The rise and fall of managerial capitalism in Norway, 1895—1940[1]

This chapter argues that Norwegian managers at the turn of the last century actively used the emerging division of ownership and control and thus were creators of Norwegian modern business – and that their role in this has been neglected.[2] The dominant interpretation of Norway in the period is ownership-centered, and emphasizes three factors in particular: the influence of foreign capital, national protection of natural resources, and the absence of an haute bourgeoisie to steer the development of Norwegian capital-intensive industry.[3] Managers are thereby overlooked as important contributors to the development of Norway as a wealthy country, one of many countries that developed on the basis of family capitalism. In Norway, managers were able to direct and influence industrial developments of long-term significance for national wealth.

The division of ownership and control – the legal basis for managerial dominance of corporations – was an integral element of the new corporate law in Great Britain already from the 1860s. In a number of recent publications, Les Hannah has highlighted that around the turn of last century, Great Britain led the world in the dominance of managers over shareholders in stock-listed companies – and not the USA, as the influential Alfred Chandler argued.[4] Hannah's findings raise the question of whether the rise of managerial capitalism – narrowly understood as the separation of share ownership and managerial control – was integral to the development of capitalism elsewhere. In principle, Norway had a very adaptable corporate governance situation as no corporate law existed until 1910.[5] Business organized itself under a freedom of contract system, upheld by the courts in general and by the Norwegian High Court at least from as early as the 1860s.[6]

This chapter argues that Norwegian capitalism for some decades around the turn of the last century was characterized by strong managerial influences in and around large corporations. This mirrors American and British developments of the same period, albeit with differences arising from a different national context and from quite concentrated ownership by both Norwegian and foreign shareholders. The ownership structure of Norwegian companies does not mirror the dispersed structure found in the USA, but the point emphasized by Alfred Chandler with the term "managerial capitalism" – managerial initiative and entrepreneurship – is clearly found in Norway, and deserves to be highlighted. With a strong influx of foreign ownership and a tradition for family ownership, the presence of able and assertive managers was a particular characteristic of Norway, and it cut across both types of ownership.

The following is divided into four parts. First, I set out the current view of the Norwegian experience of the second industrial revolution. The next two parts tracks Norwegian managerial influence in an entrepreneurial phase up to about 1910, and a "coming of age" maturation stage up to the 1920s and slightly beyond. The last part discusses the set-back for the Norwegian managerial surge in the interwar years, when shareholder influence increased and Norwegian businesses and business constellations became became smaller.

The second industrial revolution and corporate governance in Norway

Norway is an interesting hunting ground for early managerial influence, despite being small and having relatively small companies. The second industrial revolution made a clearer mark in Norway, rich in natural resources, than many other European countries outside of the core countries U.K., Germany and France.[7] Minerals, river falls and huge woodland areas, led to capital-intensive mining, electricity production, electrometallurgical and electrochemical production, as well as an extensive paper and pulp industry. All of the new companies needed relevant and deep technical knowledge.

Francis Sejersted – summing up Norwegian business traditions – emphasizes the development of Norway in this period as atypical of the second industrial revolution. He claims that Norway was hampered by a lack of *haut bourgeoisie* during the coming of capital intensive industry in the years following 1890.[8] Norway – in marked contrast to neighbouring Sweden – did not have strong private banks to provide national finance and support national control over the largest new enterprises. Sejersted can point to strong foreign participation both in establishing new and capital-intensive enterprises and in financing of enterprises generally. The Swedish banks were active in Norway too, but capital also came from Germany, Britain and France. For Sejersted, the particular national force that balanced out the powerful presence of foreign influences was the state rather than any kind of private sector entity such as management. For Sejersted, the late advent of corporate law is a sign of economic backwardness, which it may well be.[9] But it could also be the other way around: a sign of deep-seated capitalist traditions.

Sejersted sees two important elements of 19th century Norwegian capitalism that also characterized the beginning of the 20th century: One is the dominating role of a strong "petite bourgeoisie", situated all over the country rather than in the few big urban centers. This contributed to a decentralized small and medium sized corporate structure. Norway had abolished aristocracy in the 19th century. The other element is the strong political attention to business within the Storting (the parliament), with the development of an idea that business was junior partner to government. Farmers and shareholders united in their skepticism towards large and dominant enterprises.[10] Sejersted thus highlights two elements that also appear contradictory: a tradition for strong ownership alongside a tradition of strong political regulation.

Table 1 is an attempt to highlight the largest economic entities of the Norwegian economy at the turn of last century. It is based on an investigation by Statistics Norway of Norwegian joint stock companies. This set of companies is a starting point for a deeper look at the corporate governance situation in Norway at the beginning of the twentieth century. In order to find an approximate value for the actual business entities, formally independent companies with the same (or virtually the same) owners are added together into one entity, using the numbers from Statistics Norway. These entities I have bundled are in cursive font in the table.

Table 1 in here

The table shows the strong foreign influence, both direct and indirect, in the Norwegian economy at the turn of the last century. Three of the eight largest *industrial* entities were wholly or partly foreign companies. Of the remaining five, three had large foreign share capital. Only the Kiær-Solberg group and Union were Norwegian through and through, although all the three commercial banks were Norwegian. The largest company by a very long way, was Norsk Hydro.[11] The strong foreign influence of the early ownership of Norsk Hydro has come to symbolize Norwegian inadequacy. The Swedish historian Olle Gasslander in his book on the Wallenberg family and Stockholms Enskilda Bank's industrial influence emphasizes that even if the industrialization of Sweden also involved significant amounts of foreign capital, the Wallenbergs and other Swedish banks were able to borrow foreign money and invest it both directly and indirectly (through Swedes) in Swedish industry.[12] In Norway, on the contrary, foreign money was channeled directly into ownership positions of companies like Norsk Hydro. The Wallenbergs were in Norway too, as foreign investors in Norsk Hydro, Orkla and Sydvaranger.

Domination by foreign capital is an important theme in historical studies of Norway. Norwegian society was uneasy about foreign investment at the time. The threat of foreign business domination lurked in the background of the dissolution of the union with Sweden in 1905. It contributed directly to the Concession laws that the Storting passed between 1906 and 1918, which mandated government approval of foreign acquisitions of waterfalls, mines and other real estate.[13] Woodlands were not to be sold to foreign interests at all. These laws came on the heels of Norwegian independence from Sweden amidst a foreign capital boom, and may be seen as a decisive step in bringing the state into business.

More than anything, the years around the turn of the last century were characterised by a surge in national business activity in several arenas. The construction of the big businesses received the most attention, but the rapid development of the economy is also illustrated by this being a time for female entrepreneurship.[14] Les Hannah has calculated that Norway had proportionately the highest density of corporations among European countries in 1910.[15] This rise in activity was reflected in the new company law of 1910, which was partly motivated by the need for better protection of creditors.[16] This issue came to the fore with the general rise in economic activity and the greater demand for capital investment in industry.

Norway was a full-blown capitalist society at the turn of the last century and well before the 1910 corporate law. Limited liability was used in company creations also under contract law. Norway's academic lawyers participated in Scandinavian collaborations about corporate matters, and they wrote books on corporate law.[17] The Norwegian High Court ruled according to contract law, and had a good grasp of the complexities of business.[18] In a recent study of 85 publicly traded industrial firms, Charlotte Østergaard and collaborators have found that Norwegian corporate governance practice was relatively uniform in the period between 1886 and 1920, even if there was no company law until 1910. All companies would have a small "board of directors" that could include the general manager and outside directors appointed by the general assembly.[19]

Recent scholarship suggests a uniquely Scandinavian collaborative approach to corporate governance since the late 19th century that includes a clear perception of management's role.[20] The Scandinavian approach kept formal executive power in the hands of shareholders and the board of directors. In Scandinavia, the power of the general assembly to hire and fire managers, through the board of directors, is very strong. But the explicit mentioning of the managerial level – the managerial board –in law highlights an awareness of the responsibilities and possible liabilities of managers in fairly large corporations; this rather atypical feature was introduced in the Danish Company Act of 1930 and subsequently in all Nordic countries. This Nordic peculiarity is not, however, comparable to the German Vorstand and its appropriation of executive powers from the Aufsichtsrat, but more of an acknowledgement of the managerial influences that come with the large enterprise. Seen in tandem with strong shareholder power, this element in Scandinavian corporate governance underlines the need for manager-shareholder collaboration, and thereby opens up for managerial influence.

The following is an investigation of the role of the managerial function in the rise of capital-intensive business in Norway. The first part looks at the early period up to the 1910s, when the pressure from foreign investors to utilize Norwegian natural resources was particularly strong. It emphasizes strong Norwegian knowledge-driven participation also in the major foreign capital investments. The second part discusses the deepening of the Norwegian managerial effort in furthering the development of new and newly established businesses in the 1910s. The last part chronicles the radical decline of managerial power in the interwar period.

Giantism in a small country

Norwegian managers played an important role in developing Norwegian enterprises, including those with strong foreign ownership. Norwegian engineers, in particular, got production systems off the ground, built marketing organizations, and developed technology.

They also dealt with the formation and development of ownership groups that in some cases included foreign capital. Norwegian managers strongly contributed to building big business in Norway, and more often than not they had an engineering background, often with all or part of the education from Germany.[21]

The first case of note, however, is not directly covered in table 1 and does not involve an engineer. Christian Christophersen started as a business apprentice and emerged as a machine importer. He took a leading role in Scandinavia in general and especially Norway in organizing sales of the new pulp and paper products that were rapidly emerging in the 1890s.[22] He was instrumental in the formation in 1893 and 1894 of three Scandinavian cartels for wet pulp, dry pulp, and paper. He organized the sales of these products for Norwegian producers. Norway had been the world's largest exporter of timber, planks and boards, and took a leading role from the 1870s in wet pulp, a new product that was used for newspaper paper. Later dry pulp and ready-made paper was added. Christophersen represented a number of producers, and was especially strong in the British market. He was the agent for all of Union – traditionally the largest Norwegian-owned producer of pulp and paper and large enough to feature in table 1 – and several other producers. In all probability, he ran the largest Norwegian economic entity of its time. His business collapsed in 1899; that triggered the economic crisis in Norway known as the "Kristiania crash". He overstretched through his complex combination of tasks such as financer and shareholder in some of the companies he represented.

Christophersen ran the type of business that was frequently merged into large companies in the US at the time.[23] He exploited the possibilities for collaboration between independent companies that contract law had opened up. At this time, production facilities for wet pulp and paper were in their early development phases, and the technical advantages of creating large enterprises with large-scale production units were relatively limited. When he failed, Christophersen's "virtual corporation" disintegrated. The Norwegian factories in his network – companies in their own right – continued according to their abilities after the collapse. The entities which only used Christophersen as an agent lost very little.[24]

Christophersen was not a manager in the strict sense. He was not an owner as such (although he did own shares in some of the companies). He performed integrative commercialization processes based on multi-factory production. The same kind of activity, when performed within new and large business units, led Alfred Chandler to apply the term managerial capitalism to the new and large scale US corporations. Christophersen had insights into his whole sphere that no one who owned shares in some of the companies in his network had. While not strictly a manager, and not an owner of importance, he is a prime example of the corporate role that later came to be called “managerial capitalism”.

Christophersen’s actions came in parallel – and to some extent in response – to the British-Austrian establishment of the Kellner-Partington Paper Pulp Company in 1889, and the subsequent purchase of the Borregaard estate in South Eastern Norway later the same year.[25] Such a huge foreign investment in a central location of Norway was a shock to the Norwegian business community. Kellner-Partington, established by two engineers and with plants in Austria and Norway, wanted to utilize scale advantages. Their Norwegian business was run by the experienced Norwegian engineer Oscar Pedersen, educated in Horten, Norway, and Dresden, Germany, and he created the corporation’s most successful branch from scratch. While Pedersen worked closely with CEO Partington, he also exercised substantial managerial control in what was a foreign-owned and British stock-listed corporation. His influence was a major factor of Kellner-Partington’s success.

Hafslund also rose as a new and important company. Like Borregaard, Hafslund was a traditional estate located alongside Norway’s longest river, the Glomma. The new company built a power plant at Hafslund waterfall. Its CEO was Knud Bryn, an engineer educated in Trondheim, Norway and Munich, Germany. He originally planned to use the electricity for large-scale industrial purposes such as aluminium, and a smaller calcium carbide factory was indeed built.[26] A combination of circumstances led Hafslund to build two more large power plants on the same river, and these were concentrated on supplying electricity to the rapidly growing capital of Norway, Kristiania (renamed Oslo in 1925). Although steps were taken to keep foreign capital out of Hafslund, the German company Schuckert came to own half of it in the fallout of the 1899 Kristiania crash.

The establishment of Norsk Hydro for nitrogenous synthetic fertilizer in 1905 was the dominating investment in Norway.[27] Norsk Hydro was based on a Norwegian invention, the Birkeland-Eyde process, as well as on the electricity producing waterfalls of Norway. Here, too, the Norwegian entrepreneurial effort is striking. Sam Eyde was the forceful and ingenious co inventor and innovator of the huge production system, and he developed the financial connections with which to realize the enormous task. Eyde, a Charlottenburg (Berlin, Germany) educated buildings-engineer by profession, was born into one of Norway's rich shipowner-families and had the background and ability to court European high finance.[28] He persuaded the Swedish bankers of the Wallenberg family to finance Norsk Hydro. The Wallenbergs opened the doors to the even bigger financial group of Paribas, France and its network of customers. Paribas helped Norsk Hydro financially into existence and its role is the main basis for Gasslander's points about foreign direct investment in Norwegian companies.

Would another path have been possible? Norsk Hydro – planned for global sales with a major new innovation – was too big for Scandinavian financers alone. Inability to finance a venture of such scale can hardly can be seen in itself as a failure of Norwegian banks by contemporary standards. Sam Eyde aimed to cater for something big that would be internationally significant and would stretch or possibly overstretch Norwegian financial resources. He also started and functioned as CEO of other companies; Elektrokemisk in 1904 is of particular importance. (Sogner, 2003)[29] Elektrokemisk developed electrometallurgical and electrochemical processes as a business idea, starting with the technology behind Norsk Hydro. Elektrokemisk subsequently developed other industrial processes that became very important, such as the process to make titanium white that was sold to American du Pont.[30] Unlike Norsk Hydro, Elektrokemisk had primarily Norwegian shareholders.

But there is no denying the influence of foreign capital in Norway. Foreign capital was important for the establishment of a new knowledge-intensive capital-rich industry at the turn of the last century. The Wallenberg influence is important for Sam Eyde, and also for Christian Thams, the entrepreneur and from 1904 the first manager of the huge pyrite mine Orkla.[31] Marcus Wallenberg, for decades chairman of the board of both Norsk Hydro and Orkla had strained relationships with both and got them ousted. Eyde sat as "general manager" from 1905 to 1917, but Thams was retired already in 1910. From 1912 to 1921, the

Stockholm-based August Nachmanson, a close associate of Wallenberg, was top manager of Orkla. Thus Wallenberg took shareholder control from a foreign country; but this may be the exception to the rule, as will be discussed below.

Norwegian big business would not have been possible without the entrepreneurial role played by strong Norwegian engineers. They commanded the respect of foreign capital interests, most obviously because they planned and delivered solid business results. They exercised managerial control. Certainly, the rise of these large enterprises involved foreign capital as well as Norwegian natural resources, but fundamental parts of the knowledge used to build these companies were also Norwegian.

Norwegian managerial capitalism coming of age

The internationalization of Norwegian big business dominated the second decade of the twentieth century. The second industrial revolution shifted from an investment stage to a commercialization stage. The high influx of foreign capital in the above-mentioned companies, in other smaller ones and in Norwegian natural resources in general, was a dominant feature in public debate. But Norwegians and Norwegian businesses, including those with foreign shareholders, were also active outside of Norway, with Norwegian managers playing leading roles.

Managerial competence and initiative were integral to the new corporate activity that created opportunities for Norwegian business in these decades, and there are basically two styles of such "managerial capitalism" in Norway. Something similar to a divisional model emerged in two instances, Hafslund (1919-1928) and Storebrand (1918 onwards). The other cases are examples of strong managerial influence over the initiation and development of long-term business strategies: The Kiær-Solberg group, Det Oversöiske Compagnie (1913-1920), Borregaard (1917 onwards) and Norsk Hydro (1920—1927).

The Kiær-Solberg group was affected by the arrival of Kellner-Partington. It was the biggest seller of woodlands to the British company.[32] The Kiær and Solberg families had intermarried and done business with each other since the early 1800s. Primarily they ran a huge sawmill with corresponding woodlands in the "plank city" of Fredrikstad on the Glomma river, downstream from the Kellner-Partington and Hafslund operations. In 1895 four cousins of the Kiær and Solberg family established And. H. Kiær & Co. Ltd., with a share capital of four million Norwegian kroner, making it one of Norway's largest companies. This entity alone almost qualified for table 1, and it would certainly have been on a list for 1895. The four cousins represented an "inner company", while other family members were shareholders in the main entity.

The huge 1902 sale to Kellner-Partington proved to be a strategic move. The family relocated much of their business to Trøndelag, the area around Trondheim in mid Norway. They bought woodlands, paper and pulp factories, sawmills, mines and metallurgical companies and later added properties in Sweden that were connected by railway to Trøndelag. By 1910, through the company And. H. Kiær & Co. Ltd and as individuals, the family also owned significant parts of other wood-processing and wood-owning properties, not least in Northern Sweden. They also kept significant ownership of woodlands and factories alongside Glomma, and organized a new dry pulp plant there listed on the Oslo stock exchange. The total capital, unadjusted for loans, behind all of this was unclear because of many smaller and medium-sized shareholding positions in many places, but was much larger than what comes through in table 1 – even accounting for the fact that "the group" as represented in table 1 also includes a network of partner investors. The family's business model, so to speak, was modernization: scientific cultivation of the woods, improvement of factories, and a shift from planks and boards to pulp and paper. They also played an important role in organizing international sales from these industries, as well as in some metallurgical branches.

The vast industrial complex they were building would not have been possible without their managers in general and "Tall and Dark" in particular. "Tall and Dark" is the literal translation of the surnames of Iver Høy and Kristoffer Mørch, two managers who played a central role in the growth of the companies around Kiær and Solberg and associates. Kristoffer Mørch was the overall technical expert of all the pulp and paper ventures, which were the complicated and capital-consuming parts of the family's operations. Mørch covered a lot of ground, restructuring and building factories in Norway, Sweden, Finland and Russia. He corresponded with factory managers in all of these places and communicated with engineers who built the factories. In this period, Norwegian engineers advanced the technical frontier. Mørch was behind some of the largest factories being built; the Enso complex in Finland in the 1910s was probably the largest of his constructions. The Kiær-Solberg group, minority shareholders of the Norwegian-owned Finnish company Gutzeit and instrumental in Gutzeits's purchase of Enso, lent Mørch out for this construction.

Kristoffer Mørch's efforts helped make the Kiær-Solberg group into a "virtual corporation", consisting of several formally independent companies. He connected the various companies by integrating their technology. To run such a geographically extensive operation, involving a variety of minority owners, would have been impossible without Mørch's expertise. Yes, he was an employee who communicated closely with Elias Kiær, the principal of the Kiær-Solberg group. The knowledge he provided was integrated into the group's considerations by identifying directions and investment opportunities.

Mørch was not formally a manager with the right of attorney, but Iver Høy was. Iver Høy was the manager of Meraker Smelteverk, originally a small factory in Trøndelag that came to Kiær-Solberg through their purchase of a large property with woodlands, minerals and a sawmill.[33] Meraker Smelteverk alternated between making calcium carbide and ferro alloys. After the Kiær family became influencial in Hafslund, Iver Høy in 1919 also became manager of the carbide factory at Hafslund. In 1924 Høy became director of Odda Smelteverk too, a huge carbide and cyanamide producer in western Norway. Prior to its bankruptcy, Odda Smelteverk was British-owned and known as North Western Cynamide. Hafslund and the Kiær-Solberg group took over the company.[34] Iver Høy was based at Hafslund's headquarters in Oslo, and was one of three Hafslund managers with power of attorney. He managed three different factories, all with different owners, albeit with significant overlap and involving the Kiær-Solberg. He led a business with quite an upside potential; both the Hafslund and the Odda operations had huge electricity resources. In 1928 the Odda plant invented an important new process to make three-component fertilizer.

Another exercise in managerial initiative was the creation of Det Oversöiske Compagnie – "the overseas company" – during World War I.[35] The creator and managing director, Christian Lorentzen, was a long-time friend of Elias Kiær, the managing partner of the Kiær and Solberg family. A man with “a business education” – most probably a practical one – Lorentzen organized a global trade company to sell Norwegian produce. Det Oversöiske Compagnie had offices almost all over the world, and linked especially with Norwegian shipping interests. Det Oversöiske Compagnie raised a large capital: 15 millioner Norwegian kroner in 1918. Leading investors and ship-owners flocked to be part of the company. Det Oversöiske Compagnie also bought Norwegian factories for wooden produce to be sold around the world, using its formidable sales organization in cities in North and South America (both east and west coasts), South Africa, and most of Asia, as well as in Europe.

The biggest industrial event during World War I was the sale of the multinational corporation Kellner-Partington.[36] Due to the development of the company, its biggest assets were Norwegian. Rechristened Borregaard after the estate where Kellner-Partington started in Norway, the company became one of Norway’s largest, with factories in Austria and in England. The head of the consortium that acquired Kellner-Partington, the lawyer Hjalmar Wessel, became both chief executive officer and chairman of the board of Borregaard. Wessel obtained such an influential position through the successful role he played in acquiring Borregaard, yet his power from that point came through a managerial position. He developed Borregaard into an even larger company, in particular emphasizing the building of an international sales force. When he suddenly died in 1933, his successor, another lawyer, inherited Wessel’s powerful position.

Borregaard’s development mirrored that of Norsk Hydro. In 1916 Harald Bjerke, with a 3-year engineering education from Kristiania/Oslo and extensive foreign business experience, replaced Sam Eyde as chief executive officer of Norsk Hydro. Thereafter, shareholders started to trust the management of Norsk Hydro.[37] Bjerke built a research and development organization, with a central laboratory under management control operating independently of its fertilizer business.[38] Due to lack of results and a crisis within the fertilizer business in the mid-1920s, Norsk Hydro was reorganized under a new CEO, who closed down the laboratory. The subsequent commercial success of Norsk Hydro in the late 1930s led, however, to a revival of managerially steered research and development.

The long-standing chairman of Norsk Hydro, Marcus Wallenberg created space for the building of managerial hierarchies.[39] Marcus Wallenberg built strong and trustworthy hierarchies that could be counted on to work independently and responsibly. Wallenberg did this to improve the fortunes of the companies, of course, but also in order to attract new shareholders. Building strong management meant decentralising power, and this was a shareholder responsibility that Wallenberg embraced. He fronted Norsk Hydro vis-a-vis the Parisbas network and before an increasingly large group of Norwegian investors as well as IG Farben.

The property insurance company Storebrand also developed an organisation with managerial autonomy.[40] Storebrand was possibly the largest Norwegian private insurer of the 1910s, in a business that was not very concentrated. From 1918 it was led by the lawyer Christian Hansson, and in the same year it was "divisionalised" in order to organise a more diversified business. Extending from Norwegian fire insurance to maritime insurance and international fire insurance, Storebrand gradually reorganised to accommodate increasingly independent businesses. The 1918 change was one of principle, clearly decentralising responsibilities, budgets and accounts. At the outset it was only partially completed. By the 1930s, the divisionalised structure was more fully accomplished.

The Storebrand and Hafslund cases are principled developments in the direction of divisional structures, reminiscent of Chandler's American analysis. Managers operated in hierarchies with power of attorney delegated to them. The Norsk Hydro case, the virtual company of the Kiær-Solberg family, the growth of Det Oversöiske Compagnie, and Borregaard after 1917, are significant examples of how managerial influence – managerial capitalism of sorts – operated in large Norwegian business entities in the 1910s and 1920s. The extent and nature of such managerial power in Norway points to some degree of ideological background. Leaders and owners must have talked to each other about ways to deal with size and complexity of action. In all these cases, though, larger shareholders and shareholder groups monitored and accepted managerial influence, with the possible exception of Det Oversöiske Compagnie, which really used the stock market. Hjalmar Wessel of Borregaard was also quite powerful.

Features common to all the Norwegian managers discussed here are self-confidence, business understanding in an age of revolutionary change, and international orientation; it is likely they also shared a very practical orientation. They were all dealing at the interface of Norwegian preconditions for new business and a cautious Norwegian society on the one hand, and the international society of investments, loans, shareholding and markets on the other. Most of these managers were engineers by education. Some had all or part of that education in Germany; the others had some foreign business experience. There were a few who only had business experience, and two who had a legal training. Another characteristic is that as a group their background could equally well have made them into major shareholders. In terms of social class there was not that much difference between them and the more wealthy Norwegian shareholders. The members of the Kiær-Solberg-family, for example, had exactly the same educational background as the above managers: engineering, law, and business practice.

The fall

The Norwegian development of managerial initiative did not, however, evolve into something more elaborate and lasting. Norsk Hydro continued as a managerially important company, but its 1927 crisis stopped managerially-led research and development for roughly a decade. Borregaard continued more or less as before during the 1920s, balancing what then had become its problem business in Norway by taking advantage of its successful Austrian operations. These two companies started the post-World War II period as Norway's strongest. Storebrand, the insurance company, also survived intact. But "managerial capitalism" did not deepen in any of these companies. In all of the other cases, the room for managerial action more or less disappeared. Part of the reason for this was shareholder power.

Norway was harder hit in the 1920s than most other European countries. Norwegian banks were hit hard by the crisis commencing in the summer of 1920, because of Norway's large international involvement, not least in shipping.[41] The two largest Norwegian banks came under state administration in 1923 and subsequently closed. Norway also "constructed" its own "high exchange rate"-induced crisis in 1925-28 because of its policy to return the Norwegian crown to the Gold Standard at its prewar value. Among those European countries that steered their currency back to the old prewar value, Norway had furthest to go, and probably the highest interest rates. As a result its terms of trade deteriorated sharply.[42]

Det Oversöiske Compagnie collapsed first.[43] In late 1920, the Java office set in motion a profound breakdown which led to bankruptcy. A valuable company broke down because of speculation in sugar on the other side of the globe. Christian Lorentzen apparently had a house of cards in his hands, although any trading company of this kind would be vulnerable to the kind of meltdown of the international economy that happened in 1920 and the following years.

The virtual corporation of the Kiær-Solberg family did not go down quickly, and its main actors survived. This empire was dissolved slowly, and this had much to do with the awkward situation evolving in Russia. During the 1910s, a paper and pulp company was built in Dubrowka near St. Petersburg. The investment was large, and the investors – led by the Kiær-Solberg-family – had provided guarantees for quite substantial bank loans. When the Bolscheviks nationalized the plant in 1918, Dubrowka's investors were left with a huge debt in Norwegian crowns, and this increased in value as the Norwegian crown appreciated in value during the 1920s. Gradually, the Kiær-Solberg-family sold assets, which meant that a virtual big "company" dissolved into pieces: formally independent companies that were no longer tied together by coordination between owners and managers. The reverse process happened in Sweden in the 1920s, as the relatively solid Swedish banks consolidated the paper and pulp industry into larger entities.[44]

The fall of the Kiær-Solberg empire was the most significant backlash of managerial capitalism in the interwar period in Norway. Yet the way the shareholders met the crisis and fought for their continued influence can be seen as a kind of resilience. Unlike the situation in Sweden, where banks took the burden and restructured the paper and pulp business, Norwegian owners managed to keep in control of the situation. This may ultimately have been a pyrrhic victory, as the bigger units in Norway were dissolved, while the Swedes and the Finns used the crisis to create larger units.

A shareholder revolt occurred in Hafslund in 1928, and this drastically changed the company. Hafslund was profitable, but not profitable enough for the leading shareholders. The chairman of the board cut costs, assumed for a while the role of CEO, and abandoned the divisionalised model. In 1937, Odda Smelteverk was sold, as was its internationally admired process for making three-component fertilizer. Until the Wall Street crash, this innovative process was seen as a possible new platform for great industrial expansion. Instead, Norsk Hydro and several large companies applied it. The entity of three factories all led by Hafslund's Iver Høy was also dissolved. The Kiær-Solbergs sold Meraker Smelteverk in 1929.

The managing partner in the Kiær-Solberg operation, Elias Kiær, kept his head above water. Kiær, who had a business education, was still wealthy but no longer mighty. He prepared his son for grand things in life, and his son did become president of the Norwegian association of industrial enterprises. But while his father was a powerful organizer, Hans Th. Kiær, a Dresden-educated engineer, was factory manager in a company he himself owned. For some time Kristoffer Mørch, the engineer who had had such profound influence on his father's extensive investments, worked for in this company – only. Thorry Kiær, son of another of the Kiær-Solberg directors and another engineer, had worked at two Kiær-Solberg plants. In 1937 he became chief executive officer of Orkla. Sven A. Solberg (a Zürich-educated engineer), son of the Solberg director (a lawyer), also became chief executive officer in a company partly owned by himself. His father had been a large investor and the closest collaborator of Elias Kiær. In sum, the fall of the Kiær-Solberg family at one and the same time weakened the consolidation of important industries *and* weakened the development of a professional cadre to run the these industries. The next generation of the family took roles as more or less traditional owner-managers of companies in non-consolidated industries – with an educational background that was suited for managerial tasks.

With a few exceptions, the nascent development towards decentralization of power to managers stagnated, stopped or reversed during the problematic years of the 1920s and 1930s. Hafslund introduced shareholder power. Det Oversöiske Compagnie went bankrupt. The Kiær-Solberg-steered "virtual corporations" in paper and pulp and in metal smelting were unbundled into independent corporate entities, turning the clock back to old-fashioned family capitalism. The Norwegian development of an increased role for managerial initiative had happened in tandem with Norwegian families building larger entities, yet family capitalism proved to have a dual character. In times of growth, family capitalism facilitated the emergence of an increased role for managers, which managers themselves helped create. In times of crisis, family capitalism withdrew into traditional control positions. Power positions were prioritized at the expense of the organizational capabilities within larger entities. This prioritization seems to have been a pragmatic, not to say desperate, fall-back position in difficult times.

Conclusion

This chapter shows that Norwegian initiative and knowledge were important ingredients in the second industrial revolution, complementing the influential influx of foreign capital. Norwegian excitement over new possibilities and confidence about abilities help explain why foreign capital did not reduce Norway to the simple status of a source of natural resources. Norwegian initiatives also help explain how Norway in the longer run was able to develop a business sphere that established the nation among the world's wealthiest countries at the end of the twentieth century.

The rise and fall of Norwegian "managerial capitalism" is closely connected with the character of Norwegian business. Larger scale industrial efforts emerged from the late 19th century onwards, partly as a response to foreign investments in Norway. To a degree, Norwegian shareholders initiated the process of creating stronger Norwegian entities, building on previous family fortunes. Yet the rapid development of larger scaled companies and company constellations cannot be understood without considering the role of managers. In foreign owned companies and companies with large foreign ownership, as in Norwegian owned enterprises, Norwegian managers played important roles through the application of their knowledge and their initiative. Foreign capital often came with Norwegian managers attached. The two largest fully Norwegian constellations of the time – Christophersen's sales-network of the 1890s and the more complex Kiær-Solberg-association of the 1910s – underline the flexibility and pragmatism within the Norwegian business community, making use of the room for manoeuvre inherent in the freedom of contract-system prior to 1910.

Norwegian business development in the 1910s was forward-looking, current, and internationally directed. It was well positioned for a prosperous future in a stable international business environment, in the continuation of the "gold standard capitalism" of fixed exchange rates and free trade organised by Great Britain. The rise of managerial capitalism in Norway in the 1910s is an indicator of modernization. The destructiveness of a lack of financial support for the Norwegian effort, however, became clear in the interwar period, when crises forced the system of managerial-involved capitalism to partially dissolve. Shareholders took control of what rapidly became smaller companies and smaller constellations. National support for the kind of commitment to longer-term organisational building was simply absent. In this respect Norway differed greatly from Sweden.

The breakdown of the international economy starting with World War I and continuing into the 1920s profoundly affected Norwegian business. These developments had a strong impact on managerial initiative, bringing productive processes to a halt, or into reverse, or to an end. The earlier Norwegian surge in managerial initiative was different from the American experience as told by Alfred Chandler. Norwegian managers worked closely with shareholders. It is fair to note that Norwegian shareholders and Norwegian managers represented the same social class, and to suggest that the dissolution of managerial capitalism back into family capitalism represented not social declassification but acts of resilience. There was certainly no reason for these investor-families turned owner-managers to seek out high-minded elite social positions in the difficult interwar years, and the arrival of a strong Norwegian business-labour alignment in the 1930s may usefully be seen against this background.

Notes

[1] I thank Les Hannah, Andrea Colli and Eamonn Noonan for comments that have improved the argument and the text, and special thanks to Eamonn for his considerable improvement of the language. A previous version took a little different course because of comments from colleagues at the Business history Group at BI Norwegian Business School.

[2] Rolv Petter Amdam and Marie-Laure Djelic treated the managerial revolution of Norway as a post 1945 development and a part of a process of the Americanization of Europe. (Djelic & Amdam, 2007)

[3] Sejersted (2002; 2011)

[4] Hannah (2015); Chandler (1977)

[5] Platou (1911)

[6] Langeland (2005); Espeli, Næss, & Rinde (2008)

[7] For the bigger story: Hikino, Chandler, & Amatori (1997)

[8] Sejersted (2011)

[9] Sejersted (2002)

[10] Sejersted (2002)

[11] And this was the only Norwegian company big in enough prior to WW II to be included in Harm Schröter's comparison of small European states: (Schröter, 1997)

[12] Gasslander (1956; 1959)

[13] Thue (2008)

[14] Larsen (2012)

[15] Hannah (2015)

[16] Langeland (2005); Platou (1911)

[17] Dübeck (1991); Platou (1911)

[18] Langeland (2005)

[19] Burkart, Miglietta, & Østergaard (2018)

[20] Hansen (2003; 2007)

[21] Amdam (1994); Amdam & Kvålshaugen (2010) There were several 3-year engineering education institutions in Norway from the 1870s onwards, but only from 1910 did a Norwegian 4-year education commence. Many travelled to Germany for the extra fourth year.

[22] Fasting (1967); Svendsen (1973)

[23] For USA, see Chandler (1977)

[24] Bergh & Lange (1989)

[25] Bergh & Lange (1989)

[26] Just (1948)

[27] Andersen (2005)

[28] Grimnes (2001)

[29] Sogner (2003)

[30] Hounshell & Smith (1988)

[31] Andersen (2005); Bergh, Espeli, & Sogner (2004); Fasting (1956)

[32] Sogner & Christensen (2001)

[33] Sogner & Christensen (2001)

[34] Sogner (1998)

[35] Sogner & Christensen (2001)

[36] Bergh & Lange (1989)

[37] Andersen (2005)

[38] Andersen & Yttri (1997)

[39] From 1909 to 1941 in Norsk Hydro and from 1913 to 1943 in Orkla.

[40] Ekberg & Myrvang (2017)

[41] Knutsen (2007)

[42] Feinstein, Temin, & Toniolo (1997)

[43] Sogner & Christensen (2001)

[44] Glete (1987)

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