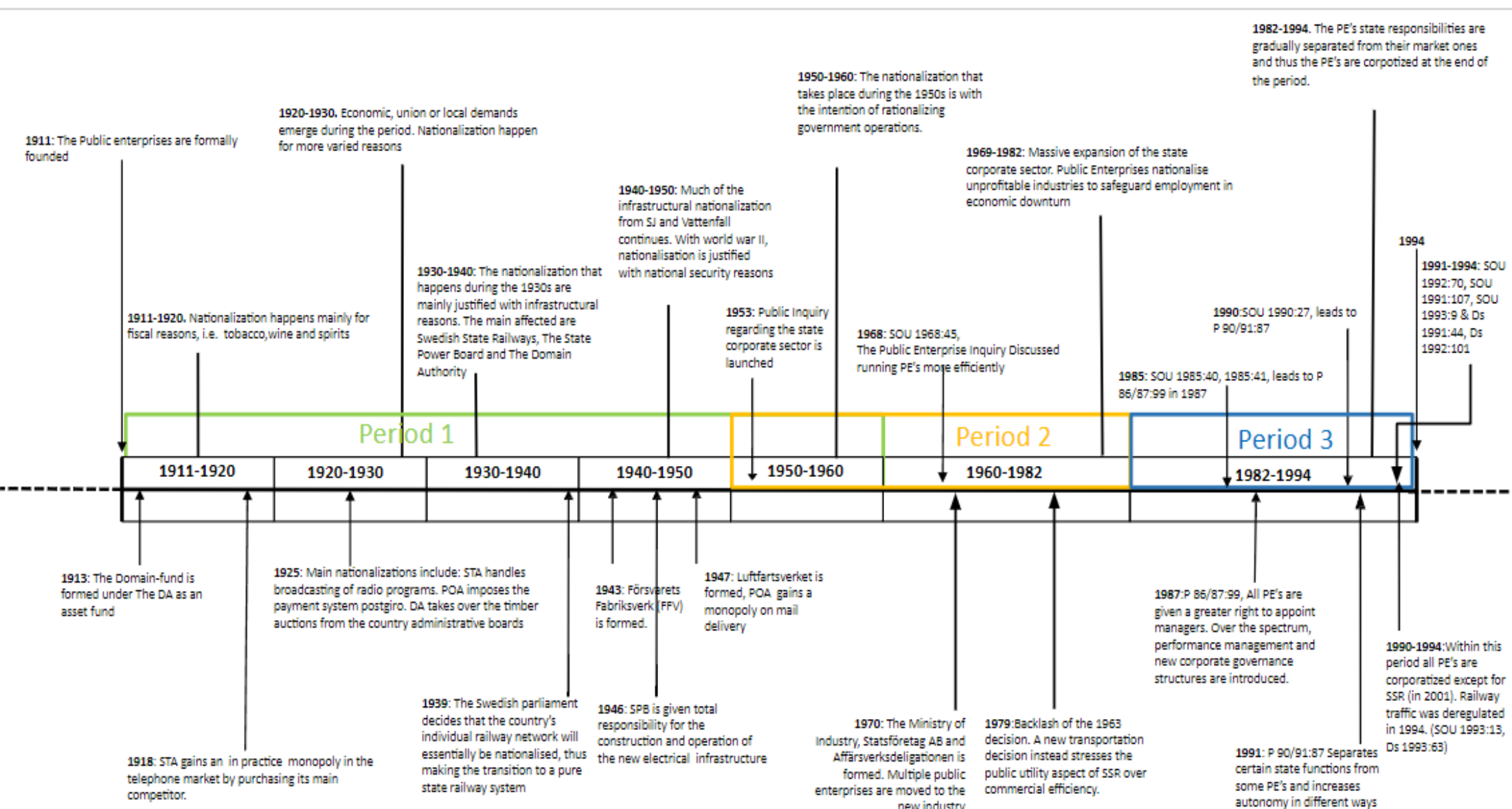
In this section, we draw from previous literature (Waara 1980, Berg 1999, Holmgren 2009) on public enterprises to describe their historical development. This previous research indicates that, to understand the launch of VLK, one needs to understand the historical developments which

³ <https://digihist.org/about/>

led up to it. Essentially, there are several parallel processes which all contribute to the launch of the VLK and subsequently the corporatisation of the public enterprises in the 1990s. We first attempt to sketch the critical junctures of this historical development down below. We then describe the VLK and its most significant findings. Then, we utilise VLK interviews to describe the public enterprises market-orientation efforts from the perspective of the director generals. Finally, we provide a discussion and tentative conclusion on the “under-the-hood”-developments which contributed to the shift towards market-orientation in the Swedish public enterprises.

A brief history of the Swedish public enterprises: critical junctures, crisis and disruption

Figure 1: Timeline (to be updated)



Televerket: The Swedish Telecommunications Administration (STA): Telephone, Radio, TV and related infrastructure)
 Posten: The Post Office Administration (POA) : Distribution of mail and packages
 Statens Järnvägar: The Swedish State Railways (SSR): Transportation and related infrastructure
 Vattenfall: The State Power Board (SPB): Electricity and related infrastructure
 Domänverket: The Domain Authority, (DA): ownership and exploitation of Swedish forests

SOU: Official State investigations
 DS: Ministerial reports/investigations
 P: propositions for laws

Economic crisis, 1920s-1930s

While the motives behind the expansion of public enterprises and the broader state corporate sector are not uniform, secondary literature (Waara 1980), has shown that the motivations for expansion were predominantly economic rather than political.

The state corporate sector's first wave of expansion occurred through a series of nationalisations. Marred by the structural crisis in banking and agriculture throughout the 1920s and 1930s, this period constitutes an important critical juncture in the evolution of the state corporate sector. Described by Waara (1980, 149) as a major "breakthrough", and the original source of later developments.

The infrastructural public enterprises, namely Statens Järnvägar and Statens Vattenfallsverk, expanded through acquisitions of existing companies, capitalising on technological advancements that made profitable infrastructure operation feasible. Statens Järnvägar, for instance, was the first public enterprise to establish subsidiaries.⁴ As part of this, the enterprise nationalised 1060 km of the privately owned regional railways with the aim of rationalising the railway sector (Andersson-Skog 1993). Consequently, Statens Järnvägar also took over workshops such as AB Gävle Vagnverkstad and formed subsidiaries such as AB Trafikresturanger to complement its railway operations (Waara 1980). This rationalisation drive resulted in SJ gaining a *de jure* monopoly over the railway sector in 1939, with further nationalisations occurring throughout the 1940s. (Andersson-Skog 1993; Waara 1980).

The other public enterprise which expanded through the means of nationalisations in the 1930s was Statens Vattenfallsverk (referred to as Vattenfallsstyrelsen at the time). In 1930, Statens Vattenfallsverk nationalised the privately owned AB Motala Ströms Kraft and its various power stations. This in an effort to secure electrical power generation, streamline the current organisation of the hydro power sector and avoid conflict with other power-related interests (Waara 1980).

In addition to these two, Domänverket also expanded through means of nationalisation throughout the 1930s. Lövhölmssens såg i Piteå and Sandviks såg in 1932, Båtskärsnäs and Axelsvik in 1935 and Karlsborgsverken in 1937 were all forestry industrial companies which Domänverket acquired (Waara 1980). Domänverket formed the subsidiary ASSI in 1942, where these industrial subsidiaries were collected and, later, in 1957 separated from Domänverket.

The initial wave of nationalisations, occurring against the backdrop of the structural and economic crises of the 1920s and 1930s, had profound and wide-ranging implications. Statens Järnvägar, Statens Vattenfallsverk and Domänverket initiated the phenomenon of acquiring and establishing subsidiaries, which after the crisis of the 1970s, played a pivotal role in the initiation of the VLK. The concept of 'nationalise to rationalise' is another prominent theme, gradually evolving into the notion of 'business efficiency', which became prevalent within the public enterprises in the 1980s (as will be demonstrated below). The roots for the 'business

⁴ "Affärsverkens bolagsverksamhet", Riksrevisionsverket 1984-03-30, dnr 1983:388, Volym 8, Verkledningskommittén 1983-1985, p.2

efficiency'-theme in public enterprises can be attributed to Domänverket, as changes to the management of Domänverkets forests were introduced. This new approach aimed to promote "sustainable forestry and, to the greatest extent possible, logging practices that prioritise maximum financial returns".⁵

World War 2 and 1940s

To some extent, war also played a role in shaping the development trajectory of the public enterprises. The wave of nationalisations from Statens Järnvägar continued into the 1940s, bolstered by a parliamentary decision which granted SJ a *de jure* monopoly in 1939. In the 1940s, nationalisations and expansion of existing public enterprises were primarily motivated by national security considerations (Waara, 1980).

Furthermore, the wartime period and the immediate aftermath witnessed the formation of two new public enterprises "Försvarets Fabriksverk" (FFV, later renamed Förenade Fabriksverken) and Luftfartsverket in 1947. FFV was formed in 1943 with the aim of coordinating the production of war material and related items, including production units involved in repairs and military laundry (Waara, 1980).

Concurrently, Luftfartsverket was created in 1947 out of another government agency, tasked with the construction, maintenance and operation of airports (Waara 1980). Most of these airports were previously owned and operated by different municipalities. Technological advancements, largely spurred on by the war, had made the notion of a civil airline industry more feasible. As a consequence, Luftfartsverket was designated the public enterprise form, with the expectation that it would cover its costs, as a significant part of its income would come from fees levied on the airline industry (Waara, 1980).

Energy crisis and Economic downturn in 1970s

In the late 1960s and early 1970s, a series of significant structural changes occurred at the policy-level. In 1970, the Ministry of Industry (Industridepartementet) was established leading to the relocation of Domänverket, FFV and Statens Vattenfallsverk from their respective departments (Ministry of Agriculture, Ministry of Defence and Ministry of Finance, respectively) to the new ministry. Additionally, the Ministry of Industry also received a substantial portfolio of state-owned companies through the creation of "Statsföretag AB". The holding company's purpose was to effectively and rationally coordinate and manage the ever increasing number of state-owned companies.⁶ In parallel with the creation of Statsföretag AB, the government also created "Affärsverksdeligationen" to coordinate between public enterprises and state-owned companies.

These policy-level changes, coupled with other changes to the regulation of specific affärsverk,⁷ set the stage for the massive expansion of state owned company subsidiaries which would follow the energy crisis and subsequent economic downturn in the mid 1970s. Specifically, those

⁵ Förordningen den 10 maj 1935 (nr 157)

⁶ Kungl. Maj:ts proposition nr 121 år 1969

⁷ For instance, prop 1968:103 which granted, among other things, Domänverket the power to acquire, manage and sell shares in companies

enterprises placed under the Ministry of Industry, (FFV, Domänverket and Statens Vattenkraftverk), witnessed the most dramatic expansion of subsidiaries.

This expansion was driven, in part, by the government's response to the crisis. There was a desire to save important industries and, crucially, safeguard employment. This led to an expansion of the state corporate sector through several nationalisations, mainly of heavy industries such as shipyards and commercial steel mills.⁸ Additionally, Domänverket's nationalisations of unprofitable forestry industries were crucial for securing employment in the northern regions of Sweden. The nationalised companies were either managed by Statsföretag AB or the affärsverk that had acquired them, such as Domänverket, Statens Vattenfallsverk or FFV.

The combination of the crisis and the preceding policy-level changes had created the conditions for a massive expansion of the state corporate sector. Through active industrial policy, the government aimed to mitigate the economic effects of the oil crisis. However, during the 1980s, many of these now state-owned companies were decommissioned, sold or divested from (Holmgren 2009).

The final formative crisis occurred in the 1990s, after the VLK and the subsequent regulatory changes, and resulted in the corporatisation of most of the public enterprises.

VLK

In 1983, the government formed a special committee with the expressed mission to investigate the leadership of the Swedish government agencies⁹. In addition, this also investigated the relation between the government, the ministries, the public enterprises and their state-owned company subsidiaries. This resulted in a specific report titled “the public enterprises and their companies”¹⁰ published in 1985. The report states

“The work [of the committee] has aimed at creating conditions which allow [the public enterprises] operations to run rationally in relation to business and societal goals. We have strived to make sure that [public enterprise] operations shall be privy to acceptable levels of transparency because of their role in society and under conditions that- as far as possible- are neutral in regards to competition”¹¹

The main suggestion of the VLK in regards to the public enterprises was that the relation between the enterprises and their state-owned company subsidiaries should be formalised as “corporate group governance”. In addition, the riksdag and government would be able to use their role as owner and their right to give directives to establish scope of the operations for the enterprise and its subsidiaries.¹² Essentially, management by objectives. Importantly, the VLK suggested *formalising* the “corporate governance”-structure and managed by objectives into a clear regulatory framework.

⁸ SOU 1978:85

⁹ SOU 1985:40

¹⁰ SOU 1985:41

¹¹ SOU 1985:41, 11

¹² SOU 1985:41

In regards to the areas where public enterprises provided a function akin to a government agency (oversight, public utility function etc). The VLK suggested:

“The exercise of public agency authority ought to be moved to agencies outside of the public enterprise groups if it relates to areas in which the enterprises or the subsidiaries conduct business in competition with others.”¹³

Finally, the relationship between parliament, government and public enterprise would be governed through multi-year plans:

“It is our opinion that the Riksdag’s and the government’s control of the public enterprises and enterprise groups should take place on the basis of rolling multi-year plans. In these plans, each work must provide an account of

- the objectives for the enterprise’s and the enterprise corporate group’s operations, business strategy and other company policies to achieve these objectives.
- strategic investment plans for the enterprise and the companies and financing issues (method of financing, credit lines, etc.) in connection with these as well
- results and profitability for the utility and the group.”

As will be shown later in this paper, many of these suggestions were already a part of several public enterprises. As such, it is significant that the VLK’s authors uses the term “formalised”¹⁴ in regard to the “corporate group”-term: “The committee proposes that the corporate group-concept, which is now used in everyday speech for the combination public enterprise - company, should be formalised.” This implies that the internal organisation and governance of the public enterprises had diverged from the pre-VLK regulatory framework.

It should also be noted that not all the members of the committee agreed fully with the VLK’s findings. Professor Daniel Tarschy reserved himself against the VLK’s main report.¹⁵ In addition, he provided “Special Opinion” (särskilt yttrande) where he stated that, especially for the three communications oriented public enterprises (Postverket, Televerket and Statens Järnvägar), the ‘corporate group’-governance model was a step towards making the organisations more powerful business actors and should be complemented by providing forums for consumers to voice their concerns and influence over the enterprises. This could be done either through reforming the traffic-committee in parliament into an open forum or through open general meetings (bolagstämmor). He further wanted another public inquiry to evaluate these matters in detail.

Tarschy’s special opinion is illustrative of an important aspect of the VLK, namely that there was a long-held conception that the public enterprises were organisations with a dual purpose, being both government agencies and businesses simultaneously. The special opinion speaks to a concern that the VLK altered the balance between these functions fundamentally. When the

¹³ SOU 1985:41, 12

¹⁴ SOU 1985:41, 20

¹⁵ SOU 1985:41

findings were proposed and accepted by parliament,¹⁶ management by objectives and corporate group-governance was implemented. There were also a number of decisions¹⁷ which were in line with the suggestions of the VLK, to separate oversight and regulatory parts of the public enterprises into new government agencies. For instance, Banverket or Statens Telenämnd, in 1988 and 1989 respectively. In effect, further shifting the dual function of public enterprises towards business-like structures (Berg 1999). As such, the VLK really was a “last-gasp” of the public enterprise form, as afterwards the shift toward the business side culminated with the corporatization of the public enterprises in the early 1990s.

VLK Interviews

As part of the VLK’s work, Lars Hellsvik and Inger Löfroth carried out interviews with the Director General of each affärsverk. This material provided a basis for the public enterprise part of the VLK and thus, is interesting to study in close detail. For our purposes, the questions regarding formation of subsidiaries, and the potential introductions of goal oriented governance is of special interest since the responses to these questions provide insight into the perspective of the director generals in regards to the potential introduction of more market-oriented regulatory structures. For two of the Affärsverk, the responses are contrasted with the internal perspective, based on management minutes, of the Affärsverk in regards to the VLK and the implementation of neoliberal governance structures. With the idea of adding more context and to find out any potential discrepancies or strategies. This section is a work in progress and the idea is that in a finished paper we will contrast the interviews with internal archival material for all public enterprises.

Domänverket

In the interview with the director general of Domänverket, Bo Hedström, he explains the three reasons for the increasing formation of State-owned companies in the last five years within Domänverket. Stating that this development has come as a result trying to get “commercial thinking” into the organisation, to get insights into the processing industry for forestry products and to safeguard employment.¹⁸ Safeguarding employment most likely refers to Domänverket taking over several struggling forestry industries which were hit particularly hard as a result of the crisis of the 1970s.

Hedström goes on to say that while the government has to give permission for Domänverket to form state-owned companies, and subsequently have regulatory power to some extent. However, it has never utilised it, not even when Domänverket’s subsidiaries were the subject of considerable scandal.¹⁹ A scandal which potential partners of Televerket feared would threaten Televerket’s market orientation efforts.²⁰

¹⁶ Prop 1986/87: 99

¹⁷ Prop 1987/88:50, Prop 1987/88:87, Prop 1987/88:118, etc

¹⁸ “Samtal med Bo Hedström”, 1984-02-23, Volym 8, Verkledningskommittén 1983-1985

¹⁹ “Samtal med Bo Hedström”, 1984-02-23, Volym 8, Verkledningskommittén 1983-1985

²⁰ Brev: Four seasons venture capital till Hagström ang kommersialisering, Korrespondens, Gd T Hagström, E3a Koncernledningsstab, Televerket

On the question of management by objectives, Hedström said that Domänverket already has it, stating that there are requirements for returns on investment within Domänverket.²¹ Hedström brings up the contrasting example of the government agency Skogsstyrelsen, which he points out has resource management. Which means that there are frameworks for expenses which do not exist in Domänverket. Hedström concludes that he does not have anything against governance from the government, stating that an owner ought to be able to govern.²²

Försvarets Fabriksverk (FFV)

Olof Lund, the director general of FFV, which saw a large expansion of state owned company subsidiaries during the 1970s, held that the driving force behind this development had been, 1) to spread out risk more and 2) to generate better profitability.²³ In terms of forming state-owned companies, Lund stated that FFV makes those decisions and then informs the government.²⁴

On the question of management by objectives, Lund maintained that the organisation itself was regulated but not the operations of the enterprise. Lund stated that it was “horrible” that the government's instructions for FFV regulated the organisation but not the operations.²⁵ According to Lund, FFV has a strategic plan which the enterprise itself has created and sent to the Ministry of Industry for approval.²⁶ Lund did say that FFV sets their own objectives and the government should not take over that responsibility, however, the government ought to set which areas FFV should operate in and then have a consistent requirement for return on investment, perhaps in the form of a consistent percentage.²⁷

Luftfarsverket

Bengt A W Johansson, Luftfarsverket's director general, stated that while there are no actual plans to form more subsidiaries, however there are areas of Luftfarsverket operations who could benefit from being run in that organisational form, such as the conference activities at Arlanda Airport and the ramp service.²⁸ Johansson notes that it is hard to transfer activities from the public enterprises to the company form since there is union resistance, however it is possible to run new operations in the company-form from the beginning.²⁹

In contrast to previously mentioned public enterprises, Johansson stated that Luftfarsverket did not have objectives-based management. However, Luftfarsverket took the initiative in formulating goals in relation to operation and return on investment for the enterprise.³⁰

Johanson said that organisational changes should be the responsibility of Luftfarsverket and not be subject to permission from the Riksdag as was the case currently. In addition, stating that all

²¹ “Samtal med Bo Hedström”, 1984-02-23, Volym 8, Verkledningskommittén 1983-1985

²² “Samtal med Bo Hedström”, 1984-02-23, Volym 8, Verkledningskommittén 1983-1985

²³ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁴ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁵ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁶ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁷ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁸ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

²⁹ “Samtal med Olof Lund” 1984-02-20, Volym 8, Verkledningskommittén 1983-1985

³⁰ “Samtal med Bengt A W Johansson”, 1984-03-06, Volym 8, Verkledningskommittén 1983-1985

investments and financing should not all be decided through Riksdagen. Large scale investments which result in a changed capacity and affect the development of the enterprise should need to be accepted by parliament but minor investments should not.³¹

Postverket

Director General of Postverket, Bertil Zachrisson, said that Postverket's state-owned companies have come as a result of criticism from Näringslivs Ombudsmannen. For Postverket, the Riksdag has to accept the formation of state-owned companies. However, he insisted that Postverket does not have anything against the creation of State-owned companies, in fact stating that the entire Postverket could be turned into a state-owned company. Currently, Postverkets state-owned companies are mostly outside of Postverkets core activities, and these companies play a subsidiary role.³²

Zachrisson also mentions parts of Postverket which could be turned into State-owned companies, for instance Postverket's industries. To corporatise parts of Postverket is an idea which has been suggested by a externally hired consultant but Postverket is sceptical.³³

On the question of management by objectives, Zachrisson held that the current system was too detail oriented, with the Riksdag having the ownership responsibilities. Zachrisson wanted the government to have a traditional ownership function and govern Postverket like any regular company. That is, to suggest objectives and to provide economic demands. He further adds that the board within Postverket should apply the more practical demands. The representatives of the state in the Postverket board should make sure that the objectives are met.³⁴

Internally, Postverkets management implemented several projects aimed at reorganising Postverket to be more competitive, efficient and market oriented, all of which predate the VLK.

The two main projects which were aimed at internally reorganising Postverket were called the "CRU-projektet" and the "Postens Affärsorganisation". Both were launched in the early 1980s. Director of Personal Administrative department within Postverket, Stig Stållsvik, said of the CRU-project:

"[...] the fundamental purpose of the CRU reform, namely to create, overall, increased efficiency. Meaning an emphasis on market development, sales and development of the production apparatus. First, one must invest in creating effective units in the places that have the greatest importance for Posten's economy, i.e. the larger [more populous] areas. According to the CRU proposal, the increased number of regions and regional offices reflects a desire to create a larger local and close to the market decision-making apparatus. The essential thing is to create an effective and developable local organisation"³⁵

³¹ Samtal med Bengt A W Johansson", 1984-03-06, Volym 8, Verkledningskommittén 1983-1985

³² Samtal med Bengt A W Johansson", 1984-03-06, Volym 8, Verkledningskommittén 1983-1985

³³ Samtal med Bengt A W Johansson", 1984-03-06, Volym 8, Verkledningskommittén 1983-1985

³⁴ Samtal med Bengt A W Johansson", 1984-03-06, Volym 8, Verkledningskommittén 1983-1985

³⁵ Postverkets direktion, Anteckningar, 1983-02-02, 1983:1, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

The purpose was to decentralise and streamline Postverket, to make it be able to survive in an era of increasing competition.³⁶

The other main reorganisation project was launched in 1982, Postverket hired a consulting firm to study and analyse their earnings, including primarily inventory (inventering) and, crucially, defining and analysing Postverkets different “areas of business” (affärsområden). After a discussion, Postverket management satisfyingly welcomed the consulting firm's work.³⁷

Both of these projects were launched under the previous director general Ove Rainer, who subsequently left for a minister post in 1983. This delayed the implementation of the CRU-reorganisation.³⁸ On June 1st 1983, the consulting firm Indevo presented their report to Postverkets management, which stated that Postverket ought to emphasise the “Government agency”-role of Postverket and instead takes steps to emphasise the business aspect of Postverket, on this issue there was full agreement:

“On the main issue - that Posten should further emphasise the business aspect and divide the business into two main business areas - everyone was in agreement. Bertil Zachrisson summarised the discussion and explained that they would now work on transitioning into a main organisation of the type Indevo suggested.”³⁹

In light of the Indevo-report, new director general Zachrisson said that the conditions of the CRU-project had changed.⁴⁰ Consequently, during Postverkets management two-day retreat in September, 1983 the two projects and related questions were the main subject of discussion. In the notes from the retreat, it is said that Zachrisson decided on the general approach to the reorganisation of Postverket to be in line with what the Indevo-report had suggested, after discussion with Postverket's management and the unions.⁴¹

In the decision, Postverkets business and market orientation was described as:

“An increasingly large part of Posten's operations is exposed to competition from other companies. A starting point for Posten's continued work will therefore be to adapt its organisation to meet this competition. The market orientation that takes place in Posten must be strengthened. Posten must be a business-oriented company. [...] In order to be able to develop the business orientation, it is necessary to more clearly define which policy Posten stands for and which businesses Posten can be good at. [...] Based on objectives and strategies for Posten as a whole, goal and strategy work must therefore continue around various individual business areas. This makes it possible to create better conditions for delegation and decentralisation in the organisation. The business can then

³⁶ Postverkets direktion, Anteckningar, 1983-09-13–14, 1983:4, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

³⁷ Postverkets direktion, Anteckningar, 1982-11-03, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

³⁸ Postverkets direktion, Anteckningar 1982-11-03, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

³⁹ Postverkets direktion Anteckningar 1983:3 1983-06-01, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

⁴⁰ Postverkets direktion, Anteckningar 1983-06-01 1983:3, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

⁴¹ Postverkets direktion, Anteckningar, 1983-09-13–14, 1983:4, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

develop through management by objectives rather than through heavy regulatory management..”⁴²

In the same document, it is stated that the formation of the objectives should stem from the market:

“In summary, knowledge of the market and its potential, primarily with large customers, should be the starting point for specifying Posten's main objectives”⁴³

These main objectives were:

“Posten shall become even better at efficiently and at competitive prices, meet companies and other organisations' total need to manage and exchange letters with others and facilitate exchange of goods and payment services.

[...]

Postens's overall operations should be profitable so that in the long term financial independence is guaranteed: each activity directed towards definable markets/areas of business must be profitable or planned to become profitable.

[...]

Where it is deemed important for Posten's long-term survival, Posten will carry out work to develop in areas where posten may have natural advantages but where competence and experience is currently lacking.”⁴⁴

In practice, the organisational changes consisted of dividing postverkets business operations into two, “Försändelser och lättgods” and “Betalningsförmedling” which would then answer to the corporate group leadership of Postverket.

In addition, a “main project group” was formed to govern the implementation of the organisational changes:

“A main project group under the direction of the director general is set up to manage the implementation of the organisational change (incl. CRU) and coordinate all organisation, development and information work.”⁴⁵

The implementation of the organisational changes were described to:

“The development as described above requires an extensive information and education effort. This applies to issues such as marketing and financial management, partly also detailed information regarding the motives which should reach very far out in the organisation.”⁴⁶

⁴² Postverkets direktion, Anteckningar 1983-09-13 1983:4, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

⁴³ Postverkets direktion, Anteckningar 1983-09-13 1983:4, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

⁴⁴ “UTVECKLING AV POSTENS HUVUDORGANISATION”, Beslut 1983-09-13, Bilaga 1 till PVD protokoll 1983:4, Postverket Verkchefens kansli 1977-1989, A1, volym 3, p. 2

⁴⁵ Postverkets Direktion, Anteckningar 1982-09-07-09, Postverket Verkchefens kansli 1977-1989, A1, volym 3

⁴⁶ Postverkets Direktion Anteckningar 1983:4 1983-09-13-14, Postverket Verkchefens kansli 1977-1989, A1, volym 3

On these informational and educational matters Zachrisson concluded:

[...] the work must take place along three lines. In part, information and motivational measures must be taken that result in the entire postal staff being imbued with the new ideas. Firstly, a massive education program is required, which must include both generalist and specialisation education. Finally, we must examine how Posten's new business ideas should be able to be anchored externally, with the customers.⁴⁷

Postverket also discussed and implemented other projects. Two of them include: Postverket working on their "image" and "development of managers" in 1982. Discussions were had if Postverket should utilise external education, such had happened in the region of Stockholm's manager education. Specifically it was said that this was popular with participants and gave "broader perspectives and important contacts with business"⁴⁸

These projects seem to highlight that Postverket changed in terms of change in terms of ideas and values. The implementation of these projects were said to take effect in 1984.⁴⁹ Subsequently, in her dissertation of how Postverket became a state-owned enterprise, Löfström (2003, 209) holds that it was precisely in 1984 that Postverket became "business-oriented", specifically "They 'started talking business' and referring to the customer as 'King'".

Televerket

In the interview with director general Tony Hagström, he remarks that before 1981 there was only the subsidiary SwedTel and TEFAB and since then a massive expansion of subsidiaries has occurred in Televerket.⁵⁰ What Hagström is referencing is interesting because, in 1981 Televerket got special approval from the government to found the holding company Teleinvest.⁵¹ Other Affärsverk had created these kinds of holding companies before, for instance Domänverket in the early 1970s, which Riksrevisionsverket highlighted in their referral⁵² when Hagström wrote a letter to the government, requesting more "efforts for better market adaptation" in Televerket, including the ability to form Teleinvest.⁵³

In the VLK interview, Hagström notes that Telephony is the sector which is currently expanding the most in the industrialised world, and adding that state-owned companies [implicitly

⁴⁷ Postverkets Direktion Anteckningar 1983:4 1983-09-13–14, Postverket Verkchefens kansli 1977-1989, A1, volym 3

⁴⁸ Postverkets Direktion, Anteckningar 1982-09-07–09, Postverket Verkchefens kansli 1977-1989, A1, volym 3, p. 7

⁴⁹ "AKTIVITETS- OCH TIDPLAN NYA POSTEN", Bilaga 5 till PVD anteckningar 1983:4, 1983-09-11, Postverket Verkchefens kansli 1977-1989, A1, volym 3

⁵⁰ "Samtal med Tony Hagström", 1984-02-17, Volym 8, Verkledningskommittén 1983-1985

⁵¹ Beslut: Godkännande av bolagsordning för Teleinvest AB, mm, dnr II 2267/79, Regeringsakter, kommunikationsdepartementet, 1981, E1a:693

⁵² Remissvar: Riksrevisionsverket ang Framställning av Televerket om åtgärder för bättre marknadsanpassning, dnr II 2267/79, Regeringsakter, kommunikationsdepartementet, 1981, E1a:693

⁵³ SM 16/1979: Brev: Televerket till Regeringen ang Åtgärder för bättre marknadsanpassning, Styrelsememoranda (SM) 1979, Telestyrelsen, serie A1b: vol 15, Televerket; Brev: Televerket till Regeringen ang Åtgärder för bättre marknadsanpassning, dnr II 2267/79, Regeringsakter, kommunikationsdepartementet, 1981, E1a:693

understood to mean Teleinvest] are more flexible, creates the possibility for “joint ventures” with other companies and makes it easier to purchase and sell subsidiaries.⁵⁴

In this context, it is important to note that Hagström became director general in 1978, and immediately considerable efforts were made to reorient Televerket towards the market. However, in relation to the other public enterprises (like SJ, Domänverket and FFV) Televerket was slow to expand their subsidiaries. One of many possible explanations is that there was a shift in leadership at Televerket. The previous director general Bertil Bjurel had an educational background as a civil engineer, and thus conceptualised Televerkets role in a fundamentally different manner than Hagström, who held a Phd in business administration from Stockholms School of Economics. Hagström retroactively remarked⁵⁵ that the “MP-report” which had been presented to Televerket in 1977 had convinced him that technology would make Televerket monopoly irrelevant and competition inevitable. Documentation from the early 1980s backs up this retroactive account.⁵⁶ Thus Hagström and Televerkets management made an active choice when they took action to prepare Televerket for this reality.

Examples of these efforts include but are not limited to, the launch of Teleinvest, acquisition of Teledis, “Markandsorientering-projektet (MARKO-project) which included “thousands of efforts”⁵⁷, one of them being improving the colour profile of Televerkets service cars.⁵⁸

One of the outputs of these efforts was the “Ta Klivet”-campaign, whose purpose was to educate personnel in Televerket about the efforts and why they were being done.⁵⁹ The figures below are part of an overhead presentation and were also distributed in the form of leaflets given to employees at a Televerket conference in 1983.⁶⁰ The campaign echoed the themes Hagström had described, namely that, “Technology is forcing Televerket into competition and there is no other choice” (see figure 2).

⁵⁴ “Samtal med Tony Hagström”, 1984-02-17, Volym 8, Verkledningskommittén 1983-1985,

⁵⁵ “Kapitel 6 Förändringar i själv verket”, volume 1, Bertil Thorngren” personal archive, p. 92-93

⁵⁶ Transkript radiointervju: Hagström intervjuas i Morgonkottet av Fichtelius, 12 november, Tony Hagströms arkiv, F1 pressklipp 1977-1993, Televerket, p. 4

⁵⁷ “Televerkets verksamhetsberättelse 1983/1984”, t p. 2

⁵⁸ Direktionsprotokoll, Televerket Hk11/1984, Koncernledningsstab, Direktionsprotokoll, serie A1a: volym 15, 1984, Televerket

⁵⁹ “Dina idéer -vår framtid. Nu tar vi KLIVET”, Planeringskonferensen 1983, Planeringskonferenser Televerket, 1983, F4b5, Televerket Koncernledningsstab

⁶⁰ “Presentation: Ta klivet. Televerkets kliv in i framtiden kan bli svårt. Tillsammans klarar vi det”, Volume 1, Bertil Thorngren’s personal archive

Figure 2: Televerkets “is forced” into competition and has no other choice



Translation: We are forced into competition. We can not choose not to compete. The cause is future technology. So now we have to invest/go for it

Employees were encouraged to become more market and customer oriented in an effort to “wash away Televerkets government agency stamp” (see Figure 3)

Figure 3 “Wash away Televerkets government agency stamp”

Nu tvättar vi av



Och se — där under löddret börjar redan
skymta ett servicevänligt, kundattraktivt företag.
Som klarar sig i konkurrens.

Translation: "We are now washing off the government agency stamp - And see, under the soap a new service minded company, attractive to customers can be seen. Who will survive competition"

Hagström also mentions the same themes in the VLK interview, listing the benefits of the market orientation, categorised by different relevant actors. For Televerket itself, and "owners", that is government and parliament, the market orientation efforts were said to provide a viable expensive Telecommunications corporate group. A, from the customers perspective, favourable development. For employees, expansion meant increasing employment as the expansion generates new job opportunities.⁶¹

Other measures Hagström references in the VLK interviews. One the question regarding management by objectives, Hagström used the word "Televerketkoncernen" in reference to the Televerket and its subsidiaries and emphasised that this is a unified corporate group. While also mentioning that Televerket has summarised the guidelines in a "Corporate Group Policy document" "which have been integrated in their 3-year plans and are awaiting approval from the government.

⁶¹ "Samtal med Tony Hagström", 1984-02-17, Volym 8, Verkledningskommittén 1983-1985, p.1

To summarise Hagströms comments on management by objectives, Hagström mentions that the tasks of the enterprise should be formulated in terms of objectives and means but that oversight and governance ought not to happen on a detailed level. Buying and selling stakes in companies should be decided by the Televerket board and to conclude, Hagström said, “Increased Flexibility: get more rational governance”.⁶²

Statens Vattenfallsverk

According to the director general of Statens Vattenfallsverk, Jonas Norrby, the driving forces to form subsidiaries have been different for different companies.⁶³ Norrby said that Vattenfall has found that the company-form is the best for cooperation between different actors, especially when it comes to building and running plants. For instance, Norrby mentions the cooperation Vattenfallsverket had with the municipalities Uppsala and Norrköping to build and operate cogeneration plants.⁶⁴ Another example Norrby mentions is the cooperation between Vattenfallsverket the mining company Boliden AB in continuing the construction of hydro plants along the Skellefteälven in the 1960s.⁶⁵ Vattenfallsverket had already built two power plants however, according to Norrby, Vattenfallsverket wanted to continue construction to secure employment opportunities, as such they cooperated with Boliden to form the company Grytforsen AB. While the extent to which different actors participate varies from project to project, Norrby holds that for every such project a new subsidiary company is formed.

Norrby also mentions the function and motive for founding a holding company. Which Vattenfallsverket did in the early 1980s. The motive was coordination and to not risk decreased oversight Vattenfallsverket had two MPs on the board of the holding company and gave the Revision Agency the right to oversee.⁶⁶

In terms of governance mechanisms regarding the formation of subsidiaries, Norrby said that most of these formations have to be accepted by the government but the riksdag has to accept the formation of large companies. Vattenfallsverket can make decisions themselves on the formation of small power distribution companies.⁶⁷

In terms of management by objectives, Norrby said that the current regulations and division of responsibility between the enterprise, government and riksdag in regards to investments are satisfactory.⁶⁸ However, in some cases the current regulations hinder Vattenfallsverket from acting fast enough. For operations, Vattenfallsverket suggestions for the following budgetary

⁶² “Samtal med Tony Hagström”, 1984-02-17, Volym 8, Verkledningskommittén 1983-1985, p.1

⁶³ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommitten (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁶⁴ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommitten (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁶⁵ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommitten (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁶⁶ Intervju med Jonas Norrby, 1984-02-09, Volym 8, Verkledningskommittén 1983-1985

⁶⁷ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommitten (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁶⁸ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommitten (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

year and the government confirms. However, Norrby held that it is a bit ridiculous that the government regulates such comparatively small budgetary matters.⁶⁹

Interestingly, Norrby stressed that consultation and the relationship with the Ministry of Industry was good. Norrby especially highlighted that the economic department of Vattenfallsverket had close connections to that department. However, Norrby complained about the governance from Regeringskansliet when it came to the ability to set salaries for managers.⁷⁰ Most likely because it limits external recruiting possibilities.

Stanes Järnvägar

Director general of Staten Järnvägar, Bengt Furbäck mentions that the developments in regards to state-owned subsidiary companies have a long history within SJ, dating back to the 30s and 40s.⁷¹ Furbäck discusses SJ newest acquisitions, including the railway NBJ which the state acquired because it was operating at a loss and whose shares were turned over to SJ. It is further added that both NBJ railway and TGOJ railway were taken over because of “political pressure”.⁷² Furbäck also discussed other subsidiaries, including “Swed-Rail” which was a new company formed to sell “railway know-how” abroad and SMART, a company which has a booking system for tickets.⁷³

Furbäck also discussed the motives for the creation and acquisition of subsidiaries, stating that the motive was to make use of modern technology and simply to “make money”.⁷⁴ Furbäck added that SJ’s business idea centred on the concept of “total transport” and remarked that the competition in the transport sector was very harsh.⁷⁵

In regards to management by objectives, Furbäck said the government had not specified objectives for SJ. SJ applies management by objectives themselves internally, both in terms of economic objectives and objectives in regards to production, though it has not been fully implemented. Furbäck also mentioned that SJ did not have quality-related objectives which he says is connected to SJ’s harsher competitive situation in comparison to the other Public enterprises.⁷⁶ Concluding that:

“It is difficult to reconcile public utility and business sense in a fiercely competitive situation”⁷⁷

The creation or acquisitions of subsidiaries, Furbäck said, was completely regulated from the Riksdag. This includes not only acquisitions but also sales of subsidiaries which yields a large sum of income. Furbäck mentions a recent example where a sale of a subsidiary which would have

⁶⁹ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommittén (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁷⁰ Minnesanteckningar från samtal 1984-02-09 mellan generaldirektör Jonas V Norrby och representanter från sekretariatet för verksledningskommittén (C 1983:04), Volym 8, Verkledningskommittén 1983-1985

⁷¹ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷² “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷³ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷⁴ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷⁵ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷⁶ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

⁷⁷ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985

yielded around 4 million kr nearly fell through because of the time it took to get it approved by parliament.⁷⁸

Discussion: “Under-the-hood” developments

The VLK played a pivotal role in the institutionalisation of neoliberal governance within public enterprises. Through the VLK interviews, valuable perspectives emerge, shedding light on nuanced aspects in the evolution of public enterprises. We have coined the term ‘Under-the-hood’ developments to characterise these facets, as they have thus far been largely overlooked in prior accounts of the history of public enterprises.

Technological shifts

The impact of technological advancements varies across organisations, and this holds true for public enterprises as well. As exemplified by SJ in the 1930s during the initial wave of nationalisation and the establishment of subsidiary companies, changes in technology can profoundly reshape an organisation's operational landscape. In this case, SJ expanded its scope beyond mere railway operation to include the management of train stations, workshops, bus routes, and even restaurants. Consequently, SJ transformed into a comprehensive transportation company rather than remaining solely a railway operator.

During the early 1980s, a series of ongoing technological shifts had significant impact on the public enterprises. Examples include the adoption of information technology, mobile telephony and ADB-services. Public enterprises employed various strategies to assimilate these innovations, such as mergers, acquisitions, and the establishment of subsidiary entities. Another avenue for technology integration was through collaborative projects. For instance, Televerket and Postverket jointly participated in the "Post-Tel-project," where Postverket sought to offer Telecom data services in the office market. It is noteworthy that Göran Ernmark, the Director of Office Operations at Postverket, said of the project “The market outlook [for the project] is unclear thus far but it is necessary that Postverket participates in the advancement of technology”.⁷⁹

However, embarking on such technological projects also resulted in fundamental alterations to the nature and scope of these enterprises. For instance, Televerket's acquisition of Telebild positioned it as a commercial actor in the information technology service sector. Another illustrative example is Domänverket's acquisitions of subsidiaries within the forestry industry, subsequently establishing itself as a significant participant in that market. Consequently, technological shifts not only influenced the operational activities of these organisations but also redefined their identities and roles in terms of what it means to be a public enterprise.

Change of the guard

If technological shifts led to changes in the underlying scope and nature of the enterprises, it also necessitated personnel with skills and experience in these new areas. This expertise could be

⁷⁸ “Samtal med Bengt Furbäck”, 1984-02-24, Volym 8, Verkledningskommittén 1983-1985, p.1-2

⁷⁹ Postverkets direktion Anteckningar 1982-09-07--09, Postverket Verkchefens kansli 1977-1989, A1, Volym 3

acquired through acquisitions of existing firms or from other sectors. However, the influx of individuals with diverse educational and professional backgrounds introduced a shift in values, effectively ushering in a "change of the guard" within the public enterprises.

Pasi Neavalinen (2017) describes this exact phenomenon in his study of the deregulation of Finnish Telecom. Namely, a gradual replacement of older, long-serving bureaucrats in senior management positions with younger individuals possessing a more varied range of educational backgrounds. This replacement aligns with shifts in internal practices and perspectives within these organisations.

Similarly, Ulf Olsson (1993, 12–14) describes a parallel phenomenon in his book on FFV, where a “technical culture” was replaced with a more market-oriented, speculative corporate culture as FFV expanded into export-driven international markets.

This ‘change of the guard’ appears to be a recurring theme across the public enterprises. Table 2 illustrates that the educational backgrounds of director generals changed significantly over time. For instance, Televerket’s director generals either had a Phd in Engineering or Civil Engineers up to 1978. After that, they recruited a director general with a Phd in business administration from Stockholm School of Economics. Likewise, Statens Järnvagar’s director generals were all civil engineers until 1970. Postverket’s director generals mostly held law degrees until 1984. Domäverkets follows the same pattern but instead having director generals with the “jägarmästare” education, a specific educational title on par with a civil engineer but tailored to forestry.

Statens Vattenfallsverk stands out as an exception to this pattern. However, they did explicitly recruit a non-civil engineer in 1958, precisely to carry out organisational changes that the hired director general (Erik Grafström) had great experience in carrying out.⁸⁰ FFV and Luftfartsverket’s director generals were often from more diverse educational backgrounds, reflecting the multifaceted nature of these public enterprises’ operations. In addition, for FFV, the connection to the military may explain why many of the directors generals educational backgrounds are not listed (NA).

80

<https://historia.vattenfall.se/stories/foretaget-och-manniskorna/vattenfalls-generaldirektorer-och-vdar-genom-tiderna>

Table 2: Director generals of the Public Enterprises heads, 1955-1984

	1955		1963		1970		1978		1984	
Televerket	GD och Chef	Tekn. D. Löjtn. I res	GD och Chef	Tekn. D. Löjtn. I res	Ordf. GD, och chef	Civ. Ing	Ordf. GD, och Chef	Fil. D., Fil. Pol. M.	Ordf. GD, och Chef	Fil. D., Fil. Pol. M.
Postverket	GD och Chef	J. K. fd. regeringsr åd	GD och Chef	J. K. fd. regeringsr åd	Ordf. GD, och Chef	J. K.	Ordf. GD, och Chef	J. K.	Ordf. GD och Chef	Fil. K., fd Statsråd
Domänverket	GD och Chef	Civ. jägmäst.	GD och Chef	Civ. jägmäst	GD och Chef	Civ. jägmäst	GD och Chef	Civ. jägmäst	Tf. GD och Chef/ GD och Chef	J. K./ Fil D.
FFV	GD och Chef	NA	Ordf. GD, och Chef	J. o Fil. K, Pol. M.	Ordf. GD, och Chef	Fil. K.	Ordf. GD. och Chef	NA	GD och Chef	NA
Vattenfallsverket	GD och Chef	Civ. Ing	GD och Chef	Fil. K., Pol. M.	GD och Chef	Civ. Ing.	GD och Chef	Civ. Ing	Ordf. GD och Chef	Civ. Ing
Luftfartsverket	Överdirekt ör och Chef	Fil. K	GD och Chef	Fil. K.	GD och Chef	J. o. Fil. K.	Ordf. GD och Chef	J. o Fil. K.	GD och Chef	Fil. L.
Statens Järnvägar	GD och Chef	Civ. Ing	Ordf. GD och Chef	Civ. Ing	Ordf. GD och Chef	NA	Ordf. GD och Chef	Civ. ekon	Ordf. GD och Chef	Civ. ekon

Source: Sveriges Statskalender, 1955, 1963, 1970, 1978, 1984.

Granted, it should be acknowledged that the director general position was politically appointed and as such could conceivably stand out in regards to the “changing of the guard”-phenomenon. However, as table 3 indicates, this phenomenon is also reflected in senior management. In the context of Televerkets leadership group, the change is clear both in terms of educational background and the specific roles of the various members since 1955.

Table 3: Background of Leadership ground in Televerket, 1955-1985

1955		1963		1970		1985	
Leadership group in Televerket	Background	Leadership group in Televerket	Background	Leadership group in Televerket	Background	Leadership group in Televerket	Background
Generaldirektör och Chef för Televerket	Tekn. D. Löjtn. I res	Generaldirektör och Chef för Televerket	Tekn. D. Löjtn. I res.	Generaldirektör och chef för televerket, ordförande i styrelsen	Civilingenjör	Generaldirektör (ordförande)	Fil. D., Fil. Pol.M.
Överdirektör, Generaldirektörens Ställföreträdare	Civilingenjör	Överdirektör och souschef, Driftsbyrån	NA	Administrativ direktör, Administrativa avdelningen	NA	Teknisk direktör	Civilingenjör
Överingenjör	Civilingenjör	Teknisk direktör, Radiobyrån	Civilingenjör	Driftsdirektör, driftavdelningen	Civilingenjör	Ekonomidirektör	Fil.Pol.M.
Överingenjör	Civilingenjör	Teknisk direktör, Tekniska byrån	Civilingenjör	Ekonomidirektör, Ekonomiavdelningen	NA	Administrativ direktör	Fil K.
Verkstadsdirektör	Civilingenjör	Verkstadsdirektör, Verkstadsbyrån	NA	Verkstadsdirektör, Industriavdelningen	NA	Marknadsdirektör	Civilingenör, Civ.ekon
Förrådsdirektör	Civilingenjör	Förrådsdirektör, Förrådsbyrån	Civilingenjör	Teknisk direktör, Projekteringsavdelningen	Civilingenjör	Informationschef (adjungerad)	NA
Byråchef Ekonomi-byrån	Fil. K	Ekonomidirektör, Ekonomibyrån	NA	Teknisk direktör, Utvecklingsavdelningen	Civilingenjör, e.o.		
Byråchef Personal o kanslibyrån	NA	Personaldirektör, Personal o. Kanslibyrån	NA				
Byråchef försvarsbyrån	Major	Byråchef, Försvarsbyrån	ÖV. Löjtn				

Source: Sveriges Statskalender, 1955, 1963, 1970, 1978, 1984.

To summarise, the under-the-hood developments within the Swedish public enterprises were simultaneously separate yet interconnected developments. Technological advancements altered the scale, scope and actual operations of the public enterprises, leading to the recruitment of people from different educational and professional backgrounds who eventually gained positions in leadership.

Furthermore, the crisis of the 1970s emerged as a critical juncture, and significantly reshaped the public enterprises. The launch of the VLK was partly to investigate this transformation of the public enterprises. However, it also offered leadership the opportunity to influence the revision of the regulatory framework for the enterprises collectively, which may not have occurred otherwise. This was the case since, up until that point, regulatory changes had to a large degree been specific for specific public enterprises.

Conclusions (Tentative)

The VLK presented an opportunity to the director generals of the different public enterprises: the chance to exert influence and reshape the regulatory framework governing these entities. Although the public enterprise represented a legally distinct organisational form, by the 1980s, these enterprises had evolved in disparate directions. This lack of uniformity in regulation posed challenges for both decision-makers and for the public enterprises themselves. Nevertheless, this non-uniformity afforded director generals with considerable managerial agency. Consequently, it was internal efforts rather than external pressure which institutionalised market-oriented governance structures in the public enterprises.

Several ‘under-the-hood’ developments, such as technological shifts and personnel changes in senior management, in congruence with the non-uniform regulatory framework, created the conditions to launch reorganisation projects within the public enterprises. These were aimed at promoting efficiency, customer relations, management by objectives, corporate group governance and decentralisation of decision-making. Consequently, business and market orientation was emphasised and the government agency function was deemphasised.

The reorganisation efforts accelerated an institutionalisation process. As the promotion of market oriented governance structures also meant promoting a specific set of values to personnel through extensive information and education efforts As director general Bertil Zachrisson said:

“information and motivation measures [should be] taken that result in the entire postal staff being imbued with the new ideas”

As such, the market-oriented governance structures were institutionalised in the Selznickian sense, that is, infused with value beyond the mere technical nature of the efforts in question. To do so efficiently, old values, tied to bureaucratic government agency structures, had to be disrupted and supplanted. Thus, management utilised external actors, including private consultants, external educational courses, and new subsidiaries to effectively do so.

It is thus unsurprising that the recommendations from the VLK were, we argue, relatively modest. The VLK largely formalised developments which had already occurred within the public

enterprises prior to the launch of the VLK. Consequently, the more substantial utilisation of managerial agency and social skill did not primarily occur in the VLK's formal policy-process but rather through seizing available internal opportunities, such as the adoption of technologies and initiation of projects, to promote market-oriented values. Thus, the neoliberal shift was not merely a legislative or a regulatory process but a values-driven internal organisational change process.

The 1987-reforms truly marked a “last gasp” of the public enterprise form as it was effectively aligned with the rules and regulations which would be applicable to state-owned companies. This realignment involved the separation of oversight and regulatory functions of the public enterprises, leaving behind more business-like organisational structures and thus concretely fortifying the market orientated values in these organisations.

When the Swedish financial crisis struck in the early 1990s, this values-driven change process, and the regulatory changes which had followed the VLK, made the corporatisation of the public enterprises more or less inevitable. While constitutional, political and practical considerations provided obstacles legislatively, in reality neoliberal shifts had already happened.

Next steps in developing the paper

Next steps mainly involve the collection, structuring and analysis of internal documents (focused around board minutes, attachments to board minutes and other internal strategic documents) related to the shifts outlined so far through the historic overview and analysis of the interviews. Theoretical developments will occur after these steps.

We are happy to receive comments on where and how to focus our efforts in developing the paper.

References

- Andersson, Catrin, Magnus Erlandsson, and Göran Sundström. 2017. *Marknadsstaten : om vad den svenska staten gör med marknaderna - och marknaderna med staten*. Liber.
<https://urn.kb.se/resolve?urn=urn:nbn:se:su:diva-141733>.
- Andersson-Skog, Lena. 1993. Såsom allmänna inrättning till gagnet, men affärsföretag till namnet: SJ, järnvägspolitiken och den ekonomiska omvandlingen efter 1920. Umeå: Umeå Universitet
- Berg, Anders. 1999. *Staten Som Kapitalist : Marknadsanpassningen Av de Affärsdrivande Verken 1976-1994 : En Bok Från PISA-Projektet*. Uppsala: Acta Universitatis Upsaliensis :
- Bognetti, Giuseppe. 2020. : ‘History of Western State-Owned Enterprises: From the Industrial Revolution Ot the Age of Globalization’. In *The Routledge Handbook of State-Owned Enterprises*, edited by Luc Bernier, Massimo Florio, and Philippe Bance. Routledge.
- Davids, Mila. 2005. ‘The Privatisation and Liberalisation of Dutch Telecommunications in the 1980s’. *Business History* 47 (2): 219–43. <https://doi.org/10.1080/0007679042000313666>.
- DiMaggio, Paul J., and Walter W. Powell. 1983. ‘The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields’. *American Sociological Review* 48 (2): 147–60. <https://doi.org/10.2307/2095101>.
- Fligstein, Neil. 2001. ‘Social Skill and the Theory of Fields’. *Sociological Theory* 19 (2): 105–25. <https://doi.org/10.1111/0735-2751.00132>.
- Fowler, James, and Roy Edwards. 2023. ‘Passengers, Citizens, Customers: London Transport Transformed 1977–1987’. *Business History* 0 (0): 1–26. <https://doi.org/10.1080/00076791.2023.2247343>.

- Friedl, Christoffer, and Erik Lakomaa. 2022. 'Monopolist Logic? Managing Technology in the Telecom Sector during Technological and Regulatory Change'. *Business History* 0 (0): 1–27. <https://doi.org/10.1080/00076791.2022.2064851>.
- Harvey, Mairi Maclean, Stewart R. Clegg, Roy Suddaby, Charles, ed. 2020. *Historical Organization Studies: Theory and Applications*. London: Routledge. <https://doi.org/10.4324/9781003033592>.
- Henrekson, Magnus, and Johan Wennström. 2022. *Dumbing Down: The Crisis of Quality and Equity in a Once-Great School System—and How to Reverse the Trend*. Cham: Springer International Publishing. <https://doi.org/10.1007/978-3-030-93429-3>.
- Holmgren, Gunnar. 2009. *Från problemföretag till kapitalförvaltning*. Åbo. <https://www.cdon.dk/boger/fran-problemforetag-till-kapitalforvaltning-p4347617>.
- Hood, Christopher. 1991. 'A Public Management for All Seasons?' *Public Administration* 69 (1): 3–19. <https://doi.org/10.1111/j.1467-9299.1991.tb00779.x>.
- Kraatz, Matthew S. 2020. 'Boundaries, Bridges and Brands: A Comment on Alvesson, Hallett, and Spicer's "Uninhibited Institutionalisms"'. *Journal of Management Inquiry* 29 (3): 254–61. <https://doi.org/10.1177/1056492619899330>.
- Kraatz, Matthew S., and Ricardo Flores. 2015. 'Reinfusing Values'. In *Institutions and Ideals: Philip Selznick's Legacy for Organizational Studies*, 44:353–81. Research in the Sociology of Organizations. Emerald Group Publishing Limited. <https://doi.org/10.1108/S0733-558X20150000044013>.
- Kraatz, Matthew S., Ricardo Flores, and David Chandler. 2020. 'The Value of Values for Institutional Analysis'. *Academy of Management Annals* 14 (2): 474–512. <https://doi.org/10.5465/annals.2018.0074>.
- Löfström, Carina. 2003. Hur posten blev företag. Om reformer och översättningar av idéer. Göteborg: Göteborgs Universitet
- Mazzucato, Mariana. 2018. 'Mission-Oriented Innovation Policies: Challenges and Opportunities'. *Industrial and Corporate Change* 27 (5): 803–15. <https://doi.org/10.1093/icc/dty034>.
- . 2021. *Mission Economy: A Moonshot Guide to Changing Capitalism*. New York, NY: Harper Business.
- Meyer, John W., and Brian Rowan. 1977. 'Institutionalized Organizations: Formal Structure as Myth and Ceremony'. *American Journal of Sociology* 83 (2): 340–63.
- Millward, Robert. 2005. *Private and Public Enterprise in Europe: Energy, Telecommunications and Transport, 1830–1990*. Cambridge University Press.
- Nevalainen, Andrea Colli, Pasi. 2019. 'State-Owned Enterprises'. In *The Routledge Companion to the Makers of Global Business*. Routledge.
- Nevalainen, Pasi. 2017. 'Facing the Inevitable? The Public Telecom Monopoly's Way of Coping with Deregulation'. *Business History* 59 (3): 362–81. <https://doi.org/10.1080/00076791.2016.1197207>.
- Öjehag-Pettersson, Andreas, and Mikael Granberg. 2019. 'Public Procurement as Marketisation: Impacts on Civil Servants and Public Administration in Sweden'. *Scandinavian Journal of Public Administration* 23 (3–4): 43–59.
- Olsson, Ulf. 1993. *Aspekter På FFV 1943-1992*. Stockholm: Institutet för ekonomisk historisk forskning vid Handelshögsk. (EHF :
- Regeringskansliet, Regeringen och. 2023. 'Verksamhetsberättelse för bolag med statligt ägande 2022'. Text. Regeringen och Regeringskansliet. <https://www.regeringen.se/rapporter/2023/06/verksamhetsberattelse-for-bolag-med-statligt-agande-2022/>.
- Scott, W. Richard. 2013. *Institutions and Organizations: Ideas, Interests, and Identities*. SAGE Publications.
- Selznick, Philip. 1949. *TVA and the Grass Roots: A Study in the Sociology of Formal Organization*. Berkeley: University of California Press.
- . 1957. *Leadership in Administration*.
- Stinchcombe, Arthur L. 1997. 'On the Virtues of the Old Institutionalism'. *Annual Review of Sociology* 23 (1): 1–18. <https://doi.org/10.1146/annurev.soc.23.1.1>.
- Ven, Andrew H. van de, and George P. Huber. 1990. 'Longitudinal Field Research Methods for Studying Processes of Organizational Change'. *Organization Science* 1 (3): 213–19. <https://doi.org/10.1287/orsc.1.3.213>.
- Waara, Lennart. 1980. *Den Statliga Företagssektorns Expansion : Orsaker till Förstatliganden i Ett Historiskt Och Internationellt Perspektiv = [The Rise of the State Corporate Sector] : [Causes of Nationalisation in an Historical and International Perspective]*. Stockholm: LiberFörlag.