The art of surviving as a family business – the Nordic case

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Abstract

Nordic large family businesses have survived two world wars, waves of nationalization and numerous industrial shocks and financial crises. The external chocks have squeezed private capitalists every now and then and forced them to make a restart. The willingness, often reluctant, of both the political system and labour movement to accept asset accumulation has helped these Nordic large family businesses survive, leading to a symbiotic relationship between the national states and private capital owners. This stresses the role of the government in providing entrepreneurs with effective institutions to build private wealth. In my paper, I analyse the emergence of large family businesses, sometimes called family dynasties. I will demonstrate how certain national institutions have protected expansion and success of large family businesses in the region and in the international economy, and how family members have pushed for institutional change to benefit its own commercial operations. The paper will also show how strategical choices, e.g. holding on to the core business instead of diversifying, are related to their resilience. While many Nordic companies ruled by families rode the wave of restructuring from the United States in the post-war period, continuity in relation to the core business was rarely sacrificed. Holding onto the original industry, products and services have in most cases been enough and the most successful survival strategy.

Introduction

The Nordic countries have more large family businesses than most others per capita and in GDP terms. In 2016, a remarkable 15 Nordic family businesses were among the 500 biggest companies in the world.[1] The willingness, often reluctant, of both the political system and labour movement to accept asset accumulation has helped these Nordic family businesses to survive. The paper will treat a group of large family businesses in the Nordic countries, where 25 businesses have been selected, based on previous empirical studies (Sjögren, 2018). The objective is to discover how they have related institutionally and strategically to economic transformation the latest two hundred years. First, I will demonstrate how certain institutions have protected their expansion and success in the region and in the international economy, and how family members have influenced the change of the institutions that govern the markets. Second, I will show how certain strategical choices have contributed to their resilience, but also explain why they sometimes fail.

I will argue that the establishment of family capitalism is accompanied by the establishment of a direct line, which I call an historical anchor, between the individual family members, other members of the board, management and the political sphere. The line works in three ways – it ensures authority, stability and predictability while limiting the manoeuvrability of outsiders, and legitimatize the business operations in the eye of society. Management and employees are assigned specific roles that are part of the corporate culture and reflect the family's interests. The result is a consensus regarding the questions that need to be addressed,

[1] Sjögren (2017). Own statistical study based on Global Family Business Index, Forbes Global list of the world's 2,000 largest public firms in 2016 and the Fortune Global list of the world's 500 largest firms in 2015.

if not the particular answers that are arrived at. The anchoring shapes the destiny of the organisation in conjunction with corporate governance as a whole.

Social scientists may argue that organisations typically achieve cost-effective, long-term technological solutions as the result of happenstance along the way, in the literature conceptually labelled as path dependency. Furthermore, maintaining stability by adapting to the political and legal system is a well-researched concept. Nevertheless, large family businesses are a special case that demand particular attention. Both social science memes assume a choice between various conceivable paths, an equilibrium of sorts. Because large family businesses are tied to an historical anchor and do not face competing institutional alternatives, on the other hand, a role for coincidence is inherently ruled out. Moreover, institutional inertia or flexibility are always the result of organisation-specific factors. Fundamental to the structure is that behaviour and identity flows from staging and reconstructing social roles that can and will evolve over time.

Institutions matter

Nordic mature large family businesses have survived two world wars, waves of nationalization and numerous industrial shocks and financial crises. The external chocks have squeezed private capitalists every now and then and forced them to make a restart. This stresses the role of the government in providing entrepreneurs with effective institutions to build private wealth. Financially, the interwar years were troublesome for most family businesses, but surrounded by stronger business cycles, during two waves of globalization: from the treaties in the 1870s to 1914 respective the internationalization of business from the 1950s and onwards.

In the interwar years, many emerging Nordic large family businesses disappeared from the scene and private capital was reduced dramatically. In contrast, the post-war period has been more favourable to private capitalists, but not always. In the 1970s, the attitude towards private profits turned negative even among leading political parties. Some Nordic entrepreneurs choose countries with lower income and corporate taxes, where they registered both their companies and themselves.

History reveals a latent tension between the large family businesses and the government. In fact, the history of the Nordic large family businesses is also a story of the distance between private money and public interests. Concerning the attitude towards family fortunes, the pendulum has swung back and forth throughout history. Now and then, new institutions have been introduced by cooperative governments to make the world better for private capitalists. However, efforts have also been made to confiscate private capital in favour of government-owned industries.

In the late nineteenth century, the government actively promoted reforms and introduced legislative and institutional modernization measures, which were important for economic progress, In Finland, Norway and Sweden, the government was active with respect to infrastructure investments and the promotion of industrialization, through building railways, roads and canals. In the interwar period, the role of the government grew, but pathways diverged somewhat between the countries. In Denmark and Sweden, the government’s direct control of the economy increased after the 1930s, while intervention was avoided in Finland, although the first government-run companies had emerged after independence from Russia.

Self-regulation remained the key principle among businesses. However, the Finish government developed policies to support industrialization as part of nation building, as did Norway after its separation from Sweden in 1905 when the union between the two countries was dissolved. In Norway and Finland, industrialization became a national project, typical for small newly independent countries, where the policies in Norway were directed towards small-scale industries and the policies in Finland, with another economic geography, developed close to the ones in Sweden, towards "big business".[2]

In the early post-war period, the government was active in the birth of the welfare economy and introduced many reforms, especially in the labour market. The element of corporatism and consensus grew in all four countries, sometimes labelled the Swedish model or the Nordic model of welfare economy, with private capital regulated and sandwiched between socialism and the market economy. In the 1980s, the Nordic countries started to deregulate the economy, drifting away from the middle way towards market orientation. Greater tolerance for private wealth followed years of lobbying by private businesses. The change of attitude and policy suggests that the government was convinced of the benefits of having private capitalists. The cause might have been the international shift of the dominant economic regime from Keynesianism to monetarism. However, the highly profitable export sector was an immediate reason for left-wing parties in the Nordic countries to be convinced of the advantages of keeping a strong private sector.[3] Since the 1990s, effective arrangements have been introduced to help private firms open up new markets and the Nordic countries have gained in terms of employment, taxes and budgetary strength.

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[2] Fellman and Sjögren (2008), p. 566-7.
[3] Sjögren (2005).

Generally speaking, large family businesses have used various means to keep ownership control: making pyramids where stakes at the top control enough shares at the lower levels to hold a majority of the votes, sometimes as part of a dual-class share arrangement, or setting up family foundations. In the two first cases, the public can still receive slices of the pie if the firms are listed on a stock exchange, while the foundation is more of a fortress, at least if the family-controlled firm is not listed. Historically, the Nordic countries have approved all three approaches to protecting private capital.

A long tradition of mutual benefit

Representatives of various large family businesses have been keen to make use of the government to improve the climate for their business. I will illustrate this symbiotic relationship between the national state and private capital owners on an individual basis, with reactions from members of the large family businesses as a response to actions and reforms by the government.

Back in the old days, in the 1850s, André Oscar Wallenberg, the founder of the Wallenberg large family business, employed an entire arsenal to ensure a platform for the banking system he envisaged and jump start his own institution. He joined with Minister of Finance Johan August Gripenstedt to score a number of successes for his dream of a new free enterprise system, paving the way for loans to rapidly advancing innovative firms. They exploited both law and public policy in the service of the economy to string together various types of national and international collaborative projects. Their networking skills facilitated the adjustment of legislation to serve the needs of burgeoning industrial society and uniformity within larger geographic areas. The institutions they engendered promoted long-term confidence by launching and legitimizing negotiable short-term investment credits and other financial stimuli.[4]

Finnish founder Carl Albert Ehrnrooth also manipulated the political system to change the rules of the game in his industries. His appointments as undersecretary at the Ministry of Agriculture in 1862 and Ministry of Finance provided perches from which to advances interests that helped his own businesses as well. He was also chairman of the Finnish Agricultural Society, as well as a board member of insurance and mortgage companies involved in such issues. As vice governor of the central bank, he could monitor the economy at close range and plan measures that would accrue to his own advantage.[5] By virtue of his noble heritage and networking savvy, he made the personal the political and vice versa in an era when a small coterie of individuals drove the Finnish private sector and parallel careers were a realistic option.

The history of influencing the rules of the game of the market economy did not stop with the industrial revolution. With his equally oversized personality, Jan Stenbeck lobbied Swedish politicians fast and furiously in the late twentieth century. His companies have also taken advantage of the revolving door and hired former officeholders to keep an eye on public policy developments. However, accepting public appointments the way the Ehrnrooth and Wallenberg patriarchs had done would have been neither plausible nor efficient. Instead, it has been common among new family firms with dynastic ambitions to hire former minsters,

[4] Nilsson (2005).
[5] Komulainen and Siltala (2016), p. 6.

since these people know the ins and outs of the political system, as well as how to get in touch with officials and venues around the world.

Nordic large family businesses have clearly helped construct the capitalist system to which the West subscribes. Their reform efforts have challenged monopolies and explored virgin territory. Virtually on their own, they have spawned new markets. The families Bonniers, Ehrnrooths, Kristiansens, Mærsks, Perssons, Stenbecks and Wallenbergs, among others, have revitalized the private sector and communicated with politicians to advance their own agendas. Instead of taking institutions for granted, they have rolled up their sleeves and actively promoted new rules of the game.

Welfare system alliances

A widespread view is that family businesses do well under Social Democratic governments. The reasoning is that their taxes make it easier to maintain high employment rates, economic growth and the social safety net, narrowing income deficiencies and pacifying the population. The incentive to privatize is less if business profits continually replenishes government tills.[6] The thesis may be shaky with regards to the post-war period until the 1970s when welfare systems expanded rapidly and businesses had to either relocate or otherwise evade high taxes, whether legally or not. The ability of the government to ensure sufficient public consumption was seriously compromised. As of the 1970s, however, the theory works quite well. The empirical evidence is hard to dismiss - many large family businesses, particularly in Norway and Sweden, have seen the light of day when the Social Democrats were at the helm. The

[6] Sogner (2012), p. 522-24.

government and barons of industry have decided to sit in the same boat and synchronise their rowing strategies.

The Swedish model and welfare state after World War II were based on a manufacturing sector that was operating at full capacity and could absorb throngs of new workers from home and abroad. Increases in corporate, wealth and inheritance taxes as part of a reform engineered by Swedish Minister of Finance Ernst Wigforss in 1947-1948, however, dimmed prospects for profits and the accumulation of personal fortunes. Given that one objective of the planned economy espoused by the labour movement was redistribution of wealth to the public sector, the motivation was not only fiscal in nature. Such radical socialism was a direct threat to dynastic life expectancies. The Johnson Group, as an example, lost no time in transferring some of its holdings to safe harbours at hastily constructed foundations.[7]

The idea of nationalizing the public sector gradually faded and Swedish Minister of Finance Gunnar Sträng led a realignment of fiscal policy to satisfy the wishes of big companies in hopes of keeping jobs from fleeing Sweden. The Social Democratic government preferred cobbling together guidelines with a handful of private sector representatives to negotiating with a host of entrepreneurs and small businesses. The big caps continued to dominate manufacturing accordingly, while start-ups short on assets found themselves in a much more difficult position. The long and short-term bond markets were the primary source of capital as the Stockholm Stock Exchange languished and even faced calls for closure from some quarters. The symbiosis between the government and big money nourished the welfare state. Typical of the times, Sträng and Marcus Wallenberg sat down and charted a vision for the

[7] De Geer (1998), p. 209-20.

future of Swedish industry. Marcus and Prime Minister Tage Erlander were regarded as head honchos of the private and public sectors respectively. But also non-Wallenberg companies rode the wave and obtained more lenient fiscal regulations in exchange for investing in Sweden and protecting jobs.[8]

Research has shown that fiscal policy encouraged debt financing as opposed to new share issues until the early 1990s, an advantage for matured large family businesses close to their in-house banks.[9] Given that expansive new businesses and aggressive entrepreneurs encountered major headwinds, founders of family businesses such as Ingvar Kamprad (Ikea) and Ruben Rausing (Tetra Pak) registered their companies in countries with more inviting fiscal conditions. In the 1990s, the European Commission questioned the Swedish practice of weighting voting power by means of class A and B shares (dual voting shares). Jacob Wallenberg and Prime Minister Göran Persson put their heads together and convinced the authorities to leave things the way they were. The alliance between the government and industry was as strong as ever.

To ease the tax burdens

The policy of high income and corporate taxes in the Nordic countries has engaged many family representatives, and they have throughout history taken a public stand against high taxes, to ease the tax burdens for themselves and their controlled businesses. In Denmark, the era of Godtfred Kirk Kristiansen at Lego coincided with the rise of welfare society and a shift towards industry and trade in terms of employment, especially in the rural districts of

[8] Olsson (2000), p. 339-40.
[9] Henrekson (1996), p. 63-4.

Denmark.[10] The transformation also meant increases in tax levels and an expanding public sector. After having voted for the Social Democrats, Godtfred Kirk became a critic of the economic policy pursued by the party, particularly Prime Minister Anker Jørgensen. In its export activities, Lego seems to have been hampered by strict currency control; after having waited several weeks for an answer from the central bank, the response was generally negative. Sometimes Lego found ways to circumvent the restriction, even though it was against the law.[12] Godtfred Kirk was frustrated and claimed that the tax policy did not provide the right incentive for individuals:

"There is one word that has infected the development of Danish society and that word is taxes. Everything beyond a tax rate of 50% is devastating; 50 to the individual and 50 to the government that is fair. But when the tax rate exceeds 50%, social progress suffers."[14]

Mærsk Mc-Kinney Møller, a representative of another Danish large family business, within shipping, was just as unenthused by high-tax policies. When the Social Democratic government and Anker Jørgensen turned over power to a coalition headed by Poul Schlyter in 1982, the shipowner scented the breeze of reform embodied by Ronald Reagan and Margaret Thatcher. His long wish list grew year by year until Schlyter was voted out in 1993 and he lobbied the entire cabinet for regulations and legislation favouring the shipbuilding industry. His correspondence with the prime minister alone included more than fifty letters that ranged from spontaneous whims to detailed recommendations. Nor were they strangers at meetings or dinners, often intimate ones.[15]

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[10] Iversen and Andersen (2008), p. 309.

[12] Cortzen (1996), p. 267-8.

[14] Cortzen (1996), p. 267.

[15] Benson et. al. (2005), p. 274-7.

Prime Minster Schlyter was frustrated by Mærsk's inability to grasp that a coalition government was beholden to a number of different interests and tried to elicit his appreciation of the business-friendly policies that were boosting the profitability of his company rather than demand the impossible. When they could no longer contain their disagreements, the dispute spilled over to the daily newspapers. Mærsk won the battle when it came to permanent subsidies for the shipbuilding industry, spurring an agreement between the government and Social Democratic opposition in 1986.[16]

In Sweden, the harsh conditions for new entrepreneurs in the post-wars years have changed to generous one, including a policy to the private tax burdens of large family businesses. As an example, the principal shareholder of H&M, family Persson, have received special treatment in relation to personal taxis. Besides, abolition of the inheritance and wealth taxes in the early twentieth century was intended to smooth succession among family businesses. The government was no doubt concerned that their assets would leave the country otherwise. The Parliament has made it clear that family holdings, regardless of their size, are integral to the goal of a sustainable welfare state within the constraints of a democratic market economy.

Strategical Choices and Dynamics

Most Nordic family large family businesses have started in the countryside, or at least outside the largest cities of the Nordic countries.[17] The innovations were part of the transformation of the economy from an agriculture to a modern industrial society. The wealth of some of the

[16] Benson et. al. (2005), p. 283-88.
[17] Sjögren (2018).

oldest large family businesses reflects the potential profits embedded in the exploitation and export of natural resources. The operations of the oldest large family businesses were based on craftsmanship. Thus, the firms were dependent on a loyal and skilled workforce to be trained internally, in contrast to well-educated people from academia. To be dependent on local workers put pressure on the behaviour of the founder, who had to appear as trustworthy in order to obtain the loyalty and long-term commitment of workers.

When a company starts off with a specific innovation in mind, the industry in which it will do business is generally a given. Adding the founder's visions of governance to the mix helps define the parameters – the historical anchor – for his children and grandchildren to operate within. Most large family businesses offer the same kinds of goods and services from one generation to the next. A. P. Møller – Mærsk has been faithful to the shipping industry for four generations and the Olsen family for five. The Perssons in H&M buy and sell clothing just as Erling, their forbear, did in the 1950s and 1960s. The Bonniers have published and sold books and periodicals in Sweden and abroad for six generations. The Schibsteds have played a similar role in the Norwegian media market. Four Danish families have devoted their lives to plastic toys, thermostats, compressors and pumps respectively. When it comes to Finland, the Herlins have been in the lift and crane business for four generations, the Ahlströms have never strayed from engineering and the Fazers are just as sweet on candy.

The pattern holds for the vast majority of large family businesses. Which isn't to say that the original innovation does not evolve with the times – to wit, Ikea's distribution system, Tetra Pak's mathematical refinement and H&M's advertising genius. The largest and most dynamic family businesses have continually taken their initial concept and run with it to new areas of excellence and application.

Stick to what you know, or not

The maxim might be "sticking to what you know," but there are a number of exceptions to that norm. The enterprises within the Stenbeck sphere have moved further and further away from their original core activity, while forestry, mechanical engineering and finance nowadays complement the original real estate holdings in the case of the Lundberg family. The Andresen family has left the tobacco industry, for 149 years a core holding and cash cow. With fresh money, they initiated collaborative projects between public and private interests, as philanthropic endeavours and a microfinance institution aiming to stimulate growth in impoverished countries. In most large family businesses, the change of direction happens after a shift at the top of the organization, when younger members of the family get an opportunity to try out their ideas.

Most large family businesses are vertically and horizontally integrated. But when it comes to investment in activities without links to the core business – diversification – the pattern is not consistent. There are less diversified and strongly diversified ones, and their relation to performance is not given in advance. In the post-war period, many Nordic firms followed the American pattern and became increasingly diversified. Among them were Wallenberg-owned companies such as Swedish Match and Astra, but also firms without long-term committed owners but strong leadership, such as Volvo (Procordia). The American norm, however, was far from new. A large family business that had started to diversify at an early stage, not at least the merchant houses, highly diversified already in the late 19th century.

Business groups

Some large family businesses have remained diversified in terms of the industries controlled. Since they are independent with respect to management operations, they are not conglomerates. Instead, they are business groups. The definition of a business group is a cluster of coordinated activities carried out by interlinked but legally independent enterprises. According to this, a business group should be a series of legally independent enterprises coordinated by an administrative entity or large family business by means of capital expenditures, goods circulation, interlocking directorates, personal appointments and information sharing. This characterize the families of Ehrnrooths, Olsens, Møller-Mærsks and Wallenbergs, where coordination is the mechanism linking separate industrial holdings together within the business group.

Business groups in the Nordic countries have emerged as a combination of cooperative capitalism, national economic goals and export orientation. The original formation back in the early twentieth century seems to have been a response to a situation where management costs and risks were considered too high to conduct industrial activities within a single, large enterprise. The emergence of business groups compensated for the institutional instability and, the relative backwardness in Scandinavia at the time of the Industrial Revolution. They have used a strategy of diversification at the group level in order to share risks and reduce costs at the firm level. Thus, business groups do not exist only to solve the problem of market failure, but also to scale down internal management costs associated with a single, large enterprise.[18]

The largest business group in the Nordic countries is the Wallenberg sphere, in terms of market value of controlling interests and number of employees. Their largest holdings are

[18] Zhang, Sjögren and Kishida (2016).

Investor, Saab, Electrolux, SKF, StoraEnso, Atlas Copco, Ericsson, SEB, OMX, ABB, SAS, and Astra Zeneca. Concerning line of business, there is a range from finance, engineering, defence and telecommunications to the aviation and pharmaceutical industries. There are also smaller holdings in emerging industries. The next largest business group has traditionally lacked family ownership, but the Lundberg family is slowly but surely accumulating influence through direct ownership of companies controlled by Handelsbanken's Foundations and the Industrivärden holding company. In 2016, Fredrik Lundberg was represented on the board of Industrivärden (chairman) and Handelsbanken. The holdings of Industrivärden consisted of SCA (paper and tissue), Volvo (lorries), Sandvik (mechanical tools), Ericsson (telecommunications), ICA (supermarkets), Skanska (building construction) and SSAB (steel). As with the Wallenberg Group, there is a wide range of lines of business.

In these two business groups, the holdings are listed companies and ownership is shared with others, although they might not be controlling owners. In three other Nordic business groups (Fred. Olsen, Ferd [the Andresen family] and Møller-Mærsk), most companies are unlisted subsidiaries. The Ferd conglomerate, established for the interests of the Andresen family in 2001, operates within industry and finance as well as real estate, while Fred. Olsen is engaged in transport, travel, energy and renewables, but also has minor ownership in other industries. A.P Mærsk-Møller's activities are structured into several business segments, primarily within the transportation and the energy sectors, but the group also has long-term interests in shipyards, retail and banking.

Too much tradition kills

The history of Nordic large family businesses also suggests that excessive regard to tradition can be devastating. Conservatism is part of the historical roots and can bind the operations in a negative way at a time where the push of the market moves competitors forward. The behaviour can take the form of uncritical acceptance of the strategies of earlier generations or rejecting new initiatives, as obstacles to new ideas and renewal. In the long run, this might result in less sentimental (non-family owned) companies developing more rapidly. History is full of large family businesses that have lost their role in the economy just because they have only stuck to what they already know, during a period when the circumstances called for creative destruction and renewal.

Many of these expired large family businesses share the misfortune of belonging to industries that have lost competitiveness due to increased internationalization (shipbuilding, shipping, textiles). In other cases, the family has lacked key competence and the financial strength required to maintain ownership control. Becoming a majority owner has not been sufficient to guarantee survival. Two critical factors have been the family's inability to maintain enough liquidity and recruit qualified and motivated co-workers. When facing a recession, the family has not been able to make long-term investment decision to challenge or compensate for less favourable markets.

The case of Saléninvest, a highly diversified family group with large investments in ship owning in the 1970s, is a good example of the fact that too much tradition can be devastating.[19] The group was listed on the stock exchange and went bankrupt in 1984. The

[19] Sjögren (1999).

family had a strong aversion to abandoning the firm's core function, preferring to sell off profitable activities that belonged to previous diversification. Apart from revenues from financial asset management, there were profitable activities in the areas of real estate, energy, trading and import of cars (Toyota). Without the revenue from these operations, Saléninvest would have already been insolvent in the 1970s.

When the lack of liquidity became acute, however, none of these profitable activities was retained. The family of Salén saw itself as shipowners with their key competence in the area of shipping, and the problems in this industry were deemed to be temporary. Exaggerated regard for the strategies followed by earlier generations resulted in leadership refusing to abandon the unprofitable shipping business. This conservative tendency unquestionably impeded Saléninvest's renewal options. To a certain extent, the strategic inertia was the result of a commission agreement that made the capital in the parent company subject to centrally planned investment decisions. Sale of the tankers would automatically worsen the security situation for the banks that provided credit. Because they had not lent money to the tanker fleet specifically, but to the concern as a whole, they opposed sales that would result in losses.[20]

The Salén case echoes the development of the Italian family group Falck, whose strategy was to stick to tradition – once a steel company, always a steel-company – and that diversified too late and consequently lost altitude in the Italian economy.[21] But there are also similarities to other family-based shipping firms in Scandinavia that were hit by the slump. In the 1960s,

[20] Sjögren (1999).
[21] James (2006).

Broström was the largest employer in Gothenburg, with 18,000 employees.[22] The fleet consisted of 81 large vessels, equal to one-third of the merchant fleet in Sweden. When they were hit by the structural crisis in the 1970s, they were unable to solve their problems. The identity of being a shipping family was simply too strong. During the recession, they continued to order new ships (roll-on,-roll off), although the group was bleeding financially. In 1984, most of the assets had been sold out and the rubbles of the former proud large family business were taken over in 2008 by A.P. Møller-Mærsk, which shut down the office in Gothenburg four years later. The three-generation story of Broström not only confirms the Buddenbrooks syndrome but also illustrates the negative side of historical roots once strong external forces set in, i.e. being in the wrong industry at the wrong time in history.

Since every shipping company was hit by the 1970s crisis, the failure of many family-based shipping firms was externally determined. However, not everyone had to give up. There are at least two reasons Møller-Mærsk and Fred. Olsen survived and not Broström and Saléninvest: one institutional and one strategical. The left-wing parties and labour unions in Sweden strongly opposed low-flag carriers, while Denmark and Norway established an international register to survive in competition with aggressive, low-cost countries. Swedish shipowners accused the government of making it impossible to compete internationally, and approximately 160 Swedish ships were sold abroad between 1975 and 1979. In contrast to Denmark and Norway, Swedish national institutions were not optimal.[23]

Second, Danish and Norwegian firms did not sell off non-core holdings. Instead, they used previous diversification into counter-cyclical sectors to compensate for the huge losses in the

[22] Mattsson (1984).
[23] Taudal Poulsen et. al. (2012), p. 106-107.

shipping market. Møller-Mærsk had a diversified portfolio, including oil and gas on the North Sea, chemical industry, steel, finance and aviation. Likewise, Fred. Olsen continue to benefit from long-term holdings in the mechanical industry, airline transport and energy sectors. Most of these industries were counter-cyclical to the shipping market with its strong ups and downs. In hindsight, the strategical choices of the largest Danish and Norwegian shipping firms were superior to these two Swedish competitors. As an example, when Saléninvest ordered new tankers in the early 1970s, Fred. Olsen sold its tanker interests and did not renter until the mid-1980s when the slump was over.[24] At that point, the fleets of Broström and Saléninvest had disappeared from the oceans due to insurmountable liquidity problems.

To conclude, in the volatile shipping market, it was harmful to leave the track of diversification. The business concept of ordering new ships and buying secondary ones during slumps in order to stay prepared for an improvement in the market became a useless strategy during the long recession. Therefore, groups that identity themselves entirely as shipping firms lost while those that carried on as diversified ones, like Mærsk Mc-Kinney or Olsen, stayed in business. Besides, by introducing supportive national institutions, as in Norway and Denmark, the shipping industry was able to get through the crisis, in contrast to Sweden. Adequate institutions matter.

Continuity and discontinuity by holding on to the historical anchor

The reason most large family businesses have held on to the same line of business is that they develop knowledge of products, customers and suppliers that is unique. This critical knowledge is difficult for others to copy and compete with, especially non-family businesses,

[24] Ellemose (2004); Gulbrandsen and Lange (2009), p. 184-189.

since they change ownership and management more often. In family businesses, this knowledge is transferred and deepened from one generation to the next and becomes part of the corporate culture: an impregnable fortress of competencies impossible for non-family businesses to imitate.

This provides incentive for sticking to what you already know in terms of products and customers, to continue in the same type of business as previous generations. On the other hand, continuous industrial renewal can also be a tradition to hold on to, where every new generation has the potential to bring ambitious entrepreneurship into the family business. There are many examples of kick-starts after the young generation has taken over the controls.

There seem to be three categories of structural development among large family businesses. For many large family businesses, it has been enough to maintain the original break with industry logic. Based on the innovation of the founder or someone in a later generation, the business has focused on expanding the market for the products worldwide. Both mature and emerging large family businesses are found in this category. Others have kept the core activity but also entered related sector in the pursuit of profitable new markets. They have benefited from vertical and horizontal integration but also integrated industries that have been counter-cyclical to the core holdings.

The large family businesses in the third category have been increasingly dependent on emerging new industries, leaving their activities in forestry, engineering, pulp and paper and other traditional industries behind them. The commitments have turned to industries such as energy, ICT and retail.

These three different ways suggest there has not been any general recipe for staying alive as a large family business. The timing of diversification and de-diversification has been crucial for the choices made. In general, too much consideration to the glorious days in the past has been devastating for strategical choices. Thus, the best recipe for survival seems to be deep passion for the business in a family capable of critically reflecting on its historical achievements, eager to find alternative routes for the journey ahead.

The need for the captains of family businesses to navigate the straits of technology, consumer habits, institutions, political ground rules and the market forms the backdrop to a pageant of both continuity and quantum leaps. Paradoxically perhaps, long-term survival may rely on both phenomena. Whereas continuity is vital to creating value under stable organisational and operative conditions, casting aside inefficient structures and counterproductive incentives is the life blood of all organic entities. Death and resurrection are two sides of the same coin. The dynamism of large family businesses has frequently returned after a reassessment that led to abandonment of their most sacred assumptions.

Final remarks and Conclusion

In the long perspective, Nordic business owners won the support of the political system by virtue of the employment and export opportunities they provided. Even the Social Democrats, who long dominated the Nordic governments, acknowledged the contributions the pioneers made to the region's material prosperity. The welfare state and Nordic model entwined capital and the public sector in close symbiosis at an early stage. The labour movement and private sector understood that the country would profit from a common roadmap. Slowly but surely, the Nordic large family businesses demonstrated their dynamic, incomparable capacity to promote widespread affluence.

Nordic institutions have greatly contributed to the survival of large family firms, since the nation states have provided favourable rules aiming to protect their expansion over time. However, such incentive structure and centralisation of power encourages monopolistic economies and inertia that frustrates entrepreneurship. Alliances between leaders of industry and government representatives may be detrimental to consumers in small countries as Denmark, Finland, Norway and Sweden. The determination of the family to maintain its control of a company at all costs can lead to a brain drain as less competent members of the clan squeeze their way past outsiders. Nepotism is always lurking around the corner. Hopefully the ascendancy of women to executive positions is a sign of more liberal and inclusive management. The pool of candidates for top positions has doubled as a result, while the future promises even more reliance on skills acquired from higher education and oriented towards performance. The tendency towards paying exaggerated reverence to tradition is also on the negative side of the dynastic ledger. The conservatism that finds expression in unquestioning acceptance of previous strategies can hamstring new ideas and impulses, ultimately lending an advantage to ordinary companies. History is chock full of large family businesses that have lost their economic and significant consequence, lapsing into a state of virtual hibernation. Particular when it comes to shipping, shipbuilding and textiles, holdings have been restricted to industries that became less competitive with the rise of globalisation.

It all goes back to the weight of tradition, the historical anchor, which both affords stability and narrows the scope of action. Stability consolidates structures that may obscure opportunities for satisfying fresh needs as they arise. Thus, a large family business must be prepared to let go of tradition every once in a while, and drift with the tides of the time. If not, the next recession can easily drag the company down into the murky depths of the past.

My overview of the forces that have driven structural change for several large family businesses leaves room for three observations. Number one: holding onto the original industry, products and services is often a successful survival strategy. The same may be said of the organisational and structural scaffolding (the historical anchor), particularly when it comes to retaining control of a shifting market. Running a business might face entirely different challenges in the age of information than in an agricultural economy (the predominant employer until after World War II), but family businesses have generally done best by standing their ground. If the industry where all things started has remained profitable, continuity tends to emerge victorious.

Number two: while many companies ruled by families rode the wave of restructuring from the United States, continuity in relation to the core business was rarely sacrificed. Nevertheless, diversified structures certainly existed before a European version emerged in the shadow of the multi-industry American corporations that flowered after World War II. Family businesses that adopted the new philosophy began exploring industries far from the time-worn path. However, in the long run, strong diversification in terms of conglomerates turned out to be a blind alley for most Nordic family firms.

Number three: constant renewal is also a form or state of continuity. To guarantee capabilities for being flexible and ready to adapt to the changing internal and external environment.

Without compromising on value creation in older industries, most Nordic large family businesses have set their sights on new businesses, as daughter companies, some of which have skyrocketed after being listed. The recent founded ones have enjoyed similar success after throwing the legacy of industrial society under the bus in favour of key industries at the power centres of the digital age. In other words, large family businesses have taken many different roads to the same goal. The range of choices available to the family when encountering the winds of renewal stem from their unique ability to combine long-term committed ownership and value-oriented philosophies. But it would have been impossible without supportive national institutions.

Every market is subject to its own tenets and traditions, and the successful large family businesses have realized that change is vital to their own prosperity and survival. That way they have set the stage to keep their crown jewels polished and appealing. The have secured the mode of the historical anchor without lifting it up.

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