

Aspects of Cooperation and
Corporate Governance
in the Swedish Regional
Newspaper Industry

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the Swedish Regional Newspaper Industry

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*To
my father*

Foreword

This volume is the result of a research project carried out at the Department of Marketing and Strategy at the Stockholm School of Economics (SSE).

This volume is submitted as a doctor's thesis at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present his research in the manner of his choosing as an expression of his own ideas.

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Christoffer Rydland

Contents

1. Introduction.....	1
1.1. Relevance for business history.....	1
1.2. Purpose and methodology.....	3
1.3. Definitions and delimitations.....	5
1.4. Outline of the dissertation.....	6
1.5. Theory and previous literature.....	7
1.6. Specific research questions.....	35
1.7. Method and sources	36
1.8. Historical context	39
2. The Lindesberg Group.....	53
2.1. Introduction	53
2.2. The origin of the group	53
2.3. Formal and informal rules.....	57
2.4. Membership and social life.....	66
2.5. Benchmarking	74
2.6. Ownership and the objectives of the newspaper company	79
2.7. Other discussions	81
2.8. The demise of the group	87
2.9. Categorization of the Lindesberg Group	94
2.10. Other functions of the Lindesberg Group	102
2.12 Conclusion.....	105
3. Centertidningar AB.....	107
3.1. Introduction	107
3.2. The history of the owner.....	108
3.3. The formation of Centertidningar AB.....	110
3.4. Constitutive meeting with the managers	116
3.5. The creation of a financial manager for the group (CFO).....	122
3.6. Meetings between the managers during the first years.....	124

3.7. Profit and non-profit objectives of Centertidningar AB.....	147
3.8. Profit sharing schemes for employees and dividends to owners	151
3.9. Managers and the journalists.....	153
3.10. The managers lose control over assets	155
3.11. A consulting firm evaluates the board	158
3.12. Organizing discussions: meetings between managers	160
3.14. Selling newspapers for profit: the decision to sell Centertidningar AB	166
3.15. Conclusion.....	168
4. Comparative analysis and discussion	177
4.1. General comparative observations.....	177
4.2. Comparison of evolution.....	184
4.3. Corporate governance and self-governance.....	191
5. Summary.....	201
5.1. Answers to research questions.....	201
5.2. Contribution to the literature on interfirm cooperation	202
5.3. Contribution to media history	205
5.4. Limitations.....	206
5.5. Suggestions for further research.....	206
6. References	209

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

- Adam Smith, *the Wealth of Nations*

1. Introduction

1.1. Relevance for business history

This introductory chapter begins with a brief explanation of the subject for this dissertation, and its relevance for business history. It continues by defining the purpose of the dissertation and some terms that it employs, and by presenting an outline for the remainder of the dissertation.

The Chandlerian synthesis is often considered the dominant paradigm in business history. According to Chandler, the evolution of the modern multidivisional enterprise created an efficient structure for business operations. It also created innovations in management, accounting and statistics. This development originated in the U.S. with the formation of the railroad companies in the second half of the 19th century, and it continued with the development of the major companies such as Standard Oil and General Electric. The merger wave after the Sherman Act in 1890 transformed many cartels into such multidivisional enterprises.

There have been many challenges to Chandler's view of the multidivisional company in business history. A line of research has studied alternatives to organizational forms, such as Japanese Keiretsus or small industrial districts in Italy. A recent example explores an alternative to the American merger wave. Some trade associations developed into so called open price associations, in which companies cooperated by systematically comparing their costs. The open price associations were contested at the time, and many were forbidden for anti-cartel reasons. However, an argument both at the time and in recent research is that these open price associations formed a viable alternative to mergers.¹ At the core of these associations were discussions and learning in close relation to benchmarking. As we will observe in the theory section, it has also been argued that the organization of

¹ G. Berk and M. Schneiberg, 'Varieties in Capitalism, Varieties of Association: Collaborative Learning in American Industry, 1900-1925', *Politics and Society*, vol. 14, no. 1, 2005, p. 57.

such discussions has been important for economic development, and that they have developed in many historical contexts.²

If the open price associations were a significant alternative to the multidivisional company, then it is worthwhile to improve the understanding of the functions which lay at their heart. This dissertation traces the main functions of the open price associations by studying their long-term dynamics and organization in a different industrial and historical context: the Swedish regional newspaper industry. This industry provided a very open climate for both discussions and benchmarking.

One reason for this open climate was the industrial structure. The industry has been characterized as having geographically separated markets. Generally, regional newspapers have found their readers within a defined geographical area, a natural outcome of the regional character of news content and advertising. The regional daily newspaper company has, therefore, either had monopoly in its market, or has faced a limited number of competing newspapers, even if there are instances where local competition could be intense, and there have been other media to compete with. This situation meant that many newspapers did not compete with other newspapers outside of their area; consequently, cooperation with other newspapers was typically not hindered by direct competition.

The industry has been characterized by both stability and change. The purpose of many newspapers has been to give voice to a particular political view, or sometimes more generally to defend medias' role as the cornerstone of a free and democratic society. On the other hand, technological innovations, high sensitivity to business cycles, and changing customer preferences have had major effects on the industry. New media is now so new that radio, television and print are sometimes summoned under the unobtrusive headline old media. Newspapers have had readers so conservative that a change of font type could generate uproar among its readers. At the same time, some newspapers have worked hard simply to keep some readers at all, because of radical changes in the industry. In many ways, the companies studied in this dissertation were the media establishment, namely, the dominant, traditional regional newspapers. However, even if their managers may have enjoyed strong market positions, with loyal readers and strong connections to the political system, they have often been concerned with declining readership, strong unions and new media.

² C. F. Sabel, 'Learning by Monitoring: The Institutions of Economic Development', in N. Smelser, N., and R. Swedberg (eds.), *Handbook of Economic Sociology* (Princeton, NJ: Princeton University Press, 1994).

Related to the conservative aspect of this industry are the forms of ownership common to the industry. Newspapers in Sweden have mostly been owned by families, foundations, and organizations, rather than being widely held, listed companies. The objectives of ownership have not only been to maximize profit. While profits have been important for capital investment and long run survival, the non-profit aspects of the newspaper companies have been more important than in most other industries. The importance of the non-profit motives stems partly from the political purposes of the newspaper, and partly from the norms related to journalism and advertising both within the newspaper companies and in society at large. The ties to the political system have at times been so close that some would argue that this industry constituted the core of the that system. The fact that managers faced strong unions was partly a consequence of this political dimension, and because of the special role of newspapers in society the Swedish government decided to support weaker newspapers with subsidies. Another non-profit motive has been the responsibility towards labor which many regional newspaper companies have felt. The importance of profit in the newspaper industry has varied over time as well as with over ownerships: some owners have been in the industry primarily for profit, and many have had profit mixed with other motives.

Like other European countries, the Swedish economy underwent a decartelizing process in the decades after the Second World War. The newspaper industry was different. One reason for this is the special role of media in society. Because of this, ownership of media companies has been a sensitive issue. The government's concern was to have economically viable newspaper companies, and because of this, they wanted to promote cooperation between the newspapers. At the same time, cooperation could not go too far because of the concern that control of media would be too concentrated. A system of subsidies was designed with the specific purpose of maintaining diversity. It is only during recent year that consolidation has accelerated.

The implication of the resulting industrial structure was that it provided good opportunities for open discussions. Managers could compare themselves to other companies, and learning between companies could in principle take place unobstructed.

1.2. Purpose and methodology

As will be described in the theory section, there are many different views of hierarchical integration. The functions of the open price associations were organized in an inter-firm arrangement, in formal associations. Since it has been proposed that

these associations were as effective as hierarchically integrated corporations, one natural question is how the functions of the open price associations were affected by hierarchical integration. Self-governed organizations, for example, are arguably even less hierarchically integrated than the formal associations which constituted the open price associations, and hierarchically integrated corporations may have various degrees of hierarchical integration.

The purpose of this dissertation is to analyze the long-term dynamics and organization of the main functions of the open price associations by (1) studying how they were organized in a self-governed form, and then (2) comparing this to how these functions were organized within a corporate hierarchy, both in the context of the Swedish regional newspaper industry in the post war period. Specific research questions will be explained after the theory section.

Regional newspapers constituted the largest numbers of newspapers in Sweden, and, therefore, the majority of nodes between which interfirm cooperation could take place. Unfortunately, the archives for regional newspapers are not as large or well preserved as the archives of metropolitan newspapers. Newspaper companies have often been inferior to many other companies regarding archival standards.³ Also, regional newspapers are small to medium sized companies, where archives are normally not a priority. The archives that do exist are often not placed in one location but dispersed over the country, making aggregate studies cumbersome.

As the self-governed group, the Lindesberg Group was chosen, mainly because of archival reasons. The Lindesberg group was a secretive group of CEOs of leading regional newspapers in Sweden. Access to the private archive of the Lindesberg Group helped to meet the empirical challenge described above. This self-governed group developed a benchmarking system which was unusual in the industry in its level of detail. The fact that it existed for such a long time, between 1956 and 2008, and that it kept an archive composed of benchmarking numbers and elaborate minutes, allows for a detailed, long-term study.

I compare this group with cooperation within a formal corporate hierarchy, Centertidningar AB. This group did not maintain an archive with the same rigor as the Lindesberg Group. The reason for choosing this specific group as object of comparison is different. The newspaper companies in Centertidningar AB were very

³ S. Jonsson, 'Ge aldrig upp – personliga erfarenheter av forskning i tidningsarkiv', in K. E. Gustafsson, and P. Rydén (eds.), *Ständigt dessa landsortstidningar* (Göteborg: NORDICOM-Sverige, 1998), pp. 200-203.

autonomous for most of their history, but they were still held together by formal ownership.

In this dissertation, the main functions of the open price associations are traced and analyzed. Additional functions are identified and described. The causes of origin and decline are analyzed, as are the relation to other forms of cooperation, the relation to corporate governance, and the interaction with the industrial context. Traditional historical method and source critique is used.

1.3. Definitions and delimitations

When the term “manager” is used, the CEO of a company or a group, or the president of a subsidiary is what is being referred to. Manager has a broader meaning in everyday language, but it aligns well with the theoretical literature, where the dichotomy between owner and manager is common. The term “newspaper company” will sometimes be used here instead of “media company”. The latter term is appropriate the closer one gets in time, since newspaper companies often have diversified into other media. The daily newspaper was, however, often the core of these companies. “Newspaper chain” is a common word for a business group of newspaper companies connected with formal ownership. For simplicity, no distinction between regional newspapers and local newspapers is made in the dissertation. What is being referred to is the newspapers outside the metropolitan areas. “Norm numbers” was the name for the benchmarking in the Lindesberg Group, and these two terms may sometimes be used interchangeably depending on the context.

The difference between the terms *interfirm* and *intrafirm* cooperation is that interfirm cooperation takes place between firms, and intrafirm cooperation takes place within a firm. This distinction is widely accepted but has also been discussed more critically.⁴ For practical reasons, the term “interfirm” will often be used in this dissertation even for the cooperation between the companies in Centertidningar AB. This is because in the beginning of the history of this group, the subsidiaries enjoyed such a high degree of autonomy that interfirm can be considered the most appropriate term. Even if the owner had *de jure* control at that time, the real nature of control was that the managers of the subsidiaries were on negotiating terms with the parent company. Also, the inter versus intra dichotomy unnecessarily introduces a binary aspect to this study which aims to discuss nuances and similarities.

⁴ For a discussion on the problem with the dichotomies in this field, see G. B. Richardson, ‘The Organisation of Industry’, *The Economic Journal*, vol. 82, no. 327, 1972, pp. 883-896.

However, it is acknowledged that one could argue with cause against this choice, and at the end of the time period studied here, intrafirm cooperation would be the most appropriate term for Centertidningar AB, since hierarchical integration had by then increased in the group.

1.4. Outline of the dissertation

Chapter 1 contains an introduction. Section 1.5 presents theory and previous research. The first part of this chapter introduces the reader to the theory of the firm, describes the scale of interfirm cooperation between firm and market, and provides examples of such forms (e.g., cartels and business groups). The last section describes the functions and organization of the open price associations. The specific research questions are derived from this last section, while the function of the first part of the theory section is primarily to educate the reader in the general theoretical context of the dissertation. Section 1.6 describes the methods and sources used in this research, and their strengths and weaknesses. Archives and interviews are described. Especially, the challenge of dependent sources is discussed, and how this has been accommodated in the method.

This dissertation derives its research questions from a discussion on interfirm cooperation and governance, and it aims primarily to contribute to this discussion. It also makes an empirical contribution to media history, although this is not its primary purpose. The dissertation is constructed in a way that this contribution almost can be seen as a by-product of answering the research questions, even if perhaps this contribution may be the most interesting for the reader. Therefore, the previous literature on media history is only described briefly in the theory section. However, section 1.8 introduces the reader to some aspects of Swedish media history, as part of the historical context which the reader may find useful as background. Two important institutions are described, the system of subsidies in Sweden, and the act of freedom of the press.

Chapter 2 describes the evolution of the Lindesberg Group. This chapter discusses the origin of the group; it describes membership and social life, discussions, the benchmarking system, and other functions of the group. The chapter also contains comparisons with other organizational forms, and a discussion on how one can best categorize this group. The analysis is based on comparisons with other organizational forms, and serves the purpose of making comparisons with Centertidningar AB easier.

Chapter 3 describes how managers cooperated within a corporate hierarchy, a decentralized group, Centertidningar AB. The senior managers' meetings are described in the context of the corporate governance of Centertidningar AB. Since the deliberation and benchmarking between the managers were enabled by the fact that the business entities were highly autonomous, the relative strength of other stakeholders, such as owners and labor, is described, and since bottom line profit was the most important aspect of benchmarking, the factors behind this focus on profit is analyzed.

Both chapter 2 and chapter 3 mainly focus on the manager's meetings in which the functions of the open price associations were expressed. A more explicit analysis of these functions is made in chapter 4. This chapter contains a comparative analysis of the Lindesberg Group and Centertidningar AB, but also a discussion which relates the empirical findings to the theoretical chapter and the research questions. *Chapter 5* contains a short summary on how the research questions have been answered in the dissertation, a summary of the dissertation's contributions to previous literature on intrafirm cooperation and media history, limitations, and suggestions for further research.

1.5. Theory and previous literature

A description of theory can serve many functions, such as educating the reader in what is generally known in a field, describe how empirical phenomenon have typically been explained, point out what is contested, and indicate where there is need for more knowledge. Research questions are also often derived from theory. As mentioned above, the last section (1.5.6.) describes the previous literature which the main research questions in this dissertation are directly related to, the open price associations. The first sections describe other theories and survey previous research with the primary purpose of educating the reader of the wider context of interfirm cooperation, and enable a broader discussion of the empirical findings.

The cooperation studied in this dissertation took place between firms. Therefore, this chapter describes the variety of forms of cooperation between market and hierarchy studied by business historians, economists, and sociologists, and some important theories in this area. By necessity, it is impossible to give a full account of such a vast literature. A natural limitation has been to describe the literature which has appeared most relevant for understanding the empirical material. Some examples of previous research of the media industry are also provided.

1.5.1. *Theory of the firm*

The open price associations were a form of cooperation between firms. The question of what the boundaries between the firm and the market are determined by is an essential question in a set of theories which are commonly referred to as the theory of firm. I therefore begin by describing some influential approaches to this question.

From the perspective of neoclassical economics, the modern discourse on what the boundaries between companies are determined by traces back to 1937 when Ronald Coase raised the question why firms exist at all. If the market is efficient, as neoclassical economics typically argues, why do not all transactions take place in the market, instead of within the firm? Coase's answer was that firms exist because there is a cost for using the price mechanism. Transactions in the market are costly for three reasons: there are costs to discover prices, there are costs to negotiate and write separate contracts for each transaction, and there are costs for long term contracts when it is uncertain what is needed in the future.⁵ From 1975 and onwards, Oliver Williamson extended Coase's theory of transaction costs.⁶ Three transaction characteristics were especially important for Williamson: frequency, uncertainty, and asset specificity; all positively related to the internal governance of the firm. Asset specificity means that an investment made to support a particular transaction have a higher value to that transaction than it would have if it was made for something else. The underlying logic is that a higher degree of uncertainty and asset specificity is associated with a greater risk for having to change the contract afterwards. In a hierarchical relationship, however, such as within a firm, one party has control over both sides of the contract, and it is easier to resolve potential disputes than in a market relationship.

Coase and Williamson see the organization of firms mainly as a response to the external environment. Other theories of the firm focus on the internal organization of the firm. The so called resource based view sees the firm as a unique bundle of idiosyncratic resources and capabilities where the task of management is to optimize these resources and to build on this resource base for the future.⁷

⁵ R. Coase, 'The Nature of the Firm', *Economica*, vol. 4, no. 16, 1937, pp. 386–405.

⁶ O. E. Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (New York: Free Press, 1985).

⁷ R. Grant, 'Toward a Knowledge-Based Theory of the Firm', *Strategic Management Journal*, vol. 17, Special issue: Knowledge and the firm, 1996, p. 110.

An offspring to the resource based view is the so called knowledge view of the firm. One of its variants has been developed by Kogut and Zander, framed in the context of multinational companies and knowledge of technology, but also with more general applications. The authors note that even if knowledge is a public good, meaning that it can be used by other persons even when someone uses it, it is not costless: the more tacit the knowledge is, the more difficult it will be to transmit. Empirically, they find that greater complexity, lower codifiability, and lower teachability are predictors of the choice of wholly owned subsidiaries, in contrast to joint ventures or licensing. The attributes of knowledge influence the decision of where to draw the boundaries of the firm. The firm specializes in the creation and transfer of new knowledge. Internalization under common ownership makes this easier. Even within the company, transfer of knowledge is not trivial, they note, and companies therefore reduce the tacitness of technology by encoding it and developing rules and documentation.⁸ Those responsible for encoding and decoding should have similar backgrounds or operate in a similar environment in order to avoid misunderstandings which otherwise may arise because the decoder may have implicit assumptions which are different from the encoder's.⁹

Kogut and Zander also take a clear stand against the view “that the boundaries of the firm can be explained only by the creation of governance mechanisms to curb the opportunism of individuals”, and even if they acknowledge the existence of such behavior, the ownership advantage of the firm is constituted by the cooperation within an organization which leads to a set of capabilities which are easier to transfer within the firm than across organizations.¹⁰

The dichotomy of the firm and the market is a simplification. Firms and markets may be seen as extremes on a scale, with many forms between them. The following figure exemplifies some of these forms:

⁸ B. Kogut and U. Zander, 'Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation', *Journal of International Business Studies*, vol. 24, no. 4, 1993, pp. 625-645.

⁹ Ibid., p.629.

¹⁰ Ibid., p.627.

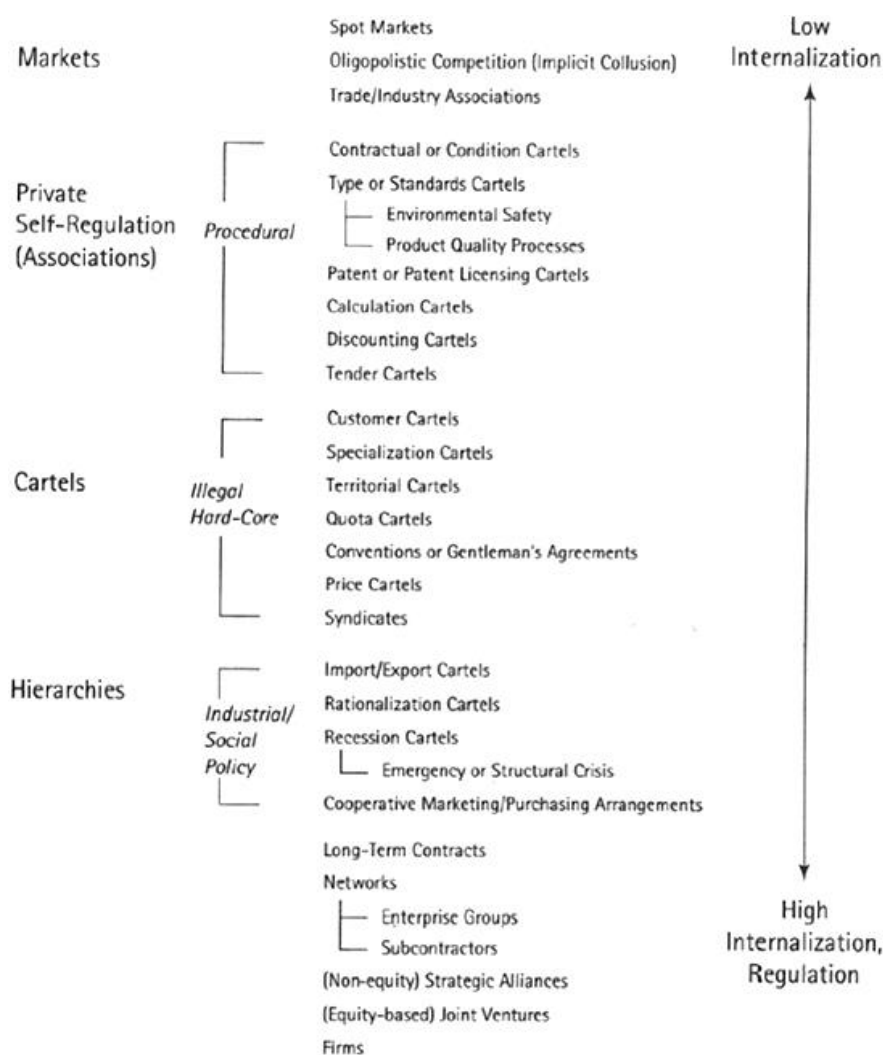


Fig 1. A spectrum of cooperation. OUP Material: *The Oxford Handbook of Business History* edited by Geoffrey Jones and Jonathan Zeitlin (2008), p. 272 Fig. 12.1. By permission of Oxford University Press.

The forms in the figure above gives examples of the multitude of organizational forms one may discern as hierarchical integration varies. Some these organizational forms will be discussed below. One can note how many variants there are of cartels in this figure – there are fifteen of them, in itself an indication of the variance in this area. One should also note that the figure does not include historical forms of cooperation, such as guilds. Naturally, the inclusion of them would make the variance even greater.

Gary Hamilton and Robert Feenstra describe the contemporary debate on markets and hierarchies almost like a nexus for a fight between economic sociology and institutional economics, where each party tries to argue that their view on economic

agents is valid on each side of the spectra. Sociologists argue that social relations are important in markets, while economists argue that rational maximization also takes place in organizations.¹¹ Williamson actually paraphrases war theorist von Clausewitz – “hierarchies are a continuation of market relations with other means.”¹² Granovetter, on the other hand, argues that Coase and Williamson underestimated economic relations and that they are “socially embedded”.¹³ Hamilton and Feenstra also question the idea that markets and hierarchies are extremes on a scale by reintroducing the distinction between economic power and authority from Max Weber.¹⁴ According to them, hierarchy is related to more than economic efficiency. Weber makes a difference between hierarchy in relation to a market and hierarchy inside an organization. In an inter-firm network among independent economic organizations, hierarchy is determined by independent calculation of interest, while inside an organization, hierarchy rests on a presumed right to command and a presumed duty to obey. In Weber’s view, economic organization is shaped internally by external economic processes, but they are also influenced by the character of authority in the organizations themselves.¹⁵

1.5.2. Corporate Governance

Before discussing the forms between market and hierarchy, it is natural to discuss one of the ends of the spectrum: the firm. The modern discourse on how the firm is governed, corporate governance, traces its roots to Alfred Berle and Gardiner Mean’s *The Modern Corporation and Private Property*, first published in 1932.¹⁶ Berle and Means claimed that property had changed with the advent of the modern corporation: ownership and control had diverged. They distinguished between three functions: having interest in a company, having power over it, and acting with respect to it. The “owner-worker” performed all these three functions before the industrial revolution. Then, during the industrial revolution, the owner fulfilled the first two of these functions, having power over the company and having interest in it, while hired managers acted with respect to the company.

¹¹ G. G. Hamilton and R. C. Feenstra, ‘Varieties of Hierarchies and Markets: An Introduction’, in G. Dosi, D. Teece, and J. Chytry (eds.), *Technology, Organization, and Competitiveness: Perspectives on Industrial and Corporate Change* (Oxford: Oxford University Press, 1998), p. 271.

¹² O. E. Williamson (ed.), *The Nature of the Firm: Origins, Evolution, and Development* (New York: Oxford University Press, 1991[1937]), p. 271.

¹³ M. Granovetter, ‘Economic Action and Social Embeddedness: the Problem of Embeddedness’, *American Journal of Sociology*, vol. 91, No.3, 1985, pp. 481-510.

¹⁴ *Ibid.*, pp. 113-116.

¹⁵ Hamilton and Feenstra.

¹⁶ This book was revised in 1968, which is the edition normally referred to.

Under what Berle and Means called “the corporate system”, the dominant system when Berle and Means wrote the book, the second function had become separated from the first. The owner now had factual and legal interest in the company, but control was in the hands of managers.¹⁷ This divergence was seen as a menace by Berle and Means. Managers would do things which were not in the owners’ interest, and this was not only bad for the company; it was a major problem for society.

If we are to assume that the desire for profit is the prime force motivating control, we must conclude that the interests of control are different from and often radically opposed to those of ownership: that the owners most empathetically will not be served by a profit-seeking controlling group.¹⁸

Jensen and Meckling built on these ideas in 1976 with a formal model of agency theory, where the main challenge for the principal, the owner, is to control the agent, the manager, so his action benefits the principal, instead of following his natural inclination to benefit himself only. The concept of agency cost was introduced. This is the cost associated with making the agent make optimal decisions for the principal. The problem was not only that the manager tried to get perquisites from the company. It could also affect his willingness to learn:

...his incentive to devote significant effort to creative activities such as searching out new profitable ventures falls. He may in fact avoid such ventures simply because it requires too much trouble or effort on his part to manage or to learn about new technologies...¹⁹

A considerable body of work within the finance literature has followed, which, among other things, has legitimized management compensation plans such as stock options. It has been suggested that peer pressure, social ties or social norms may mitigate the agency problem – managers may feel a pressure which disciplines their behavior without formal monitoring.²⁰ Still, managerial freedom has generally been seen as a problem with potential for severe downsides. If the manager is not disciplined, his behavior risks become detrimental for the company, or at least for some of its stakeholders.

¹⁷ A. A. Berle and G. Means, *The Modern Corporation and Private Property*, rev. edn. (New York: Harcourt, Brace & World, 1968), pp. 112-113.

¹⁸ Ibid., p. 307.

¹⁹ M. C. Jensen and W. H. Meckling, ‘Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure’, *Journal of Financial Economics*, vol.3, no.4, 1976, p. 17.

²⁰ S. Lee and P. Persson, *Authority Versus Loyalty: Social Incentives and Governance*, New York University Working Paper No. FIN-10-001, 2011.

One example in this literature is that managers prefer to accumulate profit in the company instead of paying dividends to the owner, since this enables them to control investments and increase manager's autonomy. It has been pointed out, however, that even the owner may have preference for low dividends, for example to be able to keep the company viable in economic downturns.²¹

The so called stakeholder perspective complements the view that owners and managers are the most important actors. Early work in the modern stream of research in this tradition is by Edward Freeman in 1984.²² Stakeholders are essentially anyone who can affect or be affected by the company, such as employees, suppliers, or people living near the company. Even if the academic literature is of recent date, the norm that a variety of stakeholders are important for the company has been long lived by. In Sweden, the company was seen much more in a stakeholder perspective before the 1980's, when shareholder value became increasingly important in the business world.

The ownership forms of the particular industry studied in this dissertation, the Swedish newspaper industry, were different from what commonly has been the focus of the corporate governance literature, i.e. widely held companies listed on a stock exchange.²³ Newspapers in Sweden have been owned by families, organizations and foundations. Foundation ownership is found primarily in Sweden, Denmark, Germany, Norway, the Netherlands, and Switzerland. Foundations have no members or voters, and cannot be dissolved without considerable difficulty. It has been argued that they block the market for corporate control.²⁴ Essentially the foundation owns itself. Its objectives are stated in a governing document, which is very difficult to change. From an agency perspective, ownership by such entities may be seen as an anomaly, but studies on German and Danish firms show that foundations do not perform worse than other forms of ownership.²⁵ Danish

²¹ H. Sjögren, *Den utbålliga kapitalismen: bolagsstyrningen i Astra, Stora Kopparberg och Svenska Tändsticksaktiebolaget* (Stockholm: SNS förlag, 2005), p. 17.

²² R. E. Freeman, *Strategic Management: a Stakeholder Approach* (Boston, MA: Pitman, 1984).

²³ Vestmanland Läns Tidning (VLT) and Marieberg AB (*Dagens Nyheter*) formed exceptions to this rule. For an account of the listing of Marieberg AB on the Stockholm Stock Exchange (SSE), see for example D. Nyberg, *Marknad, företag, ägande: familjen Bonniers ägarstyrning i Dagens nyheter 1953-1988*, PhD Dissertation, Stockholm, Handelshögskolan i Stockholm, 2002. VLT was listed on the OTC list at the Stockholm Stock Exchange between the years 1989 and 1998.

²⁴ S. Thomsen, 'Foundation Ownership and Economic Performance', *Corporate Governance: An International Review*, vol. 4, no. 4, 1996, pp. 212-221.

²⁵ S. Thomsen, 'Foundation Ownership and Financial Performance: Do Companies Need Owners?', *European Journal of Law and Economics*, vol. 18, no. 3, 2004, pp. 343-364.

economist Steen Thompsen even calls into question whether profit-seeking ownership is needed in order for the firm to be profitable.²⁶

In contrast to foundations, family companies may sometimes have very active owners, but they may also have an arm lengths approach. Within the same family dynasty, different approaches may actually be represented.²⁷ The family controlled Bonnier group, for a long time the dominant owner in Swedish media, has been extensively researched from a business history perspective²⁸ as well as from a more explicit family company perspective²⁹, and recently the family controlled Herenco group, known to be very profit oriented, has been studied by Peter Sandberg.³⁰ Political organizations have also owned newspapers in Sweden, mainly the labor movement, represented by the Social Democratic Party, and the labor union LO, and the Centre Party.

Furthermore, one can identify ownership roles which were specific for the newspaper industry. Publishers, for example, were in charge of the entire newspaper, having the roles of editor in chief, CEO, head of the board and were also legally responsible for the content of newspaper. Various combinations of these roles have existed. In the only systematic study of comparing such ownership types and behavior, e.g. as expansion of markets, acquisitions strategies and introduction of technology, Staffan Sundin finds no clear correlation between ownership roles and these measures. Instead, he suggests that the variance in behavior could be explained by differences in personalities.³¹

The corporate governance literature, in particular within the field of empirical finance, makes a distinction between the pecuniary and non-pecuniary objectives of the owner. There are benefits from ownership, such as power and influence, which should be added to the economic return from the company. The non-pecuniary

²⁶ Ibid.

²⁷ One example of this is the case of Jacob and Marcus Wallenberg in the Swedish Wallenberg dynasty. Marcus had firm control over CEOs while Jacob had, if not an arm length approach, at least loser control than his younger but more dominant brother. This meant that the dynasty at times could be seen as being composed of two distinct spheres.

²⁸ See for example M. Larsson, *Bonniers - en mediefamilj, förlag, konglomerat och mediekoncern 1953-1990* (Stockholm: Bonnier, 2001); M. Larsson and S. Sundin, *Bonniers - en mediefamilj, konsolidering och expansion 1930-1954* (Stockholm: Bonnier, 2003).

²⁹ A. Karlsson Stider, *Familjen & firman*, PhD Dissertation, Handelshögskolan i Stockholm, 2000.

³⁰ P. Sandberg, *Ett tidningshus i Jönköping: ursprung, tillkomst, framväxt 1861-2008* (Göteborg: NORDICOM-Sverige, 2010).

³¹ S. Sundin, 'Tidningsägarstrategier i svensk landsortspress under 1900-talet', in K. E. Gustafsson, and U. Carlsson, (eds.), *Den moderna dagspressen 350 år* (Göteborg: NORDICOM-Sverige, 1996). Sundin uses a small sample of companies in his study.

objectives may be difficult to quantify. For example, in a study of ownership concentration, Demsetz and Lehn discuss what they label “amenity potential” as a non-pecuniary income in media, but they also find this dimension hard to measure: “Unfortunately, other than a shared perception that the sports and media industries are especially laden with amenity potential for owners, we have no systematic way of tracking amenity potential.”³² Worldwide, media firms have mostly been owned by families or the government.³³ Since regular shareholders with cash flow rights only and no non-pecuniary benefits from ownership are not willing to lose money on their shares, public listings are difficult. However, there are also instances when newspapers have been cash cows for their owners. Ownership of media has often been debated, but this debate has often come with the more or less pronounced idea that there is a relation between ownership and the *content* of media. Generally, there are not many studies on corporate governance of media companies from an economist’s perspective.³⁴

1.5.3. Cartels

A cartel is in essence a formal cooperation between companies with the objective to increase participants’ profits by reducing competition. This can be done in several ways: by fixing prices, agreeing on total industry output, by allocating markets in terms of geographical territories, and so forth. Tacit collusion is when companies set the same prices without any formal agreement. This is also called price leadership. Economists have been interested in why and how cartels can be sustained, since there are economic incentives to cheat from the agreements in the cartel.

Society has sometimes tried to restrict cartels with legislation, but not always. European countries had a cartelized economy before World War II. Besides their obvious drawbacks, such as higher prices for consumers, cartels also have some advantages, primarily price stability, which can be beneficial for producers’ and consumers ability to plan ahead, as well as for macroeconomic stability. An easy way to see that there can be advantages with a cartel is to consider one of the alternatives, namely a merger of the companies in the cartel into one big company. Naturally, this may not necessarily provide a better solution for customers.

³² H. Demsetz and K. Lehn, ‘The Structure of Corporate Ownership: Causes and Consequences’, *The Journal of Political Economy*, vol. 93, no. 6, 1985, p. 1162.

³³ S. Djankov et. al., ‘Who Owns the Media?’, *Journal of Law and Economics*, vol. 46, no. 2, 2003, pp. 341.

³⁴ For an overview of studies of the corporate governance of newspaper companies, see R. G. Picard and A. van Weezel, ‘Capital and Control: Consequences of Different Forms of Newspaper Ownership’, *International Journal on Media Management*, vol. 10, no. 1, 2008, pp. 22 – 31.

Collusion regarding wages in the form of unions has had a very strong mandate in Sweden and many other countries. After many decades of hostilities between capital and labor in Sweden, an agreement was settled in Saltsjöbaden in 1938³⁵, and until the late 1980's, wages were mainly determined in centralized negotiations between labor unions and the corresponding organizations on the employers' side.

Cartels are also important in the Chandlerian synthesis. According to Chandler, legislation against cartels in the Sherman Act 1890 was followed by a big merger wave and the creation of the modern multidivisional enterprise. He argued that the same process took place in Europe after the war as a result of the Marshall plan, which prohibited cartels.³⁶ In Sweden, antitrust was not enforced by the Marshall plan, since Sweden had not participated in the war. Sweden did nonetheless adopt a more critical stand on cartels in the first half of the 1950's, together with Denmark and Finland. Norway followed in the second half of the 1950's.³⁷ One recent example of the consequences for industrial structure is a study by Peter Sandberg of the Swedish brewery industry 1945-1975. Peter Sandberg describes how the Swedish brewery industry transformed from a structure of small companies to mergers and the creation of one dominant company, Pripps AB, in line with Chandler's theory.³⁸

Herman Daems developed Chandler's theories to a model of how transformation in industry takes place from markets, economy, corporatism, and hierarchical big companies.³⁹

³⁵ L. Schön, *En modern svensk ekonomisk historia: tillväxt och omvandling under två sekel*, 2nd rev. edn. (Stockholm: SNS förlag, 2007), p. 347.

³⁶ A. D. Chandler, 'The M-form: Industrial Groups, American Style', *European Economic Review*, no.19, 1982, 23.

³⁷ P. Sandberg, *Kartellen som sprängdes: svensk bryggeriindustri under institutionell och strukturell omvandling 1945-1975*. PhD Dissertation, Göteborgs universitet, 2006, p. 27.

³⁸ Ibid.

³⁹ Ibid., p. 38.

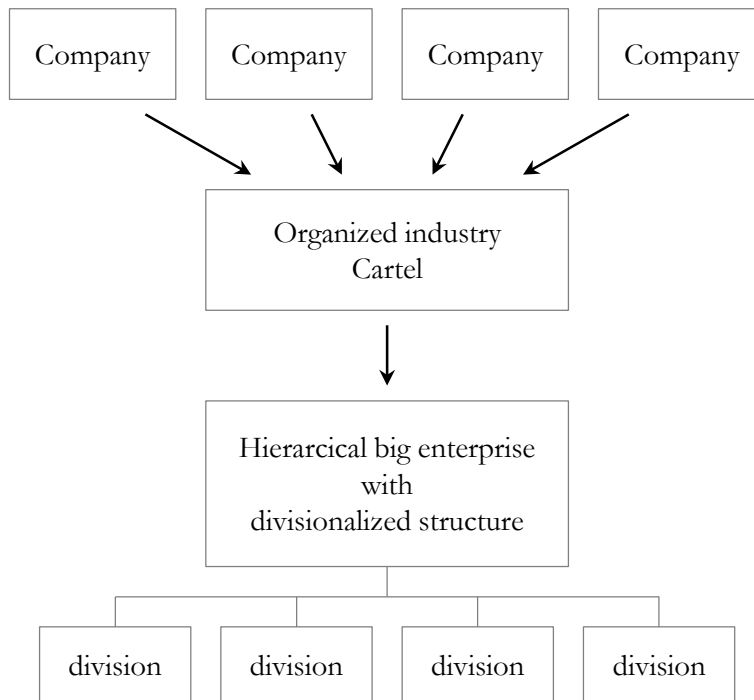


Fig 2. Daems’ model on industrial transformation. Source: Adopted from P. Sandberg, 38. Based on Daems.⁴⁰

Daems did not argue that this model was possible to generalize to all company structures. It specifically relates to companies with economies of scale and synergies from cooperation. For example, Daems claims that economies of scale in the production of perishable consumer goods were possible only when transportation costs decreased.⁴¹ Just as Chandler, Daems discusses the evolution of the modern *big* multidivisional enterprise, not small or medium-size companies, as the ones which are studied in this dissertation. Daems uses the concept “federations”, exemplified by trade associations, business interest groups, and cartels. Daems’ interpretation of Chandler is that the modern firm is involved in a rivalry between markets and federations; a competition between various institutional arrangements. As we will see, the Swedish newspaper industry in the period studied in this dissertation can be seen as being in the middle of the figure – what is labeled “organized industry/cartel” – and at the end of the time period, move closer to the next stage with hierarchical big enterprises.

1.5.4. Business groups

⁴⁰ Sandberg’s figure is based on H. Daems, “The rise of the modern industrial enterprise: A new perspective, in A. D. Chandler, and H. Daems (eds.), *Managerial Hierarchies. Comparative Perspectives on the Rise of the Modern Industrial Enterprise* (Cambridge, Mass.: Harvard University Press, 1980).

⁴¹ *Ibid.*, p. 37.

Definitions of business groups vary, and it has been acknowledged that they may be hard to identify. Indeed, Mark Granovetter claims that this is one reason why they have not received the attention he thinks they deserve. He paraphrases Coase's question why firms exist with the question why business groups exist: "I suggest that in parallel to Coase's 1937 question is another one of at least equal significance, which asks about firms what Coase asked about individual economic actors: why do they coalesce into identifiable social structures?"⁴² Granovetter is convinced that business groups are important for an economy (with the rather strong claim that no firm act alone in every capitalist economy but form cooperative relations).⁴³ He further argues that business groups have not been studied as much as they deserve either by economists or sociologist, and he argues that the existing literature cannot explain the existence of business groups in advanced countries.⁴⁴

Granovetter himself defines business groups as follows: "One can consider as business groups as those collections of firms bound together in some formal/informal ways, characterized by an 'intermediate' level of binding."⁴⁵ Stable cartels are included in Granovetter's definition. Trade associations are in general excluded however, because Granovetter believe they have less to do with operations and more with negotiating and affecting the institutional and governance arrangements in the industry (but if trade associations are involved in daily operations he includes them in his definition). Regarding conglomerates, Granovetter agrees with Harry Strachan, who claimed that the typical conglomerate does not have many personal or operational ties between the subsidiaries, but in business groups, there are operational and personal relations among all the firms. In the conglomerate, a common parent owns the subsidiary.⁴⁶ However, he includes conglomerates as Korean Cheabols, since they have certain stability, but also because the companies in them are kept together and personnel and resources may be shifted as needed. Holding companies and trusts are also included if they keep their own management and identity. Finally, some business groups are loose coalitions with no legal status where no single firm holds controlling interests in any

⁴² M. Granovetter, 'Coase Revisited: Business Groups in the Modern Economy', in G. Dosi, et al. (eds.), *Technology, Organization, and Competitiveness: Perspectives on Industrial and Corporate Change* (Oxford: Oxford University Press, 1998), p. 68.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid., p. 80.

⁴⁵ Ibid., p. 69.

⁴⁶ H. W. Strachan, *Family and Other Business Groups in Economic Development: the Case of Nicaragua* (New York: Praeger, 1976), p. 20.

other, such as Latin American groups or Japanese intermarket groups. Mutual stockholdings and frequent meetings of top executives hold these groups together.⁴⁷

Granovetter concludes: “Thus included under the heading business group is the set of firms that are integrated neither completely nor barely at all”⁴⁸ – a rather vague description indeed. With the vague definition Granovetter uses, it is no surprise that he finds business groups hard to identify. Naturally, there are no records on all personal relations between companies and all operations. Strachan also notices that business groups are more difficult to identify compared to conglomerates which are formally connected with ownership.

With a clear address to new institutional economics, which state that firms exist to reduce transactions costs, Granovetter argues that answering the “why” question, i.e. why business groups exist, is not sufficient, because it assumes a functionalist or teleological view of the firm, i.e. firms exist in order to reduce transaction costs. Knowing the motives for business groups is important for the understanding of the origins of business groups, but he does not believe that this is enough for us to understand the likelihood for them to be formed. “How” questions, such as how it is that actors are in fact able to construct a firm and alliances, are at least as important, but not investigated enough. In the case of business groups, Granovetter not only believes that the assembling of economic elements is “a formidable act of organization”. He also believes that this task of construction is even larger for business groups (without giving further support for this idea).⁴⁹

Granovetter criticizes Chandler’s view of business groups as being transitional and unstable. Chandler believes they should normally be replaced by large, diversified and professionally managed companies with forward and backward integration, at least in capital intensive industries, while there was less incentive to do so in labor intensive industries. Granovetter quotes Chandler: “only the formation of a central administrative or corporate office can permit the business group to become more than the sum of its parts” and “the most important single event in the history of an industrial group is when those who guide its destinies shift from attempting to achieve market control through contractual cooperation to achieve it through

⁴⁷ Granovetter, p. 70.

⁴⁸ Ibid., pp. 70-71.

⁴⁹ Ibid., pp. 68-69.

administrative efficiency”.⁵⁰ On the contrary, Granovetter believes this is an area where a theoretical treatment is “most needed and least available”.⁵¹

1.5.5. Intrapersonal networks

Spontaneously formed networks have caught the interest of a recent stream of literature. One of its roots is an ethnographic study of Julian Orr, who found that service technicians at *Xerox* often found themselves in situations where the formal structure did not provide solutions. Instead, they turned to informal structures for help, such as mentoring, storytelling, and conversation.⁵²

Another stream of literature on emergent networks has recently found a visible application in the rapidly growing online communities. This literature faces the challenges of sometimes vague definitions and closely related concepts such as “Communities of Practice” (CoPs), “Networks of Practice”, and “Legitimate Peripheral Participation”.⁵³ What these concepts have in common is the observation that employees with the same work tasks socialize and work together by sharing knowledge to solve problems related to these tasks; and they sometimes do so outside the formal structures of the organizations, and at times even between organizations.

The relation between individual participation in networks and individual performance has been studied. One conclusion is that performance is contingent on the strength of the tie but also on the redundancy of information in the network. Efficient performance had a positive relationship with participation in communities of practice, but too much participation in communities of practice comprised of members with the same expertise results in a lower degree of creative performance.⁵⁴ Teigland argues that “due to their inherent nature, these networks are ‘invisible’ with participants often leaving no trails of their interaction, thus presenting a challenge to study” and that most studies of them are ethnographic,

⁵⁰ A. D. Chandler, ‘The M-form: Industrial Groups, American Style’, *European Economic Review*, vol 1, no.19, 1982, 23.

⁵¹ Granovetter, p.71.

⁵² J. Orr, *Talking About Machines: an Ethnography of a Modern job* (Ithaca, New York: ILR, 1996).

⁵³ For an overview, see R. Teigland, *Knowledge networking: structure and performance in networks of practice*, PhD Dissertation, Handelshögskolan i Stockholm, 2003. She defines networks of practice as ‘a set of individuals connected together through social relationships that emerge as individuals interact on task-related matters when conducting their work’, while the term *community* in Communities of Practice (CoP) denotes a stronger relationship. ‘Legitimate peripheral learning’ is Lave and Wenger’s original theory from 1992 of beginners’ learning as they enter a group.

⁵⁴ *Ibid.*, p.18.

making them time consuming to conduct, and also difficult because of the sensitive data collected.⁵⁵ This difficulty of getting empirical data is remindful of the challenge which Granovetter sees when studying business groups.

The participants in the networks mentioned above are peers, i.e. equals. Swedish business historian Therese Nordlund Edvinsson has studied an exclusive hunting club for CEOs and owners, active in Sweden between 1890 and 1960.⁵⁶ Nordlund Edvinsson finds that there was a strong hierarchy between the members. Therefore, she differs from the Swedish research tradition on intrapersonal networks in business history, which she argues mostly takes its departure from Walter Powells model on the differences between markets, hierarchies and networks. By doing so, she argues, the Swedish tradition has emphasized equality in the networks; once accepted, one was *bäste broder*, brothers. She points to the fact that hierarchies are established in networks also in Sweden.⁵⁷

There are also differences in the view of the effects of intrapersonal networks in Swedish business history. Jan Glete describes a positive aspect of the networks: they provide an efficient way for a person to get important information from persons who already has such information and who is willing to share it.⁵⁸ More recently, that fact that networks also exclude has been emphasized.⁵⁹

1.5.6. Open price associations and developmental associations

American sociologists Gerald Berk and Marc Schneiberg have recently described in the introduction is how American associations of companies developed after antitrust legislation was introduced in 1890 (the *Sherman Act*). The form of cooperation they analyze, the open price associations, became contested in courts, which illustrates how difficult it may be to clearly identify the character of a cartel-like organization and its effect on the economy.

Berk and Schneiberg argue against what they call the prevailing interpretation of American industrialization. According to this traditional view, they argue, the antitrust legislation from 1890 made associations of companies less significant.

⁵⁵ Ibid., p.3.

⁵⁶ T. Nordlund Edvinsson, *Broderskap i näringslivet: en studie om homosocialitet i Kung Orres jaktklubb 1890-1960* (Lund: Sekel, 2010).

⁵⁷ Ibid., p.26.

⁵⁸ J. Glete, *Nätverk i näringslivet: ägande och industriell omvandling i det mogna industrisambället 1920-1990* (Stockholm: SNS 1994), p. 54.

⁵⁹ F. Andersson et al., *Bäste broder!: nätverk, entreprenörskap och innovation i svenskt näringsliv* (Hedemora: Gidlund, 2006).

Instead, the authors point to the fact that many sectors of the American industry did not take part of the corporate consolidations which took place elsewhere.⁶⁰ In other sectors, they contend, associations “upgraded” themselves between 1900 and 1925 by transforming cartels into something they label developmental associations. By this they mean that associations assumed new functions, which will be described below. In 1925, 30% of American manufacturing industries had participated in these new forms of associations, while 13% formed a core.⁶¹ The authors argue that this new phenomenon was something very different than price cartels, and that they formed another and complementary line of development than consolidation via mergers.

Berk and Schneiberg describe how these so called developmental associations evolved from the open price associations spearheaded by Arthur Jerome Eddy from 1910 and onwards. Eddy was a lawyer and a trade association secretary. The beginning of his interests in this area is that he found that the members of an association, the *Structural Bridge Society*, had experienced an asymmetry between buyers and sellers for a long time. When buyers had all information, they could play the bidders against each other and drive prices down to unreasonable levels. To prevent this, contractors should disclose their costs and discuss them freely. According to standard economic theory, associations would then have turned to tacit price coordination, new ways to coordinate preferences or solve prisoner’s dilemmas.⁶² But something else happened, according to Berk and Schneiberg. There was mistrust to disclose information among members. Eddy had to come up with an idea to draw people in. He asked the bridge builders to submit prices and to discuss the outcomes afterwards. Once the winning bid was revealed, inevitably questions were raised about the winner, for example if the winner really had had the lowest costs, or if he had used bad material. Discussion of prices therefore led to discussions of costs. What began as monitoring for tacit price coordination, that is price cartels, became information sharing for deliberation and collaborative learning. Open price cartels therefore transformed into what Berk and Schneiberg call developmental associations; as we will see, a name used by other sociologist.⁶³

⁶⁰ G. Berk and M. Schneiberg, ‘Varieties in Capitalism, Varieties of Association: Collaborative Learning in American Industry, 1900-1925’, *Politics and Society*, vol. 33, no.1, 2005, pp. 46-87.

⁶¹ *Ibid.*, p. 62.

⁶² The prisoner’s dilemma is an example of a situation analyzed in game theory which shows why two persons may not cooperate even if it appears that it is in their best interests to do so.

⁶³ *Ibid.*, p. 51.

In essence, the term “open price” refers to a system for sellers to disclose openly to one another what prices they had offered to customers, and discussions in relation to this. The activity became a movement enthusiastically led by Jerome Eddy mentioned above, who can be seen as the entrepreneur in this case. According to Milton Nels Nelson, who wrote a dissertation on the open price associations in 1923, Eddy built some of his thinking on a practice which had been in practice in the iron and steel industry years before him. However, Eddy popularized the ideas and developed a theory in his book “The New Competition”. In this book, Eddy makes a sharp distinction between “true competition” and “false competition”, and even the expression “old competition” is used, something which is described as brutal and destructive. The essence of false competition was secrecy, and true competition was when there is knowledge of the true conditions of competition, such as the costs and prices of the competitors.⁶⁴ Nelson does not believe that Eddy’s work should be considered a theoretical contribution to economics, and he generally seems to find the book rhetorical (the title of the original book by Eddy has a header, “Competition is War, and War is Hell”). Nelson does give credit to the general idea that spread in prices could, in principle, be lower if the sellers were better informed, and that it could be of value to sellers to systematically gather information in the way Eddy suggested.⁶⁵

Naturally, given that these associations came in the wake of anti-trust legislation, the contemporary debate on the open price associations as well as the legal system was interested in their effect on pricing behavior. Berk and Schneiberg emphasize other aspects of these associations than pricing, however. They find four defining features:

A common language. Discussions of fair competition induced productivity comparisons. However, these comparisons were not possible without a common “cost lexicon”.⁶⁶ Associations initiated “cost experiments” among members. Each firm was asked to estimate the cost of a common product, and the result led to consternation among firms because of the great variance in the answers. Such differences could only be explained by the use of different accounting methods, the members argued, and this convinced many firms of the need for so called uniform cost accounting, which will be described below. The main idea is that costs should be measured consistently. These standards costs had two meaning among members:

⁶⁴ A. J. Eddy, *The New Competition* (New York: D. Appleton & Co., 1912), pp. 80-92.

⁶⁵ M. N. Nelson, *Open Price Associations*, PhD Dissertation, University of Illinois, 1922.

⁶⁶ *Ibid.*, p.51.

ideals and yardsticks. The former were targets against which to monitor and discipline performance, set centrally by management, associations, or the state. However, in the second meaning, yardsticks, standard costs were more a point of departure. They were units of measurement, making self-reflection and comparison over time possible: a uniform cost language, a basis discussing and comparing background cost conditions. Berk and Schneiberg argue that it was necessary to deliberate in order to build consensus on their meaning.

Deliberation. Associationalists found that professionally designed systems were too complex and abstract for most users. Some associations, such as cotton finishing and photoengraving, used substantial resources for such systems only to see them not used. Rather, members of these associations found that these systems should be built from bottom up through deliberation among practitioners. Deliberation did not end with forming systems. Berk and Schneiberg argued that many associations “placed their systems in loose-leaf binders, so they could be readily reformed with new learning”.⁶⁷

Benchmarking. The goal of benchmarking was not primarily to imitate best practice. It was to “shake firms loose from habits born of narrow vision, that is, to foster reflexivity”.⁶⁸ Comparisons raised questions unthinkable from monitoring alone. The following quote from the time is illustrative of how one thought about a connection between uniform cost accounting and improved performance. If one knew the true costs, one could easier focus on what really needed to be improved:

If a manufacturer cannot make money in competition with other concerns when using the same methods of figuring costs, he can only conclude that his goods or his marketing or both of them, are costing too much. His next step, naturally, is to analyze closely the methods and conditions under which he is manufacturing and marketing his product, until he finds and corrects the inefficiencies which are handicapping him so seriously.⁶⁹

Competition for competition’s own sake could also have been important for performance:

When you work against figures and facts other people have developed, finding out what the best performance in the industry is and use that as your standard to compete

⁶⁷ Berk and Schneiberg, p.56.

⁶⁸ Ibid.

⁶⁹ Ibid.

against, it gives you something to shoot at and it is bound to have tremendous effect on your operations.⁷⁰

In order to mobilize members, associations benchmarked modestly in the beginning, such as ranking in order of operating efficiency or comparisons of aggregate manufacturing or commercial expenses. Once in place, however, benchmarking became more frequent and complex, for example showing monthly averages costs per hour in different departments. “The more detailed the benchmarks, the more it “stirs up curiosity...”⁷¹

The coupling of price stabilization and improvement. Many associations had abandoned price fixing by the 1920’s, but price stabilization remained an important goal. Price stabilization was not an end in itself, however. Although prices might rise in the short run, they should come down over the long run as firms responded to non-price incentives to improve. In Charles Stevenson’s view, benchmarking average costs provided firms with an incentive to improve, but also with information otherwise unavailable from the market or the firm on how to improve, effectively “upgrading competition”.⁷²

The commonality of the features which Berk and Schneiberg identify seem to be that they were all related to the organized discussions between representatives of companies in relation to various measures of costs or prices.

There is a close connection between the open price associations and uniform cost accounting. As a result of the merger wave, the financiers became more important and therefore the cost accountants became less important. Cost accountants imagined themselves management engineers, in the spirit of Frederick Taylor’s scientific management movement. They left the American Institute of Accountants and formed The National Association of Cost Accountants, after conflicts with financial accountants on the critical question whether one should measure interest as a cost or not. The Federal Trade Commission was formed in 1914 and had a rather open mandate to regulate unfair methods of competition. They chose to embrace the cost accountants, and the work with uniform cost accounting in the associations.⁷³

⁷⁰ Ibid.

⁷¹ G.A. Ware of the Newsprint Bureau, quoted in Berk and Schneiberg, p. 57.

⁷² Berk and Schneiberg, 57.

⁷³ Ibid., pp. 50-53.

Similar arguments as described above for the open price associations appear for uniform cost accounting, and with reminiscent, almost idealistic connotations. This form of accounting should “elevate” competition. Uniform cost accounting could work in three ways. Firms which knew their costs were not likely to price below them, especially small firms whose accounting otherwise had failed to keep track of depreciation and overhead. Secondly, if industries used the same methods for estimations then there would be less dispersion in prices. Thirdly, there was a psychological effect: those who could show customers their costs would find it easier to hold their line in negotiations. Finally, there could have been efficiency gains, by teaching firms in the same industry where they were doing well, and where there was a need to improve.⁷⁴ “By making departmental costs... as public as sunlight”, not only would top managers but also foremen and workers better see where they could improve.

For some, the idea with uniform cost accounting seemed to be that the more attention to improvements of products and operations would get, rivalry would focus on product quality and firms would get profits from lower cost. Therefore cutthroat competition would take care of itself.⁷⁵ For others, the idea was that average costs provided a cue for coordination, but not necessarily fixed them. Actors would price with knowledge of other’s prices and dispersion would be reduced, but that was not the same thing as fixing prices collectively and enforcing them.⁷⁶

There was an idea that it was possible through education to reshape how the members thought about competition. On another level, uniform cost accounting would not be able to get rid of self-interest. Rather, the differences between individual and group interests would become smaller: as members became more and more dependent on collective information, they would not be able to conceive their best strategy without the comparisons to others. From the firm’s perspective, once it was possible to make money through improving products and processes, cooperation with average pricing would follow. From the association’s perspective, average cost pricing would stabilize competition and ensure economic improvements and also helped to “legitimize the associational project”, i.e.

⁷⁴ G. Berk, ‘Discursive Cartels: Uniform Cost Accounting among American Manufacturers Before the New Deal’, *Business and Economic History*, vol. 26, no. 1, 1997, pp. 229-251.

⁷⁵ Cutthroat competition is when competition drives prices below costs for an extended period of time.

⁷⁶ Berk, p. 239.

motivate the existence of the associations.⁷⁷ Berk contends that uniform cost accounting was seen as a panacea – a program intended to improve the capacity of business firms to apprehend their performance and to communicate internally and with one another”.⁷⁸

Overall, Berk and Schneiberg have a positive view of these associations, or at least, believe that the contemporary critique of them was one-sided. At the heart of their discussion of these organizational phenomena seemed to be the notion that comparing costs fostered new thinking and learning. Their view of these associations is largely consistent with that of the founder of the open price movement, Jerome Eddy, and various representatives of the associations involved.

Apart from providing new data on how widespread the open price associations were at the time, Berk and Schneiberg explicitly emphasize their belonging to a tradition in economic sociology. This explains their focus in their account of the open prices associations, and perhaps also their positive view of them. They emphasize that economic actors are “reflexive” and explicitly oppose the view that economic actors merely reflect background conditions, and by doing so, they join a tradition of sociologists such as Jonathan Zeitlin and Charles Sabel.

The term developmental association, which Berk and Schneiberg use, is first used by Charles Sabel, and we can also find an explanation to the so called reflexivity of economic actors in his writing. By developmental associations he means firms in the same industries which agree to meet common standards and who therefore can learn from each other’s shortcomings and accomplishments.⁷⁹ Sabel goes on to distinguish these developmental association to two kinds of associations which he argues are the ones commonly referred to: “predatory lobbies” of the neo-liberal views, which use political pressure to get better returns than they can get in the market, and the neo-corporatist view, in which associations act to structure negotiations between interests group and the state and therefore reach better outcomes that would have been unattainable otherwise, for example by negotiating wages. He argues that both of these types of associations perceive members interests as essentially fixed: the tasks of the officials in the associations are to reconcile the existing interests of the members of the groups with existing interest

⁷⁷ Ibid.

⁷⁸ Ibid., p. 240.

⁷⁹ C. F. Sabel, ‘Learning by Monitoring: The Institutions of Economic Development,’ in N. Smelser, and R. Swedberg, (eds.), *Handbook of Economic Sociology* (Princeton, New Jersey: Princeton University Press, 1994), p. 149.

of external partners. In contrast, then, the role of the developmental associations is to help create the interests and the identity of its members: “discussions about the firm’s goals and procedures for revising them in light of experience necessarily reach into the very constitution of each company.”⁸⁰ He also proposes, somewhat radically, that the “formative characteristics” of association can discourage these kinds of associations to act as an interest group at all, since “if the firms in it realize that they can flourish in market competition, they are unlikely to use their association to lobby against the market.”

At the core of Sabel’s thinking is an idea that the principal-agent problem is fundamentally more complicated than what its most common interpretations reveals. First, Sabel notes that if the agent learns and innovates, the principal cannot easily monitor the agent. He defines monitoring as the determination by two transacting parties that the gains from learning is distributed according to the standards which they have agreed to, as each of the parties interprets this. But learning disrupts the principals’ control of the agents, which means that there is a constant tension between learning and monitoring. For example, innovations and new projects can be so complex ambiguous makes it possible to interpret the principal’s instructions, so the agent can pursue his own ends without being discovered by the principal.⁸¹

Sabel refers to two common explanations to how this problem can be solved: by a culture of trust, an explanation which Sabel does not believe can explain change, or game-theoretic solutions, which he also finds insufficient. Instead, he believes that the conflict between learning and monitoring is resolved by making these two indistinguishable, and that this is done by creating institutions that make “what to do inextricable from discussions of what is being done”, and “the discussion of standards for appointing gains and losses inextricable from apportionment”. These institutions transform transactions into discussion, and these discussions are exactly the process by which the parties reinterpret themselves and their relation to each other by elaborating a common understanding of the world.⁸² Sabel also introduces the term “reflexive capacity”, which is the reflexivity which Berk and Schneiberg relate to in their writing on the open price associations. In Sabel’s interpretation, this means that individuals must interpret general rules but also establish equilibrium

⁸⁰ Ibid.

⁸¹ Ibid., p.137.

⁸² Ibid. p.138.

between both his or her views and the social standards, through what Sabel calls argumentative encounters, and recast both of them.⁸³

Sabel gives many examples on how governments have allowed cooperation between companies if the learning between them was enabled. One such was local trade associations in Japan, the so called *dogyo kumaia*. Between 1884 and 1900 these associations were allowed to regulate prices, market shares and wages, but the above-average performers also had to show the weaker performers how to improve production.⁸⁴ Sabel gives further examples, such as German trade associations and technical norm committees, so called *Normenausschuss*, and furniture making in Brazil. The general idea in the historical examples Sabel gives appears to be that negative aspects of cooperation can be offset by the learning it enables, both within companies and between the state and the companies.

In light of this, one can understand why Berk and Schneiberg have such strong emphasize on the discussions in the open price associations. Simply speaking, they mean that the discussions in them could change the perceptions of the other participants' motives, as well as changing these motives.⁸⁵

However, the open price associations were a contested phenomenon at the time, and some associations were forbidden. There was also an academic discussion of the open price associations. For example, in his 1917 article in *American Economic Review*, Harry R Tisdal concludes that in principle, open price associations could be beneficial to society as well as to the profitability of the industries involved. However, he also finds that these associations were susceptible of abuse, meaning that they had the potential for being both beneficial and harmful and that more experience and empirical data was needed that was available at the present time. Tidal observes that the courts had not conclusively determined the legality of the open price associations at this time, but that the crucial point was if future prices

⁸³ Ibid. p.156.

⁸⁴ Ibid. p.150.

⁸⁵ In their most recent work on the subject, the cognitive aspects of the open price associations are strongly emphasized and the idea most stressed is that categorization in accounting categories, which was under constant change, by itself had an important effect on learning, and that the organization of these activities showed that actors broke away from the disciplinary functions of accounting and instead chose to actively shape accounting categories. M. Schneiberg and G. Berk, 'From Categorical Imperative to Learning by Categories: Cost Accounting and New Categorical Practices in American Manufacturing, 1900–1930', in *Research in the Sociology of Organizations*, Hsu, G. et al. (eds.), vol. 31, 2010, pp. 255-292.

were set or not. Simply assembling and exchanging information was not seen as illegal by the courts.⁸⁶

When Milton Nelson continues this debate in the *American Economic Review* six years later, his ending conclusion is that the issues had “a perplexing and complex character”. He is generally more critical than Tosdal, however. In particular, he points out that the buyers did not have access to the same information as the sellers, and that Eddy’s original plan was devised entirely from the perspective of the user. He also argues that the temptation to pool knowledge so that increase prices would follow by collusion was very strong and that collusion could be achieved in subtle ways so it could not be detected by law enforcement. However, he believed that the purpose of the open price associations had indeed been that the members wanted to gain knowledge rather than to set prices, and he argued that they had simply tried for themselves what the government had done for small farmers, by producing crop reports with the purpose of making it possible for the farmers to market their products better. Banning the open price associations without offering something instead was not advisable, according to Nelson.⁸⁷

Nelson believed that the cause for ineffectiveness of the open price associations was the problems in the inner workings of them, just as much as how they affected prices for the members. He points out deficiencies in the reporting system. There was incomplete standardization, making price comparisons difficult. Members could turn in inaccurate reports, and the compiled reports from the central office could come too late to be of any use for the member. Also, members were sometimes unwilling to spend time that was necessary for their proper interpretation. One secretary said that members could ask for prices, and at the same time as reports should be on their desks containing exactly that information. Another major problem was that some associations simply did not have enough members. The information collected from the members did therefore not represent the industry, and did not reflect the buyers’ situation. Nelson believed that this could be a major obstacle for the spread of open price associations to larger industries were competitors were likely to be numerous.⁸⁸

In Tosdal’s article, the diversity of these associations becomes apparent. This diversity will be described below in some detail, since it is of value as comparison to

⁸⁶ H. R. Tosdal, ‘Open Price Associations’, *The American Economic Review*, vol. 7, no. 2, 1917, p. 350.

⁸⁷ M. N. Nelson, ‘Effect on Open Price Association Activities’, *The American Economic Review*, vol. 13., no. 2, 1923, pp. 258-275.

⁸⁸ Ibid.

the organizations which will be studied in the empirical chapters in this dissertation, and since Milton Nelson pointed out that some of the open price associations sometimes failed to organize their activities.⁸⁹

In terms of origin, most of the open price associations had been developments of trade organizations, either fully converted to open price associations. Trade organizations could also have established separate departments. However, some open price associations had been established specifically for the open price purposes, such as some of the textile associations.

Regarding the purpose of these associations, the ultimate purpose of every open price association was to have greater stability and increased profit for its members through cooperation. Collection and distribution of information was essential, but how this was expressed in the rules could vary. Often, the adoption of a uniform cost accounting system was mentioned, something Tosdal argues made comparisons easier. The Bridge Builders' Society stated its purpose as "to establish frankness regarding bids, terms, and prices actually made", while the Hardwood Manufacturer's Association used a much more elaborative phrase. Two ideas of the open price systems are expressed in this quote - the idea that efforts should be directed elsewhere than at guessing the market, and that one should counter the buyer's possibility of playing bidders against one another:

To disseminate among members accurate knowledge of production and marketing, so that each member may gauge the market intelligently instead of guessing at it; to make competition open and aboveboard instead of secret and concealed; to substitute in estimating market conditions frank and full statements of our competitors for the frequently colored and misleading statements of the buyer.⁹⁰

Tosdal observes that the open price associations had the usual roles of a formal organization, such as president, vice president, secretary and treasurer, a board of directors and an executive committee and sometimes both. Usually, none of these had economic compensation, with the exception of the attorney. The secretary and the attorney was not formally a member of the association. The central office was also an essential feature of the open prices associations. Reports were received from the members and distributed to them after having been compiled at the central office. Tosdal distinguishes between three methods of arranging such an office. Some associations had their own offices with salaried secretaries, such as the Bridge Builders society and the Leather Belting Exchange. Another method was to use the

⁸⁹ Ibid., p. 331-352.

⁹⁰ Ibid. p.336.

secretary of the trade organization where sometimes special departments had been created for this. A third way was to share an office with other associations.

Regarding membership, members could come from all parts of the country. However, they were more often from a smaller area, such as a state, or they could come from an even more confined area. One important aspect was that it should be possible to have meetings at frequent intervals. Therefore, larger associations could be divided into smaller sections. If specialization was high among members, sub-groupings could also be made on product basis. Members pledged to give information regarding their business to the central office, and they had the right to receive information as long as they lived up to this part of the agreement. Restriction on membership was virtually non-existent because associations benefited from having as large part of the industry as possible as members, but the rules could still vary. For example, unanimous election was required for membership in the American Tack Manufacturers Association, while the system was more complicated in the Cotton Finishers Association: one had to be proposed by a member, then approved by a majority of them, and finally elected by a majority of the members.

Meetings were important. In many associations members met monthly, while others met less frequently. General business conditions and other topics were discussed, but according to Tosdal it was the discussion on prices which caught the most interest. Members could ask about details on past transactions, why certain prices were quoted, and so forth. To avoid the temptation that discussions shifted to future prices, some associations took steps as having competent attorneys present at every meeting. Others left them open to inspection by authorities or filed the minutes of the meetings to the Federal Trade Commission.

The reporting plan an essential feature of the open price associations, and this is where Tosdal sees the most important difference between the associations. He goes as far as to claim say that the character of the reporting plan indicated how far the open price methods had been adopted by the associations. There were two general ways that reporting was done. The first was contract work, where it was common to ask for bids for specific works. When a bid was made, one could send it to the central office open or sealed, and various system had evolved regarding how the bids were compiled by the secretary and who would get access to the information. The other main type of reports was for standardized work. Here, there were great differences between the associations regarding details and frequency of reports to the central office. In extreme cases, all details of every day's business were sent to the central office by each member.

Nelson's article is written six years after Tisdal's. One reason why it was more critical could be discovery of abuse of the associations and court cases may have made the open price associations more controversial. However, he had also more solid empirical ground for his opinions than Tisdal, since he had written a dissertation on the topic the year before.

1.5.7. Summary

The theories in the theory section are diverse in many respects that suggest care be taken in any direct comparison. Still, one can discern a scale regarding their notions of hierarchical integration:

Alfred Chandler saw the unification of a business group under common administration as a deciding step in economic development. It was this step which made it possible for big business not only to achieve efficiency, but also to drive management learning, which diffused in the economy. Corporate governance in Berle and Means original version definitely saw a lack of hierarchical control as a menace. Managers free of control would not do anything good. In an ensuing stream of literature, much effort has been spent to develop intricate agency models on how to stop the manager from doing too much damage by financially aligning his interest with owners or other stakeholders. The manager is seen as trying to avoid control and should be disciplined. Neoclassical economists see cooperation between firms, i.e. outside the hierarchy of the firm, as potential collusion with negative effects on prices, quantities and consumer welfare. Kogut and Zander sees ownership as reducing the cost of transferring tacit knowledge, and a key to competitive advantage. Institutional economics is neutral, and does not take a stand on whether economic activity should take place within a hierarchy, in the market, or in some form in between. This is determined by transaction costs, which in turn are determined by the external environment. Mark Granovetter argues against Chandler, seeing business groups as important in the economy, and as potentially effective and stable forms, however highly contingent on the context. Berk and Schneider have a positive view of the cooperation in the open price associations. In their account, the learning enabled by benchmarking had such positive effects that it outweighed the risk of misuse in the form of illegal collusion. The Communities of Practice literature sees employees' freely acting outside formal hierarchy mostly as a promising, potential good. Finally Hamilton and Feenstra, by a reintroduction of the distinction between economic power and authority from Max Weber, question the idea that markets and hierarchies are extremes on a scale.

Naturally, these theories imply different predictions for the organizations studied in this dissertation. If one shares Chandler's view, for example, one should be more pessimistic of the self-governed Lindesberg Group, and expect that effectiveness would be higher in a corporate hierarchy such as Centertidningar AB.

More specifically, the argument of Berk and Schneider is that the functions in the open price associations were effectively organized in associations, i.e., outside the corporate hierarchies which were advocated by Chandler. Moreover, Berk and Schneider argue that the functions of the open price associations were important for performance of the companies involved. Therefore, there is an implicit argument here that hierarchical integration in corporations is not necessary in this respect, or is perhaps even detrimental. Their positive view can be contrasted with the debate at the time, which also contained more critical opinion regarding the open price phenomenon.

Economists Holmstrom and Roberts have a different position on the significance of hierarchy in this context. They argue that even if benchmarking, also between competitors, has been more common than previously thought, the example of ABB, where hundreds of units cooperated in sharing knowledge, could hardly have been possible if it had not taken place under an umbrella of common ownership. Another example they give is BP, where one hundred subsidiaries were encouraged to share information extensively. This involved business units contacting people from other units to help solve problems.⁹¹ While Holmstrom and Robert admit that they lack solid empirical evidence, the conclusion that hierarchical integration is beneficial in this context seems intuitively true to them.

One way to study how the functions of the open price associations are related to hierarchical integration, if at all, is to study them in a case where the hierarchical dimension is more emphasized than in the associations at the time, and then compare that to a case where the hierarchical dimension is less emphasized, such as in a self-governed group. It also appears that the open price associations changed character, even over a comparatively short time span. It is relevant, therefore, to study how their functions evolved over the long run, and how they were affected by their context.

⁹¹ B. Holmström and J. Roberts, 'The Boundaries of the Firm Revisited', *The Review of Economic Perspectives*, vol. 12, no 4, 1998, pp. 92-94.

1.6. Specific research questions

As described earlier, the purpose of this dissertation is to analyze the long-term dynamics and organization of the main functions of the open price associations by (1) studying how they were organized in a self-governed form, and then (2) comparing this to how these functions were organized within a corporate hierarchy, both in the context of the Swedish regional newspaper industry in the post war period. The main functions of the open price associations have been described by Berk and Schneiberg as the development of a common language, benchmarking, deliberation, and the coupling of price stabilization and improvement.

This purpose will be met by analyzing the Lindesberg Group and Centertidningar AB. Centertidningar AB was chosen mainly because it was a corporate hierarchy with very autonomous subsidiaries. This promised to provide a useable contrast the Lindesberg Group, which was a self-governed group of autonomous companies: if there is ownership of autonomous companies, a comparison with autonomous companies without ownership would reveal ownership as a residual.

The purpose will be served by answering the following specific research questions:

- 1: How were the main functions of the open price associations organized in the self-governed Lindesberg Group, and how were these functions organized within a corporate hierarchy as Centertidningar AB?
- 2: How did these organizations originate, how did they evolve over time, how did they relate to the industrial context, and why and how did they disappear?
- 3: What other functions did these groups serve?
- 4: What was the relation to other forms of cooperation?

In addition to contributing to the literature on interfirm cooperation, this dissertation contributes to Swedish media history. As described in the introduction, archives in regional newspapers are generally not well preserved, especially regarding economic issues. For archival reasons alone there is, therefore, a descriptive value

for the empirical material. There is also a lack of academic research on leadership in newspaper companies.⁹²

1.7. Method and sources

This dissertation is rooted in the historical tradition, and uses source critique as its main method. It is based both on interviews and written sources. The main methodological challenge in this dissertation is that the sources violate the independence criteria to an unusually high degree.⁹³ This is particularly evident in the Lindesberg Group. The members chose to form a group to share and protect information. They formed ties of loyalty and were not allowed to disclose any information. To some extent, this is also true about Centertidningar AB. The choices regarding method were made with this particular problem in mind.

1.7.1. Archival sources

The access to an archive for the Lindesberg Group was particularly important to remedy the problem described above. The archive is composed of nine folders. Four of these folders contained minutes and related material, and five contained the complete series of benchmarking numbers from 1956. This private archive has been stored by Carl-Gustav Carlson in Eskilstuna. Carlson was a member in the group since 1973.

Minutes from the meetings have been preserved between 1983 and 2008, two per year. Minutes were not written before 1983. Minutes for two meetings were missing. Minutes from the last two meetings were not available. The minutes state what the managers said behind closed doors. Confidence could have been further enhanced by the fact that members could veto new members. This makes it more likely that the managers meant what they stated in the minutes, compared to situations where the actors could have had other motives, such as a board setting or in public life. The members also tried to make a distinction between business and social life at the meetings. This makes it more certain that the minutes captured what was said.⁹⁴ The minutes were circulated among members, which increases consistency.

⁹² M. D. Pierre, and L. Weibull (eds.), *Ledarskap i framgångsrika tidningsföretag: en studie av tidningsledarna på Borås tidning, Nya Wermlands-tidningen, Sundsvalls tidning, Barometern och Jönköpings-posten under 180 år* (Göteborg: Göteborgs universitet, 2009), p. 14.

⁹³ See, for example, A. Jarrick and J. Söderberg, *Praktisk historieteori* (Stockholm: Stockholms Universitet, 1999).

⁹⁴ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007; Cal Wikström, CEO of *Norra Västerbotten*, interviewed by the author, November 27, 2007.

The archive is composed of different parts. The minutes are normally accompanied by a one page agenda sent out in advance to the members. There are agendas for some years before 1983 where there are no minutes preserved. The minutes for each meeting are shorter in the beginning, but at the end of the time period they are up to eight pages long. There are some letters which gives evidence for what took place before minutes were taken in 1983. For later years, there are also some letters which were attached to the minutes, and were meant to be read by everybody, while some other letters were correspondence between members. The benchmarking series is complete from 1956-2008. Two minutes are missing, and the minutes for the last two meetings have not been available to me.

Letter from the person responsible for the benchmarking numbers: For many years, the benchmarking numbers were accompanied by a short letter from the person responsible for the numbers, the *normtalsman*. This letter normally contained information about numbers which had been added or withdrawn from the benchmarking, problems with the numbers, and so forth. Sometimes, these comments were made directly on the sheets containing the benchmarking numbers instead on the letters. The group made special anniversary issues after 25, 40 and 50 years. It is hard to assess the value of these anniversary issues, since it is unclear what sources they are based on. They are also produced with the specific purpose of commemoration, and may, therefore, avoid describing failures or conflicts. However, since one of the founding members remained in the group until the end, the risk of errors in these sources is smaller than they would have been otherwise. The group also distributed many surveys to its members. There are answers only to two surveys in the archive.

For Centertidningar AB, the meetings between the managers were assembled in two folders, while the rest of the board minutes for the parent company in Centertidningar AB were contained in six folders. There was also one folder for the meetings between CFOs in the group. There were not many decisions in the parent company until the end of the 1990s. These decisions were more often taken in the subsidiaries. However, the sources are useful for the purpose of describing the relation between the parent company and the subsidiaries in this group. Some of the minutes and some other material for the senior manager's meetings and financial manager's meetings have been preserved. These minutes are generally not as elaborate as those for the Lindesberg Group, but they still give an impression of the character of these meetings. Overhead slides are included. A special source included in the folders with the board meeting protocols is a consulting report in 2004 which evaluates the board, i.e. gives an outsider's perspective on the company. Other

written sources include newspaper articles and a press release from the Centre Party. The selection of these sources has not been systematic, but was based on the desirability of providing contrasting perspectives or to verify other sources.

1.7.2. Interviews

For the Lindesberg Group, I conducted eight interviews. Most of them were with older members with many years in the group. In particular, all three living *normtalsman*, the persons responsible for the benchmarking, were interviewed. Two members were from a younger generation who had become members after year 2000.

For Centertidningar AB, I conducted thirteen interviews with ten managers. The CEOs with the longest tenures, Allan Pettersson (1976-1997) and Lars Lundblad (1999-2005), were interviewed. Since there was some variation in the first few interviews (notably *Östersunds-Posten*), and the variation seemed to stem from local characteristics of the newspaper, I chose to interview one manager for each of the subsidiaries. I chose managers with long tenures. Interviews with the CFO and executive vice president for Centertidningar AB, Bengt Björklund, were valuable since he was active during almost the entire existence of Centertidningar AB. He was interviewed three times, the last one being a shorter telephone interview. Sören Karlsson, who was the other executive vice president in the group, and manager of *Norrtälje Tidning* since 1979, was interviewed twice. Two persons were members in both Centertidningar AB and the Lindesberg Group, Ivan Lennestål and Göran Henriksson. They could compare the organizations directly, Lennestål in the early 1980s, and Henriksson in the mid-2000s. Another important source was Nils Isakson, the only remaining founder of this group. At the time of the interview, he was over 90 years old.

Some of the interviews took place before the groups dissolved, and some after. To some extent, this could have given the interviews a different character. Sometimes the interviewees are secondary sources. For example, when Cal Wikström talked about why the Lindesberg Group was founded, he was a secondary source, and recalled what others in the group had told him. Sometimes, the interviewees expressed what they believed was typical for most of the other members in the group, decreasing the value of the source.

The interviews were semi-structured and typically lasted between one and a half and two hours. I chose not to give the questions to the interviewees before the

interviews. My preference was to get answers that were as spontaneous as possible, because of the dependency problem described above. I was interested in observing the immediate reaction to the questions. The trade-off is that giving the questions beforehand would have meant that the interviewees may have been able to give more elaborate answers. I typically had 3-4 pages of questions prepared under different headlines. I then let the conversation float freely, with the intent of letting the interviewee talk as openly as possible in the beginning. After a while, my questions typically became more detailed. However, during the entire length of the interviews, I allowed myself to ask any follow up question which came to mind. The interviews were not transcribed, with but a few exceptions, but I typically listened to the tapes after the interviews and made notes. Listening to the tapes made it easier to discern tendencies in the sources. I sometimes confronted the interviewee with archival material or with what other interviewees had said. The locations of the interviews varied.⁹⁵

Cal Wikström, member of the Lindesberg Group from 1977 to 2008, has read the final chapter on this group. In Centertidningar AB, the archival material was more limited, and, therefore, a greater number of interviewees have read this chapter (Bo Andersson, Bengt Björklund, Sören Karlsson, Tommy Ljung, and Lars Lundblad.) The interviewees were asked to respond by email, and only matters related to quotations and factual errors have been considered by the author. Cal Wikström gave feedback on telephone.

1.8. Historical context

The purpose of this section is to give the reader a brief introduction to the context in which the two constellations Centertidningar AB and the Lindesberg Group evolved. The historical background of the Swedish regional newspaper industry is described, as well as the market, some important institutions, and the industrial structure.

⁹⁵ Locations for the interviews have for practical purposes been listed in the bibliography and not in the footnotes. A few verifications were made on telephone at a late stage of the dissertation work. These are marked “verified by N.N., May XX, 2013” in the footnotes.

1.8.1. Regional Swedish newspaper industry before 1956⁹⁶

In the Roman Empire, information was diffused by hand copying slaves. Trading houses such as the Hansa and the Catholic Church later developed similar systems. Hand written newsletters were for a long time able to compete with printed newspapers, and foreign newsletters were imported to Sweden. The first printed Swedish newspaper was *Ordinari Post Tijdender*, later called *Post och Inrikes Tidningar*. This newspaper from 1645 was published once a week. The newspaper started as the leader of the country, Axel Oxenstierna, wanted to increase the propaganda for the Swedish efforts in the 30-year war which was then raging on the continent. The postmaster in Stockholm was responsible for the publication of the newspaper, while local postmasters were responsible for reporting local news to Stockholm. According to the instructions, the editor should not allow any lies, but moderate so that no harm would be made to the crown – no unsuitable news were thus allowed for. Essentially, it was a propaganda tool for the government with news from the war. The political dimension of media was present already in this early example.

The creation of regional newspapers was a development of the 18th century. In particular, many trading cities got their own newspapers during this century, such as *Norrköpings Weko-Tidningar* (1758), which later became *Norrköpings Tidningar*, the oldest newspaper still in circulation in Sweden. This was also a time when the freedom of the press was heavily debated, partly as a result of the Enlightenment. The number of publications increased generally, and this made it more difficult for the state to censor. The Act of Freedom for the Press, *Tryckfrihetsförordningen*, was established in 1766, and will be described further below.

Dagens Nyheter, founded by Rudolf Wall in 1864, was much cheaper than previous newspapers and reached a wider audience. It had many novelties: it came in the morning rather than in the evening, and it was distributed by courier to its readers rather than being picked up by them. *Dagens Nyheter* quickly gained readers and was, as *Aftonbladet* at its time, blamed for vulgarizing journalism. Newspapers established after 1850's often had a strong connection to a political party. The conservative newspapers, such as *Nya Wermlands-Tidningen* (1836) and *Borås Tidning* (1838), were typically established first. Newspapers with a liberal agenda were established later. These were newspapers such as *Upsala Nya Tidning* (1890), and *Västerbottens-Kuriren* (1900). These newspapers came as protests of conservative ideas. Non socialist

⁹⁶ Main source to this section is K. E. Gustafsson and E. Rydén, Per (eds.), *Ständigt dessa landsortstidningar* (Göteborg: NORDICOM-Sverige, 1998).

newspapers during this period were founded by private initiatives, but were often channels for interests in society. The founders had double motives, to make a profit as well as more idealistic motives. Most newspapers in the Lindesberg Group, describe in chapter two, belonged to this group.

The Social Democratic newspapers were connected to its party in three dimensions. Not only did the owners and the readers belong to the party, the content was political as well. Around the end of the 19th century, around twenty Social Democratic newspapers had been established: *Social-Demokraten* in Stockholm, *Ny Tid* in Gothenburg and *Arbetet* in Malmö. Despite being related to a party with many sympathizers, these newspapers never gained a market leading position. There has been many explanations suggested for this: there were already established newspapers in the cities where they wanted to be, newspapers were less attractive for the advertisers because they had readers with low purchasing power, and the distribution area was not optimal. This area could for example be a party district rather than a city. The strong connection to the party made them repulse some readers and advertisers. Finally, the newspapers were sometimes not professionally managed: being an editor was often a part of the political career rather than a professional.

The expansion phase of the Swedish newspaper market lasted until 1920. The number of newspapers with at least three numbers per week then amounted to 189, compared to 94 newspapers year 2006. Most of these newspapers had sympathies for one or more political parties. A weaker economic business cycle at the end of 1930s' was followed by stagnation for the newspaper market. Up to this point, competitors in the local newspaper markets had been able to expand in parallel on a growing market, because newspapers had usually recruited readers in different social layers. This was now followed by growing competition between newspapers. The development was not different from elsewhere: New York, for example, had around 30 newspapers in the 1930's, but only five in the 1970's.

The Swedish newspaper market

In an international perspective, Sweden stands out as a country with very high readership of newspapers. Only Japan, Norway and Finland have more newspaper readers per capita. For the regional press, readership has been in slow decline from a very high level. Customer loyalty has been strong. The decline has been slower in the regional press than in the metropolitan press. As shown in the figure below, newspapers have since 1989, the peak year of circulation in Sweden, faced a slow

but significant decline of readers in younger ages, while readership among elder has been almost constant.

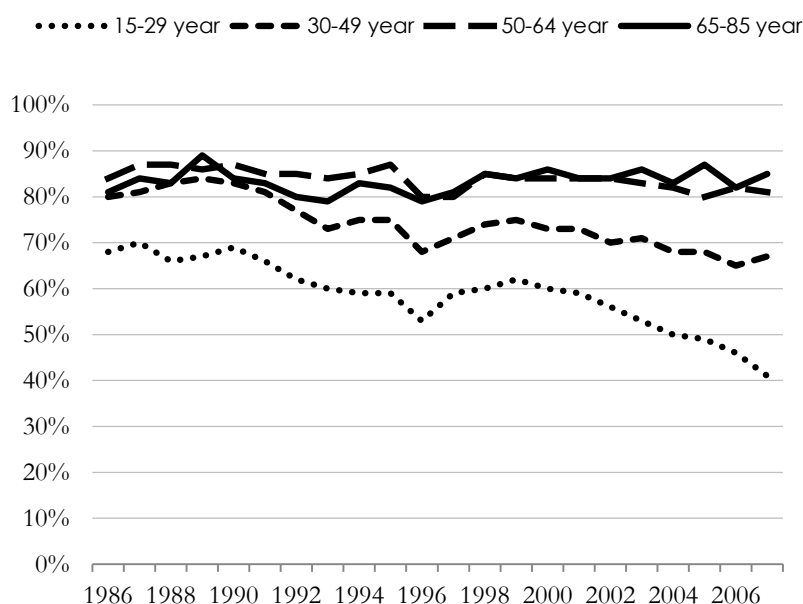


Fig 3. Regular reading of morning newspapers (at least five times a week) in different age groups. Source: M. Färdigh, 'Svensk Dagstidningsläsning 1986-2007', in S. Holmberg, and L. Weibull (eds.), *Skilda världar: trettioåttio kapitel om politik, medier och samhälle : SOM-undersökningen 2007*, Göteborg, SOM-institutet, Göteborgs universitet, 2008.

In Sweden, advertising was not allowed for in either radio or television until the beginning of the 1990's. From the mid 1990's, newspapers have experienced an increased pressure from competition. At the same time, readership has been surprisingly stable, and even though a gradual decline in readership exists, it is a slow decline, particular for the regional daily newspaper. Evening tabloids form a separate market from other daily newspapers and have been stronger in the capital generally. Overall, there has been in sharp decline since the 1990's on the tabloid market.⁹⁷ New media such as internet and free dailies have been threats but not as serious as direct advertising. In many cases, regional newspapers have become owners of radio and TV-stations, sometimes as a defensive and pre-emptive strategy. The term *media house* has replaced the term newspaper house.

After the crises in the 1950's, there have typically been one or two newspapers in each city. The newspapers in the constellations in this dissertation were, as

⁹⁷ S. Hadenius, L. Weibull, and I. Wadbring, *Massmedier: press, radio och tv i den digitala tidsåldern* (Stockholm: Ekerlid, 2011).

mentioned earlier, active on markets geographically separated markets, but there were exceptions. The most important exception is probably the emergence of advertising packages on the national or regional level. Some neighboring newspapers also share some part of the distribution areas. Even if the leading newspaper in a city enjoys a very favorable competitive position, the industry is very sensitive to the business cycle. It also has long investment cycles for printing plants, often with a need to save money over long period of time, and has often been challenged by new technology. Some examples of technological changes were phototypesetting from the mid 1960's, which made the lead typesetter redundant, and the offset press. This press was cheaper and had much better color quality and it made it easier for the second largest newspaper to compete. Desktop publishing started in the early 1990's. Internet became a platform for newspapers from the mid 1990's. The newspapers studied in this dissertation were virtually monopolists on the advertising market, but then gradually lost ground to new media. Circulation decline has been "slow but merciless", as one of the managers interviewed in this dissertation expressed this.⁹⁸

1.8.3. Institutions

Two institutions have been particularly important in the Swedish newspaper industry, the freedom of the press and the system of subsidies. The Act of Freedom for the Press, *Tryckfrihetsförordningen*, was established in 1766. It was a result both of the development of the newspaper market and the political development. The act was given constitutional status and gave newspapers unlimited discretion on what they could print. However, some important exceptions were made. Religion, the king, his cabinet and the constitution should not be criticized. "Frihetstiden", a period (1718-1772 with weak kings, was followed by a period with the stronger king Gustav III, and the freedom of the press was drastically reduced. This was also the case under Gustav IV. After a coup d'état in 1809, the Act of Freedom of the press became part of the constitution.

A new Act of Freedom of the Press, *Tryckfrihetsförordningen* (TF), was established in 1949, as a result of the stricter condition for the press during the second world war. It is a part of the Swedish constitution, and it has had a direct effect on the industrial structure on several occasions. The mid 1950's was the first time when there was a law for increased competition in the general economy. In the

⁹⁸ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

preparation for the law, the newspaper industry was given as an example for harmful restrictions of competition. In the press, there was a system where authorized advertising agencies had far reaching price agreements. Representatives for the press argued that TF protected this system from the new law, and they refused to agree on any changes when the system became subject for the competition authorities. It took twenty years to dismantle the system, and this was not because the press abandoned any principles, but that there were ever stronger pressure from the advertisers.⁹⁹

In the 1960's, when the idea of a system of subsidies for the smallest newspapers in a region was raised for the first time, there were some representatives of the press who rejected the idea, arguing that the system was against the constitution, and that it would make it more difficult to publish the largest newspaper in a region. The Swedish parliament finally decided that the system was legal. Another case is the public inquiry which was the result of the major newspaper *Dagens Nyheter's* acquisition of *Svenske Filmindustri*, a company which produced movies. This meant that the Bonnier family acquired a company active in another type of media. An inquiry on concentration in the media was established. Some members on this committee argued that the resulting proposal against media concentration would turn the constitutional protection for the press into an illusion. In the beginning of the 1980's, competition laws were complemented with rules against mergers.¹⁰⁰

In the middle of the 1990's, the public inquiry on media concentration, which had been interrupted in the early 1980's, was resumed. The members of the inquiry concluded that *Tryckfrihetsförordningen* gave the daily newspapers a stronger position than in almost any country. The committee did not seem optimistic on the prospects for its proposal, and in 2001 it was evident that it was not possible to gather a majority for a law against media concentration.¹⁰¹

Sweden has also an unusual system for subsidies to newspapers. Related to this is the unusually high number of cities with two newspapers. In 1959, the Gothenburg newspaper *Ny Tid* gave up its Sunday edition, after attempts to expand. This was the beginning of the prolonged end for this Social Democratic newspaper. At the same time, *Stockholms-Tidningen* in Stockholm, also Social Democratic, began to have problems. It was clear that *A-pressen*, the owner, could not help both newspapers, and in 1963, after a major loss for *Stockholms-Tidningen*, the decision was taken to

⁹⁹ L. Engblom et al., p. 368

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

close down *Ny Tid*. Gothenburg, the second largest city and a classic labor town, was now without a labor newspaper.

This became the starting signal for the government to form a media policy. As is customary in Sweden, the first step to legal change was a public inquiry. The initiative came from LO, the major labor union. LO had the majority in the *A-pressens Förlagsaktiebolag* which channeled support to the Social Democratic newspapers. The total loss of the s-marked regional newspapers was considerable, LO wanted to decrease its responsibility for its newspapers.¹⁰²

The first press inquiry was completed in 1965, inspired by a classic study of concentration on the newspaper market by Lars Furhoff.¹⁰³ The inquiry proposed that the political parties would support for daily newspapers, based on the result in the last two elections. This meant that the Social Democrats would receive 50 percent and the other three parties 15 percent each. The proposal was met with considerable critique. *Tidningsutgivarna*, the industrial organization, argued that free competition would be infringed upon and the support would be against TF. *Publicistklubben*, a society for journalists and photographers, argued that the proposal was against the spirit of *Tryckfrihetsförordningen* and fundamental democratic values. In the liberal press there were voices arguing that a selective support would increase the governments influence on the editorial content. The Centre Party, which for long argued for a support system to political parties, supported the proposal. The result was a decision in late 1965 in the parliament for the parties' opinion-building activities. Each party was given a sum of money for every mandate in the parliament.

For LO, the financial support to the party meant considerable relief. The Social Democratic party now took the responsibility for the regional newspapers. Continued problems for the newspaper industry demanded more action. A second inquiry was established in 1968 and support to common distribution. Smaller newspapers usually had a more widely distribution area, and hence distribution costs was a problem for them. The larger newspapers demanded something in return for giving up this favor. The proposal was a discount system.¹⁰⁴ The first loans, given at

¹⁰² Ibid., p.172.

¹⁰³ L. Furhoff, 'Some reflections on newspaper concentration', *The Scandinavian Economic History Review*, vol. 2, no. 1, 1973, pp. 1–27.

¹⁰⁴ It was designed by Gösta Bodin at *Aftonbladet* and Sven Tollin at *Västerbottens-Kuriren* – later member of the Lindesbergs Group and responsible for its benchmarking in its first decades.

favorable conditions, were allowed in 1970, and became important for weaker newspaper's opportunities to adopt the technology, phototyping and offset print.

A system was introduced to make it possible for the second place newspaper in an area to survive in 1975. It was first designed as a support to political parties which were channeled to the newspapers, and then it turned into direct support to newspapers, while the support to the political parties remained. According to the so called household coverage theory, they would otherwise easily get trapped in a downward spiral of circulation. The subsidies were for production, but also for joint distribution (there has been some other variants such as support to purchasing new presses.) Despite this, *A-pressen*, the Social Democratic newspapers, filed for bankruptcy in 1992.

Other forms of subsidies was *etableringsstöd* (1976-1982), *utvecklingsbidrag* (1976-1990) and *utvecklingsstöd* (1990-1997). Loans were also given from *Pressens lånefond*. *Etableringsstöd* was a means to start newspapers with a frequency of one per week, which, if they were successful, then could be turned into newspapers with higher frequency.¹⁰⁵ Magazines also received subsidies (1977-1984). *Vi*, a magazine owned by the consumer cooperative, and *Land*, owned by the peasant cooperative, received most money of the magazines.¹⁰⁶ Their owners were connected to the Social Democratic Party and the Centre Party, respectively.

The press policy moved from the department of justice in the beginning of 1960's to the department of finance in the beginning of the 1970's, and finally to the department of education. This reflected that the judicial questions of freedom of the press was the first seen as the problem, rather than the economical, i.e. how to finance the financial support. Finally the daily newspapers were set in larger context of mass media policy. After the election in 1976, when a right wing government was formed, it proposed lower taxes on advertisements and the discount for joint distribution was increased. This meant that the situation became considerably easier for the economically troubled *Dagens Nyheter*, the leading newspaper in the country. There was also financial support for the morning flights from Stockholm to the northernmost parts of the country, which lowered distributions costs for the major metropolitan newspapers *Dagens Nyheter* and *Svenska Dagbladet*.

It has been argued that the subsidies have been successful, since it has slowed the drop in numbers of newspapers considerably. However, with few exceptions, the

¹⁰⁵ L. Engblom et al., p. 251.

¹⁰⁶ Ibid., p. 252.

financial situation for the second largest newspapers has not been improved, and the subsidies have not meant any increased number of entrants.¹⁰⁷ To summarize, the Swedish government has acted to maintain a media system where there was competition between at least two newspapers in each city, but within this system, there have been efforts to improve cooperation, for example with common distribution, in order to improve long term survivability of the newspapers.

There are also informal institutions in the newspaper industry. An important line of development over the last decades is what one may call a gradual commercialization of the industry. The political function of the newspapers has become less important in many ways.¹⁰⁸ The fact that a first place newspaper could acquire the second place newspaper, typically of another political color, is also a sign of this change in mentality. The decreased importance of politics in media should not be exaggerated however— when the Centre Party sold its newspapers in 2005, the buyer had to agree that the political color should remain. When *Tidningen Ångermanland* was formed in a merger between centre-right and Social Democratic newspapers, the solution was to have one red and left editorial column placed one beside the other (!). One may also see the threat of legislation as an informal institution. The dominant media owner in Sweden, Bonnier, has been careful not to grow too big, in order to avoid intervention from the state. The risk of becoming too dominant domestically has impelled media companies also in some other countries to expand abroad.

1.8.4. Industrial structure

In Sweden, consolidation has come in two waves after World War II. The first wave started in the 1950's, a very difficult decade for the newspaper industry. A crisis evolved which reduced the numbers of newspapers significantly; in particular, the third and fourth largest newspaper in a city disappeared. This was partly due to increasing print paper prices.¹⁰⁹ The second wave started when the leading media family in Sweden, Bonnier, bought *Sydsvenskan* 1992 and when *Moderata Samlingspartiet*, a centre-right party, sold their newspapers.¹¹⁰ During the downturn in the early 1990's, the economy worsened for many of the second largest newspapers, and many of them never recovered.

¹⁰⁷ Sverige, Presskommittén, *Mångfald och räckvidd: slutbetänkande* (Stockholm: Fritze, 2006), p. 550.

¹⁰⁸ S. Hadenius et al., *Massmedier: press, radio och TV i den digitala tidsåldern* 9th rev. edn. (Stockholm: Ekerlid, 2008), p. 387.

¹⁰⁹ L. Engblom et al., p. 242.

¹¹⁰ Via Högers Förlagsstiftelse

As illustrated in the figure, the decline was more dramatic in the regional press than in metropolitan newspapers, from 800 000 in 1989 to 500 000 copies in 2003.

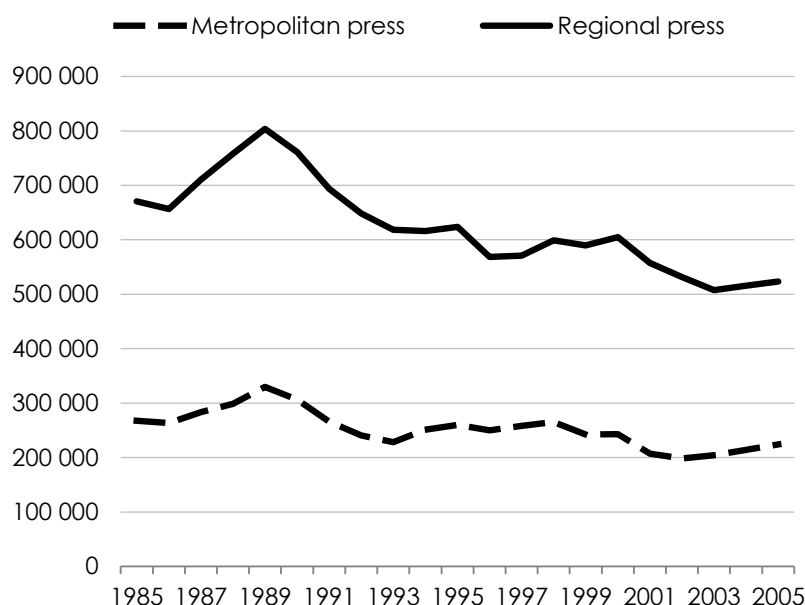


Figure 4. Advertising volumes in meters in regional and metropolitan press. Source: *Dagspressens ekonomi* 2003

The first place newspapers met more competition from new advertising media, while they also found it difficult to grow organically. When the business cycle turned downwards in the first years of year 2000, the profitability in the industry was cut in half. As the internal rationalization work was already well under way this time, their interest turned to higher external efficiency by cooperating with other newspapers. The result was an increased activity of mergers and acquisitions, which took place without help from any stimulus from the state.¹¹¹

There has been a scale of solutions with various levels of integration. In particular, two cases have been used as role models. *Norrköpings Tidningar* bought *Gotlands Allebanda* and *Gotlands Tidningar* in 2000. The idea was first to merge the two newspapers completely, but after negotiations two editorial products were retained. *Norrköpings Tidningar* also bought *Folkebladet* in Östergötland. This showed that it was possible to run two competing titles with good result. *Nya Norrland* in Sollefteå bought *Västernorrlands Allebanda* in Härnösand were closed down and instead a new

¹¹¹ Sverige. Presskommittén, Mångfald och räckvidd: slutbetänkande, p. 550.

newspaper was started, *Tidningen Ångermanland*. This newspaper had two editorial pages (ledarsidor) – one red on the left side beside a blue page on the right side.¹¹²

The deals were often characterized by cooperation between the first and second newspaper. Receiving the subsidies which the second biggest newspaper in a city has was an incentive for not making a complete merger. The market logic for this is that maintaining the total newspaper market makes it more difficult for entrants to take market shares from established newspapers.¹¹³ Studies have shown that when a newspaper is closed down, only part of its readers will chose the competing newspaper. Therefore, instead of leaving a gap to competing media, the leading newspaper often preferred to keep the second newspaper.

Today, one may distinguish a number of newspaper chains, *Bonnier* (DN, *Sydsvenska Dagbladet*, *Ystads Allebanda* and some other newspapers in Skåne), *Stampen* (based in Gothenburg and now dominating in the regional dailies) *MittMedia* (based in Gävle but dominating in southern Norrland), *GotaMedia* (Borås and Kalmar, Växjö), *Norrköpings Tidningar* (Gotland, Östergötland and Luleå), *Ander/Nya Wermlands Tidning* (based mostly in Karlstad but also Helsingborg, Skövde and Enköping), *Herenco* (based in Jönköping), *Eskilstuna-Kuriren*, and *Schibstedt* (Aftonbladet and SvD).¹¹⁴

Consolidation of newspaper companies is a world-wide phenomenon. For example, 1300 of 1785 daily newspapers in the US were owned by independent publishing families in 1953. According to business historian MacIver Neiva, “publishers saw themselves as guardians of age-old editorial standards and viewed their papers as local institutions, not as commercial enterprises”. By 1980, the number of independent newspapers was just over 700. In McIver Neiva’s account, this was a process where entrepreneurship and market forces in combination determined the outcome. New photo setting technique reduced production costs, and coupled with an innovative union contract negotiating strategy, this resulted in even lower production costs and higher profits. Taxes increased when the authorities noticed the increased profits of newspaper companies. This made it more difficult for owners to keep their newspapers. Regulatory changes introduced in response to

¹¹² Ibid., p. 561.

¹¹³ L. Engblom et al., pp. 242-243.

¹¹⁴ L. Engblom et al., p. 242.

newspapers' higher market values prompted the industry's dramatic shift in ownership structure.¹¹⁵

Given the rather fast process of consolidation in the USA, the consolidation in the Swedish newspaper market appears prolonged in comparison. Why did consolidation take so long time in Sweden? A simple reason is that there have been very few sellers. Newspaper companies have often been family companies and they have simply not been for sale and very seldom listed. More families were willing to give up when the times became worse. However, it should be mentioned that some newspaper chains formed earlier, such as *Ander*, *Herenco*, and *Barometern*. The demise of *A-pressen* meant that one big newspaper chain separated. Apart from consolidation in the sense of ownership concentration, many other forms of cooperation have existed during this period, such as professional associations, industrial association, and news agencies. Within a newspaper chain, cooperation takes place in various degrees, and newspapers can be more or less independent.

The Swedish newspaper scholar Stefan Melesko has argued that a strong norm in the industry has been that printing plants were important, resulting in over capacity. Melesko suggests a number of reasons for this. There has been an idea that printing plants could create entrance barriers, because new entrants would need to invest in printing plants. There has also been an over liquidity in highly profitable newspapers, which had to be used somehow. Also, boards wanted to build monuments their success, and they did not have much else to invest in. In addition, there has been suspicion that companies would spy on each other if the printing plant was jointly owned - stealing their competitors best news and print it directly afterwards. Finally, managers could prefer to control the production in order to have an advantage in negotiations with the unions. Melesko's view is that these views mainly were misconceptions, and that cooperation with printing plants indeed was possible.¹¹⁶

Generally speaking, a process of slowly increased cooperation, followed by increased consolidation as we approach the present, forms the main historical background for the organizations studied in this dissertation. One could make the comparison of the newspaper industry to the Swedish brewing industry, which was

¹¹⁵ E. M. Neiva, 'Chain Building: The Consolidation of the American Newspaper Industry, 1953-1980', *The Business History Review*, vol. 70, no. 1, 1996, pp. 1-42.

¹¹⁶ S. Melesko, 'Den helige produktionsapparaten – funderingar kring en branschlogik', in Carlsson, U. (ed.), *Pennan, Penningen och Politiken – medier och medieföretag förr och nu* (Göteborg: Nordicom, 2003), pp. 53-55.

mentioned in the theory section. The brewery industry had some similarities with regional media. Transportation costs and local brands made for geographically separated markets. One important difference vis-à-vis the media industry in Sweden was institutional. The government explicitly wanted to preserve diversity in ownership and therefore supported newspapers with various forms of subsidies. If beer was a potential problem, the newspaper was a virtuous. The government wanted to encourage cooperation between newspaper companies, in order to enhance the industry's general economic viability, but the ultimate form of cooperation, on the level of ownership, that is mergers and acquisitions, was a highly sensitive matter. Therefore, subsidies existed both to keep small newspapers independent and alive, as well as there were subsidies to support cooperation with distribution.

2. The Lindesberg Group

2.1. Introduction

In April 2006, the Lindesberg Group celebrated its 50th anniversary at *Hotel Le Royal Luxembourg* in Luxembourg. Twelve active and nine passive members assembled, many with their spouses. A colored, printed 50th celebration issue on fine paper was presented. Since 1956, this group, composed of leaders of the major regional liberal newspapers in Sweden, had collected detailed benchmarking numbers and shared experiences. In 2008, just two years later, the group was closed down.

The benchmarking and the sharing of information in the Lindesberg Group are reminiscent of the open price associations, but the context and organization of these functions were different. This chapter describes the evolution of the Lindesberg Group. This chapter starts with the group's origin. It then describes how the internal organization of the group evolved in four dimensions; first, how the group institutionalized itself by formal and informal rules; it then continues by describing its membership and social life, its system of benchmarking, and the discussions in the group.

The chapter also describes how the group related to the governance of the companies involved, and it analyzes what other functions the group served for its members, apart from the functions described in the literature on the open price associations. Emphasis is given the beginning and the end of the group's history. Since the group also had other characteristics than the open price associations, the chapter concludes with a discussion on how one should best categorize this organization.

2.2. The origin of the group

There were several reasons for the emergence of the Lindesberg Group. Only one of the founders of the group, Nils Isaksson, was still alive and available to interview for this dissertation. According to Isaksson, there was at the time when the group started very few tools for understanding the economy of a newspaper - chart of accounts, budget, and similar. The Lindesberg Group was formed when a number of newspaper leaders¹¹⁷ met at a course in Stockholm when they took a course held

¹¹⁷ Isaksson uses the expression 'tidningsekonomer'.

at the office of the employers' association. They told each other they had to do something about their newspapers. Isaksson did not recall exactly who attended this meeting, but he believed that they were five to six persons. Isaksson claimed that there were three persons who were most eager to establish the group.¹¹⁸ The managers present at the school decided to elect more people. When asked about according to what criteria the remaining members were chosen, Isaksson pointed out that about half of the original 11 members were from Norrland, the northern half of Sweden. There was a desire to get a more even regional distribution when choosing the remaining members. Also, there is an account of former lack of trust in Isaksson's account:

You know everything was so secret before, but we opened the borders to really cooperating. Before, one tried to fool each other with this and that instead of helping each other.¹¹⁹

According to Isaksson, the only available primary source here, the group mainly started because of a need for improved managerial knowledge. The other sources - interviews and the anniversary issues - state that the group started because of difficult economic times. In the 40th anniversary issue, it is stated that discussions first started in fall 1955 but that it took until spring to form the group.¹²⁰ Isaksson does not mention the economic crises the industry at the time, but his story does not contradict it.

However, the difficult times for the industry started well before. The Lindesberg Group was formed in 1956. For example, the newspaper chain *Hall* in Jönköping reported already in 1951 that price increases did not cover cost increases.¹²¹ *Förenade Landsortstidningar*, an organization for the newspapers outside the metropolitan areas, noted already in 1949 that the newspapers owned by the labor movement invested more, causing increased competition locally for the newspapers in *Förenade Landsortstidningar*, which the members in the Lindesberg Group belonged to.¹²² *Förenade Landsortstidningar* may be translated into 'united regional newspaper companies'. FLT was an organization for non-socialistic newspapers outside the metropolitan areas. It started in 1932, and developed both feature material and

¹¹⁸ Sven Wallin, Sven Tollin and Simon Enqvist.

¹¹⁹ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007.

¹²⁰ LGM 1996:S. Attachment: 40th anniversary issue.

¹²¹ P. Sandberg, *Ett tidningshus i Jönköping: ursprung, tillkomst, framväxt 1861-2008* (Göteborg: NORDICOM-Sverige, 2010), 112

¹²² P. Sandberg, p. 112.

advertising packages. It functioned as a complement to the main news agency, *Tidningarnas Telegrambyrå* (TT), for the newspapers which jointly owned it.

There were a number of reasons for why the 1950's was a challenging period for the newspaper industry. Paper was one reason. It was one of the most desirable Swedish export products. Somewhat paradoxically, this meant that the newspaper industry had limited access to paper after the war. Sweden needed to improve its trade balance at the time. Threatened by legislation, the newspaper industry started to restrict its consumption of paper. However, the industry negotiated directly with the government, thereby sidestepping *priskontrollnämnden*¹²³, to get an exception from the stop in prices. Starting from late 1945, the newspapers reduced the total area of text in the newspapers with ten percent compared to the previous year. This restriction lasted longer than expected, and not until 1950 did the supply of paper increase. This was still not sufficient however, since a liberalization of imports caused an advertisement boom.¹²⁴

As new competition laws were established in the middle of the 1950's, competition in Sweden increased. Retailers took a more solid grip on marketing. They advertised every week in the largest newspapers in each region, with low prices on products with well-known brands. The smaller newspapers' economy worsened, and they were forced to mergers.¹²⁵

A turning point in the development of the economy was in 1950-51 when the regulations after the war were lifted. At the same time, the outbreak of the Korea war in summer 1950 caused an international business boom, which had an immediate impact on the Swedish economy. The overheated economy in the wake of the war meant that inflation rose in 1951 to over 15 percent. The increased prices and salaries had a significant effect on the newspaper industry. Many small newspapers, which had survived the 1940's thanks to low costs, and indirect help from reduced competition, which in turn was the result of the paper rationing, now faced problems. The concentration process speeded up, and the so called *tidningsdöden* ("the newspaper death"), was a fact. In the period between 1945 and 1950, the number of newspapers with higher frequency than four per week decreased from 135 to 133, but between 1950 and 1955 the process accelerated and the number decreased to 118, which is more than a tenth of the total number of

¹²³ The equivalent authority today is called *Konkurrensverket*, the Swedish Competition Authority.

¹²⁴ L. Engblom et al., pp. 242-24, 13-14, and 29-31.

¹²⁵ Ibid.

newspapers. Total circulation, however, increased by 13 percent. the problem was evidently related to the second place newspapers' situation.¹²⁶

Apart for the specific circumstances which lead to difficult economy for many newspapers, there was also a general decartelization process taking place in the economy, as mentioned above. The pros and cons of the corporately organized Swedish economy had been discussed during the war, and anti-cartel legislation was established after the war had ended. In 1952, the newspaper industry had to register agreements, such as the ones which took place in the local districts of the trade association TU.¹²⁷ TU had for a long time coordinated prices, but within an institutional setting where this was both legal and legitimate.¹²⁸

Finally, Swedish newspaper historian Karl-Erik Gustafsson has described a hypothesis for why the Lindesberg Group emerged.¹²⁹ He describes that so called Erfa-groups, a management concept from the UK and USA, had become fashionable in Sweden in the 1950's. They had come to Sweden via American consultancy companies in Norway. Such Erfa-groups was composed by around ten persons from different companies, but with the same function in their respective companies. They met regularly to exchange ideas in structured forms: meetings had an agenda, there was collection of data from the companies, and there were minutes for the discussions. Contemporary research on such groups was made by Professor Sune Carlsson at the Stockholm School of Economics. Gustafsson gives the picture of a clear line of development between the ERFA-groups, the Lindesberg Group and his own industry-wide, public publication on newspapers' economy, *Dagspressens ekonomi*, published from 1976, established as a consequence of the government inquiry in 1975.¹³⁰

The notion that the Lindesberg group was inspired by the Erfa-group concept is indeed supported in the minutes of the group. The group is called "erfa-gruppen" (the erfa-goup) in the minutes for many years. When the founder Nils Isaksson

¹²⁶ Ibid., p. 24.

¹²⁷ P. Sandberg, pp.182-183.

¹²⁸ Ibid., 174.

¹²⁹ His sources were the first minutes, the 25th and 40th anniversary issues, and interviews with one of the members, Carl-Gustaf Carlson. See K. E. Gustafsson, 'Historien om branschanalysen "Dagspressens ekonomi"', in Porbjörn Broddason P. (eds.), *Norden och världen: perspektiv från forskningen om medier och kommunikation : en bok tillägnad Ulla Carlsson* (Göteborg: Göteborgs universitet, 2010), pp. 272-275.

¹³⁰ SOU 1975:79. Betänkande av 1972 års pressutredning. *Svenske press. Statlig presspolitik* (Stockholm: Liber förlag, 1975).

talked about the group in the interview with him, he constantly used the expression “erfa-gruppen”.¹³¹ Ivan Lennestål, member from a more recent date, 1980, used the names “erfa-gruppen” and “Lindesbergsgruppen” interchangeably.¹³² In the minutes from the last years, only Lindesberg is used (Lindesberg is the city where the group first met), indicating that the original connection to the erfa-concept had disappeared. The last year that the term erfa-group is mentioned in the minutes is in 1993.

Two things are especially interesting in Gustafsson’s account. The first is the description of Sven Tollin. He was a commentator in the industrial organization’s newspaper *Pressens Tidning*. He wrote an historical book about newspapers, and he also participated in many of the government inquiries.¹³³ Tollin is clearly a candidate for being considered an entrepreneur in the group. It is also noteworthy that the Lindesberg Group, according to Gustafsson, denied an offer from *Förenade Landsortstidningar* to have a secretariat, which was otherwise customary for the Erfa-concept. The reason was because the members wanted a homogenous group.¹³⁴ Therefore, it seems that even if the group was inspired by the Erfa-concept, they immediately modified it. This is reminiscent of the open price associations in the theory section, where there was a variety of ways of organizing the open price ideas.

2.3. Formal and informal rules

The open price associations were legal associations, but the Lindesberg Group was not. It was not even a non-profit organization in a legal sense. Still, the group had its rules and formalities. Already from the outset, the group had a written set of rules, established at the first meeting, on April 9th 1956. These rules were formally revised a few times over the years (in 1982, 1990, 1994, and in 2007).¹³⁵ Their evolution reveals not only the formal rules. Together with the other sources, one also implicitly understands what the informal rules were. As we will see, the formal rules

¹³¹ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007.

¹³² Ivan Lennestål, former CEO of Norrbottens-Kuriren, interviewed by the author, September 6, 2011.

¹³³ *Ibid.*, p. 273.

¹³⁴ *Ibid.*

¹³⁵ Since the archive is not complete during the first years of the group, there are no minutes before 1982, one cannot completely exclude the possibility that changes of the rules were made before 1982. However, when the rules changed in 1982 only the original rules from 1956 were supplemented, and in 1990, it is explicitly stated that the rules were accepted at the constitutive meeting in 1956, revised at the 54th meeting in 1982, and at the 69th meeting in 1990.

show that the Lindesberg Group gradually evolved into being more like an intra-personal network rather than an interfirm network. It also lost some flexibility.

Formal rules in 1956

Rules¹³⁶ of the Lindesberg Group, passed at the constituting meeting 9th of April 1956

1. The work task of the group is to advance exchange of experiences and ideas concerning issues between the members of administrative, economic and organizational character within the newspaper industry. The objective is, by volunteer cooperation of this kind, to promote the effectiveness of the participating companies. A precondition for effective work within the group is that members openly present information about their companies. All information given at the meetings is of strictly confidential nature.
2. A member should have leading financial (*Swedish: ekonomisk*) position in a Swedish, center-right¹³⁷ regional newspaper¹³⁸ with a circulation of circa 20 000 to c:a 30 000 copies.
3. The number of members in the group should be 12 at the most.
4. Membership is personal and should not be transferred.
5. At a new election (of a member, author's remark), all of the previous members should agree.
6. The group should assemble for a conference once or twice a year.

¹³⁶ "Riktlinjer" means "guidelines" if translated word for word, but it is a stronger term than guidelines.

¹³⁷ Center-right: the Swedish word is 'borgerlig'. In 1956 this meant *Folkpartiet* and *Högern*. *Högern* changed its name in 1968 to *Moderaterna*. In 1956, *Högern* was a conservative party, but then developed into a center-right party. In the 1970s, *Centerpartiet*, later *Centern*, turned to the right and became part of the 'borgerlig' identity, and formed 'borgerlig' governments 1976-1982. The term 'borgerlig' is often the same as the non socialist. *Folkpartiet* is a liberal party in the European sense, and is today called *Folkpartiet liberalerna*. Conservatism in terms of value conservatism has been present in Christian Democrats (*Kristdemokraterna*), which also were part of a 'borgerlig' government 1991-1994. Whenever 'liberal' is used in Sweden, it is in the *European*, classical sense of liberalism and should not be confused with the liberal values in the U.S. On the contrary, liberal in Sweden often means right-wing values. Even if there may not have not been a true conservative party in Sweden, some newspapers have been conservative, such as *Nya Wermlands Tidningen*.

¹³⁸ The Swedish word is 'landsortstidning', which has been translated to 'regional newspaper'. 'Landsort' means 'rural place', the opposite of metropolitan, but the cities where these newspapers were based could have 50 000 – 150 000 inhabitants and hardly be considered 'rural'. Stockholm, the capital, and Gothenburg are normally considered metropolitan cities in this context. Malmö is often, but not always, considered metropolitan. There was never a newspaper company from Stockholm, Gothenburg or Malmö in the Lindesberg Group.

7. At every conference, there should be an election of a chairman, vice chairman, secretary and a master of ceremonies for the time until the next conference.
8. The minutes from the meetings should only include information on the issues which has been discussed, and information on the recommendations and actual results achieved.
9. No membership fees will be charged. It is presupposed that the newspapers which are represented by the members stands for all costs for the group's activities.
10. If any votes, simple majority is decisive (with the exception of 5 and 12).
11. Disagreements, which emerge in the group, or because of the activities in the activities of the group, must not be submitted to ordinary courts of law, but to an arbitration board.
12. Changes of these rules, as decisions on the dissolution of the group, require that at least $\frac{3}{4}$ of the members are in agreement.

The original rules show that many features of the group were present already from the start. Among the most important was that the group had an explicit objective of exchanging experiences and ideas in order to promote effectiveness. Openness within the group, in combination with confidentiality, was a precondition. Membership was personal already from the beginning, and there was a limitation of the number of members to twelve.

There is no mentioning at this time that the group should promote friendship or collegiality. This is perhaps surprising, since it later became such a prominent feature of the group. One may compare this to what a local district of the industry organization TU, in the landscape of Småland, stated in 1920. This district had then a clear objective to set prices, which was legal at the time. "The task of the circle is to look after the newspapers' common interests regarding their economic, technical and editorial concerns and promote camaraderie and collegiality between those who have chosen their life's calling within the newspaper industry."¹³⁹ Based on the rules alone, the Lindesberg Group therefore seemed to be less about camaraderie than an organization with a clear intent of promoting economic interest. The only thing which indicates a social function in the original Lindesberg Group rules is the master of ceremonies function, which later disappeared.

The Lindesberg Group became a group for CEOs, but there was actually no mentioning that members should be CEOs in the original rules. One can easily

¹³⁹ P. Sandberg, p.179.

imagine that a financial manager also could have qualified as a “leading economic position”, as rule 2 states. Rule 11, about conflict settlements, reveals that the secret procedure which an arbitration board allows for was preferable to the members compared to open court settlements. Apparently, there was secrecy at this time for other reasons than making the group appear important or exclusive, which we will see could have been the case at the end of the group’s history. The norm numbers, so important in the group’s work over the years, were not mentioned at all in the original rules.

Formal rules in 1982

The revision of the formal rules in 1982 came with a number of changes. Firstly, the work task of the group now had a slightly different wording. The work task was now to promote the *members’* effectiveness to the benefit of their companies, rather than the wording “promote the effectiveness of the participating companies”. The member was therefore an explicit mediator between the group and his company, and it was his effectiveness, and not the company which he or she represented, which was at the center of attention. It was now made explicit that a member should be CEO – a qualification from the earlier formulation “leading economic position”, which in principle could have included anyone at the company. The minimum circulation of a newspaper eligible for membership was stated more precisely, 25 000 copies, compared to 20-30 000. This meant that companies with a circulation 20-25 000 were no longer considered, perhaps making the group somewhat more exclusive.

The possibility of electing honorary members was added to the rules. In the original rules, it seems that one had not considered what would happen if a member left his company: there had simply been no rules for when one should leave the group. Now this was clarified. If a member would leave the position required for being elected member – CEO for a Swedish, center-right regional newspaper with a minimum circulation of 25 000 – then the membership would cease. However, if the reason for leaving this position was retirement, then the member could be elected as honorary member. Implicitly one also understands that honorary members had no voting rights, because it is stated that election of new honorary member required that all *active* members were united. The concept of “active” was

therefore introduced in contrast to “honorary”. The costs of honorary members at conferences should be divided among all companies represented in the group.¹⁴⁰

Membership was personal, as before. One wording about membership was different, however: membership could not be *delegated*. Before, membership could not be *transferred*, which is a permanent delegation. This meant that from 1982, not even on one occasion could a member be replaced by someone else from his company. As we will see in the next chapter, this could happen in the meetings between CEOs in Centertidningar AB.

Conferences should now take place twice a year, in contrast to the more flexible wording “once or twice a year.” Only two of the original functions remained: chairman and vice chairman should be elected for the time until the next conference, but secretary and master of ceremonies function had been removed from the rules. Minutes for the time until next conference should be written by the vice president. Also, it was now stated that the minutes should be circulated among the members within a month. It was now stated explicitly that the role of chairman and vice chairman should circulate between the active members within the group. Before this, it could have been possible to elect the same person over and over again.

There was also a slightly different wording in the rules regarding the minutes. The minutes should now include a list of participants. Also, “information on the issues which had been discussed” is a different wording from the mere enumeration of items which was stipulated in 1956. This new wording seemed to allow for the more detailed minutes which later materialized. In the same item as the minutes are described, it was also stated in 1982 that the archive should be taken care of by the *normtalsman*, another expression for the person who was responsible for the benchmarking numbers.

It was also made explicit that membership entailed duty to active participation:

11. Membership involves duty to active participation in surveys and economic investigations, which the members make topical, as does regular attendance at meetings. Members who do not fulfill these duties may be excluded. Other members should be united.

¹⁴⁰ The meetings are sometimes called *conferences* in the minutes.

This makes the expression in item 1, “a precondition for effective work within the group is that members openly present various information about their companies”, even more forceful.

The previous item 11, about settling of disputes in arbitration boards rather than in open court settlements, was removed. A possible explanation for this is that this rule never had been used. One may only speculate why the new item 11 was introduced, but it seems possible that some member had not been as active as desired.

It is also of interest to note what remained unchanged. Twelve was still the maximum number of members. Studies on group psychology and related fields suggest that this stretches the limits of optimal numbers.¹⁴¹ However, the aspect of geographical representation in the group could have meant that this number was preferred to a lower one, or that it would have been impossible to lower the number anyway since that would mean asking someone to leave. Elections would still be determined by majority with the exception on rule 5 and 12, which were rules on election of members, and changes of rules and the dissolution of the group, which required a qualified majority of $\frac{3}{4}$.

Minutes should now be archived. There was no rule in 1956 stating explicitly that minutes *should* be taken, but there were limits on what they were allowed to include: discussions, results and so forth, but evidently they were not taken. According to Cal Wikström, minutes were not allowed for during the first years, because of the secrecy.¹⁴² One might raise the question why an organization where so few binding decisions were taken would need this formality, in particular, why minutes were written. A simple answer is that members who were missing would be informed. For example, as the group discusses itself from time to time, it made sense that the minutes of those decisions should be taken. On a more speculative note, one may perhaps see the minutes as a sign that that the group now started to think about its own history.

The circulation of positions as chairman and vice chairman, and the circulation of minutes, meant that a degree of equality between the members was formalized.

¹⁴¹ There are many estimates on optimal sizes for working groups. For example, American anthropologist Edward Hall argues that 8-12 is the optimal size in most contexts for working groups. However, it seems to be a common view that optimal team size is not a fixed number but dependent on the context and the task at hand. 12 seem to be at the upper end on many estimates, but it is not inconsistent in any obvious way with them.

¹⁴² Cal Wikström, former CEO of Norra Västerbotten, interviewed with the author, November 27, 2007.

Even if these changes were written into the rules in 1982, it might well be that some or all of these changes had already been informally accepted and lived by in the group. In any case, by 1982 the group had taken some steps to become more of personal network than a network between firms. It was also somewhat *less flexible* – no replacements of members, only CEOs as members, and conferences strictly twice a year.

Formal rules in 1990

In spring 1990, the major change was that a new category of member, senior member, was introduced. The process of doing so illustrates how much discussion which could be required for the group to take decisions. The senior member should participate in the group in addition to the 12 active members and have full membership (most likely this means that the member was able to vote). Senior members were members who had left their positions as CEOs but who now became working head of the board or had “other leading position”. Just as for honorary members and new members, the group should be unanimous when electing such a member.

The debate on this issue is referred in the minutes. The decision had not been taken lightly and it was clearly treated with deliberation. The issue was first raised in fall 1989. Kjell Sundin, CEO of *Gefle Dagblad*, had been assigned new roles in his newspaper group. These roles would include much more than what an ordinary head of the board would do, such as developing cooperation in the group to gain economies of scale. The issue was discussed thoroughly at the meeting, the minutes further state, and the president and the incoming president were commissioned to make a draft for a solution to this problem. Everybody agreed that the issue should be solved in a way that an active newspaper man, even if not a CEO, would be given the opportunity to work within the Lindesberg Group. The two members assigned to draft a proposal would, if possible, send suggestions for possible alternatives already in November for the members’ consideration.

In February 1990 a letter from Lennart Bengtsson distributed. The letter reveals that the current situation in the group could have played a role: Carl-Gustaf Göthe and Arne Argus would leave their positions as CEOs as well, and there were already a vacant position in the group. After “having considered and again considered the recruitment base and future work forms”, he had stayed with a return to the original formulation “leading financial (Swedish ‘ekonomisk’) position”.

Lennart Ohlson-Leijon, however, argued for the possibility of senior membership instead. After “a thorough discussion with many contributions”, and a test vote with the result 5-5, a decisive vote was taken with the numbers 9-2. After this decision, Kjell Sundin was made senior member. This meant that the current number of twelve could now be exceeded.

Item 2, about membership, was also changed. It now stated that members should be CEOs of the same class of newspapers as before, a Swedish, center-right regional newspaper with a minimum circulation of 25 000, *at the time of election*. This helped to accommodate for the senior members, but either intentionally or unintentionally, it also allowed for members with shrinking newspapers to remain in the group. In addition, it was now mandated that exclusion of members also should require unity among active members, in addition to the elections of members.

The changes shows that membership certainly was not something one took lightly at this time, and the opportunity of broadening the recruitment base persons who were not CEOs was not taken at this point, despite the flexibility such an arrangement would have meant. Also, violating the rule of maximum 12 members, previously seen as optimal, was seen as a less severe problem than not being able to give room for senior members.

Formal rules in 2007

In spring 2007, major changes of how the group worked were formalized in the rules. The discussion on these changes form an integrated part of the demise of the group and is referred in more detail in a section further below. In summary, only one meeting should normally be held, in spring. This meeting should finish with lunch the second day. Only active members should participate in the working meetings. The main event on the agenda would be the benchmarking numbers. Programs with spouses should only be arranged at special occasions, such as anniversaries. Honorary members should be invited to the dinner the first day. An active member who leaved his position as CEO should leave the group. No new honorary members would be allowed. A program committee should be formed by the current and coming president in order to prepare the meetings, to which external speakers might be invited.¹⁴³ As a summary, this meant a reduction of the activities, of persons and meetings. The benchmarking numbers remained unchanged at this particular time.

¹⁴³ LGM 2006: F11

Informal rules and adherence to formal rules

From the minutes it is evident that the group did things regularly which were not expressed in the written, formal rules. Traditions evolved beside the formal rules.

- There is no mentioning of rotating chairmanship in the formal rules in the beginning. The fact that a new chairman should be elected does not mean this person should change each time, the rule seems to allow for the same person to be elected, but it certainly allows for it.
- Related to the aforementioned item is the fact that the meetings almost without exceptions were hosted by the incoming president, which meant rotation of meetings in Sweden. The exceptions were a few occasions when meetings were held abroad.
- There is no mentioning of participating spouses at the spring meeting, or the fact that they had a separate program.
- The fact the vice president and the incoming president should be the same person is not in the written rules.
- The incoming president prepared the topics for the meeting. This was not mentioned in the written rules. (On a few occasion, the current president and the incoming president prepared issues together.)
- Issues for the meetings were proposed to the chairman in advance.
- There is only one mentioning of the *normtalsman*, the person responsible for the benchmarking numbers. This was in 1982 when it is stated that he should have responsibility for the archive. This role was only assigned to four persons over the entire period 1956-2008¹⁴⁴. His role will be described further below. It was an important role but not formalized in the rules.
- Membership issues were raised only at spring meetings. There was often a short list. A new member was approached by two assigned members from the group.
- Only on a few occasions were the group's fundings mentioned the minutes. There were no written rules how the funds should be managed.
- Only members who answered surveys had access to them. In 1986, it is stated in the minutes that Cal Wikström informed that he had sent out and summarized a survey regarding administrative routines, and "as usual, only those who had participated in this work got access to it"¹⁴⁵. This indicates discipline in the group, but it is also a violation of the formal rule that a

¹⁴⁴ Sven Tollin, Hilding Björkman, Rolf Jonsson, and Hans Westin.

¹⁴⁵ LGM 1986:S4

member was obligated to answer any question which was made topical by the group.

- Finally, an informal rule was that a member should not leave the group unless he retired from his position as CEO. During the group's last years, it was expressed in a survey that it should be accepted if one decided to leave. This means that it had not been accepted before.¹⁴⁶

One can note that the management of funding is flexible here; otherwise, the traditions which evolved also reduced the group's flexibility to some extent.

2.4. Membership and social life

As described above, there was little formal hierarchy within this group, with the exception of the presidency, and this position rotated for every meeting.

The interviews give evidence that there was a rather strict division between work and leisure at the meetings.¹⁴⁷ At the spring meetings, when men had working days, spouses had a separate schedule. Spouses were invited only at spring meetings. According to Cal Wikström, spouses were once invited to the work meeting, "but this never happened again".¹⁴⁸

The group celebrated birthdays, and the member who was congratulated politely extended thanks at the following meeting. On some occasions, greetings were also sent to sick members and those too old to travel. Even funerals were attended. For example, in 1990 this duty was divided between the members: Kjell Sundin represented the group at Nils Kindenbergs funeral, while C.G. Carlson and Lennart Ohlson-Leijon attended John Lorenzis' funeral. Another example of representation is when the chairman Lennart Bengtsson agreed with Carl-Gustaf Göthe to celebrate Stellan Mörner on his 60th birthday in 1979.¹⁴⁹

Members of the earlier generations of members in this group claim they became good friends also on a personal level. As the founder Nils Isaksson said:

¹⁴⁶ LGM 2006:F. Attachment.

¹⁴⁷ Ivan Lennestål, former CEO of Västerbottens-Kuriren, interviewed by the author, September 6, 2011.

¹⁴⁸ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

¹⁴⁹ LGM: S2. Letter.

If you are in this kind of membership situation, if you are going to get something done, friendship has to be formed between the members.¹⁵⁰

Other interviews support the notion that being active in this group required trust, and that this trust was strengthened by friendship. They claim that this was a reason why the group chose members on a personal basis, that they had to fit in the group, and that this also meant that some perhaps more merited CEOs were not elected for the group.¹⁵¹

According to Wikström, if no suitable member was found, the group waited some time and chose to maintain a size of only ten to eleven members. At the end, he said, it became somewhat harder to find members. Cal Wikström believed that one reason was the converged function of CEO and editor-in-chief which had become more common in the industry.¹⁵² In the minutes it also evident that the group sometimes had difficulties in agreeing on a person: the question could be postponed to the next meeting after a discussion. The group never had editors-in-chief in the group.

Some members in the daily newspaper industry were not welcome in this group. The major family controlled chains Ander, Herenco and VLT were not considered, and according to Cal Wikström, the cases of Ander and Herenco were an unspoken rule which he was unable to explain the reason for. Ivan Lennestål thought that these newspaper families were too strong, and that newspapers in their vicinity felt threatened by them. Lennestål admitted that they were skilled newspaper makers, but they were still not welcome in the group.¹⁵³ In the interview with Arne Argus, it is evident that past conflicts could also have an effect on membership.¹⁵⁴

There is a discussion in the minutes which is revealing of the process of selecting a new member, in 1999. First, it was pointed out by the president that he and another member were about to leave the group because they retired. He reminded the group of the gross list which had been made during the previous meeting, which included seven names. One member then reminded the group that even Dan Lannerö had

¹⁵⁰ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007.

¹⁵¹ Ivan Lennestål, former CEO of Västerbottenskuriren, interviewed by the author, September 6, 2011.

¹⁵² Ibid.

¹⁵³ Ivan Lennestål, former CEO of Norrbottens-Kuriren, interviewed by the author, September 9, 2011.

¹⁵⁴ Arne Argus, former CEO of Östgöta Correspondenten, interviewed by the author, April 9, 2008.

been mentioned at the previous meeting, and the president reminded the group that one had agreed to choose Stellan Minnhagen as member, one of the persons on the gross list (the list included Lennart Foss from *VLT*, which means that persons from this company could indeed be considered for membership during the later years of the group.) Kjell Sundin from *Gefle Dagblad* argued that it was important to choose a member from a city with two competing newspapers, a situation which became gradually less and less common during the history of the Lindesberg Group. Therefore, he supported the election of Dan Lannerö. Sundin argued that as long as he could account for the benchmarking numbers for *Gefle Dagblad*, Jan Cahling should not be elected especially since *Gefle Dagblad* was represented by Rolf Jonsson from *Sundsvalls Tidning*. *Gefle Dagblad* had at this time become the owner of *Sundsvalls Tidning*. The group decided to elect Stellan Minnhagen and Dan Lannerö. This passage in the minutes illustrates that benchmarking could be important for membership, and the experience of someone from a city with a different market.¹⁵⁵ These were rational reasons, but one can note Kjell Sundin, the chairman of *Gefle Dagblad*, also avoided having his CEO in the group by arguing against Jan Cahling.

Members also met between meetings, at the meetings of the industry organization TU and *Förenade Landsortstidningar* FLT. Cal Wikström, member from 1974, mentions he had regular contact with many members, depending on the issue at hand. Many of them were in his region, and he also contacted newspapers which were most similar to his own in the rest of Sweden, but in principle, he could contact anybody. Hans Westin on the other side, member from 2004, did not recall calling anyone between the meetings.¹⁵⁶ Contacts between meetings seem to have become less frequent over the years.

The group developed a logotype which was used in the minutes. Also, there were anniversary issues with the specific purpose of enhancing the group's status.¹⁵⁷ There was a chairman's club which was handed over at the end of the meetings. The Swedish expression for brother, "brother" or "erfabröder", is used sometimes in the minutes. Sometimes, but not often, a more humorous nickname for a person is used, such as "professor" for the *normtalsman*, and there are similar small steps taken to the informal in the minutes, sometimes giving them a more personal character than what was the case in for example than minutes in Centertidningar AB.

¹⁵⁵ LGM 1999:V15

¹⁵⁶ Hans Westin, CEO of Sundsvalls Tidning, interviewed by the author, November 13, 2007.

¹⁵⁷ LGN 1985:S2

Relations between old and young

The relations between old and young indicate that there could have been substantial pressure to perform within this group. This relation was very vivid in the remaining founder's account (Nils Isaksson), who remembered the beginning of the group:

We were 10-12 years younger than the others, and it was made sure we knew it. And we should be damn grateful that we were allowed in the group/.../You see Bror Berg here is 19 (i.e., born 1919, author's remark) and I am 19, and the other ones here are 12, 9, 13,9 and 12. Yes there is a Harald Molander, here you have Tholin 8, Wallin 13 and Åkerlund 7, Janner 5, yes of course there was a damn difference between us two and Harald Molander and the rest.¹⁵⁸

Isaksson was therefore 37 when the Lindesberg Group started, and people seven to fourteen years older than him meant a "damn difference". Isaksson further describes that the elder could be patronizing. Arne Argus, who became a member of the group in 1973, claims he was almost admiring when entering the group. He said that he had respect but also admiration for these "enormously skilled newspaper makers."¹⁵⁹

Cal Wikström never forgets his first meeting in 1974. The following anecdote gives an impression of the discipline in the group:

I will never forget it because it is the only time when I have come too late. It was this classic thing, I was so nervous and young and I knew how my predecessor was meticulous with keeping times and schedules and so forth. I was there far too early, so I travelled there but then it was 35 minutes left so I took a walk. And so my thoughts drifted away and I did not know where I was. I should try to get back, I needed a taxi, and there is never a taxi when you need it. I came ten minutes late to my first meeting. And his eyes and face then, I was his recommended successor, and I began by coming too late... it was horrible. They were grim, elder gentlemen who had respect for keeping the schedule – it was not popular. But I have never come late since then.¹⁶⁰

This anecdote was remembered by Arne Argus as well. However, at least as what they said in retrospect, none of the interviewees describes that the elder did not listen. Instead they emphasize that the working climate was good:

¹⁵⁸ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007.

¹⁵⁹ Arne Argus, former CEO of Östgöta Correspondenten, interviewed by the author, April 9, 2008.

¹⁶⁰ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

We believed they were newspaper giants, an enormous competence. We had good interaction; the elder took it to heart.¹⁶¹

The group had 45 members over the years:

Members: 1. Bror Berg 2. Harald Bjurström 3. Simon Enqvist 4. Sven Gavlevik 5. Stig Holm 6. Nils Isaksson 7. Nils Kindenberg 8. Harald Molander 9. Sven Tollin 10. Sven Wallin 11. Roland Åkerlund 12. Arne Janner 13. Martin Englund 14. John Lorentzi 15. Egil Torgny 16. Arne Argus 17. Lennart Bengtsson 18. Hilding Björkman 19. Carl-Gustaf Carlson 20. Yngve Ybrandt 21. Carl-Gustaf Göthe 22. Cal Wikström 23. Stellan Mörner 24. Lennart Ohlsson-Leijon 25. Nils Erik Larsson 26. Kjell Sundin 27. Rolf Jonsson 28. Ivan Lennestål 29. Leif Hedelin 30. Björn-Fredrik Tollin 31. Göran Johansson 32. Lennart Hörbling 33. Stefan Strömquist 34. Erik Orring 35. Lars Svensson 36. Dan Lannerö 37. Stellan Minnhagen 38. Pär Fagerström 39. Jan Cahling 40. Tommy Hermansson 41. Göran Henriksson 42. Hans Lartén 43. Hans Westin 44. Anders Westermark 45. Hans Rinkeborn.

Newspapers: 1. Bar Barometern 2. Blt Blekinge läns tidning 3. Boh Bohusläningen 4. Bt Borås Tidning 5. Ek Eskilstuna-Kuriren 6. Fk/Dt Falukuriren (changed name to Dalarnas Tidning in 1987) 7. Gd Gävle Dagblad (changed name to Mittmedia in 2003) 8. Hd Hallands Dagblad 9. Hp Hallandsposten 10. Jp Jönköpings-Posten 11. Kbl Kristianstadsbladet 12. Na Nerikes Allehanda 13. Nk Norrbottens-Kuriren 14. Nlt Nya Lidköpings-Tidningen 15. Nt Norrköpings Tidningar 16. Nv Norra Västerbotten 17. Smp Smålandsposten 18. Smt Smålandstidningen 19. Sut Sundsvalls Tidning 20. Unt Uppsala Nya Tidning 21. Vk Västerbottens-Kuriren 22. Ya Ystads Allehanda 23. Öc Östgöta-Correspondenten 24. Öp Östersunds-Posten.

Table 1 and the list of names and newspapers above contain information on participating newspapers, participating members and ownership forms. Each bar represents a newspaper, with its name abbreviated on the horizontal axis. Its shade of grey represents ownership form and the numbers are assigned to participating managers. For example, *Norrbottens-Kuriren*, abbreviated with “nk” and numbered 13 on the horizontal axis, participated between 1958-1982, 1984-94, and 1999-2002. The newspaper had three managers and changed ownership form to foundation in 1966. The members 15, 16, 21 and 36, Egil Torgny, Arne Argus, Carl-Gustaf Göthe and Dan Lannerö, were managers for two newspapers and maintained membership in the Lindesberg Group. Another exception is member number 42, Jan Cahling, who left the group in 2005 and was asked to rejoin in fall 2006. Only active members are included in the list. Therefore, so called senior members are included, but not honorary members. *Kristiansstadbladet* was owned by both a family and a foundation. *Hallands-Posten* and *Nerikes-Allehanda* was owned by consortia of other liberal newspapers, many of them members of the Lindesberg Group.

¹⁶¹ Arne Argus, former CEO of *Östgöta Correspondenten*, interviewed by the author, April 9, 2008

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
	bar	blf	boh	bt	ek	fk/dt	gd	hd	hp	jp	kbl	na	nk	nlf	nt	nv	smf	smt	suf	unt	vk	ya	oc	op
1956		12	6		11		7			4			6		8	3			1		9	2		10
1957		12	6		11		7			4			6		8	3			1		9	2		10
1958		12	6		11		7			14			6		8	3			1		9	2		10
1959		12	6		11		7			14			6		8	3			1		9	2		10
1960		12	6		11		7			14			6		13	3			1		9	2		10
1961		12	6		11		7			14			6		13	3			1		9	2		10
1962		12	6		11		7			14			6		13	3			1		9	2		10
1963		12	6		11		7			14			6		13	3			1		9	2		10
1964		12	6		11		7			14			6		13	3			1		9	2		10
1965			6		11		7			14			6		13	3			1		9	2		10
1966			6		11		7	15		14			6		13	3			1		9	2		10
1967			6		11		7	15		14			6		13	3			1		9			10
1968			6		11		7	15		14			6		13	3		16	1		9			10
1969			15		11		7						6		13	3		16	1		9			10
1970			15		11	17	7						6		13	3		16	1		9			10
1971			15		11	17	7						6			3		16	1					10
1972	18		15		11	17	7						6			3		16	1			20		10
1973	18		15		19	17	7						6			3		16	1			20		10
1974	18		15		19	17	7						6			22	21	16	1			20		10
1975	18		15		19	17	7						6			22	21		1			20		
1976	18		15		19	17	7						6			22	21		1			20	23	
1977	18		15		19	17	7						6			22	21		1			20	23	16
1978	18		15		19	17	7				24		6			22	21		1			20	23	16
1979	18				19	17					24		6			22	21		1			20	23	16
1980	18				19	17					25	24	6			22	21		1			20	23	16
1981	18/21				19	17					25	24	6			22	21		1			20	23	16
1982	18/21				19	17	26				25	24				22			1			20	23	16
1983	21				19	17	26				25	24				22			1			20	23	16
1984	21				19	17	26				25	24		28		22			1			20	23	16
1985	21			29	19	17	26				25	24		28		22			27			20		16
1986	21			29	19	17	26				25	24		28		22			27					16
1987	21			29	19	17	26				25	24		28		22			27					16
1988	21			29	19	17	26				25	24		28		22			27					16
1989	21			29	19	17	26				25	24		28		22			27					16
1990	21			29	19	17	26			31	25	24		28		22		30		27				16
1991				29		17	26			31	25	24		28		22		30		27				
1992				29		17	26			31	25	24		28		22		30		27				
1993				29		17	26			31	25	24		28		22		30		27				
1994				29		17	26			31	25	24		28	32	22		30		27				
1995				29		17	26			31	25	24			32	22		30		27	33			
1996				29		17	26			31	25	24			32	22		30		27	33			
1997				29		17	26	35		31	25	24			32	22		30		27	33	34		
1998				29			26	35	31		25	24			32	22				27	33	34		
1999				29		36		26	35	31	25	24			37	32	22			27	33	34		
2000					36	38	26	35	31		25	24			37	32	22			27	33	34		
2001			40		36	38	39	35	31			24			37	32	22			27	33	34		
2002			40		36	38	39	35	31						37	32	22			27	33	34		
2003			40			38	39	35	31			42			32	22				27		36	34	41
2004			40			38	39	35	31			42			32	22				27		36	34	41
2005			40		45	38	39	35	31			42			32	44				43	36	34		
2006			40		45	38	39	35	31			42			32	44				43	36	34		
2007			40		45	38	39	35	31						32	44				43	36	34		
2008			40		45	38		35	31						32	44				43	36	34		

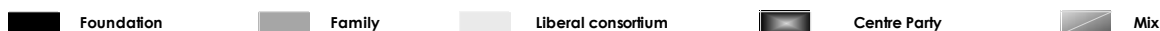


Table 1. Newspapers in the Lindesberg Group. Source: Lindesberg Group archive.

The Centre Party is only represented by *Östersunds-Posten* at the very end of the Lindesbergs Group's history. From the figure one sees that two newspapers were member all years, namely *Sundsvalls Tidning* and *Norra Västerbotten*. *Gefle Dagblad* was

member all years with the exception of only three years. One can also note that foundations became more dominant in the group over the years. The “liberal consortiums” were two center-right newspapers, *Nerikes Allehanda* and *Hallandsposten*, which were owned by other center-right newspapers, many of them represented in the Lindesberg-Group. Some to the newspapers in the Lindesberg Group were groups: *Dalarnas Tidningar*, mentioned above, and *Gefle Dagblad* are such examples. *Gefle Dagblad* acquired one of the other participating newspapers, *Sundsvalls Tidning*. The major media group *Stampen* was not represented in the Lindesberg Group, but *Nya Lidköpings Tidning* which was, which was very close to this group. The map below shows the original member newspapers. The newspapers had an even geographical distribution, which the founder Nils Isaksson claimed was desired in the beginning of the history of the newspapers.

Information of ownership of the newspapers has been provided by the newspaper companies, and had not verified in archives or annual reports. It is therefore subject to some uncertainty. However, the form of ownership form has been collected to illustrate a general pattern in the Lindesberg Group only. The reader should also have in mind that there are many different forms of foundations.

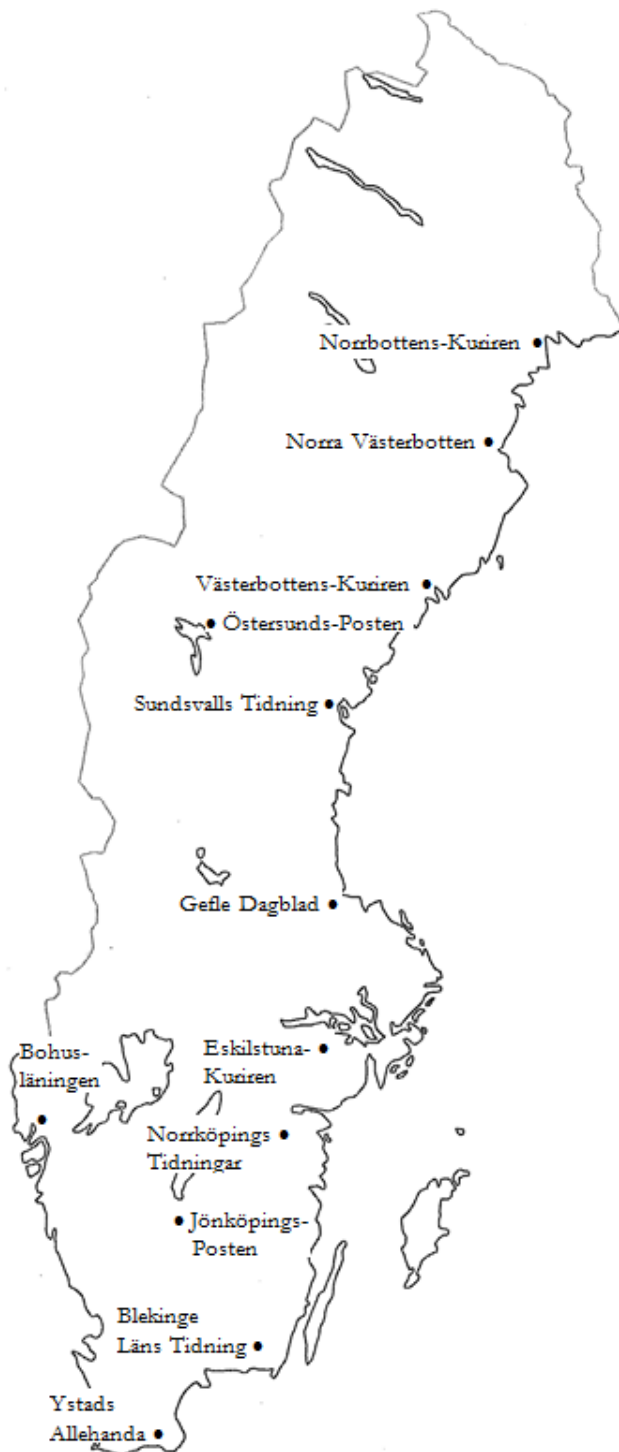


Figure 5.
 Newspapers in the Lindesberg Group 1956.
 Source: Lindesberg Group archive.
 © Lantmäteriet.

2.5. Benchmarking

As described in the theory section, benchmarking was the core activity in the open price associations, and it was also an important feature of the Lindesberg Group. The so called “norm numbers” were present already from the beginning of the group’s history, but they were rudimentary until they got their main form in 1962, with separation of costs per department. In 1978 the level of detail increased and costs for each department were now divided in 5-10 posts. In 1994 there was a modification with more focus on productivity measures, and in 2004 a major change took place. Previously, key ratios for costs had been dominating the reports, but in 2004 information and graphs on sales for retailing market are also included, and the report was only composed by four pages. In the first years, the norm numbers were made on a special typewriter and the effort to make them was very high.¹⁶² Towards the end, reports were available on the web.

The following quote from an interview sums up how important benchmarking could be:

It is awfully difficult as a business leader to judge whether the editorial department or the sales department are reasonable large and so forth. Most people in management positions in these newspapers work alone in their city, there is nothing there to compare with... and then it is valuable to consult with the others to see if you are completely off.¹⁶³

The importance of the numbers is confirmed in the written sources as well. In a letter from Arne Argus to C.G. Carlson in 1974, Arne Argus declined participation mainly because he did not have any norm numbers to show. “My participation this time halts considerably when I don’t have any norm numbers to show. Certainly I could have come anyway but... Well, I hope you understand how I feel about it”.¹⁶⁴ Clearly the numbers were a fundamental part of the group’s work at this time.

Another illustration of the importance of the benchmarking is that the norm numbers often comes first in the itineraries for each meeting. The spent on them decreased over the years.¹⁶⁵ One way of using the numbers was as an aid to argue for

¹⁶² Carl-Gustav Carlson, former CEO of Eskilstuna-Kuriren, interviewed by the author, June 8, 2007

¹⁶³ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

¹⁶⁴ LGM May 5, 1974. Letter.

¹⁶⁵ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

change within the member's company. The CEO was not allowed to disclose the other members' figures to outsiders, but the figures could also be made anonymous and one also used the averages. The group's surveys played similar role. For example, suggesting one's salary was not an easy thing, but if one pointed out what others had in salary, it was easier to argue for it.¹⁶⁶ The surveys therefore served as another form of benchmarking.

The question on who should use the numbers, if other people in the management of the newspaper should be able to read them, resurfaced on some occasions in the minutes. For some of the first years, there is "blue" and "red" version of the numbers, where one was a reduced version which could circulate among other levels of management, if used with care. The reports are marked with the word "konfidentiellt", confidential, in capital letters. As we will see, the question on who could use the information within the companies would return.

During the last years, the norm numbers were not used as intensely in the same way as they used to be. In the interviews, the elder member believed that the reason for this was that the younger generation was less interested in details than the elder generation was. Part of this was that they had more media than newspapers to cover and often more general questions in mind. Another reason why the benchmarking became less interesting for the group is that the economy of the newspapers in the Lindesberg Group improved, which made discussions on costs less important.¹⁶⁷

The norm numbers were not static but changed over time and their form was a common theme at the meetings. According to Cal Wikström, the discussion was initiated both by *normtalsmannen* and the members.¹⁶⁸ The problem of comparability of the companies was never completely solved; it was present from the beginning to the end. However, based on the benchmarking numbers and letters from the *normtalsman*, there were more changes in the beginning and it is evident that they found a form which was then mainly changed in some few, discrete steps. In particular, a great number of key ratios were developed, especially for costs.

In 1986, the *normtalsman* Hilding Björkman asked for more comments on the benchmarking numbers. The group was united in that one should have an active discussion how to design and improve the numbers. Computerization would

¹⁶⁶ Arne Argus, former CEO of Östgöta Correspondenten, interviewed by the author, April 9, 2008

¹⁶⁷ Carl-Gustav Carlson, former CEO of Eskilstuna-Kuriren, interviewed by the author, June 8, 2007

¹⁶⁸ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007.

possibly be on the agenda when Björkman no more could be a uniting factor regarding the norm numbers.¹⁶⁹ It is evident that the dynamic discussion on how to develop benchmarking had declined at this time, but it is also evident that it was possible to affect the benchmarking if the members so wanted.

The last years

Even if the group became less dynamic during the last years, benchmarking numbers were not completely static. Their form and function were under discussion at times and they were also revised. Already in 1989, Lennart Ohlsson-Leijon raised the general question what the group should work with in the 1990's as the world changed and the issues which the Lindsberg Group had worked with were discussed by others. He noted that the norm numbers were the skeleton in the group's activity, but he was skeptical if they were used in the best way. The costs were high, Ohlsson-Leijon said, and he found the work to produce the material "enormously demanding". New routines were needed, and members should come better prepared. Lecturers should be engaged to get more out from the activities in the group. The minutes state that a lively discussion followed his proposal. Among other things, the group agreed to develop a new model for the norm numbers in the 1990's.¹⁷⁰ In the early 1990's the processing of benchmarking numbers was computerized by the new *normtalsman* Rolf Jonsson.¹⁷¹

There was a development of a web interface in fall 1999, in order to easier gather and access information. It was also decided the numbers would be archived in a way that would enable research by external researchers.¹⁷²

The problem of comparability was sometimes an issue, as in 2000. The group then emphasized the importance of sending financial managers to the fall meeting so one did not start to "compare apples and pears". For example, it was seen as was important that web departments were accounted for separately. Clearly, deliberation on the benchmarking had been laid on the financial managers at this point. One also remarked that the norm numbers should be of great importance to researchers in press history.¹⁷³

¹⁶⁹ LGM 1986:S22.

¹⁷⁰ LGM 1989:F5.

¹⁷¹ LGM 1990:F4.

¹⁷² LGM 1999:F3.

¹⁷³ LGM 2000:S6.

Other issues which occur several times in the minutes are the issues is the question of access: who in the member companies would be allowed to use the norm numbers? In spring 2002, the *normtalsman* Rolf Jonsson declared that the quality of the delivered information was high. Many members, among others Cal Wikström, expressed that the norm numbers had great value for improving results. Lars Svensson, however, pointed out that much of the information was accessible via public annual reports. Stefan Strömquist looked for a possibility to use the material internally within management teams and similar. After a discussion, it was decided that the information could be used openly internally within each company, for example within the participating newspapers' management teams. For newspapers which belonged to groups, the purpose was not to distribute the information to other companies in the group.¹⁷⁴ This is the first time in the minutes where changing ownership in the media landscape is mentioned as an issue for the use of the norm numbers.

There was also a simplification of the norm numbers during the last years. In spring 2003, Rolf Jonsson declared that his presentation was his final delivery after 17 years. He hoped to have suggestions for revised and modernized norm numbers to the fall meeting. He wanted this to be preceded by a meeting with the new *normtalsman* and some of the financial managers.¹⁷⁵ The idea was to simplify the report on norm numbers, but it should still be possible to dig deeper in the database. This suggestion was supported by Lennart Hörling, who argued for a total revision of the norm numbers. In fall the same year, Rolf Jonsson explained, based on earlier discussions, that the group should be changed radically, and that one needed to decide on which key ratios were desired. The group discussed whether they should introduce new key ratios, for example new sales of subscriptions and costs for telemarketing sales, after text development, how well the newspapers did in the local market, and use external statistics. The last suggestion would require cooperation with an external partner. It was decided that Westin would be the next *normtalsman*. He was already familiar with this material as he had been the financial manager of *Sundsvalls Tidningar*. He would make a proposal for new norm numbers and present it to the financial managers.¹⁷⁶

In spring 2004, Hans Westin, new as *normtalsman*, presented the norm numbers and declared that they were now accessible via the web. At this point, the group

¹⁷⁴ LGM 2002:S6.

¹⁷⁵ LGM 2003:S7.

¹⁷⁶ LGM 2003:F8.

discussed what level of results which were necessary for financing major investments in the future, and the group agreed that at least 8% operating margin before depreciations would be necessary for long term survivability. This is the first time in the minutes where a target for financial performance is mentioned. Hans Westin presented the thinking behind the new key ratios development, where market conditions were now also measured.¹⁷⁷ An external consult then presented suggestions to a new key ratios model for the group. The group decided to finance the remaining development costs.¹⁷⁸ The difference from the beginning of the group's history, when the normtalsman created the norm numbers together with the members, is striking.

Next spring, Hans Westin presented the basis for the new norm numbers and emphasized that the information at this stage could contain some deviations which had not been commented or analyzed by the financial managers in their respective newspapers. Once again, there was a short discussion on the problems of comparability between the group's disparate newspapers, and then the financial manager (not the CEO) at *Sundsvalls Tidningar* presented the material thoroughly. After this presentation, the common opinion was that the new method for analyses of key ratios gave good ground for interesting discussions and the material was to support for the managers. It was decided that the information should be considered confidential, but the information should be used with care in the internal work in management in each company.¹⁷⁹

The next meeting's discussion on the norm numbers resulted in opinions that definitions should be refined. It was decided that a consultant would be used for this, and that the group pay for this. CEOs should also activate their accounting department more on these issues.¹⁸⁰ Once again one can note a difference to earlier phases of the group's history when these definitions were created within the group. In the next meeting however, there was an example that there still could be discussions within the group on specific numbers: how changeover costs and restructuring costs should be handled. Some believed they should be separated, and some that they should be considered normal since they had occurred so frequently during the last years.¹⁸¹

¹⁷⁷ LGM 2004S:6.

¹⁷⁸ LGM 2004S:7.

¹⁷⁹ LGM 2005:S6.

¹⁸⁰ LGM 2005:F3.

¹⁸¹ LGM 2006:S5.

In spring 2007, Hans Westin presented the norm numbers for 2006 “meticulously”, and there were now many new figures: retail sales in various counties were compared. Market effectiveness, sales effectiveness, average salaries for men and women, absence for diseases, overtime and education costs were measured. Once again the group was united in the importance of correct and unambiguous definitions, and that these ideally should be discussed with the financial managers. Again, the issue on comparability arose, and the issue was delegated to persons outside the group. One member, Erik Orring from *Västerbottens-Kuriren*, underscored the importance of the material and that the comparisons and norm numbers had played an important part for his work.

Differences in required rate of return between foundation controlled and privately controlled newspapers were discussed, and it is noticeable that this is the first time this occurs in the minutes, a very late stage in the group’s history. The only conclusion in the minutes on this matter is one member’s opinion that it was necessary to have high and stable profitability to meet the future, regardless of ownership form.¹⁸²

Before we continue by describing the challenge ownership posed, we can summarize that the benchmarking numbers did not remain static at the end. They were questioned but attempts were also made to adapt them. The *discussion* on benchmarking numbers, was no longer only an issue for the group of CEOs, but for financial managers and external consultants. The deliberation on the numbers had decreased substantially from what was the case during the first years of the group’s history. As we recall from the theory section, such discussions were the critical element in the open price associations according to Berk and Schneiberg.

2.6. Ownership and the objectives of the newspaper company

Cal Wikström, whose newspaper *Norra Västerbotten* was controlled by a foundation, claimed that this form of ownership was frustrating at times. The foundation stated that his newspaper should be distributed in the small cities of Arjeplog and Arvidsjaur. Otherwise, there would not have been distribution there. More importantly, the economic objectives were not clear. Asking his owner about what they wanted him to achieve from the investment in a new printing plant, he got the answer “vad tyck du” (you say). Wikström was left with the task of giving the board a recommendation, instead of the other way around. Wikström also argued that this

¹⁸² LGM 2007:S6.

was true for many other members in the Lindesberg Group: economic objectives were not expressed by the board.

Family controlled *Östgöta-Correspondenten* did not have an explicit target. Arne Argus, who first worked for *Henrenco*, and then moved to *Östgöta-Correspondenten*, found a striking difference in leadership styles, where *Östgöta-Correspondenten* had a much more arms-length approach. He also claims that one could sometimes sense that some members had more pressure on them from their newspapers (such as from a board), but that this was not his general impression. Argus argued that the members of the Lindesberg Group generally were in command of their newspapers.

Stig Fredriksson at *Jönköpings-Posten* in the Herenco group was not welcome in the Lindesberg Group, according to Arne Argus. One reason was that Fredriksson was mostly interested in maximizing profit, according to Argus. One must in this case remember that Argus' relation to Fredriksson was characterized by the nature of their previous professional relation. It is still interesting to note that Ander was also very conservative on costs and that VLT was listed (with a small free float) on the stock exchange and therefore more prone to profit maximization. As mentioned above, these companies were not accepted as other newspapers were in the Lindesberg Group, and there may have been other reasons for this; in fact, none of the interviewees could give a clear answer, according to Cal Wikström it was an unspoken rule. However, Arne Argus mentions that some sort of common view on newspapers existed in the Lindesberg group, and he mentioned care for people as important in this respect. This has not been confirmed in the other interviews. In the minutes, however, there are some discussions how to take care of employees when redundant or when middle management was tired, but it is impossible to draw the conclusion that this differed from what is normal consideration in any industry or group, especially major local employers.

Cal Wikström pointed out that the only independence in this world is economic independence. The only way to remain independent for his newspaper was therefore to be profitable.¹⁸³ Still, there seems to have been limits to this profitability. Wikström mentioned that the newspaper now had to cut away half of its workforce since its heydays and that *there was more to take*. If there was more to taken, one wonders if his newspaper really was optimizing profits. He was not comfortable with these cuts: he emphasized that many journalists never left once they got a job at the newspaper; it was something like life-long employment. There were virtually

¹⁸³ Ibid.

no other media companies in his region. Wikström confirms that there were discussions on what good performance was in the group, but there was never an agreement on a number. The other interviews give the same impression. It is also interesting to note that the playful competition within the group did not center on profit. According to Nils Isaksson, small rewards could be given for various reasons, such as who had been best at cutting costs, or increased circulation more than the others.¹⁸⁴

2.7. Other discussions

Deliberation on benchmarking numbers was an important activity in the open price associations. The discussions in the Lindesberg Group were not only about benchmarking however, but had a much broader character. Cal Wikström, member from 1977, gives a general description of what purpose the discussions served. Wikström gives a picture of the loneliness which leaders may experience; specifically in this case because the boards did not have adequate knowledge, but also because Wikström found it difficult to talk openly to people below him in the hierarchy. Instead he emphasized that the people in the Lindesberg Group were in the same situation and that they were not competitors:

They were in the same predicament. I can assure you this after having been CEO for a very long time. You are somewhat alone at the top. There are some questions which you cannot talk to someone with/.../The boards and its chairman were not so qualified and so forth, it was more honorary assignments. Some question you could not talk to someone in the hierarchy below you about, and this is what I experienced immediately and spontaneously, that it was enormously positive to be able to ask for advice and discuss matters with people in the same situation, and as it was then, they were not competitors but colleagues, and you could expect full openness. In principle, one could bring anything up and this was also done.¹⁸⁵

The openness between members, which was regulated in the first formal rules in 1956, is in Wikström's narrative a fact. Wikström's answer to why the discussions which took place in the Lindesberg Group did not take place in other places, such as *Förenade Landsortstidningar* and *TU*, also had his competitors among their members.¹⁸⁶

¹⁸⁴ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2000.

¹⁸⁵ Cal Wikström, former CEO of *Norra Västerbotten*, interviewed by the author, November 27, 2007.

¹⁸⁶ Ibid.

As mentioned before, the relation between old and young in the group, at least in the earlier days, makes it probably that there was pressure in the group to perform. However, group dynamics is not easily captured in written sources. One example in the minutes, however, captures some of the nature of the interaction between members in terms of influence and independence. This discussion was on what companies a regional newspaper company should own. Cal Wikström raised the question in the group whether a newspaper company should engage itself as an owner in the local business community or not. The reason for his question was that he was about to take a so called corner position¹⁸⁷ in a local development company, *SORB Industrier*, which would soon were to be listed on the stock exchange. Lars Svensson at this point made clear that this action would not have been accepted within his newspaper company. Lennart Ohlsson-Leijon, on his side, explained that a newspaper which initially may be celebrated could find itself in a peculiar situation if the company in question would be forced to take unpopular action which affected employment or the environment. Göran Johansson strongly questioned whether not confidence in the newspaper would be destroyed by such an arrangement. Finally, Kjell Sundin informed that his *Gefle Dagblad* group were about to cease ownership in a regional company.¹⁸⁸

It is noteworthy how Cal Wikström used the group in this case: he consulted his network, but he still decided to go against it. If there was peer pressure, it was not strong enough to overcome his independence. Four out of four voices were against his idea of buying the company, but at the next meeting – under the headline “dance with big elephants” – the minutes state that he did his investment and was able to lock in a profit of SEK 3 million instead of a power position.¹⁸⁹ Ivan Lennestål confirmed that this was typical of the way the group worked.¹⁹⁰

The case also illustrates a specific problem for a newspaper company, namely that diversification into other regional businesses could be hampered by the special standing of a newspaper in society. Compared to a Stockholm based company like *Bonnier*, which has diversified into unrelated industries, this restriction is strikingly different. For large metropolitan media companies, dominance in media has been seen as a problem, and this has forced some leading media companies to expand

¹⁸⁷ An investor can take a corner position to force an acquirer pay an above normal price. This is because the acquirer needs a certain majority of the shares in the company.

¹⁸⁸ LGM 1999:S15.

¹⁸⁹ LGM 1999:F15.

¹⁹⁰ Ivan Lennestål, former CEO of Norrbottens-Kuriren, interviewed by the author, September 9, 2011.

abroad rather than nationally. For the regional newspaper, it seems that *only* media companies were acceptable companies to acquire. Regional newspapers have been claimed to overinvest in printing plants, and Swedish media scholar Stefan Melesko have suggested a number of explanations for this phenomenon.¹⁹¹ One further explanation for why profitable newspapers have been be tempted to make such overinvestments could be that no other option for investments has been possible, because of the norm described above. The Lindesberg Group minutes are also a very reliable source in this case - it is one thing to publicly denounce an action, and a different thing to express these concerns within the inner circle. An exception in this respect is *Herenco*, a family controlled newspaper chain in Jönköping, which is very profit oriented and has diversified in other companies.

Another norm which is expressed in the minutes concerns the so called free dailies. These newspapers became widespread with the introduction of *Metro* in the mid 1990's. This daily newspaper started in Stockholm and was a result of an innovation in distribution, since the newspaper was allowed to use the Stockholm metro for their distribution. However, similar products had since long existed in the regions. In 1989, five years before the launch of *Metro*, Lennart Bengtsson of *Dalarnas Tidningar* started a discussion on what he called "a serious issue: advertising sheets, what was meant by advertising sheets, and TU's position in this matter. He showed different examples, from pure local sheets with only advertising, to *Sigtunabygden*, a newspaper distributed for free with editorial text.¹⁹² The word "newspaper" is seldom used in the context of these products in the minutes. Instead the word *annonsblad*, advertising sheet, is used, perhaps with a demeaning tone. The labor controlled *A-pressen* could be dangerous in the context, the minutes states, and there was rumored that it had plans to enter the market for advertising sheets in various ways. The minutes further state that the group finally was united in not stimulating the creation of similar products, "but well that we in different ways have to get prepared". This may be seen as a form of collusion, as an agreement to reduce supply. It was also an expression of an industrial norm among the established regional newspapers.

In 1999, the intricate question on cooperation arises in the minutes. Cooperation in the regional newspaper industry has been discussed in many government inquires

¹⁹¹ S. Melesko, S. 'Den helige produktionsapparaten – funderingar kring en branschlogik', in Carlsson, U. (ed.), *Pennan, Penningen och Politiken – medier och medieföretag förr och nu* (Nordicom, Göteborg, 2003), pp. 51-62.

¹⁹² LGM 1989:S6.

and seen as something desirable for a conservative industry. Erik Orring noted that there were many areas in which newspapers could cut costs if the desire to cooperate was bigger. As a positive example he referred to *City Gate*, a company which developed internet services, which he claimed never had been possible to create for a single newspaper. In the same way, he argued that subscription systems and functions, centralized printing plants and so forth could give opportunities for cooperation. Lennart Ohlsson-Leijon agreed, and his view was that if one *tried to define what the core in the business idea was* (the author's italics) and let it develop company-wise, everything besides this core would be possible to open up for cooperation.¹⁹³ At this time then, this manager which is described in the sources as one of the most influential managers in the traditional newspaper industry, was not sure on what the core activity in the new media landscape was, and was open for cooperation.¹⁹⁴

From time to time, a tension between metropolitan and regional newspapers is evident in the minutes. In spring 2003, Rolf Jonsson raised the issue on new fees in the industry organization TU. A proposal had been made that fees would be lowered somewhat for companies with an income up to SEK 100 million, and more radically lower for newspapers with an income over SEK 100 million. That meant from a decrease of SEK 24 million to SEK 16 million for the 15 largest newspapers, and from SEK 28 million to SEK 26 million for the rest – clearly an unfavorable solution for the smaller, regional newspapers. Rolf Jonsson wanted the Lindesberg group to be aware of the issue, and told the members that the tone from the metropolitan papers had not been nice when this was pushed through. At this point, Pär Fagerström gave a detailed account on what had happened at the board meeting of TU which had discussed this issue. Before the meeting, Leif Lundin (then CEO for Centertidningar AB) had been looking for support against the proposal, and also got it from many. At the meeting, Lundin was against the proposal. The meeting was then adjourned under which discussions were going on between Lundin and the presidium. When the board meeting started again, Bengt Braun, chairman of TU, said that there was unity, but that it should be evaluated within a few years, and Lundin affirmed this.

After a discussion in the Lindesberg Group, Rolf Jonsson now agreed to contact Leif Lundin with the intent to make a “sharp” text about the evaluation, and thereby

¹⁹³ LGM 1999:S7.

¹⁹⁴ On the role of Lennart Ohlsson-Leijon in the newspaper industry, for example Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, December 10, 2010.

make this fee construction as temporary as possible.¹⁹⁵ Detailed inside information from TU was used in this case, deliberated on, and action was taken to pursue the interest of the regional newspapers in the Lindesberg Group.

There are cases in the minutes where board members of two industrial organizations, TU and FLT, discussed cooperation using the Lindesberg Group as a forum. In 1994, Lennart Ohlson-Leijon told the Lindesberg group about a hearing in the TU board regarding the current government inquiry on the press. There would be a seminar in Gothenburg on the concentration of ownership in media where foreign expertise would attend. This expert inquiry would be held in the end of May and it would be made public. When it came to subsidies for production, it was not expected that TU would reach unity. At this point, Kjell Sundin noted that FLT would like to be advisory group. Carl-Gustaf Carlson argued that FLT should wait with trying to affect the opinion until after the expert inquiry was made public. A form of coordination between FLT and TU took place here via the Lindesberg Group.

In the same meeting there were other examples on how the group shared information. First, the goals of the major competitor *A-pressen* were discussed. Since this issue was dealt with in the so called *Arlandagruppen*, a group composed by 13 CEOs, the Lindesberg Group decided to deliver the members, who were not part of *Arlandagruppen*, PMs and reports. This concerned four members in the Lindesberg Group. This is an example of how information from other contexts was distributed to persons who may not have been supposed to take part of them, via the membership of the Lindesberg Group.

There are only a few cases where the minutes reveal that the group decided to push for a common line in a decision body. One example is when the issue on value added tax on daily newspapers was raised, and the risk of such a tax being implemented. The group discussed how the issue was progressing in the committees and disappointment was expressed because “we in the industry have not been able to act in unity”. Lennart Bengtsson was assigned to work more with the issue on the board of the industry organization TU in the direction of further influencing public opinion, against a value added tax on circulation. This is a case where the Lindesberg Group tried to affect the actions of the industrial organization.

Another common theme for discussions was the current wage negotiations with the unions. The president of the employers association TA summarized. Regarding the

¹⁹⁵ LGM 2003:S13.

journalists, he assessed that there was a clear risk of conflict; the major hurdles were overtime compensation, and the unions so called low wage efforts, which meant major cost increases for the regional press. Concerning the graphic employees, he thought there would be a deal without conflict. Regarding advertising employees, the part of the employees which were active in sales could prove a difficult issue, but negotiations had not yet commenced. *Transport*, the union for employees within distribution had demanded 16%, and there is an exclamation mark after this figure in the minutes. The members got an initiated assessment of what would come. This information could in principle have been accessible for other members of TA, but being able to sit around the same table, and being able to ask questions directly should have been an advantage compared to other members of TA.

The most striking example of an attempt to influence industry policy was a letter from 1999, directed to the head of the industrial organization TU, Barbro Fischerström. The letter had the Lindesberg Group logotype, and concerns new rules for measuring circulation. Measuring circulation and advertising has been done by Tidningsstatistik AB (TS), a private company, since the 1940's in Sweden. In the first sentence of the letter, it was stated that the issue on new rules for TS on measuring circulation had been discussed in the Lindesberg Group. The letter then pointed out that the members in the group were listed in a separate attachment, and that the group had united in declaring the results of its discussions to TU.¹⁹⁶

The letter declared that the group wanted to maintain the existing rules until the problem on how to measure reach was solved. A team should be assembled to quickly investigate this problem. A date was also declared – the team should presents its result before October 1, 1999, and have access to expertise on statistics, in order to avoid discussions on the proposal's statistical qualities. The group declared that it was aware that TS was a private company, but also that TS now as before was dependent on the newspapers' approval. The letter ended with the statement that was important that the issue on new rules would be treated in TU in such a way that TU's position could be based on an "almost total consensus": that is, that it was important to take the position of the Lindesberg Group into consideration. The letter, signed by Nils Erik Larsson and the title "president", strongly suggested that the group was well known by Fischerström, and that it had authority. The discussion which preceded the letter was referred to in the minutes of the group. One reason for the letter seemed to be an article in *Resumé*, a weekly newspaper for the media industry, which had described that the rural press had a

¹⁹⁶ LGM 1999:S. Attachment.

solid position, but that there were problems with measuring reach adequately. The letter to Fischerström was therefore an expression of the regional newspapers' special interests (measuring reach is related to the fact that each copy is read by more than one person).

From around year 2000 and onwards, there are many discussions on mergers and acquisitions in the minutes. It is easy to imagine that the Lindsberg Group may have played a role in the consolidation processes of the industry. In the minutes, however, members mostly inform each other on structural changes which had already occurred. There is no evidence that they were "running the show behind the curtains" as a group. There is information on what has happened, and what might be done in the future, but on some occasions also more detailed and elaborate discussions. One cannot exclude that such discussions took place informally between the members. As we will see below, the members actually expressed that discussions in the group became less open in the group due to the development in the industry.

When I interviewed Nils Isaksson, *Dalarnas Tidningar* had not yet been sold, but he concluded that this group, belonging to The Lindsberg Group, was about to be sold, because he could see that they sold assets. From this one can conclude that the figures he saw at the meetings made him understand what was going on, but that he was not informed. On the other hand, Cal Wikström seemed more certain that *Gefle Dagblad* was about to act, but he did not know for sure.¹⁹⁷

Finally, the group did not discuss politics in a general, and the political affiliation of the newspapers cannot be observed in this meaning in the minutes.

2.8. The demise of the group

The demise of the group was a long process where the tensions between conservative members and modernizers became evident.

Ivan Lennestål left the group in spring 1994, in accordance with the rules, since he left his position as CEO. In a letter to the group, he expressed his thoughts about the group's working forms. Lennestål believed that the group had revived during the recent years of recession. However, he had opinions on how members were elected. Only active members should be allowed to vote for new members. The decisive

¹⁹⁷ Cal Wikström, former CEO of *Norra Västerbotten*, interviewed by the author, November 27, 2007.

factor should be to get interesting people and companies to the group, and that should not be hindered by veto, based on “historical incidents” or “personal antagonisms”. Also, the choice of person should be complemented with considerations on which company the member represented. With the current system, Lennestål argued, a newspaper disappeared from the database of norm numbers as the newspapers’ CEOs left the group. He also addressed the issue of honorary members. Lennestål thought it could once have been natural that these members continued in the group. However, he believed that the gap in age had now become so big that the value of their participation could be questioned. Spring meetings were very nice, but bringing spouses could be a disadvantage for the group (the letter does not say how). Lennestål raised the question of costs: since each host paid and wanted to do his best, the spring meetings could become expensive, and since the newspaper companies in the group had different financial situations, he thought that needless irritation was caused. Finally, Lennestål wrote that more members than he shared his opinions.¹⁹⁸ Even though this critique was rather strong, the minutes state that after a discussion in the group, where all active members talked, the president concluded that the present model should continue and that honorary members were appreciated.¹⁹⁹

Five years later, in fall 1999, Carl-Gustaf Carlson, manager of *Eskilstuna-Kuriren*, discussed the membership situation in the group. There were eleven members and seven honorary members at the time, and C-G Carlson noticed that in two years there would be nine active members and ten honorary members; clearly an imbalance. It is noteworthy that it was a senior member who raised this question and not one of the younger ones. The minutes states that the group believed it was important to “balance the need for new members with the group’s need for continuity”, a delicate task, it says, requiring that the right members would be selected and that “by hard work are willing to continue the Lindesberg group’s shining history and important mission to future generations newspaper leaders”, a phrase possibly used with some irony.²⁰⁰

At the same meeting, C-G Carlson continued to express his concerns. He said that it was important that routines and traditions for the group were maintained. C-G Carlson saw risks in the fast circulation of members the group now faced.²⁰¹ He had

¹⁹⁸ LGM 1994:S9.

¹⁹⁹ Ibid.

²⁰⁰ LGM 1999:F17.

²⁰¹ LGM 1999:F18.

decided to write a manual stating the president's responsibilities before and during fall meeting and spring meetings. It was also decided that honorary members' costs should be covered for travels within Scandinavia.²⁰² This was therefore a strengthening of the honorary members' positions. The president, Lennart Ohlsson-Leijon, said in line with C-G Carlson's argumentation that the development in the industry and in the surrounding world was accelerating and that even if the group presently had "seemingly well working operations", it would be interesting to discuss the future's need for working forms, and members were encouraged to consider options for its development.²⁰³

During the next meeting, in spring 2000, under the headline "development of working forms in the group", it was stated that the norm numbers might be developed, and that they might be a good support for management.²⁰⁴ E-mail surveys within the group were mentioned as a possibility. A new market situation in the new decade meant that the group should make strategy-alliances-ownership a major discussion point at the fall meeting. A new member was not selected at this meeting, but it was stated that because of retirements, more members were needed.²⁰⁵ Rolf Jonsson was made *senior member* at this meeting, and two members were made honorary members. At the same meeting, the president was thanked because he had kept the schedule strictly, in spite of members being hungry for debate, and a full agenda - remarks which suggest that the discussions were lively.

However, in the next meeting, the strategy-alliances-ownership issue, which the spring meeting had considered important to discuss at this meeting, was only treated very briefly: Nils-Erik Larsson discussed a report on where a printing plant should be placed and Cal Wikström presented thoughts about cooperation in Norrland.²⁰⁶ There are no details in the minutes, but given the ambition expressed at the previous meeting, the contribution appears rather small.

At this meeting, an unusually high number, eight persons, were suggested as members. Two of them were selected for membership. Three of the other persons among the eight came from newspapers which had previously had not been represented in the group (*Norrköpings Tidningar*, *Vestmanlands Läns Tidning* and *Norrtälje Tidning*). The elected members now came from newspapers which had been

²⁰² LGM 1999:F19.

²⁰³ LGM 1999:F20.

²⁰⁴ LGM 2000:S18.

²⁰⁵ LGM 2000:S19.

²⁰⁶ LGM 2000:F13.

in the group before, but it is evident that the group at this point looked outside its established circles. The number of persons strengthens the impression that it was more difficult to find members at this point than before.

In fall 2001, one noted that there was a vacancy in the group after Lennart Ohlsson-Leijon, and five names were mentioned at this time.²⁰⁷ Two of the names, Sören Axelsson (*VLT*) and Göran Henriksson, (*Östersunds-Posten*), were “for certain formal reasons”, as it says, not regarded as suitable for election. As we will see, Göran Henriksson was later accepted as a member. The group did not take a decision, and the president and incoming president were assigned the task to prepare the issue for the spring meeting, meaning that membership still was something one took very seriously, even at this late stage of the group’s history. C-G Carlsson, who had previously raised concerns about the group’s routines, again raised the question whether the group risked getting more honorary members than active members. He suggested that only members with a minimum time as active members should become honorary members.

In the next meeting, the group decided to qualify honorary membership to persons having been members for at least ten years. Two members, Dan Lannerö and Göran Johansson (elected 2001 and 1990, respectively), were assigned to review the forms for the group’s work and social activities and suggest changes.²⁰⁸ At the fall meeting the same year, their suggestions caused discussion, since they proposed to abolish the spring meeting. A majority believed that this would cause reduced commitment and “a major risk” that the group’s activity would now cease. It was decided, however, that one should reduce the time for spring meeting to one working day with dinner and a night. It was also seen as desirable to have meetings at locations which were easy to reach. This should be seen as an expression of that the previous arrangement with meetings which rotated between cities was not seen as optimal from a logistic point of view. Extension of the program could be allowed at special occasions.²⁰⁹ Finally, two new members were offered membership, Hans Lartén and Göran Henriksson.²¹⁰

However, in spring 2004, Göran Henriksson, who had been a member only since the previous spring, was asked to leave the group.²¹¹ The incoming president was

²⁰⁷ LGM 2001:F12.

²⁰⁸ LGM 2001:F12.

²⁰⁹ LGM 2002:F11.

²¹⁰ LGM 2002:F12.

²¹¹ LGM 2004:S16.

assigned the task to contact Göran Henriksson with the intention to make him leave the group voluntarily. His newspaper *Östersunds-Posten* had left *FLT* for *Riksmedia*, an advertising package which according to the minutes would be a competitor to *FLT*. One may speculate that the fact that Göran Henriksson was heading a Centre Party newspaper rather than a liberal one, and that he was a very new member, might have made the decision easier, but the decision was still unprecedented in the group's minutes. Göran Henriksson's version of the same event is that he was indeed forbidden by his new CEO to participate in the Lindesberg Group, and that his decision to join another group for on advertising also came from *Centertidningar AB* and not himself. During his one year in the Lindesberg Group, he did not find that the group had very active discussions.²¹²

In spring 2004, a formal letter with Göran Henriksson's resignation was accepted "with regret". As a gift from the host newspaper, *Helsingborg Dagblad*, the president gave the members a pin in the form of an L in silver: an indication of the character of a club which the group had at this time.²¹³

The survey

A summary of a survey attached to the minutes for the fall meeting 2006 which gives good insight in the group's situation at this time. The active members made this survey and all twelve members responded. The reason for the survey was, according to the minutes, that critique had sometimes been expressed regarding the number of meetings per year, too dominating honorary members, and the fact that new newspaper groups had made it difficult to speak openly in the group. The last item about business groups is a new complaint in the minutes and it refers to the fact that merger activities had accelerated in the industry at this time.

The result from the survey was that all participants expressed that the group had a mission and that it should continue; however, one member wanted to leave the group if its forms did not change. Six members wanted both a meeting in spring and in fall, and six members wanted only a spring meeting. Some members wanted focus on the norm numbers and wished that the spring meeting could last for one day only and be finished with a dinner. Four members believed that honorary members were too dominating. The fact that some still had strong positions as chairman of the board of their respective company made it hard to have open discussions. For

²¹² Göran Henriksson, former President of *Östersunds-Posten*, interviewed by the author, September 14, 2011.

²¹³ LGM 2005:S1.

this reason, they wanted at least one meeting without honorary members. Six members believed the program for the member's spouses was important, but six believed that it should be abolished, one proposed participation in the fall meeting, and one only at the anniversary meetings.

More positive voices in the survey expressed that it was useful and nice to meet colleagues, and that it was a good occasion for discussing various issues. One person expressed that one should try to get more external lecturers. Someone expressed that the development of newspaper chains and various joint ventures had the effect that many issues were diluted when they reached the group. The work in the group was hindered by the fact that many members were being involved in discussions on mergers which hindered open exchange of opinions. Yet another member believed the future would hold no honorary members.

The author of the survey believed that the group was more important when you were new as CEO, and that the group became less important the longer you worked, unless as for a nice way to meet friends. It should also be possible to leave the group when one so wished. One meeting per year would set focus on the norm numbers, which was the core of the group and what everybody believed was important.²¹⁴

It seems that the group was split in two equal halves, six to six; one part was modernizers, the other more conservative, and the modernizers might have sensed that their time had come. This meeting in fall 2006 brought about major changes. Because the structural changes, such as the formation of the development company *Mkt Media* in the wake of the sales of the newspaper chain *Centertidningar AB*, the minutes stated, many members realized that these factors might change the preconditions for the Lindsberg Group, such as a reduced ability for openness because of the competition between members. It might also affect the ability to recruit to the group. C-G Carlson, himself an honorary member, suggested at this point that the honorary members should leave the room, and the active members then decided to implement new rules. Only one meeting should normally be held, in spring. This meeting should finish with lunch the second day. Only active members should participate in the working meetings. Programs with spouses should only be arranged at special occasions, such as anniversaries. Honorary members should be invited to the dinner the first day. An active member who leaved his CEO position should leave the group. No new honorary members would be allowed. A program

²¹⁴ LGM 2006:F. Attachment.

committee was formed by the current and incoming president in order to prepare the meetings, to which external speakers might be invited. At the end of this meeting, the present and coming presidents asked honorary members and all spouses to a special program with a common dinner as a final meeting.²¹⁵

The new rules were accepted during the next meeting.²¹⁶ These were about the same rules as the fall meeting had decided on. The main event on the agenda would be the benchmarking numbers. The meeting would continue from lunch the first day to lunch day two, with program for spouses day one. The archive for the group would to be accessible on a website with passwords. At the same meeting, a woman was suggested to become member for the first time, Renée Mohlert of *Östgöta Correspondenten*.²¹⁷

In October 2007, it was reported in that the Lindsberg Group elected a woman for membership and then closed down. The group had been considered secret and only for men, but Hans Rinkeborn, the group's last president, assured that there was no there had been no rule against women as members. The group no longer had a role in the new media landscape, Rinkeborn said, because there was other fora for sharing experiences. Renée Mohlert, the female manager who had been offered membership, also stated that she had been looking forward to the meetings but that there were many new other places for discussions.²¹⁸ In spring the next year, the group assembled for a last meeting in Trosa.

To conclude, the demise of the group was a prolonged process. There was considerable ambition to keep the group going and the forms were discussed for many years. Changes were also made, including simplified norm numbers, guest speakers, limitations for honorary members, and a less ambitious schedule. All the time, the norm numbers seems to have been the skeleton of the group.

The minutes give a mixed impression. On the one hand, one cannot escape the impression that the group was struggling to find reasons to continue when many of its previous functions had been taken over by other groups. Still, efforts were made to reform the norm numbers, and this also came at cost for the newspaper companies which these CEOs represent. Since it is reported in the minutes that many of the newspaper companies were economically solid, one may of course

²¹⁵ LGM 2006:F16.

²¹⁶ LGM 2007:S13.

²¹⁷ LGM 2007:S14.

²¹⁸ 'Lindsberggruppen valde in kvinna – och upphörde', *Medievärlden*, October 30, 2007.

speculate that less solid companies would be less interested in taking the costs for the norm numbers. Ivan Lennestål's letter from 1994 supports this notion.²¹⁹

One explanation is that the group continued for pure social reasons and nostalgia, and that the benchmarking was an excuse to keep the group going. There was, however, an ambition among some in the group to change its forms and to keep some of its functions. There was sensitive information in the group to kindly ask some to leave it, or alternatively, membership had an important symbolic value. There was a generation shift in the Lindesberg Group, and the general impression from the interviews is that the old members were very good friends, but the new members were not. Also, it is evident that also elder members took the initiative to discuss the group's organization. The first time the ability to recruit to the group was mentioned as a potential problem is fall 2006. Attendance was high to the end. Not much else suggested that discipline in other respect decreased.²²⁰

2.9. Categorization of the Lindesberg Group

This section compares the Lindesberg Group with some other organizational forms. The comparisons make it easier to see the nature of the functions of the group, which in turn makes the comparison to Centertidningar AB less complicated.

There were many similarities between the open price associations and the Lindesberg group. One major difference is that the companies often were direct competitors in the Lindesberg Group. Of the four functions which Berk and Schneiberg identify in the open price associations, a common language, deliberation, benchmarking, and the coupling of price stabilization and improvement, the Lindesberg Group shared the first three first of these. Price stabilization was not necessary on separate geographical markets. Discussions on prices took place as we will see below, but for other reasons. A more detailed analysis of the Lindesberg Group and the function of the open price associations in relation to the research questions in this dissertation will be made in chapter four.

Business groups and interfirm networks

As described in the theory section the definitions in this field are not clear. Granovetter's definition of business groups is very wide. Another argument is that

²¹⁹ LGM 1994:S9.

²²⁰ A rare occasion on lack of discipline in the group is at then end when one company did not provide the group with its benchmarking numbers, despite having promised to do so. LGM 2006:S12.

what makes business groups and interfirm networks distinct from other examples of organized cooperation is that they are composed of legally distinct firms and that they persist for long periods of time. The Lindesberg Group certainly fulfilled that criteria. Another distinction is that business groups are more closely held, while interfirm networks are more loosely held. Furthermore, they differ regarding ownership and control and level of transactions.²²¹

This can be illustrated in a matrix:

		<i>Level of intragroup/ internal transactions</i>	
		<i>Low</i>	<i>High</i>
<i>Ownership and control</i>	<i>Low</i>		Interfirm network
	<i>High</i>	Business group	Modern firm

Fig 6. Typology of interfirm cooperation I. Source: W.M. Fruin, ‘Business groups and interfirm networks’. In G. Jones, and J. Zeitlin (eds.), *The Oxford handbook of business history* (Oxford: Oxford University Press, 2008), 246.

Since there were no common ownership and control in the Lindesberg Group in the beginning of the group’s history, the group was mostly an interfirm network. Later, however, there were also some cases of interlocking boards in the group (interlocking boards have not been systematically described in this dissertation but they are mentioned in some of the interviews and the newspaper articles). The levels of transactions seem to have been low, at least at the end of the group’s history, and this should mean that we the group belongs to the upper left, empty corner in the figure.

In conclusion, the Lindesberg Group should reasonably be seen mainly as an interpersonal network. Membership was personal and one member, Ivan Lennestål, even complained in 1994 that considerations for company were subordinated when

²²¹ W.M. Fruin, Business groups and interfirm networks. In G. Jones, and J. Zeitlin (eds.), *The Oxford handbook of business history* (Oxford: Oxford University Press, 2008), 244-267.

selecting new members.²²² However, once a member was in the group, membership was also closely connected to the firm, thereby making the group an interfirm network as well. This is partly because openness and information exchange was almost total, but also because membership came to involve others, such as the financial managers and the accounting department in the members' companies. Expenses for meetings were covered by the company, not the members, and the creation of norm numbers was financed jointly by the companies. The members were selected in their professional roles and their membership status changed when they no longer were managers. Also, selection of members was limited to companies on the same political color, market position and size, making the membership choice partly restricted by company characteristics. Finally, the group's demise was partly the result of new ownership structures and new competition. The conclusion must be that the Lindesberg was both an interfirm network and an interpersonal network. However, the only transaction in this network was information, making it different from many other intrafirm networks. If we return to figure 1 illustrating the scale of interfirm cooperation from the theory section, we can place the Lindesberg Group in this simplified version:

Firm

Business group

Interfirm network

Lindesberg Group

Interpersonal network

Market

Categorizing a group like the Lindesberg Group illustrates the vagueness of the terminology in this area. Still, one can see an evolution over time. The character of personal network seems to have strengthened in the formal rules. Other things did not change however, such as the subset of companies which the group chooses from.

²²² LGM 1994:S5.

Cartels

Naturally, one may suspect that the Lindesberg Group was a forum for illegal price setting. There is a classic formulation of such suspicion by Adam Smith:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty or justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.²²³

Not much indicates that the Lindesberg group was an illegal price cartel in the traditional meaning of the word. The newspapers were active on separate geographical markets. Also, it is evident that prices for advertising and circulation varied between the companies, and they were anyway open for anyone to study. Nils Isaksson, one of the founders, denied that prices were set and also pointed to the fact that the size of the distribution area had a major impact on what price the newspaper could charge.²²⁴ Cal Wikström revealed that *Norra Västerbotten* had agreed to set advertising prices with its local competitor until the early 1980's, and that this was standard practice in the industry, but he denied that the Lindesberg Group was a cartel. In addition, it was not necessary to form such a group, since cartels were already possible to organize within the districts of the industry organization TU. Finally, if the Lindesberg Group was indeed a cartel, then it seems inefficient to choose member which were evenly distributed over the country, and it also seems inefficient to choose members from different newspapers instead of keeping the same newspapers within the group.

It is actually in the minutes of Centertidningar AB, described in the next chapter, that illegal price setting was revealed. At the constitutive meeting between managers in August 1976, one of the managers asked about the other companies' relation to their local competitors. The minutes openly stated that most of the newspaper companies had good contact with their competitors regarding price issues.²²⁵ There is no evidence in the Lindesberg Group that it was acting as a price cartel, but there

²²³ Adam Smith, *The Wealth of Nations*, Book I, Chapter X, Part II, 1776, p. 152.

²²⁴ Nils Isaksson, former CEO of *Norrbottens-Kuriren*, interviewed by the author, August 23, 2007.

²²⁵ CTCEO, August 26, 1976.

is one occasion where the group acts to restrict supply, namely when it decides not to act in favor of free dailies.²²⁶

The benchmarking numbers were called “norm numbers”, and naturally, the label “norm” indicates that being in the group could affect pricing. The problem of measuring this effect is considerable, however. For example, Cal Wikström argues that he compared himself with a subset of members in the group primarily, and so did Carl-Gustaf Carlsson. They chose companies which had reasonably similar conditions, and not the entire group. Since we do not know which companies each of the managers chose to compare with, quantifying the effect on benchmarking is challenging.

Guilds

One early form of cooperation between professionals was the guilds. There were some aspects in the Lindsberg Group which are reminiscent of this organizational type.²²⁷ Guilds often had geographical division of markets, but within guilds there were no fixed prices. The learning which took place, where less experienced learned from the more experienced, and the respect for the elder, is reminiscent of what may have taken place in the Lindsberg Group. The monopolistic situation in the guilds resembles what many of the members in the Lindsberg group experienced, even if competition was around the corner and if not from a newspaper in the same city, so from other media. The secrecy and the careful selection process of process is remindful of the guilds. One could even argue that the newspaper once stood out from other business enterprises, so that running it required specialized knowledge, as in a craft. In Centertidningar AB, described in the next chapter, Sören Karlsson, who was manager of *Norrtejlje Tidning* 1979-2005, explained his longevity in the industry with the fact that it could have been difficult for him to find another job since his skills were so specialized. He argued that process industry would have been closest (he became the head of local government in his city).²²⁸

One can also note that the Swedish word *tidningsmakare* has been used in the newspaper industry. The word is similar to *skomakare*, shoemaker, and indicates a similarity to a craft. As we will see in the case of Centertidningar AB, the specific

²²⁶ LGM 1989:S6.

²²⁷ The traditional view of guilds as resisting innovations has been challenged in more recent research. For an overview, see S. Ogilve, ‘Guilds, efficiency, and social capital: evidence from German proto-industry’, *Economic History Review*, vol. 57, no. 2, 2004, pp.286-333.

²²⁸ Sören Karlsson, former President of *Norrtejlje Tidning*, interviewed by the author, November 29, 2010.

knowledge gained by the experience of the managers (averaging more than twenty years in the industry) was used rhetorically to argue for less influence of the local politicians.

Industry organizations trace their roots to the guild system. While not being an industry association, the Lindesberg Group did serve as a forum for deliberation for some of the major actors in the industry organization. The function of the Lindesberg Group of diffusing knowledge was also partly replaced as the industry organization began a more active work in the areas of education and information.

Secret societies and old boy's networks

One could ask why not more newspaper companies were included in the Lindesberg Group. Was there anything stopping this? The subset of newspapers the Lindesberg group choose from - regional, center-right newspapers - was larger than twelve. One answer is group dynamics. 12 members was big enough for having constructive discussions. Honorary members were admitted to take part in discussions, however, which made the group larger than 12. Exclusivity itself could have played a role after some years. From the early norm numbers in the minutes we learn that there was a group called the *Palace group*, which is said to have been a group for newspapers with circulation between ten and twenty thousand copies: a comparison with the “Palace-norm” is sometimes made during the first years.²²⁹ One cannot know with certainty why this was the case, but one possibility a less exclusive club than the major rural newspapers was less attractive. There were other groups in the industry which took advantage of the open climate which the geographical structure provided, and compared benchmarking numbers.²³⁰ None of them seem to have established the same reputation in the industry as the Lindesberg Group and lasted as long as the Lindesberg Group did. The fact that many of the members were good friends, and that this was a reason why the group continued, is nothing the members try to hide. On the contrary, the friendship is explained as being instrumental for the group's function. In what is called an old boy's network, one is not allowed to talk business, and this makes such groups different from the Lindesberg Group.

Andrejs Johansson argues that secrecy is the foundation for the existence of secret societies (in Swedish, “slutna sällskap”), by which he means Freemasons and similar

²²⁹ LGN 1958.

²³⁰ J. Sigfridsson, 'Strategisk ekonomistyrning i tidningsföretag: aktionsforskning i ekonomisk ledningsinformation', PhD Dissertation, Stockholms Universitet, 1993.

organizations.²³¹ What happens within these groups is not known for outsiders, which is a part of its exclusivity. Swedish economic historian Therese Nordlund contends that within a closed community, status, unwritten rules and norms affect members. Submitting to this hierarchy is a precondition to take part in a certain group. Also, homosociality is, according to her, the norm in these groups.²³² There were only men in the Lindesberg Group, and as we will see, in Centertidningar AB. The Lindesberg Group did indeed elect a woman at the end, but chose to close down the group right before she could take part in any meeting. This was noted in media.²³³ However, to make the argument that it was a woman who ended the group, one must answer the question why the Lindesberg Group chose a woman in the first place. The sources clearly show that the group found it hard to continue for many other reasons, and it was already on the verge of disappearing. At the same time, the group had difficulties finding members during its last years, and *Gefle Dagblad* had been represented in the group during almost all of its years. This indeed points in the direction that the election of a woman as a member had been a necessity with unforeseen consequences.

Shacho-kai

Meetings between different categories of employees have been common in the Japanese groups, the Keiretsus. The presidents' meetings are called shacho-kai²³⁴ and are generally considered a post war phenomenon. They have been studied by Michael Gerlach.²³⁵ The records from these meetings are not available to the public, and Gerlach therefore uses interviews as source. The shacho-kai in some ways functions as a board of directors, but the shacho-kai is even more a forum for discussions. Gerlach identifies three functions: the shacho-kai establishes identity for the participants, which instills a sense of coherence; it creates a setting group wise concerns are negotiated, such as resolving conflicts among members, and it enhances the group's position in the larger business community by presenting the image of "a powerful and historically collective".²³⁶ The atmosphere is more one of camaraderie than of a formal meeting with a defined agenda. The list of participants

²³¹ A. Johansons, *Mysterier, ordnar och hemliga sällskap i skilda tider och religioner* (Hudiksvall: Åsak, 1985).

²³² T. Nordlund Edvinsson, *Broderskap i näringslivet: en studie om homosocialitet i Kung Orres jaktklubb 1890-1960* (Lund: Sekel, 2010), p. 132.

²³³ Lindesberggruppen valde i kvinna – och upphörde', *Medievärlden*, October 30, 2007.

²³⁴ Also spelled 'Shachō-kai'.

²³⁵ M. Gerlach, 'Alliance capitalism: the social organization of Japanese business' (Berkeley: University of California Press, Berkeley, 1992), pp. 104-110.

²³⁶ *Ibid.*, p. 107.

is available to the public. Externally, the shacho-kai signals to the business community that relationships exist, and gives the member company status of being associated with prestigious groups, for example Mitsubishi. Membership also sends a signal to managers in purchasing and finance departments that other members should be favored over others. The position of chairman rotates every meeting in some groups, and is fixed in others. However, Gerlach also mentions that there is hierarchy within these groups, and that senior members may have more influence than younger. The internal dynamics of the group reflect the competing interests for group level control versus company level independence.

The sources and method in this dissertation has not established if such hierarchies existed within the Lindesberg Group. Much speaks in the direction that the Lindesberg Group more was a group of equals. The only exception is Ivan Lennestål, who expressed that conservative newspapers were an exception in the group and not as welcome as the center-right newspapers.²³⁷ From the minutes it is evident that some members speak more than others, but it is difficult to draw any conclusions based on this fact. What is reminiscent of the shacho-kai, however, is that the center-right newspapers were dominant in the region press and that cooperation sometimes was governed by political affiliation. For example, the Social Democratic newspapers were not welcome to participate in FLT's national advertising packages. Membership in the Lindesberg Group can be seen as one expression of the common identity of the leading center-right newspapers.

Communities of practice

The recent literature on communities of practice takes its departure from the notion that people socialize and learn from each other. The distinct feature is that the networking is done in people's professional roles. One factor is that people create their own network organizations outside the corporate hierarchies without their manager's knowledge. The Lindesberg Group was similar to a community of practice by most definitions. It was on another level in the hierarchy however: communities of practice involve the relation between manager and employee, while the Lindesberg Group involves the relation between owner and manager. However, it lasted longer, personal relations sometimes went deep, it selected members unanimously, and the group institutionalized itself. Finally, calling the Lindesberg Group a network is questionable since it was a formalized group.

²³⁷ Ivan Lennestål, former President of Östersunds-Posten, interviewed by the author, September 6, 2011.

2.10. Other functions of the Lindesberg Group

Status

The secrecy of a group may also make people outside believe that something important is going on. One may speculate that this too played some part for the longevity of the Lindesberg group. Freemason is an example of a secretive group which often has been rumored to have influence. In other words, it is not necessarily what goes on in a secret group that matters, but it is the fact that people know that something could happen which create a value for the member. The status of belonging to a closed group may be higher than belonging to an open one, and if the discussions are secret, this privilege is probably even bigger.

An example of how the Lindesberg Group has been described is in the weekly magazine *Resumé*. On the cover of the magazine is a big headline, “Secret society governs Swedish press”, and in the beginning it is stated that while the members themselves downplays the importance of their power, *Resumé* declared that it had found that the CEOs controlled 21 Swedish newspapers, had 31 positions as CEOs in various companies, and held 42 board seats. The various positions of each CEO were listed.²³⁸ The reader is left with the impression that the CEOs govern Swedish media. As an outsider may never really know what actually happened in a group like this, one might easily project the idea that something very interesting happened and that the group was more important than it actually was.

The founder Nils Isaksson claimed that the group has been said to occupied seats in organizations as TU and FLT:

...one may perhaps also say that the members of the Erfa-Group more or less took over these newspaper phenomena as FLT, TU, TA et cetera. Suddenly it became more people in these positions and they all belonged to the Erfa-Group.²³⁹

The interviews with Cal Wikström and Arne Argus give a more modest view. In their mind, people in the Lindesberg Group happened to have important positions in TU and FLT. Wikströms states that when the Lindesberg Group met, FLT and TU had most of its board members in the group.

²³⁸ ‘Slutet sällskap styr svensk press’, *Resumé*, November 2, 2000.

²³⁹ Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2000.

Göran Johansson, the FLT chairman, could bring up FLT issues because he had almost the entire board there. And also general things which really were TU- issues... there were TU chairman Lennart Ohlsson-Leijon, almost everybody sat in TU's board... so it was also industry issues of different kinds.... conflict situations and how one should act, negotiation conflicts, but not the group officially... but I know that other people consider it a power factor, and it was so indirectly because important people in other contexts were in the group. It was possible to make your own voice heard via the group. But we were careful not to go out publicly and say that this is what the Lindesberg Group thinks. Other has considered it somewhat secret but still... powerful.²⁴⁰

One may perhaps wonder why the group was careful not to go out publicly and say what it believed, if it was not for the fact that it was indeed influential. Arne Argus claimed that people knew that the group stuck together.²⁴¹

The interviews give the general impression that elder members were proud of the group and its work. This is also evident in the media coverage of the group. In an interview with Lars Svensson, manager of *Helsingborgs Dagblad*, the president of the group, stated that “we have no secrets for each other's”. At about the same time, the minutes show that members have started to feel uneasy about talking openly.²⁴² The fact the group met twice a year was revealed.²⁴³ Also, all present members and honorary members were disclosed, meaning that the group revealed something which used to be secret.²⁴⁴ At the same time, the group said that its next meeting was secret.

A more balanced description was given by Hans Rinkeborn when the group closed down. He then stated that the group had been one of the places where actors could meet and discuss structural deals.²⁴⁵ The power of the group was recognized also outside the group; in one article it is stated that the Lindesberg Group “has sometimes been described as the grey eminences' center of power”. In a brief article in *Pressens Tidning* 2005, the Lindesbergs Group received attention for its 50 year celebration. There, a more critical attitude can be discerned; the article was headlined “gubbklubb turns 100” (*gubbklubb* means club for old men, where

²⁴⁰ Cal Wikström, former CEO of Norra Västerbotten, interviewed by the author, November 27, 2007. The author's italics.

²⁴¹ Arne Argus, former CEO of Östgöta Correspondenten, interviewed by the author, April 8, 2004.

²⁴² LGM 2005: V5.

²⁴³ 'Lindesbergsgruppen - gubbklubb fyller 100', *Pressens Tidning*, June 15, 2005.

²⁴⁴ Ibid.

²⁴⁵ 'Lindesbergsgruppen valde in kvinna – och upphörde', *Medievärlden*, October 30, 2007.

“gubbe” has a demeaning tone), and the article which quotes Rinkeborn above pointed out that the group closed down as soon as the first woman was about to enter the group.²⁴⁶ Clearly what was pointed out here was the dominance of men in the group.

When interviewed about Centertidningar AB, I also asked some of its managers, Sören Karlsson, about the Lindsberg Group. In his mind, the Lindsberg Group was very prestigious. Karlsson acknowledged some envy over the fact that his colleague Göran Henriksson had become member of the Lindsberg Group. According to him, Göran Henriksson had not talked about the Lindsberg Group with Sören Karlsson.²⁴⁷ For Lars Lundblad, CEO for Centertidningar AB between 1999 and 2005, the group represented the essence of the center-right newspapers domination of the Swedish newspaper industry since the beginning of the 19th century, and he believed that Göran Henriksson’s membership had been an attempt from dominant players to get confidential information about Centertidningar AB which they could use in the bidding process.²⁴⁸

Competition

When asked about how the norm numbers, Cal Wikström immediately told me that he competed in the group. Especially among more comparable companies, he wanted to be best. Nils Isaksson mentions that rewards were given to those who had cut costs most. Arne Argus claimed that some members had more of a competitive nature than others. For Ivan Lennestål the answer to the question if they competed in the group was easy: “if we did!” There was a friendly competition many years, where members predicted the circulation of its newspaper for the next year, and prices were awarded at the next meeting. The competition was important enough for one member to call in his prognosis when he was absent.²⁴⁹

Joint operations

There are only few examples of the group acting together as one unity in terms of operations or finance. An interesting case was in spring 1985, when the group was on the verge to form a financial arrangement. Rolf Jonsson described the results of a survey and found that capital among the newspapers was invested at an average

²⁴⁶ Ibid.

²⁴⁷ Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November 29, 2010.

²⁴⁸ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013.

²⁴⁹ LGM 1998:S2.

rate of 13,75 percent per year, with a span of 13-15 percent. Rolf had been in contact with two banks. The surplus liquidity was SEK 100 million, and the bank could offer 14,14 percent per year. Profit could be shared between bank and customer. The question was postponed to the fall meeting. A legal person or consortia would need to be formed. Rolf would make another survey before the fall meeting²⁵⁰. There is no further mentioning of this issue in the minutes, but Cal Wikström mentions that the group had been near a decision for cooperation.²⁵¹

2.12 Conclusion

If we return to the open price associations, we find many similarities. Benchmarking was developed by their users and associated with deliberation and learning. However, the Lindesberg Group also served many other functions for the member. It created friendship and eased his loneliness of leadership; the member gained knowledge of his company and its exact comparative standing; it had a rhetorical function, as the benchmarking made acceptance of proposals easier within his company; it served as a discussion forum for development in the industry; it served as replication of consulting, it replicated board functions, at least in the early years, with competence and pressure to perform; it gave inside information from TU, FLT and from member newspapers; it was a group of power, or at least gave the member the benefit of the reputation thereof; it gave status; it was an arena for competition for competitions sake, and it gave awareness on business cycles and better prediction with wide geographical scope.

The organization resembles many organizational types. It was something between an interpersonal network and an interfirm network, it was remindful of guilds, it had an exclusivity of a secret society, and it could be described as a community of practice. In some respects it sometimes also informally served as an informal board for the industrial associations in the industry.

Chapter four will more systematically analyze the functions of the open price association, and make a comparison to Centertidningar AB, which will be described in the following chapter.

²⁵⁰ LGM 1985:S7.

²⁵¹ Verified by Cal Wikström, May 19, 2013.

3. Centertidningar AB

3.1. Introduction

The theory chapter described Chandler's account of the multidivisional firm, as well as many theories on the differences between interfirm arrangements and corporate hierarchies. Recently, it has been argued that an interfirm arrangement, the open price associations, was an important alternative to the American merger wave. The previous chapter traced the main functions of the open price associations in a self-governed group, the Lindesberg Group. We saw that these functions were mainly expressed in meetings between managers in an interfirm arrangement without a legal form. This group remained a group of peers, in the sense that formal hierarchy was low within the group. The group shared many of the functions that the open price associations did, but it also had others, such as functions of governance.

This chapter contrasts the Lindesberg Group with a group of newspapers, Centertidningar AB, formally organized as a corporate hierarchy. The newspapers in this group were owned by the Centre Party 1973-2005. the Centertidningar AB was not a case of self-governance, but the subsidiaries were initially highly autonomous. This made differences among the companies in the Lindesberg Group small in this particular respect, but there were many other differences. As we will see, hierarchical integration increased at the end of the period, making the group more like a typical corporate hierarchy. Meetings between the managers were a forum for benchmarking and discussions, as in the open price associations and the Lindesberg Group, but just as in the Lindesberg Group, the meetings also had other functions.

The autonomy of the subsidiaries and their managers must be understood in the particular historical context in which this autonomy evolved. This chapter describes the meetings between the managers in the context of the corporate governance of Centertidningar AB. In particular, owners and labor, the stakeholders representing the hierarchy both above and below the managers, are described as well as the coordination in the group, and the relation between the parent company and its subsidiaries. Just as for the Lindesberg Group, the beginning and the end of the period are emphasized.

3.2. The history of the owner²⁵²

Centertidningar AB was owned by a Swedish political party, the Centre Party. The Centre Party traces its roots to *Bondeförbundet*, which was formed in 1913. It joined *Jordbrukarnas Riksförbund* in 1921 and formed *Bondeförbundet*. It then changed its name to *Landsbygdspartiet Bondeförbundet* in 1943, to *Centerpartiet-Bondeförbundet* in 1957, and to *Centerpartiet* in 1958.

The Centre Party's history reveals a pragmatic character and a willingness to cooperate. The party was initially reluctant to govern the country, and was primarily interested in protecting the interests of agriculture. However, in the beginning of 1930s, the party started to cooperate with the Social Democrats. This cooperation endured until 1936, when the party formed a government only for a summer. This government governed without the involvement of any other parties. However, after the national election in 1936, the party formed a government with the Social Democrats, which lasted until 1939, at which time the outbreak of World War II called for the formation a broad coalition government. Yet another coalition was formed with the Social Democrats in 1951. This coalition lasted until 1957, when the issue of a general pension system (ATP) broke the coalition.

In the election 1956, the party received its weakest support since 1917, nine percent of the votes. However, the debate on the pension system meant that the party was able to reach new groups. It managed to establish itself even in the cities, despite its agrarian heritage. In the national election in 1958, the party had considerable success, and a trend of growth continued until 1976.

During the 1960s, the party formed ties with the liberals, *Folkpartiet*, which saw a weakening of the ties to the Social Democrats. Environment and energy became important issues for the party from the late 1960s going forward. In the 1976 election, the main issue was nuclear power, to which the Centre Party was opposed. The party received a full 24 percent of the votes in this election, and the center-right parties received a majority, thereby ousting the Social Democrats from the power that had been their hands since 1932.

The Centre Party formed governments in 1982 with two other center-right parties, *Moderata Samlingspartiet* and *Folkpartiet*, but in various configurations, after having failed to cooperate on taxes in 1981 and on energy in 1978. In 1985, the party

²⁵² Main source this section is G. Jonnergård, *Så blev det Centerpartiet: Bondeförbunds- och centeridéerna från fjrtioalet fram till 1960* (Stockholm: LT, 2010), and 'Centerpartiet', Nationalencyklopien online.

formed an election cartel with the Christian Democrats.²⁵³ Between 1991 and 1994, and from 2006 until today, the party formed governments with the three center-right parties mentioned above. Between 1995 and 1998, the party once again cooperated with the Social Democrats, especially on important economic issues such as budget cuts for military defense, but this time without a formal coalition.²⁵⁴ After 2001, the party again turned to the right, by emphasizing small business, regional politics, and an explicit ambition for a non-socialistic government. Such a government was formed in 2006, and it was reelected in 2010.

An important part of the party's ideology has been its focus on decentralization. There are traces of this ideological element as early as in the 1910s and 1920s, when the party was against trusts, monopoly and bureaucracy. A more pronounced ideology came in the 1940s, and especially in the 1950s. The ideological elements were related to urbanization, and to the question of where business and housing should be located. There has also been a focus on small business, which the party believed was better suited to enable individuals to take initiative and responsibility. One has also been against centralization in the political system on the grounds that decisions should preferably be taken on the municipal level rather than in the central government. In the party program of 1959, decentralized governance was related to the nature of democracy itself in understanding that "to further the development of decentralized self-governance is to fulfill the inner core of democracy which is the cooperation of small units within a larger unit". In the early days of the party, there were also conservative values of care with the state's money and a reticence toward cultural changes.

It is a reasonable assumption that the Centre Party's pragmatism in terms of cooperation has been facilitated by the party's position in the right-left dimension of politics. In spite of often being able to affect politics on national level, however, the party experienced declining support after 1973 in national elections. Especially, support in metropolitan areas has declined considerably. *Miljöpartiet de Gröna*, the green party, has taken some of its EU-critical and ecology-friendly votes. The Centre Party holds regional strongholds (the provinces of Jämtland, Gotland, and Halland), but is generally weaker in metropolitan areas. As we will see, the party

²⁵³ The election cartel with the Centre Party made it possible for the Christian Democrats to pass the four percent threshold to the Parliament. The cooperation with Centre Party allowed the party one parliament seat. In 1991 the Christian Democrats were able to pass this threshold without the support of the Centre Party.

²⁵⁴ The Centre Party had staff in the government's departments but no cabinet seats.

acquired newspapers in two of the counties mentioned above, Jämtland and Halland.

The figure below illustrates that the Centre Party made the initial acquisition of the newspapers in Centertidningar AB at the party's historical peak in 1973.

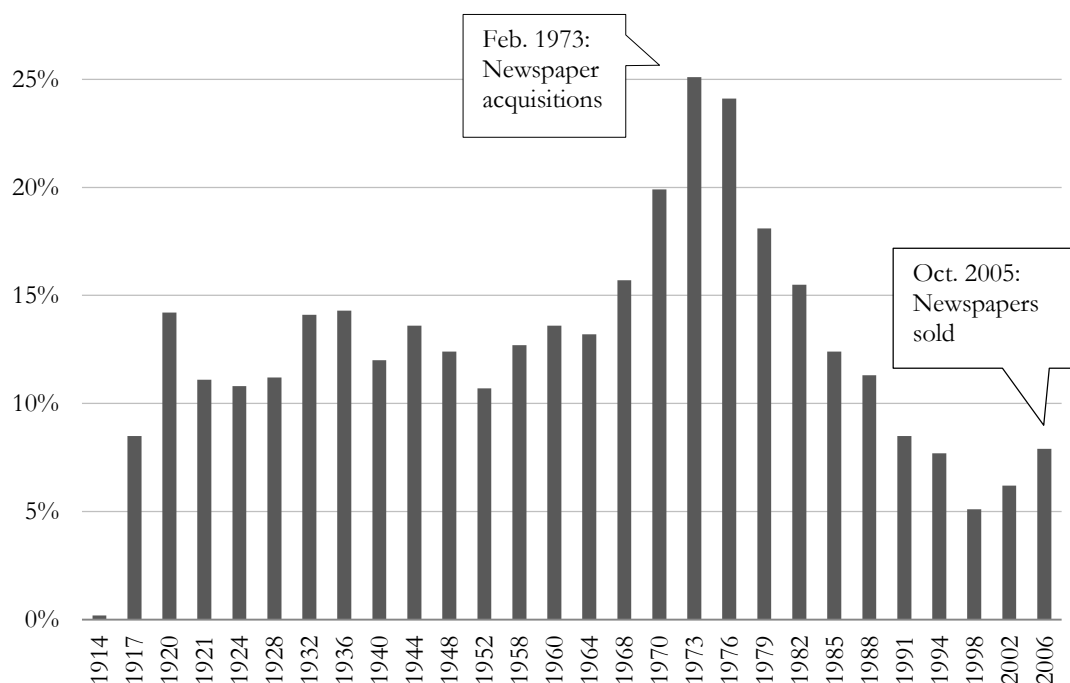


Fig 7. The Centre Party's results in national parliament elections 1914-2006. Source: Statistics Sweden.

Even if election results sloped downward after the acquisition of the newspapers, one should be careful not to infer causality, since the newspapers had local distribution, and election results, therefore, should be measured at county level rather than at national level. Many other factors aside from newspaper ownership have an effect on election results. In the Centre Party's case, some examples of such factors were urbanization and a decreasing agricultural sector.

3.3. The formation of Centertidningar AB

Politically, the acquisitions of Centertidningar AB took place in a context which required careful handling of the buyer. The acquisitions of the newspapers needed to be justified, both for the general public and for the employees.

The background to the acquisitions is that the income of the Centre Party rose as the party gained votes and influence in the early 1970s. As described in chapter four,

political parties received financial support from the state based on how many seats in the national parliament they held. The subsidies for newspapers, implemented in 1971, meant that the party's resources were no longer needed to support weak newspapers. Instead, the party's economy grew stronger. Since the party's support could weaken in the future, the party leadership argued that the economic surplus should be used strategically. The resulting decision was to acquire newspaper companies.²⁵⁵

In February 1973, a group of newspapers owned by businessman Armas Morby were acquired by the Centre Party. These newspapers had leading market positions in cities not far from Stockholm. Armas Morby had made money from cartoons, and he had bought *Södermanlands Nyheter* in Nyköping in 1956, *Länstidningen i Södertälje* in 1962, *Norrtejlje Tidning* in 1969, and *Nynäshamns-Posten* in 1970. These newspapers had a circulation of around 65 000. Before the acquisition of the Morby newspapers, the Centre Party was supported by nine dailies. In addition, more than a dozen weekly magazines were supporting the Centre Party.²⁵⁶ More important than circulation numbers was probably the improvement in geographic distribution.

Morby sold his newspapers unexpectedly.²⁵⁷ Criticism directed at the acquisition of the Morby newspapers was strong among some employees, who loudly complained that they had not been informed. This was likely an expression of the strong position which newspaper employees could have at the time. Previously, Morby's politically independent newspapers would now get a Centre Party label, which, naturally, inspired controversy. Also, newspapers' support for political parties was subject of general debate at this time. For example, *Dagens Nyheter*, the leading daily newspaper in Sweden, had declared itself politically independent at the time. SEK 1 million was set aside to a foundation for the employees at the time of the acquisition, a considerable sum in relation to the price for the newspaper chain, SEK 11,5 million. This price was a secret, and the acquisition itself was also supposed to be a secret for some time, but the story was revealed through the media.²⁵⁸ According to Allan Pettersson, high ranked in the party and soon to be CEO of the acquired newspapers, this caused Morby to demand SEK 1 million from the Centre Party in compensation, but Pettersson was able to calm an angry

²⁵⁵ L. Engblom et al., pp. 242-243.

²⁵⁶ Ibid.

²⁵⁷ K. E. Gustafsson (ed.), 'Origins and Dynamics of Concentration', *Media structure and the state: concepts, issues, measures, proceedings from an international symposium*, May 9-10, 1994, (Göteborg: Mass Media Research Unit, School of economics and commercial law. 1995), p.88.

²⁵⁸ L. Engblom et al. , pp. 242-243.

Morby down.²⁵⁹ His story is consistent with other sources describing Allan Pettersson as a politician with good social skills, and an ability to balance conflicting interests.²⁶⁰ Pettersson

A few years after the Centre Party acquired this newspaper chain, Prime Minister Torbjörn Fälldin of the Centre Party visited the newspaper company *Östersunds-Posten* at the celebration of its 100th anniversary in 1977. The party had acquired this newspaper in 1976 from a private owner. An interview in *Dagens Nyheter* gives an insight in the owner's official reasoning at this time. The leader of the party expressed his belief that it would be difficult for private owners to own newspapers in the future. He argued that *folkrörelser* should own the newspapers to a greater extent, and declared that this view had been the Centre Party's when it bought its newspapers in recent years. *Folkrörelser* is a form of social movement which was particularly important in the Scandinavian countries under the democratization. In Sweden, the most traditional *folkrörelser* were related to labor, religion outside the state controlled church, and soberness; the term itself typically carries positive associations. Now the leader of the party argued that if *folkrörelser* would own newspapers to a greater extent, they should not only be the voices for the organization which owned them.²⁶¹ Fälldin's statements should be viewed in the context that *Östersunds-Posten* had lost a substantial percentage of their readership after the newspaper now possessed a new political identity by virtue of the Centre Party's acquisitions.²⁶² As we will see, *Östersund-Posten* also had other problems, which became an impetus for organizing the discussions in Centertidningar AB.

Fälldin further said that *studieförbund*, a form of educational association often with idealistic agendas, had sprung from the idea of *folkrörelser*. If newspapers would be owned by organizations (i.e., not private owners) in the future, he presupposed that they should be operated in the same spirit as these educational associations – perhaps a comforting thought for those worried that *Östersunds-Posten* now turn into a biased party organ. Finally, he gave some hope for subsidies for leading newspapers with stressed financials, but he argued mainly for increased production subsidies, and subsidies for cooperation in distribution. That private ownership of newspapers could be contested at the time is evident in the phrase “regardless of one's position vis-à-vis private ownership of newspapers...”, clearly indicating that

²⁵⁹ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

²⁶⁰ For example, Tommy Ljung, former President of Södermanlands Nyheter, interviewed by the author, April 17, 2013.

²⁶¹ 'Fälldin om pressen: Ökat samarbete för överlevnad', *Dagens Nyheter*, September 4, 1977.

²⁶² L. Engblom et al., p. 259.

there was room for different opinions in this matter.²⁶³ Otherwise, Allan Pettersson claims, Fällidin seldom raised any questions regarding the newspapers to him.²⁶⁴

The situation was sensitive politically, and it was also challenging economically. The newspapers which the Centre Party bought were leading newspapers in their local market. This meant that they did not face the more fundamental problems which the second largest newspaper in an area typically suffered. These problems were self-inflicted and not caused by a weak market position. Cost cutting measures were taken at *Länstidningen i Södertälje* and *Norrtegelje Tidning*, especially the former, while *Södermanlands Nyheter* was in better financial condition.²⁶⁵ The bad economy of the newspapers is particularly emphasized in the interview with Bo Andersson, who became manager of *Länstidningen i Södertälje* in 1980.²⁶⁶ As owner, the Party could not be expected to support the newspapers with much more capital, and therefore one had little choice than to cut costs.²⁶⁷

After the Centre Party bought the Morby newspapers, the party not only became a significant actor in the industry; it also changed the structure of its newspaper holdings, from small newspapers with low publication frequency to big newspapers with high frequency, and from weak newspapers, second tier newspapers, to strong, first tier newspapers. During the second half of the 1970s, no less than eight newspapers with a frequency of one per week were started by the party, whereof six with the subsidies were introduced in 1976. Local party organizations were in charge of these start-ups. In regions where there was no Centre Party newspaper, one tried to remedy this. There was only one direct failure. This was in Stockholm in 1979; after this, no additional Centre Party newspapers with a publication frequency of one per week were started. The country was now essentially covered, but the Stockholm and Gothenburg areas remained white spots on the Centre Party's map.²⁶⁸

²⁶³ 'Fällidin om pressen: Ökat samarbete för överlevnad', *Dagens Nyheter*, September 4, 1977.

²⁶⁴ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

²⁶⁵ Bengt Björklund, CFO of Centertidningar AB, interviewed by the author, November 2, 2010 and Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

²⁶⁶ Bo Andersson, former CEO of *Länstidningen i Södertälje*, interviewed by the author, April 4, 2013.

²⁶⁷ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013.

²⁶⁸ L. Engblom et al., p. 258.

Structure of the group

Centertidningar AB grew over time, but with moderation. As mentioned, the Centre Party bought the *Morby Group* in 1973. *Hallands Nyheter* on the western coast of Sweden was acquired in 1975, and *Östersunds-Posten* in the middle of the country in 1976. The shares were first acquired via *AB Ess-Svalört*, and the newspaper group changed its name to Centertidningar AB in 1977.²⁶⁹ Both *Hallands Nyheter* and *Östersunds-Poste* were in Centre Party strongholds.

Centertidningar also acquired *Idrottsbladet*, a sports magazine. *Lidingö Tidning* was a weekly newspaper in a suburb of Stockholm, which became highly profitable. In 1999, *Hälsingetidningar AB* was formed. This was a group which included *Hudiksvalls Tidning*, *Hälsinge-Kuriren*, and *Ljusdalsposten*, all situated in the same region of the country. In an unusual construction at the time, Centertidningar AB owned fifty percent of the shares, while a private owner owned the remaining shares via *Ljusdals Tidning*. All these newspapers remained in the group until it was sold in 2005.

After Lars Lundblad became CEO for Centertidningar in 1999, the group became part-owners of *Ortstidningar i Väst*, which in turn owned *Kungsbacka-Posten*, *Kungälv-Posten*, and *Mölnåls-Posten*. These were small local newspapers near Gothenburg which were acquired because of the similarities with the profitable *Lidingö Tidning*. Centertidningar AB had 49 percent of the shares, and the media group *Gota Media* had the rest of the shares in this company. Centertidningar AB also owned 49 percent of *Riksmedia Sverige AB*, a major distributor of advertising with national distribution, which was associated with the labor controlled press. This acquisition also meant that Centertidningar AB no more used *FLT*, which provided similar service, as this would cause tensions between the CEO of Centertidningar AB and *Östersunds-Posten*. In addition, Centertidningar AB owned local radio via *Hälsingetidningar AB*, and commercial printing operation. The total number of employees at Centertidningar AB at the end of the period was about 700, more or less the number at the beginning of the period.²⁷⁰

²⁶⁹ CTCEO August 26, 1976.

²⁷⁰ Annual reports Centertidningar AB, 2004 and 1982.

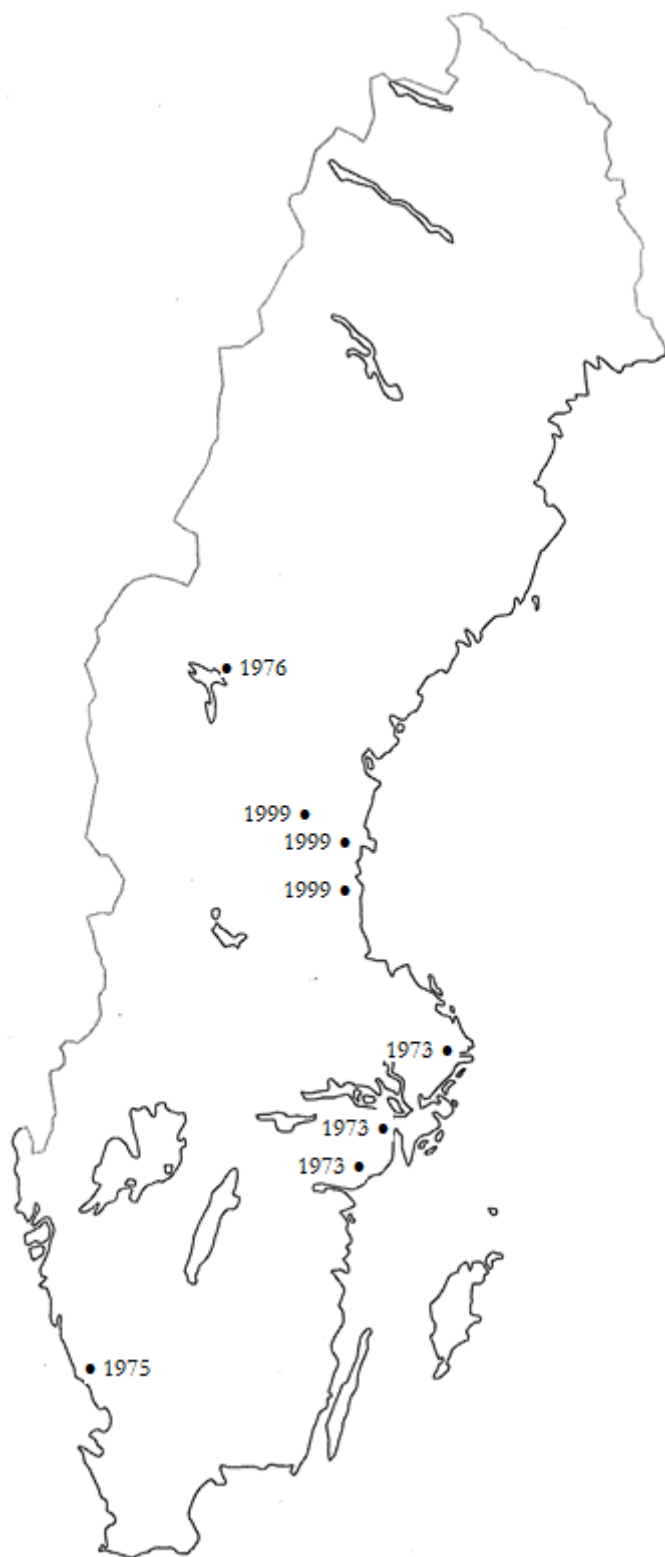


Figure 8.
Acquisition years for the major newspapers in Centertidningar AB.
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In the figure above, the acquisition years are shown for the major newspapers in the group: 1973 (in order from north to south) *Norrtefte Tidning*, *Länstidningen i Södertälje*, and *Södermanlands Nyheter*; 1975, *Hallands Nyheter*; 1976, *Östersunds-Posten*; and in 1999 the three newspapers in *Hälsingetidningar AB* (in order from north to south), *Ljusdalsposten*, *Hudiksvalls Tidning*, and *Hälsinge-Kuriren*.

3.4. Constitutive meeting with the managers²⁷¹

The first documented manager's meeting was in August 1976. This meeting provided information on the owner's intentions. It represented an early attempt to achieve coordination in the group, and to institute regular meetings between the managers.²⁷²

The meeting was organized by Ivan Lennestål, the newly appointed manager of *Östersunds-Posten*, a recent acquisition by Centertidningar AB. In a summoning letter in June 1976 he referred to the fact that many things had happened within the newspaper group recently, and that it therefore seemed desirable that the managers met in order to get to know each other. The purpose would be to gain understanding of the conditions at the various newspapers in the group, as well as the managers' hopes and wishes, but possibly also to find "common lines for future action". Since *Östersunds-Posten* was the latest addition to the group, and unknown to most of the other managers in the group, Lennestål argued that "it could be suitable to meet to in the middle of the country, i.e., Östersund". Östersund is in the very center of Sweden but it was certainly the most northern newspaper company in the group. It had high journalistic ambitions, to be a "Times of Norrland", and it would later seek cooperation with newspapers in the northern part of Sweden.²⁷³ In a responding letter before the meeting, one of the managers, Bengt Stenquist, thanked Lennestål for the initiative and hoped they would take place regularly.²⁷⁴ This suggests that meetings between managers did not take place before this occasion, at least not regularly. CEO Allan Pettersson confirms that there was no meeting with

²⁷¹ Main source of this chapter is CTCEO August 26, 1976.

²⁷² Participants were Bengt Björklund, Olle Ekström, Gösta Jansson, Ivan Lennestål, Rolf af Sandeberg, Bengt Stenquist, Gunnar Söder. Nils G Åsling, Member of Parliament was present the first day of the meeting.

²⁷³ Göran Henriksson, former President of *Östersunds-Posten*, interviewed by the author, September 14, 2011.

²⁷⁴ CTCEO June 23, 1976. Letter.

the managers before this time, and that he communicated with the managers individually prior to this meeting.²⁷⁵

The reason for the meeting was “the hope of achieving an exchange of experiences within the group and agreeing on a joint approach to, among other things, policy issues”.²⁷⁶ Lennestål had explained in his invitation letter that those who had proposed topics should prepare to open these discussions; it is evident that the agenda was not set by group management or the owner, but by the participating managers.²⁷⁷

Nils G. Åsling, a member of the national parliament who would soon become minister of industry, was present at the meeting. When interviewed for this dissertation, Ivan Lennestål claimed that the reason for the Centre Party’s acquisition of *Östersunds-Posten* was that Nils G. Åsling was from the area; however, another explanation is that the region was a Centre Party stronghold. Lennestål claimed that he had convened the meeting since *Östersunds-Posten* was in a challenging situation, not least in the domain of technology.²⁷⁸

The Lindesberg Group, described in the previous chapter, may have influenced Centertidningar AB. He had worked closely as financial manager with Nils Isaksson at *Norrbotten-Kuriren*. Isaksson was a member of the Lindesberg Group. Lennestål had been using that group’s benchmarking numbers in the internal work of the newspaper, and learned from Isaksson about the benefits of the Lindesberg Group. This was the reason why he thought about having similar meetings in Centertidningar AB.²⁷⁹

It is also stated in the minutes that Lennestål showed the norm numbers which belonged to the Erfa-group of which *Östersunds-Posten* previously had been part. This Erfa-group most likely refers to the Lindesberg Group described in the previous chapter. Gunnar Söder, head of the board of the parent company Ess-Svalört, stated that he was positive to the development of such numbers, and that they could possibly produce a joint accounting system for the newspapers.²⁸⁰ As we will see, the CFO had already started to build the administrative systems in the group at this

²⁷⁵ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

²⁷⁶ CTCEO August 26, 1976.

²⁷⁷ CTCEO August 23, 1976. Letter.

²⁷⁸ Ivan Lennestål, former President of *Östersunds-Posten*, interviewed by the author, September 6, 2011.

²⁷⁹ Ibid.

²⁸⁰ Ibid.

point; however, his end result differed from what the Lindesberg Group had produced.²⁸¹

The purpose behind the Centre Party's acquisitions was discussed at this meeting. Gunnar Söder started the meeting by describing the organization of the Ess-Svalört group. Under the headline "policy issues", he declared that the reason why the Centre Party had bought the newspapers was that Centertidningar AB wanted to make its voice heard in the public debate. The owner's interest was not to create a profit center, but to have operations which were "economically warranted".²⁸²

So far, the owner had not clearly defined the policy for editorial guidance, Söder said. Opinions were expressed in the editorial column, and page two was also generally important, because it was there that the debates on society and culture were presented. Otherwise, the newspapers worked as news agencies where events and opinions were expressed objectively, Söder noted. However, he said that there was a catch with the news for the Centre Party, namely, that the movement was held accountable for the content in the newspaper even when this content did not concern the political direction.²⁸³

Söder continued by discussing the consequences of ownership, specifically that the Centre Party's ownership of the firm did not mean that there would be a change in attitude toward different aspects in the ongoing societal debate. Cooperation ought to function well both within the group and externally. The industrial associations TA, TU and FLT would reasonably not be affected by the fact that there was one single owner of the newspapers, or that the Centre Party was the owner, Söder argued. However, there were some issues related to the fact that the Centre Party was the owner. FLT supplied good material which many newspapers used, but Söder had considered the problem with political news and found that the press service which the Centre Party operated did not always function as desired for the daily newspapers. Söder thought it would be an advantage if one could get FLT to employ a Centre Party journalist to give service to the Centre Party newspapers. This was, according to Söder, an interesting idea, not least from the owners' perspective, considering the ambitions one had.

Another important question was personnel development and training courses. According to Söder, this was important for all departments, administrative, editorial,

²⁸¹ CTCEO August 26, 1976.

²⁸² Ibid.

²⁸³ Ibid.

and technical, that “We should appear as well-informed and progressive employers”, Söder said. Journalists who came to the newspapers should get an opportunity to develop and improve as professionals. A common policy was needed in the group. A discussion on this issue should take place within Svalört together with other Centre Party newspapers or generally in the industry. From the owner’s perspective it was important with education in general social issues as well as political issues on regional and national level. From the standpoint of the Centre Party, it was important to provide further education to journalists, so they would know where the Centre Party stood, and so they should be more qualified to exercise their profession as journalists.

The first meeting also contained discussions of cooperation within the group, a topic which proved to be a common theme during the coming years of meetings between the managers. Regarding commercial printing, Söder did not believe that the current production could be sustained, and that a reduction was needed. A survey had been sent to the companies in the group with the purpose of reaching a long term strategy. Generally speaking, Söder said, there was an overcapacity of commercial printing in the country. As we will see, the newspaper group would develop considerable printing capacity beyond the need for the newspapers.

Söder did not believe there would be anything gained from cooperation on the advertising and circulation aspects of the newspapers’ operations. Each newspaper needed to find partners for cooperation within its own geographical area. When it came to commercial printing, however, it would be desirable to sell together. Cooperation on marketing could be valuable. The national market could be coordinated with a salesman for commercial printing. The development in commercial printing was to a great extent determined by cooperation, according to Söder.

Regarding economic issues, Söder said that the administrative systems would be monitored. There would be an economic policy for each company, and for the group at large. There were no aspects of party politics involved this matter, but it was in the group’s best interests to employ the same system within the entire group, and to share experiences. There was a need to find forums for a constructive cooperation within the group, beyond the board of the parent company, where members could have general discussions. When it came to concrete projects, for example a transition to new accounting systems, this should be handled very concretely and precisely. Söder concluded by saying that the group should also try to present itself, possibly in print.

The first meeting also produced the decision to change the name of the group to *Centertidningar* (“Centre newspapers”). Even though this name only covered the newspapers and not the commercial printing operations of the companies, Söder still believed the name covered the main purpose of the parent company.

To summarize, there was not one single reason why meetings between managers came about in *Centertidningar AB*, and different persons arrived at this idea from different perspectives. The initiator to the very first meeting of managers was Ivan Lennestål, inspired by his former newspaper *Norrbottnen-Kuriren*’s membership in the Lindesberg Group, and by the challenging situation he found himself in as newly appointed manager at *Östersunds-Posten*, his first assignment as manager. This newspaper had problems with its printings plant, and unexpected, tough competition from *Länstidningen i Östersund*. As we will see, within a few years, a situation evolved where the newspaper came close to bankruptcy. Lennestål had the sharing of experiences in mind, and expressly stated that participants should include those familiar with economical and technical questions. He argued that printing plants were a problem for many newspapers, and that it would be a good idea if that problem could be discussed collectively.

The institutionalization of the meetings among managers, however, was proposed by CFO Bengt Björklund. He raised the issue from a governance perspective. He had thought of a group as a complement to the management of Ess-Svalört. Most of the discussion relevant for meetings between managers on this first meeting was, therefore, under the headline “management team within the group”) in the minutes. His idea was a group composed of representatives from the parent company and from the management of the different subsidiaries where common policy in industry matters could be discussed.

Given that Björklund worked alone at the parent company with a high ranking party official (before Pettersson became Party secretary, he was responsible for its financial control) as his only companion, a person who in all likelihood was very busy, it is perhaps not surprising that he wanted to find other places for discussions than around his board.²⁸⁴ He immediately got support for the idea: Bengt Stenquist and Olle Ekström, both managers for newspapers in the group, expressed it to be evident that managers for all the newspapers in the group should participate in such a group. They also proposed that group management could appoint task groups depending on the issue at hand. Gunnar Söder shared the view that there was a need

²⁸⁴ Bengt Björklund, former CFO of *Centertidningar AB*, interviewed by the author, April 26, 2013.

for deliberation, since some functions could not be saddled on the board of Ess-Svalört. He believed such a group should meet twice a year, once in the fall during budget work, and once in the spring when annual reports were finished, and that project teams would be assigned when needed. In addition, as described above, Söder seemed to believe that the board was an insufficient forum for discussions on the administrative systems which were developed at the time. A reasonable interpretation is that Söder did not believe that the board of the parent company had competence on such economic and administrative issues.

It was decided that the managers of the subsidiaries would form the group, together with CFO Bengt Björklund from the parent company and its CEO Allan Pettersson or Gunnar Söder. A name for these meetings was decided, namely, *VD-träff*, (“CEO-meetings”), and CFO Bengt Björklund would convene the group.

In summary, it was evident in 1976, three years after the initial acquisition, that the political aspect of newspapers was emphasized by the owner. The owner’s objectives regarding this were not expressed with precision, however, and neither were the economic objectives. Even though Söder said that there would be no changes - that the news should be objective and that politics would be reserved for the editorial page - he also made clear that the reason for the acquisitions was political, and not economical. In particular, the stress on education of journalists seem to indicate that there could have been, after all, some ambition to have influence on the journalists. In addition, ownership was intent in having newspapers seen as good employers. It was also clearly expressed that newspapers, and not commercial printing, was the owner’s main interest, even if commercial printing was not ignored.

To describe the situation as a crisis, as was the case when the Lindesberg Group was formed, would be to exaggerate. However, technology was a challenge at the time, as well as the accounting systems which had started to be developed by Björklund. Needs related both to governance and knowledge were reasons for the meetings. It is noteworthy that the initiative for the meetings came from three sides: from the management of the parent company, from the owner, and from the managers of the subsidiaries. This need may have been latent for some time prior to this first meeting, but the meetings did not start until a manager from a newly acquired newspaper took the initiative, and even then most likely because he was inspired by his experience with the Lindesberg Group.

3.5. The creation of a financial manager for the group (CFO)

Coordination was generally difficult when Centertidningar AB was formed. This was not only because of a desire to keep the local character and local governance of the newspapers. On the local boards, there were one or two politicians from the local branch of the Centre Party. It was therefore difficult to argue for coordination in the group.²⁸⁵ It is easy to imagine that local politicians did not want to be responsible for any loss of jobs in the region or to lose coverage of local news.²⁸⁶ One of the first acts of coordination in group was the creation in 1976 of a financial manager for the group. After the first acquisitions, it was quickly realized that the companies used different accounting principles, and a central function was therefore needed to coordinate this. This became the job of Bengt Björklund, who before this had been the CFO for a construction company with the same number of employees (around 700) as Centertidningar AB. He started with a joint chart of accounts, and a design for reports regarding volumes, advertising, and employees. The purpose was to improve comparability across the subsidies, and to coordinate various functions, first of all accounting.²⁸⁷ This need for comparison reminds one of the comparability which the Lindesberg Group desired to create with its benchmarking system.

Björklund's account today is supported by a description from 1979. The purpose of creating a financial manager was to create consistent routines for accounting within the group. Included was also the task of the financial manager to serve as advisor on issues related to economic inquires and organization, to follow continuously developments within the accounting field, and keep contact with the auditor of the group on issues related to accounting. The financial manager was responsible for group accounting, the annual report of the parent company, and the annual report of the group. This traditional description of a CFO contrasts with the consistent picture in the sources that Björklund's role gradually would turn into something much more significant. In fact, Björklund became the person who, in practice, managed the daily operations of the newspapers.²⁸⁸

²⁸⁵ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010; Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November, 2010.

²⁸⁶ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010.

²⁸⁷ Ibid.

²⁸⁸ CTCEO November 15, 1979. Attached basis for the discussions.

When asked if comparing newspapers was an important method for learning, Björklund agreed. He could ask what was behind a certain figure, how a manager had treated a particular type of account, and “investigate a bit”. Companies outside Centertidningar AB were not used for comparison, and neither were international newspaper companies, just as in the Lindsberg Group. With such companies, where other accounting standards were employed, comparisons would necessarily be made on a higher level, and would, therefore, be too rudimentary, Björklund argued.²⁸⁹ A rudimentary form of benchmarking was actually present already at the very first meeting with the managers. Bengt Björklund showed a summary of the companies’ first year results for advertising income with adjustments for depreciation as well as for commercial printing.²⁹⁰

The coordination of accounting activities was not necessary for any legal reasons, but in the beginning it was important internal accountability, according to Björklund. It was known that some subsidiaries were less well managed. In this way, it was discovered that there were in fact problems at some companies, and appropriate remedial actions were taken. Traditional key ratios were developed on a more general level. Comparisons between companies became easier over the years, even if local variations that challenged the accounting system were unavoidable. This difficulty is remindful both of what was experienced in the Lindsberg Group and the open price associations.

According to Björklund, it was Bengt Stenquist, one of the more experienced managers in the group, who had specifically required that such a position be created. The companies were not comparable because of different accounting systems, and addressing this problem was one important reason why Allan Pettersson employed Björklund.²⁹¹

Another thing which is reminiscent of the Lindsberg Group is how benchmarking was used rhetorically. Björklund argued that key ratios could become an end in itself, if one did not take any action. After some years, he experienced what he called “registration for registration’s own sake”. Centertidningar AB therefore started to use project groups. Björklund assembled persons in each company with knowledge of an issue, and he then looked at, for example, effectiveness in distribution or

²⁸⁹ Ibid.

²⁹⁰ CTCEO August 26, 1976.

²⁹¹ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, May 2, 2013.

banking costs. After the project was completed, the group was dissolved.²⁹² Banking costs was addressed as a project, where one of the newspapers had higher costs than the others. Björklund assembled information from all companies, and, backed with this comparison, the local financial manager was able to negotiate better terms with the bank.²⁹³

The companies within Centertidningar AB had the same deadlines for reports, and all reports were designed in the same way. One also cooperated on IT - the subsidiaries had the same IT service bureau in the beginning²⁹⁴

3.6. Meetings between the managers during the first years

This section describes the meetings between the managers during the first years. The meetings gives evidence of many attempts to cooperate which never materialized, the many irregularities of the meetings, the confusion about what the owner really wanted, how governance in the group developed, and how the development of administrative systems evolved. The history is described until late 1981, when a management team with Björklund as executive vice president was formed.

As described previously, the meetings between managers and management in Östersund in August 1976 became the constitutive meeting for further meetings between managers. Some months after this first meeting the managers were convened by Bengt Björklund to the headquarters of *Norrteälje Tidning*, one hour's drive from Stockholm. The meeting was only one day long, with a dinner in the evening. The meeting started with a delay for coffee, the minutes state laconically. It is hard to imagine something similar in the Lindesberg Group described in the previous chapter, where, in 1977, Cal Wikström was reprimanded for coming 15 minutes too late.²⁹⁵

Even if this meeting was short, it did include plans for further meetings. Bengt Stenquist, the manager of *Gustav Österberg Tryckerier*, which owned *Norrteälje Tidning* and *Länstidningen i Södertälje*, requested regular meetings during for 1977. The head of

²⁹² Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010.

²⁹³ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013.

²⁹⁴ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010.

²⁹⁵ Cal Wikström, former CEO of *Norrbottens-Kuriren*, interviewed by the author, November 27, 2007.

group, Allan Pettersson, emphasized the importance of such meetings, and a total of four meetings were scheduled, with different persons were assigned to convene them. According to the minutes, Stenquist also made some suggestions for improving the communication between top management in the subsidiaries in the group. The minutes do not state exactly which suggestion he made, but one must certainly have been about conference telephones with taping capacity, since CFO Björklund was assigned with the task to investigate this matter.²⁹⁶

Bengt Stenquist is described in the sources as a skillful newspaper leader who had a higher profile than the other managers in the group. This was partly natural since he was formally the head of both *Norrtälje Tidning* and *Länstidningen i Södertälje* until 1979, but he also was portrayed as a person who may have had ambitions to become CEO of the group before the Morby assets were acquired by Centertidningar AB. In comparison to Sören Karlsson and Bo Andersson, who would join Centertidningar AB some years later, Stenquist was many years older. Allan Pettersson replaced the other managers in the Morby newspapers, but in a manner which is consistent with many other descriptions of Allan Pettersson. He did not want to take such a decision right away. First, he wanted to get to know the managers and reach the decision together with them.²⁹⁷

Stenquist further asked what the party thought about its possibilities for participating in the work of the newspaper companies in the future. This was a natural question since the party now led the national government. CEO Allan Pettersson answered that despite the increased workload in conjunction with the shift in national government, he believed that it was very important for him to maintain contacts with the newspapers in the group to the same extent as before. He also promised to work just as before, even if it this would be in his leisure time.²⁹⁸

One wonders what leisure time Pettersson referred to. The Centre Party since the last meeting had risen to power in the country after many decades of Social Democratic governments, as a result of the election on September 19th. The Party secretary for the largest party in the government, composed of three coalition parties with little experience in governing the country, was reasonably expected to have some very busy years. He remained in this position under formative years for Centertidningar AB, until 1984, when he would have more time for them.

²⁹⁶ CTCEO December 9, 1976.

²⁹⁷ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

²⁹⁸ CTCEO December 9, 1976.

An early attempt at cooperation in the group was *Scandinavian copyright*. The market manager at *Länstidningen i Södertälje*, Arne Engström, informed about his plans to activate a passive company, *Scandinavian copyright*. This would be to form a marketing and advertising company where the newspapers in the group could buy services. The interest for this was very strong among the participants, but they wanted to know more about costs and other related aspects. There was also a request that Engström would be outsourced to *Norrtegelje Tidning* before their transition to tabloid format, and to *Östersunds-Posten* in conjunction with its transition to morning distribution of the newspaper.²⁹⁹ *Östersunds-Posten* was at this time a rare example of a daily newspaper distributed in the afternoons. Tabloidization and format changes were a lengthy process in the regional press, and it is distinct from the more recent wave of tabloidization of the metropolitan press.³⁰⁰ To outsource someone to another company in the group is also a form of cooperation, and this happened but only occasionally, according to Björklund.³⁰¹ Another example occurred when Bo Andersson became manager for *Östersunds-Posten* for some years.³⁰²

However, the first topic at the meeting was a presentation of a financial report. A basic system for group accounting was in place at this time. Advertising numbers for volume and income were mentioned, but not the circulation numbers. This shows a business perspective, since advertising income is more volatile for a newspaper, and also easier to do anything about. Circulation measures, on the other hand, are often highly relevant for journalistic values. But the “central report” from the parent company did obviously not yet include everything. On the initiative of one of the other managers, Rolf af Sandeberg, prices for advertising and circulation were accounted for by each of the managers at the end of the meeting. The managers also presented a forecast for the coming year. As one of many irregularities in the organization of the meetings of managers, *Hallands Nyheter* was represented by its financial manager as well as by its manager at this meeting, while the other companies only sent their managers.

²⁹⁹ Ibid.

³⁰⁰ J. Sternvik, J. 'The transition to the small format: tabloidization: drivers and consequences,' in *Hamrin symposium 2008, Hamrin symposium 2008* (Media Management and Transformation Centre, Internationella Handelshögskolan, Jönköping, 2009). pp. 171-193.

³⁰¹ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010.

³⁰² Bo Andersson, former CEO of 2010, CEO *Länstidningen i Södertälje*, interviewed by the author, April 4, 2013.

Another form of cooperation started at this point. Bengt Arvidsson from *A-pressen* – a guest lecturer at the meeting from the labor controlled press – accounted for their administrative systems. The participants at the meeting were very positive to this, and asked Bengt Björklund to investigate the costs and the opportunities for their newspapers to join this system.³⁰³ Bengt Arvidsson would later continue as technical manager at *Norrtelje Tidning AB*, and is described in the sources to have been an important part of developing the printing plant operations in the group.³⁰⁴ He later became manager of the subsidiary *Tabloidtryck AB* which was established at the end of Centertidningar AB's history.

In early 1977, the managers convened in Stockholm. An accountant from the accounting bureau of an association for agriculture, *Lantbrukarnas Riksförbund*, participated, probably for the first item of the meeting: Björklund informed about the administrative system for the labor controlled *A-pressen* and the construction company *BPA* (also controlled by the labor movement) regarding a computerized accounting system for the newspapers within Centertidningar AB. All of the participants agreed that this was necessary, and approved that one should proceed. A meeting for information and consultation with department heads and unions was planned. The word “approved” was used here, which indicates that the approval from the managers for the subsidiaries was desirable at this point.

Stenquist asked about opinions on an idea that Centertidningar AB would advertise for candidates for various positions in the newspapers, and maintain an “employment bank” for use when the need arose. This was considered interesting by the others participants, but not realistic. The question as to *Scandinavian Copyright* should be activated, and perform operations was on the agenda again, and participants noted that this would not be difficult to arrange. The participating newspaper companies would buy advertising and education services via this company, which would fall under CFO Björklund's management responsibility.

An example of the philosophy of decentralization of the owner at the time is noted from Bengt Stenquist's informing that he had been approached by *Förenings sparbanken*, a bank which traditionally was close to the agriculture sector, and indirectly also close to the Centre Party. He asked about the other newspapers' bank relations, and about the owner's position in this matter. Allan Pettersson said

³⁰³ CTCEO December 9, 1976.

³⁰⁴ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013, and Tommy Ljung, former President of Södermanlands Nyheter, interviewed by the author, April, 2013.

that there were no immediate needs or special wishes regarding this issue. The newspaper companies could choose bank relations as they saw fit. Bo Andersson could also choose another bank, *PK Banken*, because he found that *Förenings sparbanken* did not offer the same value for his company. Even if the high ranking party member Nils G Åsling was negative to this, Bo Andersson could have his way in this matter.³⁰⁵

Some participants emphasized that Björklund should be placed with an office of his own in Stockholm in order to give better service to the companies. Allan Pettersson said he would consider this. The expression “give service” which is used regarding Björklund here indicates that his role was far from authoritarian at this point.

When we survey the budget for 1977, we can see that the CFO had access to figures to the department level of detail at this point. It was decided that if there were to be a decrease of advertising volume this would be compensated for with a further increase in the advertising prices in order to keep the budget for incomes. This was, therefore, a situation where the subsidiaries’ pricing decisions were coordinated via budgetary requirements. The subsidiaries had freedom within reasonable limits to set their own prices, but the budget was decided in the local boards and Björklund and Pettersson could veto decisions there if necessary.³⁰⁶

This is also an example where the comparison of numbers also led to action. The negative development of circulation was discussed, and one concluded that this likely was the result of increases in prices. To compensate for this, one needed to improve the products to make them worth the price. The group proposed the organization of a meeting on product development with invited experts later during the year.

Norrtejlje Tidning accounted for their plans for product development. It was also briefly stated in the minutes that the managers told the meeting about their experiences with the new MBL-law. This law made strengthened labor in Swedish companies, for example by giving unions the right to information and influence in companies. As we will see, this issue returned in 1981, when the employees wanted representation on the boards.

³⁰⁵ Bo Andersson, former CEO of 2010, CEO Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

³⁰⁶ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013.

The next meeting came about in conjunction with the meetings for the industrial associations TU and TA in Stockholm. According to Bengt Björklund, it often happened that the managers convened at such occasions.³⁰⁷ From the summoning letter we know that it was a much shorter meeting than previously. The summoning letter from Björklund was headlined “Broder”, brother. At the same time, the agenda shows that the minutes from the previous meeting would be surveyed, indicating a level of formality which would eventually decrease over the coming years of meetings.³⁰⁸

Despite these initial meetings among the managers in the group, there was also some frustration over lack of action and communication at this time. In August 1977, one year after the first meeting, Bengt Björklund received a letter from Bengt Stenquist, attached to a note from *Televerket*, the Swedish national telephone company. The note signaled *Televerket*'s information referred to an investigation, claiming that three out of ten meetings could be replaced by group conversation on telephone. Stenquist wondered “if the solution to our communication problems have been delayed indefinitely as many other things”. Even if it would be nice to meet one another in person, he said, this issue should be discussed at the next meeting, “if not the cooperation issues are postponed altogether”.³⁰⁹

What do the owners want?

Managers in the Lindesberg Group could be frustrated over the lack of clarity from their owners regarding the financial objectives of the companies. As we will see, this was true in *Centertidningar AB* as well. The next meeting, in Södertälje, was postponed a few weeks, but when once it began, it deal with important central issues. Bengt Stenquist talked on “cooperation in theory and practice – what do the owners want” for a full hour. He wondered about the owner’s view on other forms of cooperation within *Centertidningar AB*, and with other groups of newspapers, such as the labor controlled *A-pressen*. Stenquist argued that cooperation in the group on advertising and technical cooperation was hardly feasible for geographical reasons. However, Stenquist did ask about cooperation with the *A-pressen* at this meeting, and this is because these newspapers were generally the second largest newspapers in the cities where *Centertidningar AB* was active, and, therefore, were more realistic candidates for cooperation.

³⁰⁷ Bengt Björklund, former CFO and VP of *Centertidningar AB*, interviewed by the author, November 10, 2010.

³⁰⁸ CTCEO May 2, 1977, and CTCEO, April 26 1977. Letter.

³⁰⁹ CTCEO August 8, 1977. Letter.

Allan Pettersson said that cooperation was absolutely necessary during the 1980's. Bengt Björklund argued that one should distinguish between party politics and press politics, this should reasonably be seen as a pragmatic view on cooperation with the leading opposition party's newspapers.

At this point, Stenquist even required a decision on this matter from the board of the parent company, but Pettersson did not find this necessary. Instead, he wanted to discuss this issue further. He proposed that the forthcoming meeting in spring would be used for discussing possibilities for cooperating on editorial, technical, and advertising matters, within the newspapers in Centertidningar AB, but also with other partners, such as local competitors. The theme would be "cooperation on the eve of the 80's".

Stenquist also wanted to know what the owners expected from the newspaper companies in terms of operating profit. He raised this issue since the subsidiaries would now need to contribute to the margins of the parent company. Björklund said that the newspapers should calculate seven öre for every sold advertisement in the budget work for contribution margin.³¹⁰ Allan Pettersson explained that one needed to cover costs for the borrowed capital³¹¹ and central functions, and in addition, every company should have money for depreciation and forthcoming investments. However, Pettersson said that they needed to get back to the issue of level operating profits later, and that this issue was a matter for the board of the parent company.

It is clear where Pettersson drew the line here. He wanted to discuss the issues of cooperation with the managers rather than with his board, but the question of requisite profit was obviously a question for the parent company. Since cooperation concerned relations between the subsidiaries, it seemed reasonable to discuss such matters with them.

However, Stenquist did not stop here. He desired a coordinated investment budget for all the companies for the next 5 to 10 years. Bengt Björklund approved, and said that it was generally desirable with a so called LSP, a long term plan, in which an investment budget and other factors would be included. Allan Pettersson told the managers to investigate their needs for investments and make plans for the next five years; the next meeting should have a discussion on this, and the aggregate need for investments would then be evident.

³¹⁰ Öre is 1/100 of a Swedish crown.

³¹¹ The acquisitions were financed with bank loans.

The situation in *Östersund* was accounted for by its manager Ivan Lennestål. *Östersunds-Posten* is the only example in Swedish newspaper history of a leading newspaper overtaken by the second largest newspaper in an area. *Östersunds-Posten* was passed by *Länstidningen i Östersund* in 1981, four years after this meeting. There were four alternative plans at this stage: to sell the entire printing plant and build a new printing plant outside the city; to let someone else build and rent; to build just a new printing plant outside the city; or, finally, to cooperate with *Länstidningen Östersund* technically and with advertising.³¹²

Björklund presented the annual report for 1976, and the results for the year so far. Only the end line profit is stated in the minutes, a clear indication of where his focus was. At the very end of the meeting, the managers accounted for volumes, circulation and prices, as well as their present plan for the future.³¹³

It is striking that at this meeting, fundamental issues, such as required rate of return from the owners and strategic issues of cooperation and investment, were raised by one of the managers of a subsidiary, not by group management. Attached to the minutes for this meeting is a news article in the leading daily *Dagens Nyheter* where Torbjörn Fällidin, the leader of the Centre Party, is reported visiting *Östersunds-Posten* in conjunction with its 100 year celebration. In the article, he declared that newspaper companies should cooperate more. He expressed strong belief in the future for the local newspapers, and even for local radio, which had been established in Sweden just a couple of months before his visit to *Östersunds-Posten*.³¹⁴ One interpretation is that the issue of cooperation became timely at the meeting because of this article.

Investments are needed

Around Christmas 1977, the managers convened again in Stockholm, and this time the need for investments somewhat suddenly became apparent. Each manager gave a presentation. *Östersunds-Posten* needed SEK 15 million, and the rest SEK 5 million each. Together, the newspapers needed SEK 35 million, which the minutes state was “a scaring figure”. The question was raised if this was the situation in the industry at large, and Allan Pettersson emphasized that restructuring was needed in the industry. Rolf af Sandeberg of *Norrtelege Tidning* wanted a long term plan for

³¹² The final solution was for a printing plant in Östersund.

³¹³ CTCEO October 19, 1977.

³¹⁴ 'Fällidin om pressen: Ökat samarbete för överlevnad', *Dagens Nyheter*, September 4, 1977. This is the same article which is quoted in section 3.3.

Centertidningar AB, as well as a plan for the development in the entire industry. CFO Bengt Björklund found the need for investments unusually high, even if it varied on the various newspapers.

The ongoing tabloidization of *Norrtelje Tidning* was also discussed. The situation in Östersund was again reported by Ivan Lennestål – an ongoing inquiry by external experts was still in progress, and would be presented within weeks. It was not only *Östersunds-Posten* which faced problems; *Södertörns Tryckerier* also did at this time. Allan Pettersson declared that a temporary action was needed to let CFO Björklund become the vice president of the company. This would also mean that Björklund could spend only 75 percent of his time on his primary task as CFO of the group. All present managers regretted this. Again, requests to move Björklund's office to Stockholm were made – strong requests say the minutes this time - and it was requested that he should spend only one day or two days per week in Södertälje. Allan Pettersson promised to look into the issue of Björklund's office, and thought he could make arrangements. The interpretation must be that the managers were positive concerning Björklund's work so far. One could easily have imagined that the managers believed that Björklund infringed on their autonomy in his role in the central administration, but this does not seem to have been the case.

However, it took until 1997 for Björklund to move his office to Stockholm. It was considered valuable that he had his office at a newspaper. When he moved to Stockholm, it became much easier to visit him.³¹⁵ Not only was the parent company extremely small, namely, one part time employed CEO, one CFO, and a part time employed secretary, but for a long time the full time CFO was not located optimally for those who wanted to visit him.

Another irregularity of the meetings was that the financial manager from *Hallands Nyheter*, who had come together with his manager at the two previous meetings, came alone and replaced his manager. Two CEO meetings were planned ahead, this time with themes, one for product development in Falkenberg, and one for long term planning in Nyköping. The first meeting took place in August 1978. The summoning letter explained that the first day would be reserved for a “traditional managers' meeting” (this was the seventh such meeting), which would discuss development of advertising and circulation, economic results and a report from *Östersunds-Posten*. The next day, however, was clearly not traditional; it would be

³¹⁵ Bengt Björklund, former CFO and VP of *Centertidningar AB*, interviewed by the author, November 10, 2010.

reserved for product development. Editor-in-chiefs as well as managing editors, or other persons responsible for the product, were all welcome. Rooms were reserved for three persons from each newspaper, making this meeting more like a conference.

It is evident that 1,5 years after the first meeting in Östersund, it was still far from clear what the owners wanted. The first item on the schedule was reserved for CEO Allan Pettersson, who spoke on the issue “the newspaper groups’ objectives – what do the owners want with the newspapers?”, and after him - but speaking half an hour longer than his superior - Bengt Stenquist discussed the topic “what do we, who work at the newspapers, want. Level of ambition, resources in the future contra the demands from the owners”.³¹⁶

In late 1979, the managers met again, on the island Åland. In conjunction with Björklund presenting volumes of advertising at the beginning of the meeting, the group discussed the situation with so called advertising sheets - free dailies - and the meeting concluded that they were “here to stay”. Free dailies were clearly not new to the regional press when it arose as a worldwide phenomenon after the introduction of Metro in 1994. This meeting gives very clear evidence that the focus of the CFO was on profit. Overhead slides are preserved, and on the first slide there were four columns for financial results. There are no circulation figures at all on the slides. In terms of sharing experiences, Ivan Lennestål reported on the new *Östersunds-Posten*, where there were new technologies which would give better options for color, and a new format, the so called Berliner format. This format is somewhere between broad sheet and tabloid. Bo Andersson, the newly employed manager of *Länstidningen Södertälje*, reported that his company would decrease its size to tabloid format, as well as try to improve on product quality. Format changes are major changes for newspapers, and they involve the entire company. That format changes were now being considered for *Norrtälje Tidning*, *Östersunds-Posten* and *Länstidningen i Södertälje* is an indication that the times were challenging for the companies.

The cooperation with the labor controlled press continued. A computerized system for news agencies, *ABC*, was presented by Björklund. The system would be developed by *ABC Tidningsadministration AB* and be ready at the end of the year. Centertidningar AB owned 49 percent of this company, while the rest was owned by *A-pressen AB*. The system presented at the meeting was a system for the Stockholm office of *A-pressen*, with capacity for more news agencies. A minicomputer delivered

³¹⁶ CTCEO April 13, 1978.

by *Nortext Grafiska AB* was placed at a central computer location. There was a telex net from the computer central, and the minicomputer was connected to terminals and printers at the news agencies. The newspapers were supplied by special printers delivered by *Televerket*, the state controlled telephone company. The total costs for *Centertidningar AB* would be split evenly between the subsidiaries.

This system was an example of cooperation between two newspaper companies which were competitors economically as well as politically. An interesting feature of the system is that it allowed for confidentiality, so that each news agency was protected from outside view. One reason why competitors did not cooperate on printing plants was the suspicion that the second newspaper in line would steal the first newspaper's news.³¹⁷ This problem of confidentiality was apparently more easily solved in the digital world.

The full second day was spent on the organization of the group. Bo Andersson from *Länstidningen i Södertälje* gave an account of his first impression as newly employed. More than anything else, he would like to see gains from coordination in the group. Bengt Björklund started a discussion on extended central organization in *Centertidningar AB* with a prepared basis for the discussions.³¹⁸ He had made a long list of possible areas for cooperation, and analyzed their pros and cons.

A club for the managers

In conjunction with this meeting on Åland, the managers organized. A so called *VD-klubb*, (CEO-club) was formed. The group declared its intentions on a document signed by each of the managers of the subsidiaries.³¹⁹ The stated purpose of this club for the managers was to provide collegial cooperation and advice on issues related to the companies, and also to serve the task of "service organ" and advisory group.

The managers declared that the group had 112 years of experience in the newspaper industry, and that it was not presumptuous to argue that they could assist in important and difficult issues of various kinds. They hoped that colleagues, the parent company, and the owners would use this resource. The club should not be

³¹⁷ S. Melesko, 'Den helige produktionsapparaten – funderingar kring en branschlogik', in Carlsson, U. (ed.), *Pennan, Penningen och Politiken – medier och medieföretag förr och nu* (Göteborg: Nordicom, 2003), pp. 53-55.

³¹⁸ There is a seven page document attached to the minutes.

³¹⁹ Bo Andersson, Gösta Jansson, Sören Karlsson, Ivan Lennestål and Bengt Stenquist. CTCEO November 15, 1979.

seen as a union, the letter states, and the managers therefore felt that they did not need to refrain from discussing human resource matters. When needed, the managers would call on CFO Bengt Björklund to be co-opted, or other persons who could contribute with knowledge and experiences.

The document signals self-awareness and a reversed order in relation to the parent company. The group formed itself as an advisory board without the initiative of its formal superiors, and declared that it was competent to give their superiors advice. The CFO Björklund would be called as adjunct “when needed”. The word “club” signals collegiality, but it should also be noted that the Swedish labor unions also organized in clubs, “fackklubbar”; one should, therefore, be careful when drawing conclusions from how a group chose to label itself.

After having dealt with the issue of cooperation in Centertidningar AB extensively in late 1979, the meeting in spring 1980 in Södertälje became the first managers’ meeting when the issue on how to cooperate in the group did not arise. Only one form of cooperation was mentioned in the meeting, namely, an external guest, Antti Daschek from *ABC*, informed on word processing and possibilities for coordination of word processing and administrative systems.

Antti Daschek had once employed Sören Karlsson at *A-pressen*, where Bengt Björklund also worked at the time. They had all worked with accounting or computing and were around the same age. Lars Lundblad, who became CEO of *Centertidningar AB* in 1999, also developed relations to Daschek, Karlsson and Björklund at this time. Lundblad worked with IT at *Arbetet* in Malmö, which was the most important newspaper in the *A-pressen* group, and he had projects in Stockholm.³²⁰ Some leading persons in *Centertidningar AB* thus had a background in *A-pressen*. Lars Lundblad, who later would become CEO for *Centertidningar AB*, believed that these second place newspapers had to work harder and be better than the first place newspapers. However, there was also frustration, for, as Sören Karlsson said, “there was no business at *A-pressen*”, but there would be business for him at *Centertidningar AB*.³²¹

³²⁰ Lars Lundblad, former CEO of *Centertidningar AB*, interviewed by the author, April 22, 2013; Sören Karlsson, former President of *Norrtejlje Tidning*, interviewed by the author, December 10, 2010.

³²¹ Lars Lundblad, former CEO of *Centertidningar AB*, interviewed by the author, April 22, 2013; Sören Karlsson, former President of *Norrtejlje Tidning*, interviewed by the author, December 10, 2010.

At this meeting, there was also a call for stricter financial return requirements. The Swedish word “strikt” probably meant a more clearly defined target, but there is also a possibility that it meant a more demanding one. From the minutes, it is not evident who raised this issue, but as it is phrased there, it seems to have been the managers and not Bengt Björklund. Sören Karlsson confirms that such targets were indeed desired by the managers.³²² Björklund stated that he possibly would suggest further development of the economic targets for the group.

Applications for the position as manager in Falkenberg were discussed. The meeting decided to send the board in Falkenberg a note wherein five persons were suggested for further evaluation. Evidently, the managers had influence over whom they should be include in their group. Even if this was not the same process for selecting members as in the Lindesberg Group, there is a similarity here in that the managers had influence in this respect.

In terms of sharing experiences, Bo Andersson reported on the transformation to tabloid format. The new product had been well received on the market but it was too early to pass a judgement on its impact. Ivan Lenneståhl informed on the change of printing plants in Östersund. This had been problematic, with delays and technical problems, but overall issues had been resolved and the present product was a good one.

Bengt Stenquist recommended that the subsidiaries participate in the spring meeting of FLT. If a subsidiary could not send a representative, it should still participate by authorizing attendance for some other newspaper or magazines affiliated with the Centre Party. This is the only time in the minutes where the other newspapers supporting the Centre Party was mentioned. The journalists had contact with these newspapers in an organization called *Föreningen Centerjournalister*. Otherwise, the contacts were sparse.³²³

Stenquist, for the third time, raised the question which he had raised for the first time three years earlier, namely the possibility of having group conversations on telephone. These would be for shorter discussions, and as an alternative to meetings. The participants once again agreed with Stenquist, and assigned Björklund to arrange such a meeting at a suitable time. In my interviews with Sören Karlssons

³²² Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November 29, 2010.

³²³ Bengt Björklund, former CFO and VP of Centertidningar AB, interviewed by the author, May 2, 2013.

he did not recall that any such meetings ever took place.³²⁴ Evidently, there was intent to meet in person for these manager's meetings, just as it was the case in the Lindesberg Group and in the open price associations.

The first meeting abroad was in Portugal in fall 1980. It was a five-day meeting, and the longest thus far. An important issue for the meeting was the system of subsidies, and this is extensively commented upon in the minutes. Besides giving a view of what the managers thought about this critical question, it is also rare example where inside information was given to the managers thanks to Allan Pettersson's double role as manager and politician. He informed that he was now on a reference group which would discuss the inquiry *Dagspresskommittéen* before the government made propositions to the parliament, and that SEK 30 million was now earmarked to be saved on the support to the daily newspapers.

It is evident that Pettersson generally had a positive view on the subsidies. He thought the system had met the objectives that the government had set up, but he also thought one needed to be observant. There were weaknesses in the construction of the system, which should be corrected, but it was a challenge to design reasonable rules. He informed that there probably would be other rules for subsidies for development, and that the subsidies for cooperation on distribution would be changed. He did not believe newspapers with a circulation under 30,000 would be affected, which was the case for all the newspapers within Centertidningar AB, with the exception if *Östersunds-Posten*.

The managers had different views on the subsidies. Kjell-Åke Abel at *Östersunds-Posten* believed that the subsidies should be split into two parts, one for the business operations of the newspapers and one for the message in them. Bo Andersson wondered why the government did not require rationalizations in the newspaper industry.

Once again, the need for cooperation was emphasized. Bengt Björklund pointed out the need to keep costs under control since Centertidningar AB could not rely on subsidies. The problems were significant when investing in new technology, and the industry could not meet the wave of investment requirements in the 1980's without cooperation. Subsidies for cooperation and development needed to remain, he argued.

³²⁴ Ibid.

Each manager told the meeting about their present situation. At this time *Östersunds-Posten's* situation had become critical. The costs for changing printing plants had been SEK 1 million, about three times more than expected. There was now a risk that the newspaper would be surpassed by its competitor. There is a full 18-page attachment in the minutes, a clear indication about the seriousness of the situation, and that much time was spent on this at the meeting. The situation was serious also for *Norrtekte Tidning* – without being subsidized by commercial printing the newspaper would not survive. The archive contains extensive documentation for all newspapers, in which their challenges and their present situations were described in detail.

The managers organize their boards

Under the headline “the board is an unexploited resource”, Bengt Björklund quoted a book with the title “effective work in boards.” The author Ulf af Trolle was at this time a well know professor of business administration in Sweden, who also ventured to save companies in crises. A decision was taken to distribute the book to all board members of the newspaper companies, via *Södertörns Förlagsaktiebolag*. A quite unusual form of interfirm cooperation thus materialized here. A printing plant in the group was used to distribute advice to the local boards.

Björklund also presented a proposal for a program for local boards. The proposal contained fifteen items which boards should follow. He even specified for which quarter of the year each of the enumerated tasks should be performed. It was decided at the meeting that this program should be the foundation for the work of the boards. Even though this idea originally came from the CFO, it shows that it was possible for the managers to have influence on the way their local boards organized their work at this point. Furthermore, it also shows that a decision was taken on how the local boards should work, without asking the rest of the members of the local boards.

Manager from	On the board of
Södertörns Tryckeri AB	Hallands Nyheter
Östersund-Posten	Norrtejlje Tidning
Hallands Nyheter	Södermanlands Nyheter
Norrtejlje Tidning	Södertörns Tryckeri AB
Södermanlands Nyheter	Östersunds-Posten

Table 2. Proposal for interlocking boards in Centertidningar AB. (Södertörns Tryckeri AB was the parent company of *Länstidningen i Södertälje*). Source: CTCEO October 23, 1980. Attachment.

Table 2 illustrates a suggestion for the interlocking boards which Björklund proposed at the meeting. In order to deepen the local board's the knowledge of the newspapers, he believed that there should be a rotating schedule where managers worked as adjunct members. This system of interlocking boards was seen as having three main advantages: each manager would see the other managers more often, and also the owner, who was represented on all boards; the board would be provided knowledge of the industry; and there would be greater understanding for the whole picture, and for the problems on group level. The only disadvantage would be costs. Clearly, the CFO thought the local boards needed more competence in the newspaper industry.

Allan Pettersson rejected this idea, and argued that there should be no fixed schedule, and that managers, if they would participate, should be regular members of the boards. Björklund is described in the sources as the person who in practice ran the operations of the newspapers, but at this occasion, it is evident that Pettersson could counter Björklund's ideas when needed.

As it turned out, having managers on their boards turned out to have negative sides as well. Björklund mentions that it was difficult for the manager to focus on the company whose board he was on, instead of constantly referring to his own company. Therefore, board interlocks were not established at *Östersunds-Posten* and *Hallands Nyheter*, and did not become a dominant feature in the group.³²⁵

³²⁵ Bengt Björklund, former CFO and VP of Centertidningar AB, interviewed by the author, April 26, 2013.

There was also an attachment with minutes from a meeting with the financial managers which had taken place a week before the managers' meeting. This became the constitutive meeting for regular meetings with another level in the companies, and should be seen as important step in the cooperation within the group. Some of the minutes for these meetings are preserved, and they are generally much more technical in nature than the senior managers' meetings. They dealt with detailed issues of accounting and IT. Other issues at these meetings were the situation for the IT company *ABC*, budget, and reports on results.

Even if this meeting lasted many days, there were still some issues which had not been discussed, and which needed to be postponed to the next meeting in Östersund. These were “a decentralized newspaper system - what is our policy?”, “A year with *Norrteå Tidning*”, and “why CEO-club?” However, the meeting planned for December in Östersund was cancelled. It was not until the end of May, therefore, that the managers convened in Södertälje. Two important issues of governance would dominate this meeting.

The minutes first refer to the previous meeting which had raised the issue of managers becoming co-opted members on the local boards. Allan Pettersson had been reluctant, say the minutes, as he preferred regular membership. Also, it had been decided that the issue should be raised at the shareholder's meeting in 1981. Now, Pettersson told the meeting that the issue would not be discussed at the shareholder's meetings in 1981. Instead they should wait until there were regular board positions available for the managers. Pettersson claims that he was hesitant to make these changes in governance mainly because he believed that they were taking place too quickly.³²⁶

Bengt Stenquist then argued that managers were an unexploited resource which should be used in the board work. The managers now had 125 years of experience as a collective, he said. His figure had now grown with 13 years since the CEO-club had been formed one and a half years previously, when the sum was 112 years, possible because the inclusion of a new manager. This calculation makes 25 years for each manager, clearly reflecting that the managers had a background in the industry, and that they were not externally recruited at this time. Stenquist emphasized that it was important with specific knowledge of newspapers in the local boards, and that *the politicians should be kept off the boards*. It was decided that the

³²⁶ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

question of managers as members of the local boards would be raised well before the regular permanent shareholder's meetings in 1982.

Thus, it was clearly expressed that one purpose with interlocking boards was to reduce local politicians' influence over the newspaper companies. Rhetorically, the argument was that specific knowledge of newspapers companies and experience of newspaper mattered. It is noteworthy that the meetings between the managers had exactly the purpose of sharing experiences based on their specific knowledge about running newspapers, and that such knowledge was now given precedence over more general knowledge, such as the newspaper's role in the local community, which local politicians actually might have. An alternative interpretation is, of course, that the managers thought that local politicians were lacking both specific knowledge and more general knowledge.

It is also interesting to note that the managers were willing to reduce the influence of local politicians at the cost of becoming more dependent on the CEO and the other managers in the group. This was not an obvious choice. One could also have expected that the managers would have preferred to strengthen their local autonomy by cooperating with the local politicians vis-à-vis the parent company, or the other companies in the group. This is consistent with the perception that the managers had a common interest, or perhaps even that they formed a common identity, in contrast to representatives of the non-profit related sides of the company, exemplified by journalists and politicians.

The discussions on the interlocking boards took place less than one year after a meeting where many new forms of cooperation were discussed. One interpretation is that Björklund came to think of yet another form of cooperation afterwards, but it is also possible that the implementation of cooperation within the group ran the risk of meeting resistance from local boards, hence the need to increase the understanding of these measures by electing people who understood their necessity. This interpretation is given some support in the interview with Björklund, who claimed that local politicians sometimes resisted change which could affect local employment.³²⁷ Sören Karlsson also claimed that there often were complaints when

³²⁷ Bengt Björklund, former CFO and VP of Centertidningar AB, interviewed by the author, November 10, 2010.

measures such as closing local offices for the newspaper, or decreasing the area of distribution, were taken.³²⁸

Meetings between employees

The other issue of governance at this meeting was that of a so-called *reference group* to the board of the parent company. The employees wanted do the same thing as the managers did in their meetings, namely, to meet and share experiences. Reference groups were composed of representatives of the employees, and this was a direct consequence of a law, *Lagen om styrelserepresentation för de anställda (LSA)*, a law for board representation of employees.

Björklund explained to the meeting that this law contained general guidelines, which, among other things, stated that one should see the group, i.e. Centertidningar AB, as one entity when electing representatives for the employees to the parent company. He also took the effort to quote the background documentation for the law.³²⁹ Therein mentioned were opportunities for representatives of the employees to familiarize themselves with the issues, opportunities to consult with their contact groups and reference groups through regular meetings, and recommendations that the companies should pay for this. In the government's proposition to the parliament from 1975, the head of the ministry stated that he believed it was important that representatives of the employees conduct contact activities, as well as should representatives of the unions, and he stated that the parties involved should regulate these matters between them. Representatives for unions in the boards had the right to compensation, and free time for preparation before board meetings as well as for contact activities after the board meetings. These arrangements were regulated in another law, *Förtroendemannalagen*. Björklund ended his presentation by giving examples of how this recent law had given rise to demands for influence from labor.

Bengt Björklund and the managing editor at *Norrteje Tidning*, had prepared this issue, and had proposed that one union representative from each company and local union be given the right to meet every year on the expense of the subsidiaries. Mårtensson suggested that the reference group should meet twice a year. The question at hand was therefore to pay for meetings between representatives -

³²⁸ Sören Karlsson, former President of *Norrteje Tidning*, interviewed by the author, November 27, 2010.

³²⁹ In Swedish law, inquiries and propositions which precede legislation can sometimes be referred to in a court of law and are often more important than precedent cases.

meetings which actually had many similarities with the meetings between the managers.

Not surprisingly, this idea met with some reluctance from the managers. One representative from each company should suffice. Sören Karlsson argued that the proposal was excessively far reaching, and explicitly referred to the labor controlled *A-pressen*; there was no reason to be more ambitious than they already were. According to Karlsson, *A-pressen* was generally seen as a warning example, and this is an occasion where this materialized. Karlsson had experienced from his time at *A-pressen* that this group had opportunities to do well, but that they failed to do so because they did not have the courage to close down their worst newspapers, which instead became a burden for the group.³³⁰

Sture Lagerberg at *Hallands Nyheter* had assigned Bengt Björklund to fulfill his proposal, namely to start with meetings once a year. Allan Pettersson pointed out the positive aspects, that such meetings could enhance cooperation in the group, and provide better information. He thought it was important that the parent company had a channel where they could reach employees on all subsidiaries. His next statement reflected the decentralized philosophy of the group: the parent company would accept the proposals from the subsidiaries since this matter would be dealt with in each subsidiary, as planning and cost control were their responsibilities. Also, the issue had been postponed at the board meeting of the parent company, while waiting for the managers' opinions on this matter.

It was decided that Sören Karlsson would counter with a proposal to the board of the parent company. The proposal would be based on fewer participants, and on the idea of choosing representatives who were already on the local boards of the subsidiaries.

Quickly the managers now took the occasion to balance the unions' initiative. Bo Andersson stated that the subsidiaries knew too little of what happened in the parent company, and that one of the managers should represent them there. Allan Pettersson responded that he did not mind if a manager was represented as permanent member on the board. Bengt Stenquist now represented the *industry* on the board. The owner would elect the person whom the CEO-club chose, Pettersson said. This means that the newly formed CEO-club was recognized as a collective by the CEO. It is an unusual arrangement in Swedish corporate

³³⁰ Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November 29, 2010.

governance that a collective of managers for subsidiaries collectively decides who will be on the parent company's board. According to Bo Andersson, who became this representative for many years, it was once pointed out to him by Åke Pettersson, Allan Petterssons successor as party secretary, that it is not the managers but the owners who formally take decisions as to who shall be members of the board.³³¹

The Centre Party's national organization owned all the shares in Centertidningar AB, but local politicians were certainly not far from the formal owner, since they were members of the Centre Party. Tommy Ljung, manager of Södermanlands Nyheter, argues that the local politicians indeed seemed to perceive themselves as owners sometimes.³³² In this meeting of managers, there were, therefore, plans to reduce the influence of representatives of the owner, namely, local politicians on local boards, and as the very next item on the agenda accommodate representatives for labor on the parent company's board. Certainly this last measure was taken with reluctance and was forced by recent institutional change. Nevertheless, at the end of the day, it is clear evidence that labor was a stronger stakeholder than the owner here.

The meeting ended with yet another change of governance: Sören Karlsson expressed his and his colleague's appreciation for getting Allan Pettersson as CEO for the group on a full time basis, a change that would not last long.

The next meeting for which minutes are preserved was in Gothenburg in September 1981. The government had introduced a stop for price increases at this time. This stop affected the newspapers negatively, and could cause administrative problems if it continued, the minutes state. Bengt Björklund was assigned the task to contact TU, and convince him them that they in turn should contact the department of commerce to make sure they understood what problems the newspapers had. The fact that the Centre Party was the major party in the residing government did not mean that it used special channels on this occasion, for example, via the combined party secretary and CEO Pettersson.

For *Östersunds-Posten*, the recently appointed CEO Kjell-Åke Abel reported that the problems were the quality of journalism. There were strong conflicts between the

³³¹ Bo Andersson, former CEO of 2010, CEO Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

³³² Tommy Ljung, former President of Södermanlands Nyheter, interviewed by the author, April 17, 2013.

groups in the company. Such matters had not been discussed at the meetings before. When the current manager Ivan Lennestål had talked about *Östersunds-Posten*, he had focused on technical issues. This is consistent with the view that he may not have felt that he could speak completely openly about all his concerns in the meetings, but there are also other possible interpretations. In any case, the situation was now such that without subsidies 1981 and 1982, for which the company had applied, the company would not survive.

On the other side, Bengt Stenquist, who had an established position at *Södermanlands Nyheter*, reported on problems. There were management problems in the editorial department, and conflicts in the group for product development. The newspaper was virtually without a manager of the editorial department. An external consultant was hired to solve the problems. Obviously, the meetings between the managers could not replace all necessary competence, and this time the managers did not solve the problem by outsourcing personnel within the group.

The cooperation with *A-pressen* and the administrative system within *ABC* had started to crumble. In Björklund's view, there had been a change of attitude for the worse during recent years from *A-pressen*: from the central organization, but not between the newspapers. They cooperated well no matter which group they belonged to. The service bureau *A-data* did not live up to the necessary standard any more, and it became desirable to make a change. This was not practically feasible, since *A-Pressen* had taken ownership stakes in *A-data* in 1980. There was no doubt that the development now was towards local processing in mini computers, and that *ABC* had the competence to provide this. However, *A-pressen* tried to stop this development, since they wanted full capacity utilization of the facilities of *A-data* in Stockholm. Björklund now thought that Centertidningar AB might need to find its own way to achieve administrative computing.

This one day meeting was the first time that the head of the board of the parent company, Folke Nilsson, was present. The reason was probably the first item on the agenda, namely the introduction of a management team for Centertidningar AB. This group would be composed of the head of the board, the CEO, and the executive vice president for the parent company. Allan Pettersson started the meeting by extending his regrets for not being able to continue with his initial plans of working full time as CEO. He strongly felt a responsibility for the newspapers, but there had been considerable pressure on him to continue as secretary for the Centre Party. Pettersson had been promised a secretary for his political work so that

he should be able to spend more time on Centertidningar AB. Bengt Björklund would be promoted to vice president at the next board meeting.

The management group would meet once a month and work with general issues such as operational focus, overall objectives, capital investments, recruiting for executive positions, and so forth. The idea was that the management group would be a channel for direct contact with the owner. Local boards should have discussions with the management group before taking major decisions in order to coordinate investments and human resource policy.³³³ Formally, these changes meant a centralization of the group. In practice, Björklund states that he noticed virtually no difference at all.³³⁴

As described earlier, Centertidningar AB was built on a decentralized philosophy. Responsibilities and authorities were in the hands of the local newspapers and their managers. It was considered important that all decisions, even regarding investments, were made in the subsidiaries. The parent company monitored the results and set targets, but allowed the subsidiaries to use different means for achieving targets.³³⁵

A common view of the interviews is that the party was wise enough to realize that they did not have knowledge of the media industry. Naturally, one should not take such assessments uncritically since the managers also benefited from the resulting autonomy. However, there is also a view in some of the interviews that Centertidningar AB had a culture of believing in people's ability to take responsibility.³³⁶

According to Björklund, the decentralized philosophy was very much the perspective of the owner, the Centre Party. However, Allan Pettersson, the party secretary, denies that there was such an influence on politics on the newspapers. He tried to keep politics and the newspapers separate.³³⁷ In spite of this, it is hard to escape the suspicion that the autonomy of his newspapers was easier to defend in the parent board of a party which valued decentralization so highly.

³³³ CTCEO September 23, 1981.

³³⁴ Bengt Björklund, former CFO and VP of Centertidningar AB, interview by the author, April 26, 2013.

³³⁵ Bengt Björklund, former CFO and VP of Centertidningar AB, interview by the author, November 10, 2010.

³³⁶ Ruben Jacobsson, former President of Hålsningetidningar, interview by the author, April 11, 2013.

³³⁷ Allan Pettersson, former CEO of Centertidningar AB, interview by the author, April 11, 2013.

In the beginning, the same persons were on the boards as on the Morby newspapers' boards. Björklund, as CFO and later vice president, was on all the local boards as was the CEO. There were also one or two politicians from the local branch of the Centre Party on the local boards, plus the manager of the subsidiary. In the case of *Norrtelje Tidning*, the chair of the local board was an influential local politician who initially did not align with Sören Karlsson's intentions, but with whom he later cooperated very well.³³⁸

Only the CEO - for a long time, Allan Pettersson - had contact with the owner, the Centre Party. The information of what was discussed between Allan Pettersson and the owner is scarce.³³⁹ The relation to the parent board and Allan Pettersson must be seen in context of Allan Pettersson's role as party secretary and second in rank in the party. When asked of his relationship to the board above him, he replied "they were not above me!"³⁴⁰ Another indication on the insignificance of the parent board was revealed by the institutionalization of policy of having managers on the parent company's board. From 1981, this person was chosen by the collective of the managers.³⁴¹ However, when asked about who this person was, neither Sören Karlsson nor Allan Pettersson could recall who this person was.³⁴² One should be careful in drawing conclusions about the fact that interviewees do not remember everything; perhaps one can still suggest that the manager on the parent board did not get a dominating position in the group of managers simply because of his function as member of the board.

3.7. Profit and non-profit objectives of Centertidningar AB

The objectives of media companies have often been a sensitive issue due to the special role of media companies in society. As described above, it was expressed at the first CEO meeting in 1976 that the reason for the Centre Party to buy the newspapers was to make its voice heard rather than to pursue capitalistic ends.³⁴³ The owner did not have profit as main target; rather, it wanted the business to be

³³⁸ Sören Karlsson, former President of *Norrtelje Tidning*, interviewed by the author, November 27, 2010.

³³⁹ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010, and Sören Karlsson, former President of *Norrtelje Tidning*, interviewed by the author, November 27, 2010.

³⁴⁰ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

³⁴¹ CTCEO May 27, 1981.

³⁴² Sören Karlsson, former President of *Norrtelje Tidning*, interviewed by the author, November 27, 2010, and Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

³⁴³ CTCEO August 26, 1976.

“economically warranted”. This indicates that the party did not want to support the newspapers directly financially, but that they wanted the newspapers to be economically viable. At this time, the alternative of subsidizing the newspaper should have been on the mind of the Centre Party since they had previously had to support weak newspapers. Given this experience, having newspapers for profit was probably not even considered an option at this time.

As described above, bottom line profit was the focus from the very beginning when the CFO presented results at the meetings with the managers. The managers for the subsidiaries asked for clarity on the economic targets, however. It was not until 1983 that a long term strategic plan was presented, in which the business plan was declared along with main objectives and interim targets. These targets were clearly oriented towards business rather than journalistic values. It was stated that the business should be “in the areas of information and communication and the general business idea is to achieve highest possible household coverage and further sell the opportunity for contact and communication channel to sellers and buyers of goods and services”.³⁴⁴ What is important here is that household coverage is emphasized. This meant a limitation on possible ambitions to increase the distribution area beyond what would be rational from an economic point of view.

The separation between editorial pages, where the owners’ opinions could be expressed, and the rest of the newspaper were also made clear at this time. The main target was expressed as:

to shape public opinion on the editorial page in a way that corresponds to the owners’ general views. To give advertisers and readers a product which satisfies their needs, to prices which gives the newspaper full coverage of costs, workable economy, possibilities for development and long run survivability. The target means, as a rule of thumb, that the required rate of return on total capital should be around ten percent.³⁴⁵

This means that a quantified target was introduced for economic results. Naturally, this was harder to do for the political aspects of the newspaper. Journalism was given lower priority. An *interim target* (author’s italics) was: “unbiased and free journalism on the editorial column, to stimulate a free exchange of ideas on various public matters, and in this way participate actively in the democratic process in the area of distribution, on the national and local level.” Gunnar Söder’s remarks from

³⁴⁴ CTBM May 15, 1983. Attachment.

³⁴⁵ Ibid.

1976 are in no way inconsistent with this phrasing. The owner was already then clear that political opinions should be separated from the news.

The business idea was further explained in a comment in the document. The main strategy was to maximize circulation within a defined area of distribution. This meant, according to the document, that a maximization of the total circulation was not the target, but that it would normally be the consequence of household coverage within the distribution area. Other activities than media could be justified only if they could generate more than a 15 percent return on assets in the long term. This is a very different argument for not expanding into other businesses areas than in the Lindesberg Group, where the argument was that such investments could violate the credibility of the newspaper. The focus on household coverage is important here, since this meant that a wider distribution of the newspaper for political purposes was declined.³⁴⁶

Furthermore, it was explained that if there was a conflict between the main target of profitability and other targets, the former had the highest priority, based upon the argument that all of the companies' activities could otherwise be jeopardized. Another comment was that high employment was not an end in itself, but that it would normally be the consequence of achieving the primary target and the intermediate target.

The journalists reacted strongly to this. In a letter to the board of Centertidningar AB, the journalists explained that they were surprised that the editorial content should not be the main objective, but only an interim target. Instead, they argued that the newspapers' role in society should be the main objective. They accepted that the financial aspect was acknowledged as a factor, but only as a means for the newspapers to conduct journalistic work, and to fulfill its role in the debate. They claimed that this position was not an expression of a group interest from the journalists. Instead, they referred to the fact that the state had given the newspaper companies an especially favorable position exactly in order to fulfill their journalistic mission. The journalists appealed to the owners and the board, to make this part objective to one of the main objectives for the newspapers in the group, and argued that the owners, being a political party with strong connection to a *folkerörelse*, had a special obligation in this respect.³⁴⁷

³⁴⁶ Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November 27, 2010.

³⁴⁷ CTBM May 15, 1983. Letter.

In another letter, the printing press workers and journalists jointly expressed even stronger resentment. It was “scornful of Swedish democracy” that journalism would be a second tier objective to a purely economic, first tier objective. In this letter too, the union appealed to the nature of the owners, not as being *folkerörelse*, but a political party, arguing that free journalism and political parties were equally important and complementing components in the democratic process. Therefore, not only did the unions argue that newspapers had been given a special treatment from the state, but they had also been given a mission from the citizens.³⁴⁸

The board of Centertidningar AB partly accommodated this critique by making a new version of the document with three targets, wherein independent journalism was one. However, the original intent of giving priority to an economic primary target remained, as well as the required rate of return. It was also added that fixed assets, excluding buildings and land, should be financed with equity. This meant that printing plants too should be financed without incurring debt. This could make the demands on profitability even greater. Therefore, the significance of ownership in this case was that unions could resist changes by referring to the nature of ownership; however in this case, the unions were only partially successfully.

There is a consistent picture in the interviews that the managers wanted this required rate of return in order to be able to argue for changes within their organizations.³⁴⁹ The way the target was used rhetorically in this way reminds one of how the benchmarking was used in the Lindesberg Group. Most of the managers argue in the interviews that they did not feel a threat that they would lose their jobs if they did not reach their target. The only one of the managers who mentioned that there could be a real risk of losing one’s job was Tommy Ljung, perhaps somewhat surprisingly since he was also manager of a very profitable newspaper, *Södermanlands Nyheter*. He also describes that the target could be changed in discussions with Björklund. There was a proposal from Björklund, but there could also be a willingness to adjust this target if Ljung had good arguments for it.³⁵⁰ This is confirmed by Björklund, who also argues that managers often could ask for a higher return. When he telephoned a manager to demand SEK nine million in return next year (Björklund converted the percentages to Swedish crowns), he claims that the

³⁴⁸ Ibid.

³⁴⁹ Sören Karlsson, former President of Norrtälje Tidning, interviewed by the author, November 27, 2010, and Bo Andersson, former CEO of Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

³⁵⁰ Tommy Ljung, former President of Södermanlands Nyheter, interviewed by the author, April, 2013.

manager may ask for an even higher requirement, and he exemplifies this with a fictitious dialogue.³⁵¹

- I have given you seven.
- Give me nine, there are some things I would like to do!

According to Göran Henriksson, the use of a required rate of return at *Östersunds-Posten* was not controversial at all, since the competition with *Länstidningen i Östersund* had been so fierce, and the company had been close to bankruptcy in the beginning of the 1980s. One could “shout that the wolf was coming”.³⁵² His target was also adjusted, however, since the level of competition was much higher in Östersund.

Bengt Wendle, manager for Hallands Nyheter since 1995, is an exception in the sources. He argues that he did not have any financial requirements at all from the parent company, but also suggests that a reason could be that his company was very profitable. There was a drive for profit, but it was because there was a spirit of competition aiming the managers competed and that they had the same mindset.³⁵³

3.8. Profit sharing schemes for employees and dividends to owners

The profit sharing schemes for employees, and the dividends to the owners, give evidence for the balance between two important stakeholders in the company.

A situation of high profits and good liquidity is beneficial, but has only a limited number of solutions. The money can be invested back in the business by investing in fixed assets or in other ways. Other possibilities include paying higher wages or bonuses, paying dividends to the owners, continuing saving, for example by investing in the stock market, donating the money, or setting up a fund. In Centertidningar AB, profit sharing was established in 1989. Profit sharing was common at the time in other newspaper companies too, and it was discussed many times in the Lindesberg Group.

Not surprisingly, the unions found good arguments for profit sharing. It would make the employees feel more involved, and it would lead to more effective companies. In a letter to four of the newspaper companies in the group, the unions

³⁵¹ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013.

³⁵² Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

³⁵³ Bengt Wendle, former President of Hallands Nyheter, interviewed by the author, May 18, 2013.

suggested that a task group would investigate this matter, because it was important for tax reasons to have the system in place before the end of 1988.³⁵⁴

The parent board of Centertidningar suggested a first try of profit sharing during 1989-1990, which would be evaluated at a later point of time. The owners had decided to offer employees part of the profit “in order to strengthen the feeling of community, and to deepen the employees’ interest in the company.”³⁵⁵ The implementation of a profit sharing scheme was decided on the board meeting in January 1989. Thirty percent of the profit above ten percent return on total assets would be shared with employees. Only employees with permanent positions would participate in the program. Union representatives claimed in a letter that the program was not as favorable as for other companies in the industry. The program was probably not attractive enough for its intended objective, they argued.³⁵⁶

The critique of the newspaper companies as being too focused on profit, so strongly expressed in 1983, when profit was made an explicit target, was not mentioned by the unions this time. When it came to sharing the profit, there was rather a need to get the profit sharing system in place quickly.

An important consequence of the profit sharing scheme was that the owners now required dividends. In 1989, Åke Pettersson, Allan Pettersson’s successor as party secretary, described to the parent board that the issue of dividends to the owner had been made topical since a profit sharing scheme had been introduced for the employees at the companies. He stated that a minimum requirement was that the owners should get SEK 0,5 million for 1989 and that this issue should be investigated for 1990 and the following years. Allan Pettersson answered that this was reasonable, and that he had foreseen that the owners should get SEK 0,5 million for the year 1989 since he had discussions with the owners. He argued, however, that the forms for the following dividends should be considered further.³⁵⁷

The first time dividends were paid to the owners was, therefore, in 1989. In 1992, dividends were 3,6 million crowns, while SEK 5,3 million was shared with employees at that year. In 1993, SEK 3,7 million was paid in dividends, while SEK 4,5 million was paid to employees.³⁵⁸ The fact the employees was given shares of profit before the owners were paid dividends, and that employees received more

³⁵⁴ CTBM June 13, 1988. Letter.

³⁵⁵ CTBM November 24, 1988.

³⁵⁶ CTBM January 20, 1989. Letter.

³⁵⁷ CTBM May 18, 1989.

³⁵⁸ Annual reports Centertidningar AB, 1992 and 1993.

than the owners, is a clear indication of how strong the employees were as a stakeholder compared to the owners in Centertidningar AB at this time. The controlling influence on the managers' freedom must have been labor rather than the owner. For many years, Allan Pettersson had argued successfully to let the newspaper companies keep their profit on their balance sheets, but it appears that he had finally run out of arguments when the employees got a share of the profit.

3.9. Managers and the journalists

The local manager's position versus the local editor-in-chief was strengthened during the ownership of Centertidningar AB. The legally responsible publisher, *ansvarig utgivare*, was appointed by the board. The editor-in-chief, however, was subordinate to the manager, who was often temporarily called before the board to answer questions regarding editorial developments. There was also a political editor-in-chief. In some cases, this person was the same person who was *ansvarig utgivare* and managing editor. This system gradually changed. Current editors-in-chief kept their positions, but new recruits were made political editors-in-chiefs, and were assigned responsibility for the editorial page. Then there was an editor-in-chief or head of the editorial department as supervisor. This person was a professional journalist, and did not have any political connections to the party, and this had the purpose of keeping news and political editorials apart.³⁵⁹ As we have seen, however, such an ambition was declared already in 1976 by the representative of the owner, Gunnar Söder.

There were two reasons for having an editor-in-chief without political ties. This meant that it was easier to recruit an editor-in-chief who functioned well as a leader. However, it also meant that it was easier for the managers to control the company.³⁶⁰

When Centertidningar AB acquired *Hudiksvalls Tidning* in 1999, this policy caused tensions. In a letter from the local branch of the Centre Party in the area, the question was raised whether there remained any ideals in the party. Centertidningar AB, according to the letter, had allegedly fired an editor-in-chief with a "somewhat wider perspective than the strictly local", which obviously had collided with the managers' view. The only thing which remained was a political editor assigned with

³⁵⁹ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, November 10, 2010, and Tommy Ljung, former President of Södermanlands Nyheter, April 17, 2013.

³⁶⁰ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, April 26, 2013.

the task of writing editorials; the editor-in-chief was a “reliable”, apolitical person, the letter complains.³⁶¹

Björklund used the expression that the person who managed *Hallands Nyheter* became *mr Hallands Nyheter* in the group. It was a deliberate decision to recruit managers also from outside of the newspaper industry. Many managers had a background in business administration, and, with very few exceptions, did not have a journalistic background. For example, Tommy Ljung had been working at Saab automobile in a senior management position with controlling.³⁶² The sources are not in complete agreement as to the person (or persons) that was responsible for the recruitments. It seems that both had a role in that, while recruiting was the formal responsibility of Allan Pettersson, Bengt Björklund provided the network for finding new managers. It is also clear that the other managers sometimes could also have opinions on a potential new recruit.

An example of how strong the managers were as a group emerged when the new CEO Carl-Axel Centerstig took office in 1997. Before his first working day, the managers of the subsidiaries invited him to an informal meeting together with Bengt Björklund. They declared that they now had met as usual at the yearly TU/FLT-meetings in Stockholm, and greeted the new manager. The managers wanted an “informal meeting” to discuss “forms of cooperation between the manager, the local chairman of the board, and the manager of respective company and future strategies.” The managers took the initiative with their CEO, rather than the other way around. They also suggested a place, and gave two alternative dates, with a request to answer “as soon as possible”. The letter is polite, headlined “brother”, but in reality there was considerable skepticism regarding Centerstig’s qualifications for this position. Centerstig had no experience in the newspaper industry, but had worked at the Centre Party’s headquarter. After only two years, the managers wrote a letter to the owners, and requested that Centerstig leave his position, and this occurred in spite of the fact that Centerstig having strong support in the party.³⁶³ The episode is confirmed in many of the interviews and also by Allan Pettersson, who was consulted by the managers in this matter, even after his tenure had ceased.³⁶⁴

³⁶¹ CTBM September 30, 1999.

³⁶² Tommy Ljung, former President of Södermanlands Nyheter, interviewed by the author, April 17, 2013.

³⁶³ CTBM May 19, 1999.

³⁶⁴ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

3.10. The managers lose control over assets

When Lars Lundblad became CEO for Centertidningar AB in 1999, he already had relations to some of the managers in the group. In particular, he had worked at TA, and had negotiated with the unions, something which was helpful when Centertidningar AB changed their newspaper organizations.³⁶⁵ Before that, he also had worked with Bengt Björklund and Sören Karlsson at *A-pressen* in the 1970s. When he began as CEO, he found that Centertidningar AB was a group of very autonomous companies which he did not believe functioned as a group. He also found that there was a conflict within the group of managers, and he perceived it as his task to make Centertidningar AB function as one group.³⁶⁶

The conflict mentioned above was about the intent to make a separate subsidiary for the printing plants in the group. Sören Karlsson at *Norrtelje Tidningar* had acted as an entrepreneur in this respect, and had developed his printing plant operation with help from Bengt Arvidsson, who was the technical head of these operations. As one could expect, some of the other managers in the group were reluctant to lose control over their printing plants. Lundblad would back Sören Karlsson on this issue, and also he made him executive vice president in 2001, partly as a signal to the rest of the managers where group strategy held traction on this issue.³⁶⁷

Another source of tension in the group during Lundblad's time as CEO was asset management. As described earlier, newspaper have long investment cycles, with decades between the replacements of expensive printing plants. This meant that newspaper company management had to face the challenge of obsolescence, while at the same time convincing the other stakeholders that this was necessary, despite sometimes good profits.

After the first challenging years, the newspapers in Centertidningar AB became more profitable. According to Björklund, this was because investments, rationalizations, and requirements for economic return started to produce results.³⁶⁸ For a long time, the owner allowed profits to be plowed back in the companies, and, in general, to develop the newspapers. As we saw earlier, there is a very consistent view in the interviews that Allan Pettersson worked hard to stop any attempts from

³⁶⁵ Sören Karlsson, former President of Norrtelje Tidning, interview by the author, December 10, 2010.

³⁶⁶ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013.

³⁶⁷ Ibid., and CTBM November 13, 2000.

³⁶⁸ Bengt Björklund, former CFO and VP of Centertidningar AB, interviewed by the author, November 2, 2010.

the owner to demand dividends from their newspapers. In combination with good profits, therefore, there were now assets in the subsidiaries which potentially could more effectively be managed as an entity.

Initially, the owners maintained a centralized asset management policy within Centertidningar AB. The subsidiaries were only allowed to invest money in safe assets, such as bonds and fixed income securities. They were not allowed to use surpluses for investments in the stock market.³⁶⁹ The managers wanted to have control over these assets in their subsidiaries, but eventually, asset management was centralized.³⁷⁰

The centralizing of asset management took place in two steps. In February 2000, the board accepted a policy for asset management and employed Leif Hedelin to manage the assets of the group according to the policy.³⁷¹ Already at that stage, Lundblad experienced that there was resistance from the managers.³⁷² However, compared to other actions Lundblad took in the group, this was a case where he experienced that the managers knew it to be the owner who was behind this agenda, and not Lundblad.³⁷³ At the next stage, the liquid assets were lifted off the balance sheets of the subsidiaries, which thereupon lost control over those funds. The board minutes from December 2001 describe how Ola Alterå, the new chairman of the board, gave an account for a decision which he described was at “at a crossroads” on asset management. Currently, the minutes states, all capital was managed in the subsidiaries, according to the earlier policy of a completely decentralized organization. Some subsidiaries had a great deal of cash because of their historical performances. However, the industry was in a state of rapid change, and the new directives from the owners meant that the group needed high readiness for acquisitions and other business development. This, Alterå argued, could be achieved without changing the fundamental philosophy of decentralized management. Other board members agreed. One member even contended that centralized asset management was a precondition to maintain independence for managers, while another argued that the question was controversial, but a sound principle in the long

³⁶⁹ Ibid.

³⁷⁰ Bo Andersson, former President of Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

³⁷¹ CTBM February 7, 2000.

³⁷² Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013, and Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, December 27, 2010.

³⁷³ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013.

run. It was decided to investigate how one should move capital to the parent company.³⁷⁴

This means that the subsidiaries now lost control over their liquid assets. An expression of this is noted when the board of the parent company decided to back the local board's decision to purchase a new printing plant in Österund. The minutes state at that, at this point of time, the parent company had the final say over this decision. The argument for this was that the subsidiary lacked financial resources.³⁷⁵

In this case, the managers and labor joined forces. The managers, and at least some of the unions, met the decision to centralize asset management with resistance. In a letter signed by all three dominant labor unions at *Södermanlands Nyheter* and *Hallands Nyheter*, the unions argued that freedom for individual newspapers would decrease and the distance between decision makers and workers would increase. The only argument the unions had heard for centralized asset management was that this would enable large investments and the acquisition of newspapers. This, they argued, was already possible for the subsidiaries within the current system, where the subsidiaries could lend each other money and still maintain influence over their own assets. Furthermore, they pointed to the fact that Centertidningar AB, with its decentralized system, had had been competitive and economically successful so far, and they asked rhetorically why a well-functioning system should be changed. It was “upsetting” that this “shift of power and decision making in the group” had not been the subject for any deeper discussion of pros and cons, but instead turned up as a surprise in the annual reports.³⁷⁶

In another letter from the same newspaper, *Hallands Nyheter*, union representatives once again raised their concerns. The letter ended: “What is really hard to understand is how a group, owned by the Centre Party, can engage in such a far reaching strategy of centralization”. This obviously refers to the Centre Party's traditional values, and the preference for decentralized decision making in society. Once again, we see that the nature of the owner was used as an argument against its decisions, but in this case not as *folkrörelse* or political party per se, but as an organization which traditionally had valued decentralization.

³⁷⁴ CTBM December 21, 2001.

³⁷⁵ CTBM December 21, 2001.

³⁷⁶ CTBM May 12, 2002.

3.11. A consulting firm evaluates the board³⁷⁷

That asset management was a sensitive issue was confirmed in a consultancy report, saying “there had been quite a lot of resistance to the centralization of asset management”. This quote, from an anonymous member of the board of the parent company, was from a report made by *Active Ownership Partners* (AOP) in spring 2004. AOP had been assigned to evaluate the recent three years with a new board. A new chairman of the board, Ola Alterå, had been appointed in 2001; he had been chairman when the asset management was centralized as previously described. New board members were recruited externally. According to an external consultancy firm, the board had transformed significantly.

The sources in the consultancy report were interviews with all of the then active board members. Some of the conclusions were that there had been a dramatic transition since 2001 to a professional board with externally recruited members, and that Centertidningar AB was an impressive, profitable company, with a sound business culture, and insightful owners.

Many quotes from members are referred in the report. None of these quotes suggested that Centertidningar AB should be sold the following year, as in fact turned out to be the case. Instead, the voices looked to the future. One member of the board wondered why the Centre Party owned the newspapers. Another member pointed out that the focus was almost exclusively on profitability, and argued that there were other objectives which one should follow up as well. Centertidningar AB could be more proactive in the process of restructuring the industry. The board in the parent company knew little of the local boards or the relation between the local managers and the local boards, the report concluded. The focus had been on the quality of local managers. There was a target for economic return, but not for other qualitative variables. Among AOP's recommendations were clearer instructions for local boards, and an explicit target for qualitative dimensions, such as independent journalism, or equality.

The contrast between this report and the constitutive managers' meeting in Östersund 1976 could not be more striking. At that time, the objective for the party was to make its voice heard, and that profit was subordinated. It was clearly stated that the owner's intention was *not* to create a profit center. In 2004, an external reviewer could be impressed with how well run and profitable the business was, but

³⁷⁷ Main source for this section is CTBM April 21, 2004, 'Centertidningar AB: avrapportering styrelseutvärdering. Diskussionsunderlag vid styrelsemötet 21 april 2004.'

that it lacked a clear expression of other objectives. At the same time, there are no voices in the report which complain about lack of journalistic qualities. The general picture is that the board members were content with the company.

A report from a consultant may not be objective, which one should bear in mind when using it as a source. However, one can note that the consultancy report also confirms the other sources in this dissertation regarding certain other issues, namely, that the managers were seen as highly trusted, that the local boards were anonymous, and that the culture was such that costs and small scale was given priority at this time. Nowhere in the report are the meetings with the managers mentioned, even if one could argue that they for a long time had functioned as a board for Centertidningar AB.

While Allan Pettersson had been a careful leader, Lundblad's leadership witnessed more expansion.³⁷⁸ Apart from centralizing asset management, Lundblad faced some other challenges vis a vis the managers. One important decision occurred with the abandonment of FLT in favor of *Riksmedia*, of which Centertidningar AB owned with 49 percent share. *Riksmedia* was originally an organization for *A-pressen*, and FLT was for the center-right newspapers. However, *Östersunds-Posten* wanted to remain in FLT, because they could then cooperate with other newspapers in the north. They were not allowed to do so when they changed to *Riksmedia*. There was therefore a conflict on this matter between Lundblad and the manager of *Östersunds-Posten*, Göran Henriksson.³⁷⁹ Another sensitive topic was the printing plants, for which a separate subsidiary, *Tabloidtryck i Norden AB*, had been created, and this was something about which some of the managers had concern. Centertidningar AB also expanded the newspaper operations by becoming part-owner of *Ortstidningar i Väst*, which was composed of small, local newspapers. The business idea here was that one could use the concept from *Lidingö Tidning*, which had become very profitable.³⁸⁰ The manager for *Tabloidtryck i Norden AB* and the manager for *Riksmedia Sverige AB* also participated in the manager's meeting. The group had grown from seven managers, including CEO and CFO, to 10, including the

³⁷⁸ Ruben Jacobsson, former President of Hälsingetidningar, interviewed by the author, April 11, 2013.

³⁷⁹ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013, and Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

³⁸⁰ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013, and Centertidningar AB, annual reports 1999-2004.

manager for *Hälsningetidningar AB*. Once a year, Lundblad also let the editor-in-chiefs participate in the meetings.

3.12. Organizing discussions: meetings between managers

In the self-governed Lindsberg Group, there were many regularities and traditions, and the social function was important. The minutes it preserved make it possible to follow both the discussions in the meetings as well those within their organization. The situation is more challenging in the case of *Centertidningar AB*.

In the beginning of the history of *Centertidningar AB*, Bengt Stenquist insisted on telephone meetings with taping capacity, but, unfortunately for the historian, he did not get these telephones, and no tapes remain. The manager's meetings in *Centertidningar AB* were not archived to the same extent as in the Lindsberg Group, and this makes it harder to say anything conclusive about them. For example, the meetings which took place when TU had their yearly meetings were almost never documented. According to Björklund, these meetings took place for practical reasons, since the managers were there anyway.

This practical thinking was characteristic of the meetings. The sources give evidence that the organization of the meetings was very pragmatic. In fact, it is hard to detect any rules or regularities in them at all. For example, none of the managers could remember how often the meetings took place. Some of them agree that three to four times a year probably was about right, and some others say around two. Had there been regularities, it is a reasonable assumption that the participants would have remembered this. Meetings could be postponed or cancelled, a manager could be replaced by his financial manager, a manager could delegate the CFO to account for his position, there could be a dinner or the dinner could be cancelled, advertising or circulation numbers could be discussed at the end or at the beginning of meetings, or meetings could be convened by the CEO or the CFO. There could be a theme for the meeting, or not; there could be visitors, other representatives of other professional groups could appear, and even the head of the board could attend. The meetings varied greatly in length. CEO Allan Pettersson could be present for the entire meeting, or leave after a while. Sören Karlsson claims that the informal meetings became fewer at the end, which means that there was a difference between formal and informal meetings in his mind. The only tradition which can be discerned is that the managers presented the then current situations of their

subsidiaries.³⁸¹ In summary, the pragmatic nature of these meetings was their most striking feature.

Some of the irregularities may have present only in the beginning, because the meetings were a new institution. For example, replacing the manager with some other attendee probably did not happen after the first years.³⁸² However, the impression of a pragmatic organization remains even after taking this into consideration, especially in comparison with the traditions in the Lindsberg Group.

The atmosphere in the meetings is even harder to assess with historical methods. As was described in the previous chapter, the Lindsberg Group discussed itself in its meetings. There are no such discussions in the minutes of Centertidningar AB. What one can say with reasonable certainty is how they started, and what the meetings dealt with during their early years. We also know how some of the participants describe these meetings in retrospect. We can note some variance in the sources in this matter, and we can conclude that it is likely the discussions meant different things for the participants.

The managers are not in agreement as to whether or not there were any decisions taken at the meetings. For example, Bo Andersson did not find the meetings so important, and he points to the fact that there were no decisions taken there; rather, they were taken in the local boards. However, he agrees that there had been important discussions, such as about the major investment in printing plants in Norrtälje. That this investment was controversial is confirmed in other interviews as well; there was considerable risk in the investment, and a loss would cause the other subsidiaries to pay a higher percentage of their operating margins to the parent company. Tommy Ljung points out that there were no decisions taken at these meetings, but also recalls that there were not so many decisions taken in the local board either. Sören Karlsson does not recall if there were any decisions taken or not, but he describes that the discussions could be very heated. As one example, he mentions advertisements at *Blocket*, a national website. One alternative at the time was to acquire a part of this website (which later turned out to be very successful), while another was to retain advertisements for local use. Allan Pettersson says that there were no decisions. In the minutes for the first meetings, we can see that there

³⁸¹ The presentations are called “traditional” in CTCEO September 11, 1994. Also Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

³⁸² Bo Andersson, former CEO of Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

were actually some decisions taken during the first years, and the meetings acted as a formal decision body in this respect. However, there is a consistent view that it was possible to influence decisions regarding other subsidiaries if one had good arguments in the meetings. Bo Andersson claims that making critical comments about some individual could become sensitive and cause complaints. This is perhaps an indication that a critical comment could matter for decisions. Nothing similar is reported in the interviews for the self-governed Lindesberg Group, where many interviewees talked about “complete openness”. Similarly, it is hard to imagine that the discussions would be “heated” if they did not have any effect on real decisions in the company.

Ivan Lenneståhl, manager for *Östersunds-Posten* between 1975 and 1981, compared the meetings in *Centertidningar AB* and the Lindesberg Group, which he joined later, and about which he was extremely enthusiastic. He claimed that the atmosphere in *Centertidningar* was more restrained. He pointed to the fact that they recently had recently been acquired by the Centre Party, and that Bengt Björklund could take action on their companies, something to which he claims that the managers were not accustomed.³⁸³ When Göran Henriksson, the other manager who had been member of both the Lindesberg Group and *Centertidningar AB*, entered the former, he found that there was little discussions in the Lindesberg Group.³⁸⁴

Allan Pettersson states that the most important reason for him to have the meetings was to prepare for the local board meetings. He did not want any surprises to come up at these meetings. This means that his reason for the meetings with the managers was related to governance, and a reasonable interpretation is that he mostly sided with the managers rather than the local politicians. He does, however, also acknowledge that the meetings were a way for him to get information.³⁸⁵

For Ruben Jacobsson, the meetings seemed to have been inspirational and lively. By participating in the social life at the trips which were made, he found it easier to access the other managers when one needed to ask for advice. The fact that the members and the companies were different appears as an asset in Jacobsson’s account. Decentralization, in this way, also led to richer discussions, and the

³⁸³ Ivan Lenneståhl, former President of *Östersunds-Posten*, interviewed by the author, September 5, 2011.

³⁸⁴ Göran Henriksson, former President of *Östersunds-Posten*, interviewed by the author, September 14, 2011.

³⁸⁵ Allan Pettersson, former CEO of *Centertidningar AB*, interviewed by the author, April 11, 2013.

meetings served the functions of understanding who knew what, and who to ask for specific information.³⁸⁶ Bo Andersson points out the striking difference between him and Sören Karlsson, who expanded this part of his operations while Andersson divested his operation of its printing plant.

However, there may have been a limit to the value of diversity. According to Göran Henriksson, he developed stronger relations with another group of newspapers, *Norrgruppen*, composed of some major newspapers in the northern part of Sweden. Part of the reason for this was that the other companies in *Centertidningar* did not share *Östersunds-Posten's* enthusiasm for internet. *Östersunds-Posten* was an early industry adopter of the internet, according to Göran Henriksson. It became more natural for Henriksson to talk with *Norrgruppen* instead.³⁸⁷ This reminds one that one of the reasons why the Lindsberg Group ceased was that the specific knowledge of running a traditional newspaper became less important, and that discussions started to take place elsewhere.

When asked very specifically, he agreed that perhaps there were things one did not speak openly about in the presence of the Allan Pettersson, but which one could talk with Bengt Björklund about, since he was “one of us”. Finally, Göran Henriksson, manager of *Östersunds-Posten* between 1997 and 2005, argued that there were different constellations at the meetings during his time. On a direct question, he argued that the more commanding Lars Lundblad also made the group less open from 1999 and thereafter.

For Bo Andersson, the meetings with the other managers were less important. This is perhaps not surprising, since he was part of a smaller group together with Sören Karlsson and Bengt Björklund, who sometimes had daily contacts. For him, the most interesting discussions took place in this smaller group. Still, when asked more specifically on this matter, he acknowledges that he learned more from the other managers than in the formal courses he took via TU. Bo Andersson found that Allan Pettersson was so dependent on Björklund that it was wise to get his approval first before talking to Pettersson

Sören Karlsson also talked about “gänget”, the gang, mentioned also by Bo Andersson. They socialized privately. Just as some of the older members in the

³⁸⁶ Ruben Jacobsson, former President of *Hälsingetidningar*, interviewed by the author, April 11, 2013.

³⁸⁷ Göran Henriksson, former President of *Östersunds-Posten*, interviewed by the author, September 14, 2011.

Lindesberg Goup, they continued to socialize apart from their professional relations. Sören Karlsson's claim that these persons formed a group is confirmed by Göran Henriksson, who entered the group in 1996, and by Allan Pettersson. He also confirmed that these three formed a group, and that it was his understanding that they may have spearheaded the development of Centertidningar AB. Allan Pettersson also acknowledges that these three formed a constellation. Bo Andersson mentioned "the gang of three". Tommy Ljung believed that another person belonged to this group, Håkan Swärd at *Östersunds-Posten*, and Ljung talks about "the gang of four". While not having a bad relation to his CFO, Tommy Ljung argues that he was not as close to Björklund as were Sören Karlsson and Bo Andersson. Bengt Björklund, on his side, thought that Tommy Ljung and Bengt Wendle were two skillful newspaper managers who preferred to take care of themselves. Otherwise, the social activities among the managers were limited to dinners at some of the CEO meetings, and the trips abroad, lasting several days, which became frequent over the years.

Regarding the benchmarking, none of the interviewees could remember which numbers one typically compared. Sören Karlsson, for example, agrees that key financial figures were an important starting point, but one started to compare strategy and business models instead. Björklund argues that his definitions on key ratios could change after discussions with the managers. It is documented in the board meetings minutes that there was competitive benchmarking in the group.³⁸⁸ The source of this document is not known, but it is likely an assessment by one of the managers rather than by an external observer.

The spirit of competition is expressed in the interviews, especially since this aspect sometimes was brought up spontaneously. When asked what one competed about, Sören Karlsson was certain that it was bottom line profit; nothing else really mattered for him.³⁸⁹ Göran Henriksson said that there was competition for competition's own sake in the group, as there were no real resources to compete about.³⁹⁰ Allan Pettersson confirms that the managers could look at each other with some envy, but he relates that to a positive property of the managers, that they had high self-esteem.

³⁸⁸ CTBM December 18, 1995.

³⁸⁹ Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, November 27, 2010.

³⁹⁰ Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

What the managers say in the interviews must be seen in the context of the tension which existed in the group in its later years. One can discern a conflict regarding the separation of printing plants into a separate company. Another conflict concerned the cooperation (and ownership) with *Riksmmedia* instead of *FLT* for national advertising. Henriksson's account of the Lindesberg Group must especially be seen in the context that his CEO was critical of his membership, and that the CEO considered it disloyal to disclose information about Centertidningar AB in this group, something which the minutes in the Lindesberg Group also confirm.³⁹¹

Finally, something should be said about the relation between Allan Pettersson and Bengt Björklund. Allan Pettersson had offered Björklund the position as CEO when Björklund had only been one year at Centertidningar AB, but Björklund had declined, being content with working in the shadow of Pettersson. Björklund therefore claims that he had a freer role. He also felt that he was part of the group of managers. While Pettersson took the formal decisions, there is a very consistent view in the interviews that Björklund rather than Pettersson was responsible for operations of Centertidningar AB. He is described as the spider in the net, but also as a modest person who functioned as a mentor to the new managers.³⁹² Björklund describes Pettersson as the person who had authority. The managers describes him as a person who was risk avert, benevolent, wanted to balance interests rather than seek opening confrontation, but who could, at times, be elusive, and difficult to figure out. Tommy Ljung describes that Allan Pettersson was respected in the industry, and that it meant something for him to report a good result to Pettersson.

To conclude, the general picture of the discussion climate in these meetings is that they seem to have been less open in the first few years, and then become more open, and finally less open again. As explained, there was a competitive spirit in the meetings. The sharing of a common identity vis-à-vis the non-profit side of a newspaper, journalists and owners, can also be discerned in the sources.

Even if meetings between the managers, editor-in-chiefs and financial managers were one of the few forms of cooperation in Centertidningar AB, these meetings were not the only things which held the group together. Some of the managers argue that CFO Björklund had such an important role that it is fair to say that he

³⁹¹ LGM 2004:S12.

³⁹² Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

was the uniting force in the group.³⁹³ The meetings must be seen in the context that Björklund and Allan Pettersson also had many contacts directly with the managers.

3.14. Selling newspapers for profit: the decision to sell Centertidningar AB³⁹⁴

The party leader, Maud Olofsson, contacted Allan Pettersson for an informal meeting in 2004. Even though it was now many years since Pettersson left his position as CEO, he says that what she said almost made him faint – the party would sell the newspapers, something he never believed could happen.³⁹⁵ Centertidningar AB was sold for SEK 1,815 billion in October 2005. As many of the managers in the group, Pettersson was also surprised by the high price.³⁹⁶ However, Professor Karl-Erik Gustafsson, a leading academic scholar on newspapers in Sweden, was interviewed in *Journalisten* after it had become clear that the party would sell its newspapers, but before the bid price was known. He argued that selling the newspapers for below SEK 1,5 billion would have been “a joke”.³⁹⁷ In *Pressens Tidning* at the same time, Professor Gustafsson argued that Centertidningar had been extremely well managed.³⁹⁸ Even though the bid price was high, as we will see, this divestment was not without opponents. Centertidningar’s CEO, Lars Lundblad, thought that the buyers were the companies he had seen as adversaries to Centertidningar AB, namely, the major liberal newspapers.³⁹⁹

The newspaper chain was split between several buyers, led by *Tidningsaktiebolaget Stampen AB*, a newspaper group controlled by the Hjärne family, with *Göteborgs-Posten* in Gothenburg as its most important newspaper. The divestment of Centertidningar AB has been mentioned as an important step in the restructuring of the media landscape in Sweden, in a similar vein as we saw in the chapter on the Lindesberg Group. This was one of the industry events that made the discussions in

³⁹³ Sören Karlsson, former President of Norrtälje Tidning, interviewed by the author, December 10, 2010, and Bo Andersson, former CEO of Länstidningen i Södertälje, interviewed by the author, April 4, 2013.

³⁹⁴ Main source *press release from the Centre Party*, ”Fyra medieföretag köper Centertidningar AB”, October 25, 2005.

³⁹⁵ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

³⁹⁶ Ibid.

³⁹⁷ ’Snart sålda’, *Journalisten*, September 6, 2005.

³⁹⁸ ’Därför vill Centern sälja sina tidningar’, *Pressens Tidning*, June 16, 2005.

³⁹⁹ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013.

that group less open. The managers of all the bidders were members in the Lindesberg Group, with the exception of *VLT*.⁴⁰⁰

In the official statements, it is clear that the party needed to justify this divestment, just as it once needed to justify the acquisition. The Centre Party emphasized four aspects here:

- the present political line on the editorial pages would be preserved;
- the development of the regional newspapers would be secured with regional owners in cooperation with the newly formed *mkt Media AB*, a development company for media
- one of Scandinavia's largest printing groups would be created by merging printing plants at buyers and sellers.
- Finally, the winning bid of SEK 1 815 million would secure a more effective shaping of public opinion, education opportunities for elected officials, and resources for developing a modern *folkerörelse*.⁴⁰¹

The party officially argued that the newspapers had been profitable for a long time, but that there was a need for new owners who could develop the newspapers, as media consumption and competition increased. The Centre Party would continue to appoint the political editors. Tomas Brunegård, the CEO of *Stampen AB*, argued that political continuity was good for the newspapers. An education program for editorial writers would be formed in the new R&D company *mkt Media AB*.

At many places in this press release, the word “regional” or “local” was used, possibly to legitimize or motivate the divestment, and the use of the word *folkerörelse* is once again used, possibly used here because of its positive connotations and its relation to the traditional values of the seller.

Not everybody in the party agreed with the decision to sell, however. For example, in a debate article in *Dagens Nyheter*, headlined “the Centre Party sells its family silver”, two of the party's previous information officers, Kjell Andersson and Anders Ljunggren, argued that the old *folkerörelse* - party now acted as a capitalistic company. They argued that there was considerable resistance to the divestment in

⁴⁰⁰ There were also MittMedia Förvaltnings AB, a newspaper group controlled by Gefle Dagblad, with a foundation as ultimate owner; Morgonpress Invest AB, a newspaper group controlled by Stampen; and Lidköpingspress, controlled by the Hörling family (49 percent); VLT AB, a newspaper group centered on Vestmanlands Läns Tidning, controlled by the Pers family.

⁴⁰¹ *Press release from the Centre Party*, ‘Fyra medieföretag köper Centertidningar AB’, October 25, 2005.

the Party, and expressed surprise that there had been so little debate. They even raised the question whether this silence in itself could be a sign of a deeper problem in the party, arguing that they many persons had expressed doubts to them in person, but that there had been no official debate. Neither had there been any discussions in the party's internal forum, "if any of those fora remained", an expression indicating frustration over the lack of communication within the party.

The newspapers had been a success, according to the article, and credit for this was given the boards and the CEOs Allan Pettersson and Lars Lundblad, the decentralized structure with freedom for local leadership, the clear demarcation line between business and politics, and the profit sharing schemes for the employees. Editors-in-chief were described as having had strong voices – an interesting opinion by information managers, since the first priority of Centertidningar AB had been on profit. The authors expressed doubt that capital from the divestment could be used more effectively elsewhere, either as a financial investment or as a means for political influence.⁴⁰² CFO Bengt Björklund, who consistently is claimed by the sources in this dissertation to have been responsible for the operations of the newspapers since many years, was not mentioned in this article, and neither was the focus on profit which had been such a pronounced characteristic of Centertidningar AB.

A further aspect of media ownership is exemplified in this article. After the divestment, the ultimate control over the newspapers would be lost. This meant that it would be impossible to prevent sale to yet another owner, a merger of a newspaper with another newspaper, or the closing down of a newspaper. There would be no means to guarantee that the agreement with the buyer would be adhere to, namely that the newspapers would be run as qualitative local newspapers, or that the editorial pages would express the Centre Party's opinions even in the future.

3.15. Conclusion

We will now return to the research questions of this dissertation. According to Berk and Schneiberg, the open price associations had the functions of a common language, benchmarking, deliberation, and the coupling of price stabilization and improvement. In the case of the Lindesberg Group, the functions of the open price associations were mainly organized in regular meetings between managers. We also saw that that deliberation on benchmarking gradually became less important in the

⁴⁰² 'Centerpartiet säljer familjesilvret', *Svenska Dagbladet*, October 24, 2005.

Lindesberg Group, that financial officers took over some of the benchmarking, and that the discussions centered on issues other than benchmarking. These meetings also served other functions, such as being an arena for sharing insider information, and functions of governance.

In the case of Centertidningar AB, the organization of these functions was different in some respects. The “common language” in the open price associations was organized by employing a CFO with the specific task of creating comparability. The benchmarking computerized early on; it was created by the CFO, and used in the managers’ meetings. The focus regarding the numbers was on bottom line profit. However, the benchmarking between the companies, in a broader meaning, also focused on things which were not quantifiable. The deliberation was organized in meetings which had a pragmatic and flexible character. Compared to both the Lindesberg Group and the open price associations, the discussions seem to have placed less emphasis on numbers in Centertidningar AB. The combination of price stability and improvements was not needed as was the case of the open price associations, since these were not competitors, and were active in separate markets. However, future prices were discussed in Centertidningar as well, even though there was no need for setting prices to extract economic rent in a price cartel.

A more detailed analysis of the Lindesberg Group and the function of the open price associations in relation to the research questions in this dissertation will be made in chapter four. For now, it can be noted that the meetings between the managers also served other functions. Most importantly, they were an expression of the absence of a board with knowledge of newspapers, which the managers already from the beginning organized to replicate. The meetings were in many ways at least as important for the governance of the group as the board meetings. The meetings served as exchanges for experiences and information between managers, from the CEO and CFO to the managers, but also from the managers of the subsidiaries to the CEO and CFO. As Göran Henriksson said, “Bengt Björklund knew everything”.⁴⁰³

The meetings between the managers were an expression of the autonomy of the managers. Their owner approached these on an arms-lengths basis with respect to group management, and the CEO shielded the managers from the owners for a long time. Centertidningar AB was a company run by managers, within a defined area of

⁴⁰³ Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

freedom bounded by a required rate of return and a parent company represented on the local boards. Labor was a stronger stakeholder than the owner. The existence of formal economic targets, and a CFO, who had been in the company since its formation, balanced the autonomy of the subsidiaries.

At the end of Centertidningar AB's history, there was increased degree of centralization and more forms of cooperation. Cooperation within the group was sparse for most of the time, however, and it was mainly at the end of the time period when things started to change in this respect. Even if many forms of cooperation were proposed, meetings between managers and other groups in the companies were one of few examples of cooperation which materialized. These meetings, and a computerized system for administration and accounting, were also the earliest forms of cooperation to be established.

Before a more thorough analysis of the research questions in chapter four, some remarks are appropriate on what makes Centertidningar AB stand out in Swedish press history.

The drive for profit

It has been argued that the Centre Party is the only political party in Sweden which has been able to run its newspapers profitably.⁴⁰⁴ While this seems an exaggeration (there must at least have been some years where the other party's newspapers did not lose money), it still raises the question as to why the Centre Party is different. The existing historiography gives two reasons: Firstly, the way the party handled the system of subsidies worked to its advantage.⁴⁰⁵ Secondly, the role of the manager for the group is emphasized: "Where all the other parties had failed, the Centre Party succeeded. It was the creation of a single individual – the party secretary and managing director Allan Pettersson."⁴⁰⁶ The purpose of this dissertation has not been to analyze why Centertidningar AB became profitable. However, since the current picture is an evident simplification of a more complex historical reality, it is relevant to discuss to what extent the sources and method in this dissertation suggest a modification of this view.

⁴⁰⁴ K.E.Gustafsson and P. Rydén, p. 283; L. Engblom et al., p.258.

⁴⁰⁵ L. Engblom et al., pp. 257-258.

⁴⁰⁶ Gustafsson and Rydén, p. 283.

Regardless of other challenges with the sources here, one thing that can be said with certainty is how the managers in retrospect explain the history of Centertidningar AB. There is a consistent picture in the interviews:

- that Centertidningar AB was successful;
- that the party, and especially Allan Pettersson, was wise enough to understand their limitations and not interfere with the management of the newspapers;
- that Pettersson was wise to choose good managers

This can be an expression of self-confidence and pride: praise to an expression of managerial capitalism within the heart of democracy. However, it can also be a reflection of a company culture where the values were so strong and lived by that the managers still believe in them many years after the divestment. Some of the managers were able to stay as managers after the acquisitions and could compare Centertidningar AB with the replacing company cultures after the acquisitions. Also, there were managers who expressed that the culture was such that the company believed in people's ability in general to take responsibility not only the managers. It also a commonly held view that this was not a deliberative strategy in Centertidningar AB, but that this state of affairs somehow evolved anyway. One should also remember that Allan Pettersson was content with his managers: "they put their souls and hearts in it".⁴⁰⁷

There are many factors which figure into the profitability of Centertidningar AB, not the least of which are market conditions, which have not been described more than very briefly in this dissertation. There are two things which are needed to gain profit: the intention to do so, and ability to do so. What can be done with the sources of this dissertation is to suggest some reasons for why the drive for profit became so emphasized in Centertidningar AB.

First, it is natural for the historian to point to the circumstances at the beginning of the history of this newspaper group:

- The Centre Party had been part of designing the Swedish system of subsidies because many of their newspapers and magazines had problems. There was therefore a general awareness that newspapers need to have good economy. The other side of the spectrum of having newspapers for profit, namely,

⁴⁰⁷ Allan Pettersson, former CEO of Centertidningar AB, interviewed by the author, April 11, 2013.

having newspapers for political purposes, was controversial at the time of the acquisition.

- There were specific problems at some of the acquired newspapers. As Björklund pointed out, there is a reason why a newspaper company was sold, for example that the previous owner had not been able to do the necessary investments. It is evident from Allan Pettersson's narrative that his conception of the newspapers even today is that they were companies with potentially serious problems, "that they should make it". This is not self-evident, since they were profitable for many years. It was important for Pettersson that a newspaper should stand on its own feet, and not be tempted to let other newspapers in the group compensate for its mistakes. This is Pettersson's own explanation for why autonomy was important for him, and why the newspapers should keep their profits on their balance sheets.
- The party was not a resourceful owner. This means that it would not be able to raise capital if the newspapers had problems. This should have given Allan Pettersson a sound economic argument to the parent board (if he was asked for one): the newspapers must be run for profit, and they should keep the profits on their balance sheets in case they were needed.
- Allan Pettersson's role in the party was such that he did not even feel that the parent board was above him. He was second in the command chain in the party. This meant that he was able to shield the newspapers, but also that he was so occupied by this job that his only alternative probably was to delegate responsibility for the newspapers to the managers and his CFO.
- It is very clear from the minutes that the owners left a vacuum. In particular, one of the more experienced managers, Bengt Stenquist, wanted clarity regarding strategy and the requirements for economic return. This vacuum meant the managers more easily could argue for profitability as the main objective for the company.
- The background of some important managers in the group was similar: they had backgrounds from *A-pressen*, and had worked either with controlling, accounting, or computers. They were all young, and they had seen opportunities wasted at *A-pressen*. Also, they did not associate with the journalistic values or the political values of the owner of Centertidningar AB, that is, the non-profit sides of the newspaper.
- The managers met with initial resistance. This was for two reasons. There was a general leftist political climate in the 1970s, possibly more articulated at the newspapers. Bo Andersson talks about that there were many

“näbbstövlar”, beak boots, at the newspapers.⁴⁰⁸ (These boots were a common attribute for people with sympathies to the left at the time.) There was also a specific problem in making a newspaper think about profit. As Ivan Lennestål pointed out, it was a challenge to make the newspaper act like a normal company.⁴⁰⁹ When Sören Karlsson came to *Norrtejlje Tidning* in 1979, he claims that his financial manager said “you only think about profit”. If Karlsson remembers correctly, it is indeed striking that this comment came from the financial manager and not the editor-in-chief.⁴¹⁰ It is noteworthy that Bo Andersson, who had his political sympathies explicitly to the right, and Sören Karlsson and Bengt Björklund, who had a background at *Apressen*, formed a tightly knit group which in many ways acted to increase the orientation for profit in the newspapers. Altogether, this means that the managers met with unusual resistance to a normal business mindset, and that they had to join forces to overcome this resistance.

Once set in motion, one can discern some self-enforcing mechanisms for the drive for profit.

- The market conditions were probably favorable, once the newspaper which had problems was able to solve its initial problems. Part of this could be expected at the time of the acquisitions – that a first rate newspaper had an advantage was known from existing economic theory at the time – but the fact that local news in print was a good business model was perhaps not so evident. In any case, what this means is that the orientation for profit also gave positive results, which should have been self-reinforcing..
- When new managers were recruited, they had to fit into the existing culture of profit orientation.
- Competition among the managers was not to maximize circulation, but to achieve profit. This is not self-evident, since a larger newspaper was generally more prestigious than a small newspaper in the industry.⁴¹¹
- The fact that managers kept the profits on their own balance sheets gave incentives for continuing driving the newspapers for profit.

⁴⁰⁸ Bo Andersson, former CEO of *Länstidningen i Södertälje*, interviewed by the author, April 4, 2013.

⁴⁰⁹ Ivan Lennestål, former President of *Östersunds-Posten*, interviewed by the author, September 5, 2011.

⁴¹⁰ Sören Karlsson, former President of *Norrtejlje Tidning*, interviewed by the author, November 27, 2010.

⁴¹¹ Bo Andersson, former CEO of *Länstidningen i Södertälje*, interviewed by the author, April 4, 2013.

- Finally, any resistance to the orientation to profit was effectively minimized by virtue of the fact that the editors-in-chief were subordinate to the manager. The function of editor-in-chief was in itself split in two, with one political editor and one manager for the journalists. Initially, local board members dealt with via interlocking boards, and with the fact that the CEO prepared for local board meetings via meetings with the managers. Finally, labor was also given part of the profit in profit sharing schemes. The managers had almost complete control.

There are, of course, many exceptions, and many other factors which could be important. For example, this dissertation has not used local board minutes as a source, and there have been no interviews with local board members. Formal decisions were, after all, taken at the local level. Another exception is Tommy Ljung, who was able to run a highly profitable newspaper company without any background from *A-pressen*.⁴¹² The obvious dimension pertaining to the quality of journalism has not been analyzed here. Profitability was an overall target, overriding other goals, but legitimized by the need for long term survival. “The economy is the objective, and the publishing objective is the business idea” was Björklund’s expression at the meeting for the managers in 1994.⁴¹² However, one cannot tell from sources in this thesis if the orientation for profit contradicted effectiveness in disseminating a political message. It could also have been the other way around. The list is not only incomplete, it is also difficult to judge which factors and circumstances were most important.

In any case, the orientation toward profit had implications. The most obvious is that a number of measures were taken to increase profit, often involving increasing the managers’ control. The list is long: recruiting of profit minded managers, formalized requirements for economic returns, reduction of distribution areas, a clear division of responsibilities between the managers and editor-in-chief, as well as between political editor-in-chief, and head of editorial department, and a separation of newspaper production and the printing plant in order to increase control of the newspapers. All of these measures made sense from a business perspective. With a parent company that employed 2,5 persons, it was perhaps a necessity to centralize

⁴¹² CTCEO September 11, 1994

the power over the subsidiary in one person, the manager, to make it possible to control the subsidiary. As Björklund said, the manager was his *speaking partner*.⁴¹³

However, this probably also had the effect that the managers also transformed themselves into the perfect acquisition target. If, for example, the newspapers' identity would have related to dominant editors-in-chief, the chances are that they would have been less easy for an owner with another political affiliation to acquire. The group was not only profitable, it was also organized in such a way that the managers had full control. A buyer who replaced the manager would thereby gain control over the company. By separating the printing plants from the newspapers, the group made itself easy to share between the acquiring companies. The autonomy of the newspaper companies with limited cooperation naturally means that it was easy to split the group among a group of buyers.

All stakeholders had been thoroughly convinced by the managers for decades that profit was the overriding objective. The owner had been convinced that newspapers should be sold for a profit, but the managers did not expect the party to sell all the newspapers at once instead of piece by piece. It comes as no surprise that there were no loud protests when the newspapers were sold, as when the Centre Party once bought the newspapers in 1973, and this time, no money had to be paid to the employees. Naturally, the values in society had also changed, which gives another part of the explanation as to why it was easier to sell the newspapers in 2005 than when Arsas Morby did this in 1973. As Lars Lundblad says he told the leader of the party, Maud Olofsson, one did not win voters by writing political editorials anymore.⁴¹⁴

Perhaps one can say that only political party in Sweden that was able to run its newspapers profitably did so precisely because the party did not run the newspapers. The newspapers were run by their managers.

⁴¹³ Bengt Björklund, former CFO and VP of Centertidningar AB, interviewed by the author, April 27, 2013.

⁴¹⁴ Lars Lundblad, former CEO of Centertidningar AB, interviewed by the author, April 22, 2013.

4. Comparative analysis and discussion

In this chapter, the Lindesberg Group and Centertidningar AB are first compared in general terms. A discussion on the evolution of these groups follows. I then return to the question on what hierarchy meant in this context, and discuss corporate governance and self-governance in light of the empirical findings. The performance of the two constellations will also be discussed briefly.

4.1. General comparative observations

The most obvious difference between the groups was perhaps the legal aspect. The Lindesberg Group was a self-governed group. As such, it could still have chosen a legal form, but it did not. The group once discussed creating a legal association for asset management, but this idea never materialized.

Another important difference was that Centertidningar AB as a group had operations under its formal control. Meetings between the managers had the character of a body of governance, a consequence of the parent company's reluctance to take decisions which violated the subsidiaries autonomy. Decisions on operations were taken in the managers' meetings and it seems that the managers had some opportunity to influence the CEO and CFO even regarding operations in other newspapers than their own.

The managers in Centertidningar AB were very autonomous. The Lindesberg Group also chose managers as members who had control over their newspapers. Meetings between the managers therefore had the potential to be important for decisions in both groups. Compared to the open price association, the most important difference was that neither group of newspapers were competitors.

Berk and Schneiberg categorize the functions of the open price associations, and identify the functions of a common language, benchmarking, deliberation, and the coupling of price stabilization and improvement. From their account we learn that the open price associations were characterized also by more general discussions than deliberation in relation to the price and cost comparisons.

- 1) In both Lindesberg Group and Centertidningar AB, discussions between managers were almost congenial with benchmarking. In Centertidningar AB, a CFO was employed just before the first meeting between the managers, to make the accounting routines consistent, in order to increase the comparability between the subsidiaries. The equivalent functions in the Lindesberg Group, the “normtalsman”, appeared almost immediately after the meetings started, and this activity soon became increasingly important in the group during its first years of existence.
- 2) We can see from the minutes that the members could have opinions on the benchmarking in the Lindesberg Group. This ability of the participants to shape the accounting measures interactively is very much in line with Berk and Schneiberg’s description of the open price associations: they argue that economic actors broke away from the disciplinary functions of accounting and instead chose to actively shape accounting categories. Bengt Björklund argues that it was possible for the managers also in Centertidningar AB to have influence on the measurements, and that there was an interaction. It is given support in some of the interviews with the managers, but it is hard to assess how this compared to the Lindesberg Group.⁴¹⁵ The “common language” Berk and Schneiberg mention in the open price associations may have been just as much shaped by the participants in the Centertidningar AB as it was in the Lindesberg Group, but the sources are insufficient in this case.
- 3) In both groups, benchmarking could be made outside the main system. In Centertidningar AB, it could be organized by the CFO on specific issues, such as banking costs, without the involvement of the managers. There is an equivalent in the Lindesberg Group in the form of the surveys the group made, a complementary form of benchmarking on specific issues.
- 4) In both groups, the companies compared themselves with one another on a more detailed level than with other companies. However, industry wide benchmarking was not sufficient, and detailed numbers provided by the accounting system remained necessary. Just like the Lindesberg Group, Centertidningar AB also found that the individual companies never became fully comparable. Local variations remained, which affected comparability.

⁴¹⁵ Bengt Wendle, former President of Hallands Nyheter, interviewed by the author, May 17, 2013; Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

- 5) In Centertidningar, the focus was on bottom line profit, and it is documented from the manager's meetings already from the first years. As Göran Henriksson expressed this: there were two questions at the meetings - what was your result, and why?⁴¹⁶ Key ratios, especially for costs, were very extensively developed in the Lindsberg Group, while key ratios seem to have served a less prominent role in Centertidningar AB.
- 6) Centertidningar AB was more integrated in terms of IT. From 1976 and onwards systems for advertising, accounting and other administrative functions were developed. This means that data collection was automatic, while members participated in the Lindsberg Group with supplying the information. There are reasons to believe that the benchmarking in Centertidningar AB was more efficient, since managers of their subsidiaries did not need to collect the numbers themselves. Even after 1990, when the Lindsberg Group started to use IT-support, Centertidningar AB was more integrated in this respect, with an even more automatic system. In contrast to the *normtalsman* in the Lindsberg Group, the CFO in Centertidningar AB worked full time with the newspapers in the group. More important was perhaps its character of personal network, which meant that companies changed much more frequently in the Lindsberg Group, while in Centertidningar AB a few newspapers were added, but none disappeared. Centertidningar AB behaved more efficiently in this respect. However, efficiency can be measured in various ways, and the issue of performance will be discussed more below.
- 7) It took longer time before the Lindsberg Group started to let their financial officers meet, in 1991. In Centertidningar AB, it only took four years before this happened, in 1980, and there were also meetings between editors in chiefs from the beginning of the 2000's. Integration therefore went a step further in this respect.
- 8) In both constellations, the activity was less intense at the end of the period. In both the Lindsberg Group and Centertidningar AB, managers informed each other on the challenges they faced with their newspapers. There were fewer discussions of industrial wide issues in Centertidningar AB than in the Lindsberg Group. The function of giving inside information on the industry to its members, which the Lindsbergs Group had, does not seem to have been present to nearly the same degree in Centertidningar AB.

⁴¹⁶ Göran Henriksson, former President of Östersunds-Posten, interviewed by the author, September 14, 2011.

- 9) The groups studied in this dissertation also give evidence of the close relation between information and influence. Centertidningar AB board members were considered inadequate if they did not share the specific knowledge managers had on economic issues, and the Lindesberg group developed into a group which shared inside information in the industry. Benchmarking numbers were kept within a small circle in the Lindesberg Group. This makes the some of the almost idealistic descriptions of the open price associations appear very optimistic, especially regarding the ambition to share benchmarking information openly within companies.
- 10) The fourth function of the open price associations, the combination of price stability and improvements, was not needed. The newspaper companies were not competitors, and they were active in separate markets. Prices were set locally, at the discretion of the local manager, but since the budget had to be approved by the local board, where the CEO and CFO had influence, there could be a limit to this discretion, even if it probably mattered between the companies. What mattered for U.S. courts regarding the legality of the open price associations was whether future prices were discussed or not. Future prices were discussed in the Lindesberg Group and Centertidningar AB as well, even though there was no need for setting prices to extract economic rent in a price cartel. The reason for the discussing future prices was the local variations of the business cycle, and the principles behind pricing may have mattered more than the absolute levels.⁴¹⁷ The discussion on prices in the open price associations may have been caused by same search for knowledge as any other discussion in these groups.
- 11) Managers met in their professional roles in Centertidningar AB. They were included by default when they became managers in the subsidiaries. In the Lindesberg Group, members where elected and this election was made on a personal as well as a professional basis. Bringing spouses in the Lindesberg Group should have enhanced the character of personal meetings even further, providing further opportunities to social bonding. Many members stayed as honorary members, even as they had left their positions as managers.
- 12) In both groups, many other forms of cooperation than meetings of managers were discussed and considered desirable, but failed to materialize. In line with this is that there was a clear need for managers to meet in person,

⁴¹⁷ Bengt Björklund, former CFO of Centertidningar AB, interviewed by the author, May 2, 2013, and Tommy Ljung, former President of Södermanlands Nyheter, April 17, 2013.

measure results, and share information in both the Lindesberg Group and Centertidningar AB. As we recall from the theory section, meetings were important in the open price associations as well.

- 13) However, other functions - the social functions, the rhetorical use of benchmarking, the similarity to closed communities, the desire to compete for competition's own sake, the forming of a professional community, clearly suggests that other forces than the needs for collaborative learning and stabilization of prices also may have helped to form and maintained the open price associations. The balance between the four functions previously described by Berk and Schneiberg, and the functions described above, is difficult to assess with any certainty and it is likely that they differed between members and time periods.
- 14) Once again, it is worth to point out that the self-governed group studied in this dissertation was composed by members from companies which were not competitors, meaning that they did not have incentives to limit competition between them, at least not in the beginning of its history. This makes it more credible that the open price associations were indeed expressions of a genuine need for functions of benchmarking, deliberation and learning, and that they did not merely served the cartel-like functions of stabilizing prices.

Table 3 summarizes some of the differences and similarities of Centertidningar AB and the Lindesberg Group.

Benchmarking/accounting data	Yes	Yes, extensive key ratios
Responsible for accounting data	CFO (1976)	“Normtalsman” (1956)
Computerized accounting data	Yes, starting 1976	Partly, from 1990
Manager's meetings	Yes	Yes
Regular members	7 (10 during the last years, including CEO, CFO)	12, sometimes less
Frequency	2-4/year	Strictly spring and fall
Duration	1-2 days, up to 5	2 days
Wives	No	Every second time
Honoray members	No	Yes. More at the end
Guests	Yes	Sometimes, at the end
Dinner	Sometimes	Always
Location	Stockholm & local host & abroad	Mostly local host, rotation
Trips abroad	Frequent	Exceptions
Chairmanship	CEO or CFO	Strict rotation
Replacement of participant	Mostly in the beginning	Not possible
Postponents of meetings	Possible	No
Minutes	First years, then rare	Always after 1983
Task groups	Yes	No
Surveys	No	Yes, fewer at the end
Contacts between meetings	Yes, varied	Frequent, then decline
Open working climate	Less open-open-less open	Open, less open at the end
Spirit of competition	Yes	Yes
Financial manager meetings	Yes	Yes (1991)
Freq.	2 per year	2 per year
Meetings with editor-in-chiefs	Yes (2001)	No
Procurement	Some	No
Asset management	Yes	No, discussed
Insurances	Yes	No
Internal loans	Yes (rarely)	Not mentioned by sources
Main objective	Profit	Various
Required rate of return	Yes	No
Common operations	Yes	No

Table 3. Coordination in Centertidningar AB and the Lindesberg Group.

Performance

An obvious question when comparing two organizations is how they performed. The established measure of performance in the newspaper industry is net margin. The following graph shows that Centertidningar AB and the Lindesberg Group performed roughly equally. Centertidningar AB caught up after an initial period of difficulties. The graph illustrates averages of net margins, which are the revenues after financial items as a percentage of the revenues.

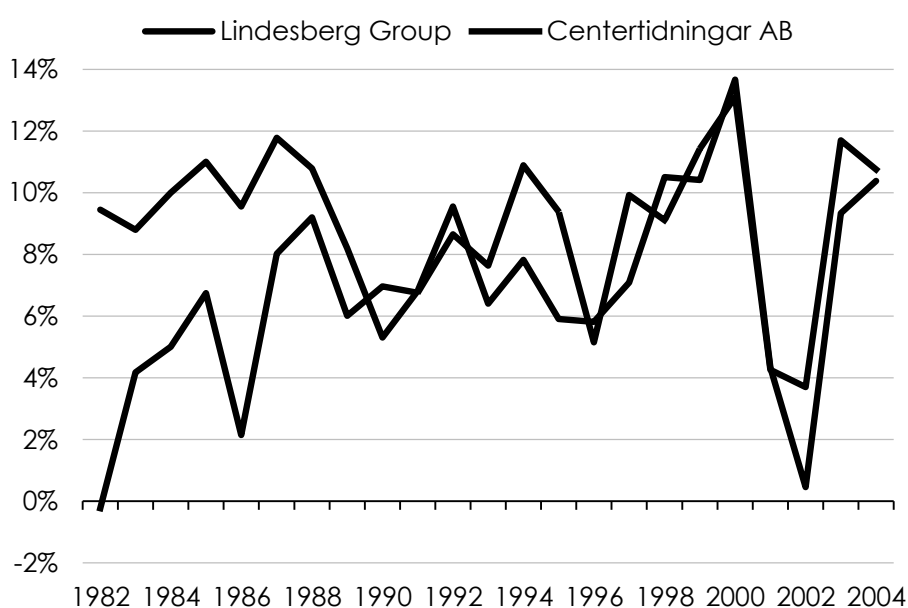


Fig.9 Average net margins for the Lindesberg Group and Centertidningar AB 1982-2004. Source: *Dagpressens ekonomi* 1982-2004 (averages for the member companies in the Lindesberg Group each year) and annual reports for Centertidningar AB 1982-2004 (net margin for the group Centertidningar AB).

Many of the managers in Centertidningar AB expressed the belief that the group had been successful. There is some reason for this belief despite the fairly equal performance with the Lindesberg Group (after catching up in 1990, the average for Centertidningar AB until 2005 is 8,6 percent compared to 7,6 percent for the Lindesberg Group.) Many of the companies in the Lindesberg Group were foundations and did not need to pay dividends. They could keep all their profits on their balance sheets. It is mentioned in the minutes of the Lindesberg Group that many of them were very liquid (in 1989, for example, it is reported that the total

sales were SEK 1200 million, whereof liquid assets of SEK 500 million⁴¹⁸) It was true for the newspaper industry in general that savings were accumulated in order to buy printing plants, and there could be many years between these investments. The performance in the Lindesberg Group therefore mirrors the return on substantial financial assets. Centertidningar AB had a conservative policy for asset management until the last few years. This policy was beyond the control of the manager of the subsidiary. It is therefore not unlikely that many of the companies in Centertidningar AB outperformed companies in the Lindesberg Group in terms of operation profit before financial items. However, none of the groups were homogenous and variance in performance within the groups is considerable. For example, for some years the Lindesberg Group included the very profitable family owned *Nya Lidköpings Tidning*, with net margins over twenty percent.

As the newspaper industry was highly cyclical, one way to test performance would be to measure the companies' ability to reduce costs in downturns in the economy. However, no matter method, establishing a causal link between the benchmarking which took place between managers and performance of the companies has a fundamental problem. Any comparison would still not be able to distinguish between the benchmarking systems' effectiveness and the willingness to use it. If the carpenter does not want to use saw, it does not matter if it is sharp or not. The profit drive of the company was strong in Centertidningar AB, but sometimes mixed with other motives in the Lindesberg Group. If the Lindesberg Group selected members they thought had achieved well, there is also a selection bias to consider.

4.2. Comparison of evolution

This previous section compared Centertidningar AB and the Lindesberg Group in general terms. This section is related to the second specific research question in the dissertation, regarding the evolution of the groups.

A common discussion in economic history is to which extent economic actors or firms are constrained by external factors, such as institutions and macro-economic conditions. It has been argued that such discussions typically end with too general statements. For example, Swedish business historian Karl Gratzer exemplifies with the general statement that the frames within an actor can act is determined by forces outside the company, such as laws. Gratzer argues, however, that a more thorough

⁴¹⁸ LGM 1989:F3

analysis of where the structure ends, and the economic actor begins, often has been missing.⁴¹⁹ His observation is remindful of the of economic sociologists Sabel and Zeitlin, who emphasize that actors are not only responding to the external context, but also engaging in shaping it.⁴²⁰

The most obvious observation here is that both groups started with one intention and transformed into something else. In the Lindesberg Group, the original idea was to share experiences, and the group turned into an exclusive group of managers associated with power. In Centertidningar, newspapers were originally acquired to diffuse a political message, but soon turned into newspapers oriented for profit. The question is how this can be explained. In the following, some external and internal factors regarding the groups in this dissertation will be discussed.

As described in the introduction in the beginning of this dissertation, the industrial structure with defined geographical areas for distribution made it possible for newspapers to share information with less concern for competitors taking advantage of the information. However, this was clearly not a sufficient condition to establish the Lindesberg Group. An external factor, the harsh economic conditions for the newspaper industry at the time, is mentioned in the minutes of the group and its celebration issues. Many newspapers closed down at the time. These newspapers were typically the third largest newspaper in an area, while the newspapers in the Lindesberg Group were leading newspapers. In hindsight we know that they were likely to survive, but an economic theory which explains why newspapers with strong household coverage have such a strong position had not been formulated at the time. The disappearance of fifteen newspapers within five years should have caught the attention of the first members in the Lindesberg Group.

The only primary source is one remaining founder, Nils Isaksson. He argues that newspapers were lagging behind in terms of accounting technique and economic analysis, and that this was the reason for the group's creation. There was a management concept in fashion at the time, the Erfa-groups. This provided a structure which the Lindesberg Group then modified. All the original members belonged to the same organization, FLT, an organization for the rural press. This should have helped to create some additional trust and a sense of common identity. It is remindful of the open price associations, where many of the associations had

⁴¹⁹ K.Gratzer,'Forskning om småföretag,' in Sjögren, H. (ed.), *Aspekter på näringslivets historia* (Stockholm: Nordstedts, 1995), pp. 51-80.

⁴²⁰ J. Zeitlin, 'The historical alternatives approach', in G. Jones, and J. Zeitlin (eds.), *The Oxford handbook of business history* (Oxford: Oxford University Press, 2009).

been converted from trade organizations, either completely or by organizing separate departments. Certain individuals could have been important during the group's first years. Sven Tollin was *normtalsman* for many years and he was one of the persons mentioned by Nils Isaksson as having been one of the initiators of the Lindesberg Group. Based on the description of his later activities, he is a very good candidate for being considered an entrepreneur. In the open price associations, Jerome Eddy clearly was the entrepreneur. According to the founder Nils Isaksson, the group of people who took the initiative to the organization was from the northern part of the country. The rest of the group was selected to balance this geographical bias. The remoteness of the cities in the northern part of the country, and the relative isolation if the managers there, may well have given more incentives to initiate the group.

The sources do not allow for anything but speculation on which of these circumstances which was most important. One can note, however, that the industrial structure did allow for open discussions before 1956 when the Lindesberg Group started. Competition alone would not have stopped the Lindesberg Group to form earlier. The crises for the newspapers had been going on for some years before 1956, and Erfa-groups had also existed for some time before that time. The creation of the group was not an immediate or automatic response to external forces, but someone who took the initiative for its formation was required.

The reason why the meetings between the managers within Centertidningar AB started was also the result of many factors. Naturally, the meetings were first contingent on the acquisitions of the Morby newspaper chain. The Centre Party had gained influence politically. Due to institutional factors - the subsidies to weaker newspapers and the financial support to parties based on seats in the parliament, a system the party had been part of creating - the party had the means to invest. There was a newspaper chain for sale at the time. Many newspapers have had owners who have been attached to them, and kept them in the group for the family for many generations. The Morby newspapers had only been in the control of the owners for a comparatively short time, and the newspapers were generally not as prestigious as some other newspapers. They were also located around Stockholm, suitable for the Centre Party's needs, and they were first place, which made them more attractive since their problems were unrelated to market position which would have been difficult to change.

Once the newspaper chain was acquired, the meetings between managers seem to have been initiated by one member, Ivan Lennestål. However, many voices at the

first meeting were in agreement on the value of such meetings. The fact that a major technological shift was taking place and some of the newspapers had problems made the meetings more valuable. Especially, *Östersunds-Posten* had problems. In a sense, this was also a challenge just as the Lindesberg Group faced the challenge of economic crises in the 1950's, and this could have given incentives for cooperation in a similar way. In the beginning, the meetings were important for the members also for other reasons than sharing information and experiences. The managers represented their companies in a time when cooperation between the companies was uncertain and the owners' strategy was unclear. A distant owner seems to have left a vacuum, and the meetings became important for governance and discussing fundamental issues as cooperation and strategy.

The groups of managers related to the external context in an obvious way as the groups changed when members were replaced. In the Lindesberg Group, one started to counter this process by letting some members stay on as honorary members. The group chose members unanimously, which should have excluded some conflicts, but this also meant that new members to some extent were a function of the inner workings of the group, since they had to fit in when selected. However, new members had different background than the older members, with better education and experience from other sectors. Members available for inclusion in the group changed. This was not the case in *Centertidningar* in the same way.

The formal and informal rules changed mainly in response to the inner workings of the Lindesberg Group. There were no formal rules for the meetings in *Centertidningar AB* and any particular informal rules cannot be discerned in the sources. The actual discussions in the groups were related to the external context in an obvious way – they were formed to discuss the world around them. There was a natural “1:1 relation” to the external world because the discussions were about it, with the exception on the discussions on the group themselves, which was sometimes the case in the Lindesberg Group. The discussions became more focused on strategy after some time, a consequence of a changing media landscape but of better economy of the newspapers in the Lindesberg Group which made discussions on costs less important. Discussions generally became more intense in the downturn from 1991 and some years ahead, naturally indicating a relation between the crises in the economy and the intensity of the discussions. The benchmarking, the norm numbers, did adjust to the external context.⁴²¹ To some extent, the benchmarking can also be seen as being the result of the group's inner

dynamics, since they were partly determined by who was *normtalsman* at the time and major changes took place when that person changed.

In the case of Centertidningar AB, the reason why the meetings between managers ceased was that Centertidningar AB was sold. This, in turn, was contingent on many factors unrelated to the inner workings of the manager's meetings; however, it was because it had been so well run that it was easy to sell. Before it was sold, the meetings between CEOs might have become less important, since the manager's autonomy had been reduced by taking control over their assets. What is most evident is that there were some tensions in the group of the managers. The manager's meetings continued anyway, held together by formal leadership.

Returning to the discussion in internal and external factors introduced in the beginning of this section, both internal and external factors determined the existence of the integration between firms studied in this dissertation. Mainly, internal factors explain why the Lindesberg Group survived as long as it did, while external factors both enabled it and slowly made it disappear. The group did adjust to its environment. However, some of its functions declined, while other grew in importance. Deliberation on benchmarking almost seems to have disappeared, discussions in the group changed character, but social functions remained. External factors were of different kinds: not only macro-economic conditions mattered, but industry-specific conditions in the industry were also important.

This analysis relates to the managers' meetings. However, in the Lindesberg Group, for *each company* in the group, the tie to other companies was established only at a particular time period, while these ties were established by ownership in Centertidningar AB. For this to happen, a number of things had to take place. The manager had to be approved by all existing members. The groups had high status, and the managers had to have some experience to gain approval. There had to be a seat empty and this was a matter of the age structure of previous members and when a member happened to find it suitable to retire. To some extent, one may see this as matter of chance. Some companies had frequent successors, such as *Eskilstuna-Curare* and *Sundsvall's Tidning*. Once in the group, it may also have been more likely that the groups chose a member from the same company. The company also had to belong to a smaller group of newspaper, regional newspapers, with a market leading newspaper position, and political affiliation, and informally, not belong to the some groups of newspapers as the Hereunto and Ander groups.

One way to look at what happened in Centertidningar AB and the Lindesberg Group is that they were groups of economic actors who organized to transcend the

boundaries of their firms. In espionage terms, they represented a clear breach of the boundaries of the firm, at least in the Lindesberg Group. The boundary of the firm was breached during a specific period of history, and a particular kind of tie between firms was established. The discussion above shows that the particular tie between firms studied in this dissertation was not a monolith and must be analyzed from different perspectives. The strength and depth of the tie varied over time, and between members in the group. The factors involved are sometimes difficult to categorize as being either internal forces or related to the external context, and there were also more factors described in the empirical chapters three and four. Whether one should see the manager's meetings in these two cases as a form of *coordination* between firms is yet another question; arguably it depends on if the companies' behavior were affected by participation in these groups or not, and this effect is hard to isolate or measure. For example, it is conceivable that some members never used the benchmarking at all in their companies, or that it meant more in various phases.

It was argued in chapter five that whether one considers the Lindesberg Group a business group is a matter of definition. If one with some generosity includes the manager's meetings studied here in Granovetter's rather wide definition of business groups, one reaches the conclusion that his critique of Chandler's view of business groups as being transitional and unstable is partly supported in this particular case. 52 years is not a short time, and it is proof that it is possible to organize a business group over a long period time. But the Lindesberg Group also had a strong character of a personal network, and if "transitional" means that the group filled a purpose only between two phases of the of process consolidation to big business, then Chandler was right. On the other side, the consolidation of the industry was not deterministic and the Lindesberg Group may well have continued to exist if the industry had not consolidated. It did succeed in solving conflicts and adjust its form and content. If we return to Daem's model on industrial transformation described in figure 2 in the theory section – from "individual companies", to "organized industry and cartel", to "hierarchical big enterprise with divisionalized structure" – then the Lindesberg Group is consistent in this model; it existed in a phase of organized industry and cartel. Centertidningar, however, was in itself a corporate hierarchy but with very autonomous subsidiaries. It was not made redundant by external forces: the party made a deliberate decision to sell. It is possible that Centertidningar AB could have grown bigger if its owners had decided to do so.

Granovetter also stressed that a common morality often binds business groups together. Was there a common morality in the newspaper industry? There is some

evidence in the sources that the Lindesberg Group selected members who were not too rough vis-à-vis employees, but it is not strongly emphasized. In terms of political values, the group selected members from newspapers with a center-right political agenda, but they made a few exceptions; not very far from their political views, however. This political affiliation was a necessary but not sufficient condition for membership in this group. They also selected people from regional newspapers only, and there was never any exception made from this regional dimension. Granovetter's view that a firm is "a formidable act of organization", and that the task of construction is even larger than for business groups, is not evident in the case studied here. In fact, the groups in this dissertation did not seem hard to organize when once there was a clear need for them, even if they at times may have required much work and effort. In particular, some of the *normtalsmän* seems to have worked hard with the benchmarking numbers. These efforts, however, do not seem to have been as organizationally challenging, as they were on the individual level. This form of cooperation came before many other forms of cooperation.

Here is an important difference vis-à-vis the open price associations. As described in the theory section, Nelson argued that the open price associations had problems related to organization.⁴²² There were deficiencies in the reporting system, members could turn in incomplete reports, and some of the groups did not attract enough members to be representative for the industry. Such problems did not seem to be the case with the two groups studied here. There were complaints in the Lindesberg Group that the benchmarking was cumbersome, but they did carry on with the system, and discipline seemed to be good.

The natural explanation for this is course that is inherently much more attractive to meet and talk to colleagues who are not your competitors, which they were in the open price associations. But there may also be an historical explanation found in the situation when the groups started, and one can discern self-enforcing mechanisms in both cases. The way the Lindesberg Group was set up, with secrecy and limited number of participants, composed by leading companies with common values, may have been very rational from the beginning for serving its intention economic function. One may even suggest that one of the functions of benchmarking was to establish the members' status within the group. By historical coincidence, its initial organization could have destined the group to gravitate towards a secret society and become attractive for that reason. Even if one would dismiss the Lindesberg Group an old boy network at the end of its history, it may be exactly this property which

⁴²² M.N. Nelson, pp.331-352

made it able to glue together, attract new members, solve internal conflicts, and serve economic functions for the companies involved which it most likely did for much of its time. The similarities to the shacho-kai, the meetings between seniors managers in Japanese Keiutsus, which had the function of expression the identity of a group a companies, is also interesting in this context.

In the case of Centertidningar AB, the initial circumstances were also important for the manager's meetings. There were many reasons why a drive for profit became so enhanced early on; perhaps it was the challenging situation for the newspapers which was particularly important, and the fact that profits stayed in the subsidiaries, which gave rational economic incentives to the manager to perform. The fact that recruitment of managers there were based on the managers ability to fit into the existing group with profit oriented managers may be the critical point here. It is interesting that one of the managers did not even have a requirement of return from the parent company, but that he still felt a pressure to perform in the group of other managers. One can therefore also discern a self-enforcing mechanism in Centertidningar AB.

4.3. Corporate governance and self-governance

The purpose of this dissertation is to study how the main functions of the open price associations were organized with various degree of hierarchical integration. After having discussed the organization of these functions in the previous sections, this section will now discuss the significance of hierarchical integration.

What did hierarchy and ownership mean in this context?

As we recall from the theory section, there is a wide variety of theories of what ownership means. Chandler, for example, has a positive view, and argues that “only the formation of a central administrative or corporate office can permit the business group to become more than the sum of its parts”⁴²³ and that “the most important single event in the history of an industrial group is when those who guide its destinies shift from attempting to achieve market control through contractual cooperation to achieve it through administrative efficiency”.⁴²⁴

Many of the differences between Centertidningar AB and the Lindesberg Group seem related to how the Lindesberg Group institutionalized itself with and formal

⁴²³ A. D. Chandler, 'The M-form: Industrial Groups, American Style', *European Economic Review*, no.19, 1982, p. 23.

⁴²⁴ Ibid., p.80.

rules and traditions. The Lindesberg Group was a meeting ground for equals. The group rotated the chairmanship and location for meetings, and the chairman had limited authority. There could have been other persons, who informally kept order, and there was also a person designed to organize the collection of benchmarking numbers, but no one had formal authority: changes of rules needed a qualified majority of three thirds and exclusion required total unity.

The relative lack of such institutions meant that there was more flexibility in the meetings in Centertidningar AB. Meetings could have dinners, or they could be skipped. Replacements of a manager with a financial officer could be made. Selection of members was not only on a personal basis. Task groups could be set up and closed down, new key ratios could be developed for a specific task, such as effectiveness in distribution. There were many discussions on whom to include and whom to exclude in the Lindesberg Group, and such time consuming discussion were not necessary in Centertidningar AB, (even if managers could sometimes on who should be new manager), there was no need to spend time on discussing rules of the group, the group never had a seat empty, there were less time spent on writing minutes and circulating them among members, the cost for having spouses present at the meetings was saved, and there was no informal rule that meetings should be at one of the member's company. One might argue that time used in Centertidningar AB, but one may also argue that the Lindesberg was more effective since it did not take time from a CEO or CFOs working on full time. The main difference, therefore, seems to have been one of flexibility, while it is harder to pass a final judgment on the difference in effectiveness.

The most reasonable explanation for this pattern is that there was a measure of hierarchical integration in Centertidningar AB. The owner may have had arm's length distance in Centertidningar AB, but the presence of formal ownership still meant that there was someone who had the final say. The person who convened the meetings and set the agenda had the power to take decisions, and therefore there was probably less need for the managers to agree on something or coordinate themselves. In this sense, ownership provided a degree of effectiveness.

Would it have been possible for the Lindesberg Group to elect a formal, permanent leader? Formal leadership would have changed the group's character. The group desired to be group of peers in order to have an open discussion climate, and was designed specifically with this purpose in mind, but in order to preserve this character, they most likely needed to refrain from leadership and hierarchies. Formal and informal rules evolved to solve the coordination problem which the absence of

leadership implied. These rules were, in turn, less flexible than what the formal leadership in Centertidningar AB provided.

One could consider some other reasons than the absence of formal ownership why the Lindesberg Group was more rigid. First, the group had more members, around twelve, while Centertidningar AB could assemble seven - five managers, the CFO and the CEO, and at the end of the groups' history, a three more managers could participate – but this difference does not appear to be enough to explain the significant difference in flexibility. But if one includes the honorary members at the end, and the spouses they brought with them, the Lindesberg Group is considerably larger. One could surmise that some of the formalities may have been there to enhance the status of membership. However, since the regularities were present even from the early years, when the group probably had not established itself as a group with status, this explanation seems less likely. Another explanation is that informal leaders preserved strong traditions in the Lindesberg Group. For example, it is evident that Carl-Gustaf Carlson had the role of maintaining order in the group. However, if such informal leaders had decisive influence there would not be so many discussions about the forms of the group. Finally, Centertidningar AB was a very profit oriented newspaper chain, and its more flexible forms could be an expression of this. However, the Lindesberg Group too had members who were interested in having low costs. In summary, the most likely reason for the difference in flexibility was the presence of formal ownership in Centertidningar AB, even if other explanations should not be ruled out completely.

As mentioned earlier, the Lindesberg Group may have had even more open discussions at their meetings. The difference should not be exaggerated and the problems with the sources in Centertidningar AB have been described before. However, in no case does any manager in Centertidningar AB express that he could speak completely openly, which Ivan Lennestål, Arne Argus, and Nils Isaksson in the Lindesberg Group did. But if the sources are problematic in Centertidningar AB, there is clear effect for the effect of hierarchy in the Lindesberg Group: the minutes leaves no doubt about that that the open character had changed at the end of the period, and that some members wanted meetings without the element of hierarchy which now was present in the group. Some members stated that honorary members were too dominating, and it was explicitly stated that having the chairman of the board in the group made it difficult to have open discussions.⁴²⁵ In fact, this

⁴²⁵ LGM 2006 F5. Attachment.

may be one reason for why there were so many complaints on the honorary members in the minutes.

It is possible that it was not hierarchy per se that had this effect, but it the fact that the managers became competitors. However, this can be seen as an indirect effect of hierarchical integration. In Centertidningar AB, there was competition and conflicting interests when decision were taken at the end, but that was because increased hierarchical integration in the group.

One can see this as the price for openness is less flexibility. A parallel can be taken from general history: democracy provides open discussions, but the democratic process is also more cumbersome. We can see this effect on hierarchical integration in two more instances in the two cases studied in this dissertation. Cal Wikström explained that he could not talk to openly to people below in the hierarchy, which made his situation lonely and created the need to meet other managers the Lindesberg Group. Sören Karlsson described that it had become more silent in the industry after more newspaper chains had formed.⁴²⁶ Perhaps the new constellations were more effective, but the industry had become less open.

This dissertation has not established in which group the participants learned more. There is not necessarily a relation between openness and learning here. A “heated” discussion, which could be the case when at the end of Centertidningar AB’s history, may very well force the participants to get better argument and listen even more critically. For example, one should also remember that not much speaks for that discussions were particularly restrained in Centertidningar AB with exception of the beginning and the end. We will return to the question why that could have been the case below.

What did self-governance mean in this context?

The previous section described what ownership and formal hierarchy in Centertidningar AB meant. Turned the other way around, one may ask what self-governance meant. As was described in the theory section, self-governance in the form of networks and so called “communities of practice” have been described as having the potential to perform many functions otherwise found in hierarchies.

⁴²⁶ Sören Karlsson, former President of Norrtelje Tidning, interviewed by the author, December 10, 2010.

The meaning of self-governance was that the managers were able to replicate functions in a formal corporate hierarchy. In particular, the first three of these are related to the function of a board:

- 1) Replication of competence. The most obvious aspect is the managers solved a problem of low competence in the boards. Many managers experienced that the boards did not know enough about running newspapers. When asked if his board was as competent as the Lindesberg Group, Ivan Lennestål explained that his board was far from that competent, and that he wished that he had had the Lindesberg Group on the board instead.⁴²⁷ As we remember, the very reason for the formation of the group was a need for knowledge.
- 2) Replicating required rate of return. The members of the Lindesberg Group were sometimes confused by a similar lack of economic objectives. When a formal requirement of return was missing, they solved this by pointing to others. The organization of benchmarking provided knowledge, but it was also used as a substitute for a required rate of return. The averages in the Lindesberg Group were used as arguments to affect change.
- 3) Replicating pressure to perform. Let us return to agency theory and the question on how to discipline managers. It has been suggested that peer pressure, social ties or social norms may mitigate the agency problem: managers may feel a pressure to discipline their behavior.⁴²⁸ The Lindesberg Group suggests that managers may voluntarily submit themselves to a measure of peer pressure control and discipline. There seems to have been a pressure to perform at least in the beginning of the Lindesberg Group, and membership was indeed voluntarily. Membership in the Lindesberg Group most likely meant social esteem, but also that the manager faced the risk of getting some less social esteem if performing badly. If this pressure to perform in the group equaled the pressure from a board of director in a formal corporate hierarchy is a very different question.
- 4) The Lindesberg Group was able to partly replicate another aspect of a formal corporate hierarchy in Centertidningar AB, namely an economic information system. The Lindesberg Group replicated the CFO in the form of the *normtalsman*.

⁴²⁷ Ivan Lennestål, former CEO of *Norrbottens-Kuriren*, interviewed by the author, September 5, 2011.

⁴²⁸ Lee and Persson.

Self-governance has not been defined in this dissertation. The concept it used in different ways: Sweden can be seen as self-governed since its liberation from Denmark, but at the same time, an industry organization does not seem self-governed in comparison to the Lindesberg Group. One is tempted to suggest that the managers in Centertidningar AB were self-governed and replicated the functions normally found in a corporate hierarchy. When comparing this to Centertidningar AB, the following observations can be made:

- 1) Replication of competence: it was very evident at the first meeting with the managers in 1976, when Gunnar Söder said that certain issues could not be saddled on the board on the parent company, specifically issues related to the administrative system which was under construction. In fact, the technological challenges Ivan Lennestål faced at *Östersunds-Posten* was a direct reason for his initiative to such meetings. That the managers organized to solve the problem of low competence in the boards was even more evident when one wanted to place managers on one another's boards with specific reference to the experience of the managers.
- 2) Replicating required rate of return: this was not needed within Centertidningar AB, since one did have a formal rate of return, which could be used instead. However, it is important to notice that it was the managers in Centertidningar AB who took the initiative to establish a required rate of return. It had a similar use as the benchmarking in the Lindesberg Group, as a tool to use internally in the newspaper organizations in order to affect change.⁴²⁹
- 3) Replicating pressure to perform: the managers did not experience that there was a significant risk to lose their jobs. There was, however, a similar spirit of competition among the managers just as in the Lindesberg Group.
- 4) Regarding the accounting system and CFO, it was one of the managers, Bengt Stenquist, who insisted that one should employ somebody who could make the companies comparable when needed.

If we add that the managers in Centertidningar AB could get rid of a CEO they did not approve of, and they had influence on recruitments to the group of managers, and that they early formed a "club" for the managers, the difference between the formal hierarchy and self-governance is very small. The managers in Centertidningar were indeed working in a formal corporate hierarchy, but just as in the Lindesberg

⁴²⁹ Sören Karlsson, former President of Norrtelje Tidning, interviewed with the author, November 27, 2010.

Group, they needed to organize or at least take the initiative to essential functions which they found were missing, such as a CFO, an economic information system, and a competent board, which the manager's meetings obviously replicated.

What was the limit of self-governance in this context? In the Lindesberg Group, they were close to creating an organization for asset management to get better financial return. No such organization was established despite a clear economic rationale. In Centertidningar AB, the owner had the authority to force the managers to give up assets. It would seem that managers replicated functions by self-governance up to the point where their autonomy would be infringed upon. This is consistent with the observation that cooperation in Centertidningar AB was sparse in other respects.

A possible explanation is that ownership in Centertidningar AB was such that it allowed for a profit target to be established early in the group's history, in 1983. For the newspapers in the Lindesberg Group, a formal profit target was likely not possible to establish. The newspapers in this group were more traditional with stronger publishing values and other ownership forms. Therefore, the managers could not use a profit target rhetorically within the newspaper organizations, but needed a much more detailed benchmarking system. One explanation for the wide range of benchmarking numbers in Lindesberg Group is that the members could need argument for a wide range of topics within their companies. In comparison, a formal rate of return is a general tool.

In the classic view of managerial capitalism managers pursue their own interests, and there were indeed instances of this in the cases studied here, such as the desire for managers to keep ones printing plants, and the fact that so little cooperation took place between companies. In the case of Centertidningar AB, however, the most common version of agency theory was partly turned upside down. Principal and agent were initially not aligned, but unusually, managers wanted profit when owners initially did not; they aligned themselves with the principal by convincing her. It cannot be ruled out that the Lindesberg Group had a very expensive system for benchmarking, which one may not have been willing to pay for if ownership had been more focused on profits. However, the idea of the undisciplined manager would probably have predicted even worse expressions of irresponsible behavior. Jensen and Meckling not only argue that the managers try to profit from the companies they manage:

We shall continue to characterize the agency conflict between the owner-manager and outside shareholders as deriving from the manager's tendency to appropriate perquisites out of the firm's resources for his own consumption.⁴³⁰

They also argue that learning is negatively affected:

However, we do not mean to leave the impression that this is the only or even the most important source of conflict. Indeed, it is likely that the most important conflict arises from the fact that as the manager's ownership claim falls, his incentive to devote significant effort to creative activities such as searching out new profitable ventures falls. He may in fact avoid such ventures simply because it requires too much trouble or effort on his part to manage or to learn about new technologies. Avoidance of these personal costs and the anxieties that go with them also represent a source of on-the-job utility to him and it can result in the value of the firm being substantially lower than it otherwise could be.⁴³¹

Especially this negative view on the manager's learning seems very pessimistic in light of the empirical findings in this dissertation.

If we once again return to the open price associations, we recall that Berk and Schneiberg see the economic agency differently than Jensen and Meckling. The former emphasize, in line with a school of sociologists including Sabel and Zeitling, that the principal learns from the agent, and that the organization of discussion helped to form a common view of the world, and this is how competitors could cooperate constructively in the open price associations. There is an optimistic view that the organization of discussions may help to solve the problems between the principal and the agent.

The empirical findings in this dissertation are in many respects consistent with this view. The principal and agents were aligned in Centertidningar AB because the principal was willing to adjust to the initiatives of the agents. The fact the required rate of return was set in a discussion between the CFO and the managers is especially interesting in this respect.

However, there is also a complication. If we frame the empirical findings here in the principal-agent terminology, then we would say that hierarchical integration was associated with less open discussions, that is, an agent would prefer to talk to other agents, rather than to the principal. This is another perspective than Berk and Schneiberg's view of economic agency in the open price associations. The

⁴³⁰ M. C. Jensen and W. H. Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure', *Journal of Financial Economics*, vol. 3, no. 4, 1976, p. 17.

⁴³¹ *Ibid.*

discussions were more open between peers, where there was no hierarchy. Seen this way, the principal was precisely the person one did not want to talk openly to. Still, some of the principal's functions seem to have been in demand from the agents, such as the functions of a board which were organized by the managers in forms of self-governance.

The critical point is that the empirical findings in this dissertation exemplifies that the principal's disciplining or monitoring of the agent is composed by two parts. One part is the ability of the principal to punish the agent if he does not do what the principal wants. It is this part which makes the agent less open in his discussions with the principal. The other part is the ability of the agent to point the first fact out to others, and by so doing, make his arguments stronger. In Centertidningar AB, it is clear that the agents, the managers in this case, wanted a required rate of return not only in order to be clearer about what they were expected to do. They used this required rate of return rhetorically: the argument was that they had to take actions in their companies because their principal had told them to achieve a certain economic return, implicitly that they would be punished by their principal if some actions were not taken.

Where there was no formal required rate of return, and no way to convincingly argue that action had to be taken for that reason, the managers in the Lindesberg Group organized to replicate this function with benchmarking. Seen this way, an important reason for the benchmarking system was rhetorical: the organization of discussions served needs for knowledge, social needs, power, influence, and so forth, but also needs for finding arguments.

The situation is reminiscent of the benchmarking we learn from early childhood. If Liza wants more weekly allowance from her parents, she probably argues for this by pointing out that her friends get more. Liza's father, on his part, may benchmark by calling the parents of Liza's friends. While so doing, Liza's father may get to know the other parents, and learn other things he may find useful in his role as parent. Both the principal and agent needs arguments, and the managers in the two groups studied in this dissertation were both agents in relation to their CEO or owner, and principals to other agents in the form of middle management in their companies. Let us listen to the 90 year old founder Nils Isaksson again talking about the Lindesbergs Group.⁴³²

⁴³² Nils Isaksson, former CEO of Norrbottens-Kuriren, interviewed by the author, August 23, 2007.

...one got the intentions in this group and discussed. Then you had to go to your own board/.../But you could do it more forcefully because you knew that you had support. So you could be bold and say, you can ask that person or that person...

There may indeed be organizations which resolves the principal-agent problem or enable cooperation between competitors. But another impetus for having discussions outside the hierarchy in a network may be the inability to talk openly within them; and a need to find arguments which are useful or even necessary in the communication between the principal and the agent. This does not mean principal-agent problem cannot be mitigated in the way Berk and Schneiberg contend, but it exemplifies the organization of discussions which includes benchmarking may also have additional motives and functions.

As we recall from theory chapter, Weber argues the nature of authority varies in hierarchies. The discussion above is very abstract. Let us return to an empirical case and the more concrete nature of the principal and agent in Centertidningar AB. Allan Pettersson is described in the sources as a person with authority. He was benevolent and trusted the managers, but he had they final say. His CFO, Bengt Björklund, is described as being humble and “one of us” by the managers. He is also described as the person who the managers had most contacts with, and Björklund had more to do with the daily operations of the newspapers than Allan Pettersson. In light of the discussion above, it is tempting to suggest that Allan Pettersson’s contribution here was to relieve his CFO the burden of having the final say. This allowed for more open discussions between the managers and Björklund.

5. Summary

This chapter summarizes the dissertation by giving brief answers to the research questions and by describing the main contributions to previous literature. It also contains some more open reflections in relation to theory and previous literature, discusses limitations, and suggests further research.

5.1. Answers to research questions

The purpose of this dissertation has been to analyze the long-term dynamics and organization of the main functions of the open price associations by (1) studying how they were organized in a self-governed form, and then (2) comparing this to how these functions were organized within a corporate hierarchy, both in the context of the Swedish regional newspaper industry in the post war period. This purpose has been met by answering four specific research questions:

1. *How were the functions of the open price associations organized in the self-governed Lindesberg Group? How were these functions organized within a corporate hierarchy as Centertidningar AB?*

Most of these functions took place in meetings between managers, but financial managers also became involved over time. A CFO was responsible for benchmarking in the corporate hierarchy and a *normtalsman* in the self-governed group. The main difference between the self-governed Lindesberg Group and corporate hierarchy Centertidningar AB was that the former was less flexible in its organization but provided even more open discussions. In Centertidningar, the focus in the meetings soon came to be on end line profit, and a formal requirement for economic return, was while the Lindesberg Group maintained an elaborate benchmarking system with many key ratios.

2. *How did these two organizations originate, how did they evolve over time, how did they relate to the industrial context, and why and how did they disappear?*

Both organizations formed in difficult times, and both disappeared as indirect consequences of the consolidation wave at the end of the time period. Both constellations became less important over time because discussions took place in other fora, in Centertidningar AB because the group became more centralized, in the Lindesberg Group because newspaper chains started to form and industry specific knowledge became less important. In both organizations strategic issues

became more important than fine tuning the existing operations. Self-enforcing mechanisms within the groups of managers can be discerned in both cases.

3. What other functions did these groups serve?

The meetings between managers in the Lindesberg Group and Centertidningar AB served many other functions than has been emphasized in the descriptions of the open price associations. There were social functions and resemblance to professional communities. The groups satisfied needs to compete for competition's own sake. There was a rhetorical use of benchmarking. There was a close connection to governance, in Centertidningar AB, the managers' meetings were important for the governance of the group, in the Lindesberg Group, the group had a function for the governance of the industrial organizations.

4. What was the relation to other forms of cooperation?

The functions of the open price associations, as they were expressed in meetings between managers, were relatively easy to organize, and they were organized before many other forms of cooperation. Benchmarking organized on industrial level only partly replaced the benchmarking studied in these constellations.

5.2. Contribution to the literature on interfirm cooperation

A self-governed group which shared experiences and benchmarking during 52 years has been described. It has been described how this group gradually transformed from an interfirm network to an intrapersonal network, and how this group originally set up to solve economic problem in hard times transformed to acquire status as an influential group in the industry. It has also been described how manager's meetings evolved in a decentralized group, and how these meetings where part of transforming newspapers initially acquired to diffuse a political message to become very profit oriented.

This dissertation is had not studied the open price associations per se, but the comparison with reminiscent organizations in the Swedish newspaper industry make some arguments on the open price associations appear more credible. The similarities between the open price associations and the Lindesberg group, where the members where *not* competitors, makes it appear more likely that the open price associations were indeed expressions of a genuine need for the functions of benchmarking, deliberation and learning, and that they did not merely serve a cartel-like functions of stabilizing prices. The Lindesberg group also gives support to the notion that economic actors may shape accounting categories in an interfirm

arrangement. Indeed, the support of an industrial association, as in American case, was not needed - these functions could, at least in a small group, be self-governed. In particular, future prices were discussed in both the Lindesberg Group and Centertidningar AB, even though companies in the groups were active on separate markets. This gives supports the notion that comparisons of future prices in the open price associations – something which was forbidden but still seems to have taken place - may have been induced by other factors than attempts to arrange price cartels.

The other functions described in the groups studied in this dissertation suggests that other forces than the needs for collaborative learning and stabilization of prices may have helped to form and maintain the open price associations. The need for managers to meet, discuss and measure one with one another seems both strong and easy to arrange. Finally, the groups studied in this dissertation gives clear evidence on the link between information and influence. This makes some descriptions of the open price associations appear very optimistic, especially regarding the ambition to share information openly for everybody to learn. In fact, the self-governed group started out with ambitions very similar to the open price associations, but it developed into a group where exclusive sharing of inside information may in fact have been dominant features, while benchmarking and especially deliberation in relation to benchmarking became more subordinated functions.

More generally, the forms of interfirm cooperation studied in this dissertation had a relation to corporate governance. The self-governed Lindesberg Group was able to replicate some important functions in a corporate hierarchy.

1) Replication of competence in boards. The meetings between the managers in both groups solved a problem of low competence in the boards. Many of the managers in the constellations in this group experienced that the boards did not know enough about running newspapers.

2) Replication of required rate of return. When the members in the Lindesberg Group did not have clear economic objectives from their owners, they organized to work around this this by pointing to others. They used comparisons as a substitute. This was simply not needed within Centertidningar AB, since they had a formal required rate of return, which they could use instead. Benchmarking and requirements of return both had the function of affecting change in newspapers.

3) Replicating pressure to perform by peer pressure and competition between peers. In many ways, the groups studied in this dissertation were expressions of managerial capitalism and autonomy. It has been suggested that peer pressure, social ties or social norms may mitigate the agency problem such autonomy may imply.⁴³³ What the empirical findings in the dissertation suggest is that their managers may voluntarily submit to some of amount of peer pressure, control and discipline.

4) The Lindesberg Group was also able to partly replicate of the formal ownership structure in the form of an economic information system. The Lindesberg Group also replicated the CFO in the form of a *normtalsman*.

Finally, a few observations can also be made in relation to theory and previous literature without having the ambition of making a formal contribution:

The significance of ownership in this dissertation was sometimes that unions resisted changes by explicitly referring to the nature of the owner, e.g. the ideology of the Centre Party, which explicit favored decentralization in general society. To some extent, the governance structure of Centertidningar AB may have been the result of party ideology, but the sources in the dissertation are not sufficient to establish to what extent this was the case.

In the Lindesberg Group, we saw that managers of newspapers could be very hesitant to own other firms in the local area. This is quite different from the case of Bonnier, traditionally the dominant media company in Sweden, which has been cautious not to be too dominating in media and instead has chosen to expand into other industries. On the contrary, the minutes from the Lindesberg Group reveal that regional media companies may chose to restrict their ownership to media related companies only. In the case of Centertidningar, there was no such restriction for ownership.

⁴³³ Lee and Persson.

5.3. Contribution to media history

This dissertation contributes to media history, in particular the history of Swedish regional newspapers; a field where archives have been described as poor, especially regarding economic matters.⁴³⁴ In particular, the literature on leadership of regional newspaper companies is thin, and there are claims that the descriptions of its managers have been almost mythological.⁴³⁵ The dissertation contributes by describing managers who tried to solve the problem of owners who were not clear about the economic objectives of newspapers, and owners who lacked knowledge of the newspaper industry. The groups of managers studied here mirror these aspects of incomplete board functions in the industry, as well as they reflect another important characteristic of the industry, namely that geographically separated markets provided good opportunities for discussions between representatives of the newspaper companies.

As described in the theory section, there are few studies on corporate governance of newspaper companies.⁴³⁶ This dissertation contributes by describing the corporate governance of newspapers owned by a political party, the Centre Party, which is claimed to have been the only political party in Sweden to run its newspapers with profit.⁴³⁷ The process of making the newspapers oriented towards profit has been described, as well as the evolution of its governance. The historical reasons for why the drive for profit became so enhanced are discussed. The existing historiography gives two explanations for why Centertidningar AB was profitable: the role of its first CEO of Allan Pettersson, and the Center Party's part in changing the institutional environment for the newspapers by establishing a system of subsidies. This current view is modified by describing details in the governance of Centertidningar AB, and in particular the role of its managers. A critical empirical result is that the initiative for making the newspapers profit oriented came from the managers rather than from the owner. This articulated strive for profit made the newspaper different from the labor controlled *A-pressen*. It also made the company different from some other important regional newspapers, for example the newspapers represented in the Lindesberg Group.

⁴³⁴ S. Jonsson, 'Ge aldrig upp – personliga erfarenheter av forskning i tidningsarkiv', in Gustafsson and Rydén (eds.), pp. 200-203.

⁴³⁵ Pierre and Weibull., p.14

⁴³⁶ R. G. Picard and A. van Weezel, 'Capital and Control: Consequences of Different Forms of Newspaper Ownership', *International Journal on Media Management*, vol. 10, no. 1, 2008, pp. 22-31.

⁴³⁷ L. Engblom et al., p. 258.

5.4. Limitations

The fact that there was a self-governed benchmarking which partly replicated weak boards does not mean that there could not have been abuses of the autonomy the managers had. This has not been studied in this dissertation. In particular, the possibility of excessive executive compensation, which could have been the consequence of weak boards, has not been investigated.

External validity is the extent to which the results of a study are valid in general. The two historical cases in this dissertation have not been chosen in order to make generalizations. The fact that ownership provided more flexibility in Centertidningar AB does not necessarily mean that it would be so in other cases. Ownership came in special forms in the two constellations. In Centertidningar AB, the owner had an ideology of decentralization which may have hindered other forms of cooperation. In the case of the Lindesberg Group, foundations owned many of the newspapers. Foundations are an unusual form of ownership. Whether the results are valid for other ownership forms and in other historical contexts must be investigated in further research.

5.5. Suggestions for further research

Business history

The history of Centertidningar AB in this dissertation is written in process of answering theoretically derived research questions about interfirm cooperation and governance, and the sources have been chosen accordingly. Since Centertidningar had many unusual characteristics, a company history in full context could be warranted. This dissertation gives the managers' history. To populate the scene, stakeholders as owners, workers in form of journalists and other workers, unions, readers, local politicians could give be stronger voices. Technological development and market changes are not described more than briefly in this dissertation. An obvious question is the quality of journalism, in general and the effectiveness of diffusing a political message. Was there a price for the focus on profit or not, or did Centertidningar AB provide better managed newspapers and in the end a more effectively communicated political message? Resistance to changes within the newspapers is another example: in the Centre Party on national and local level, among journalists and in the general public. Comparison with other newspapers with sympathies for the Centre party, outside Centertidningar AB, could be useful here.

Interfirm cooperation and corporate governance

A number of questions can be derived from the findings in this dissertation. One is concerned with performance. To what extent is self-governed benchmarking effective? This question should be analyzed in more detail. For example, the fact that the Lindesberg Group developed so many key ratios for costs suggests that benchmarking was used to cut costs. The question is then when this was effective. One hypothesis to be tested is that peer pressure and benchmarking was efficient in cutting costs which were not associated with reducing the workforce, but for other operational costs. Another hypothesis is that the benchmarking was effective in downturns in the economy, or when technological change required action, but that the benchmarking had a less significant role when the economy was stronger.

In the same way, if managers were able to replicate board functions *effectively* or not appears worthwhile to investigate. This dissertation merely shows that the managers replicated board functions, but not have effective these replications were. In addition, an interesting question is to what extent networks are formed by rhetorical needs, and under what circumstances. For example, the functions of networks where a dominant owner is present could be compared to networks where the owner has an arm's lengths approach.

6. References

Interviews

The Lindesbergs Group

Arne Argus, CEO Östgöta-Correspondenten (1973-2005)*
April 9, 2008, Linköping

Carl-Gustaf Carlson, CEO Eskilstuna-Kuriren (1973-2005)
June 8, 2007, Eskilstuna

Göran Henriksson, CEO Östersunds-Posten (2003-2004)
September 14, 2011, Stockholm

Nils Isaksson, CEO Norrbottens-Kuriren (1956-1981)
August 23, 2007, Luleå

Rolf Jonsson, CEO Sundsvalls Tidning (1985 – 2004)
November 17, 2006, Sundsvall

Ivan Lennestål, CEO Norrbottens-Kuriren (1984-1984)
September 5, 2011, Luleå

Hans Westin, CEO Sundsvalls Tidning (2005-2008)
November 17, 2006, Sundsvall

Cal Wikström, CEO Norra Västerbotten (1974-2004)
November 27, 2007, Stockholm

*The years indicate full membership in the Lindesberg Group. In many cases the interviewee stayed in the group as honorary member.

Centertidningar AB

Bo Andersson, CEO Länstidningen i Södertälje (1979-1998)
April 4, 2013, Stockholm

Bengt Björklund, CFO Centertidningar AB (1976-2005)
November 2, 2010, Stockholm
April 27, 2013, Stockholm
May 2, 2013**

Göran Henriksson, President Östersunds-Posten (1996-2010)
September 14, 2011, Stockholm

Ruben Jacobsson, President Hälsingetidningar (1996-2011)
April 11, 2013, Stockholm

Sören Karlsson, President Norrtälje Tidning (1979-2006)
November 27, 2010, Norrtälje
December 10, 2010, Stockholm

Ivan Lennestål, President Östersunds-Posten (1976-1981)
September 6, 2011, Stockholm

Tommy Ljung, President Södermanlands Nyheter (1991-2010)
April 17, 2013, Nyköping

Lars Lundblad, CEO Centertidningar AB (1999-2005)
April 22, 2013, Stockholm

Allan Pettersson, CEO Centertidningar AB (1973-1997)
April 11, 2013, Stockholm

Bengt Wendle, President Hallands Nyheter AB (1995-2008)
April 17, 2013**

** interview was made on telephone

Archives

Centertidningar AB board minutes	CTBM
Manager's meetings in Centertidningar AB	CTCEO
Lindesberg Group minutes*	LGM
Lindesberg Group norm numbers	LGN

* In the footnotes, S denotes meeting in spring, and F denotes meeting in fall. Example:
1999:F2 refers to the second item in the minutes for the meeting in fall 1999.

LGM and LGN are private archives and have been stored by Carl-Gustav Carlson in Eskilstuna.

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