

Organising Distribution

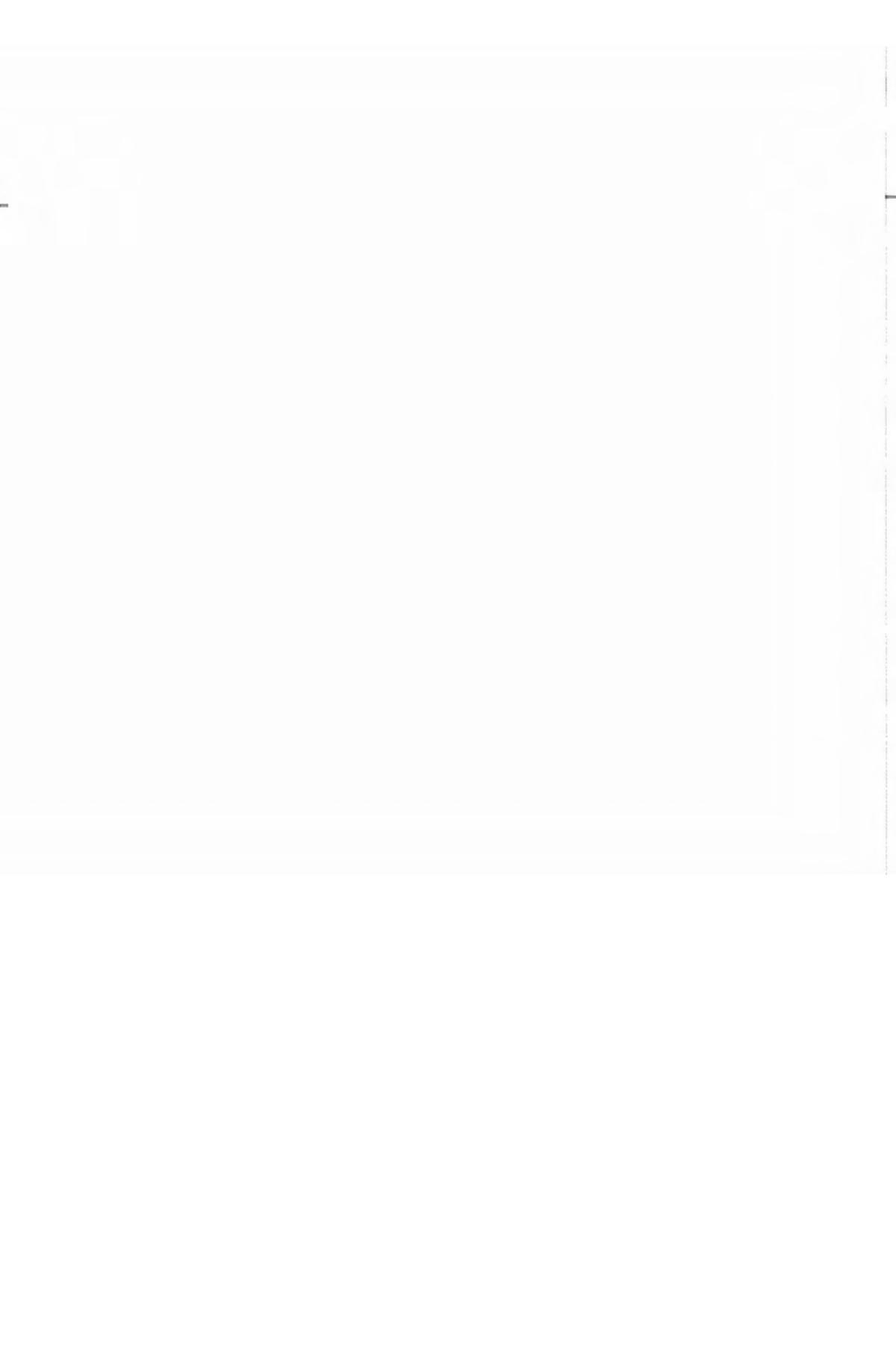
Hakonbolaget and the efforts to rationalise
food distribution, 1940-1960

Hans Kjellberg

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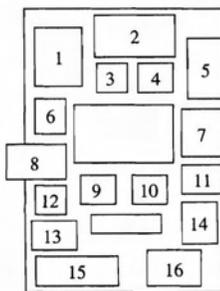


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Dissertation for the degree of Doctor of Philosophy, Ph.D.
Stockholm School of Economics 2001

Cover:



1. Hakon Swenson, founder of Hakonbolaget.
2. Blueprint of the lower level at Hakonshus, Västerås, built in 1956-57.
3. William Meserole's scheme for goods placement.
4. The ambition to lower transport costs in 1950.
5. The radio-controlled Barret-truck at Hakonshus, Västerås 1958.
6. A housewife serving herself.
7. Åmål, Hakonbolaget's first one-storey warehouse built in 1954.
8. The loading dock at the warehouse in Västerås in the early 1940s.
9. Hakonbolaget's logotype in the 1940s.
10. Nils-Erik Wirsäll, head of Hakonbolaget's Organisation Department.
11. The editorial board for Knäckta Nötter, a publication from the Organisation Department.
12. The symbol for the Hakon-deal.
13. Shipping goods from a warehouse in the early 1940s.
14. The Hakon-deal: Co-operation and written orders from Your purchasing centre.
15. The Ludvika council of trustees, AB Hakon Swenson, 1944.
16. The planned Hakonshus in Gävle.

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To Nils-Erik Wirsäll

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Hans Kjellberg

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Part I
A study of organising

Chapter 1

A practical problem – organising a goods distribution enterprise

How do you get 4,000 retailers, their stores and their employees; 27 regional office- and warehouse facilities, filled with thousands of articles and innumerable order forms, goods lists, push carts, elevators, local managers, salesmen, office and warehouse staff, lorries and drivers; and a head office with central departments for purchasing, financial control, organisational development, advertising, etc. to act in concert? If achieved, how can such concerted action be maintained for more than a fleeting moment? Further, having assembled this heterogeneous group of entities and managed to get something like concerted action going, how is it possible to bring about desired changes in its constitution or in the activities undertaken? For instance, to stop sending salesmen, to change the storage facilities, to have the retailers alter their stores, or to change how orders are dispatched.

These questions all concern the organising of goods distribution, primarily how such organising is achieved in practice. But they also hint at a more basic concern, namely, how we are to understand the organising of business enterprise, or any social process for that matter. Stated in its most general form, these questions hint at the problem of social order. For social order is not so much a philosophical issue; it is something which we all contribute to in practice – even the food store at the corner. This is not to say that it is less of a problem, but rather, that it is a practical problem which comes in many shapes.

1.1. A recurrent practical problem

I had planned an interview at the head office of ICA, the largest food distributor in Sweden. The Head of Information, Kjell Gunnarsson, had agreed to meet me and introduce me to some relevant people within the organisation to whom I could turn for more

information for my thesis project on distribution dynamics. Although I never came to make use of these contacts, the meeting turned out to be of great import to my work.

-Our problem today concerns purchasing fidelity, which has been dropping. During the 90s the ICA retailers have become purchasers to a much higher degree. Many retailers spend half the day in the office buying, rather than selling... The problem is that the manufacturers give larger and larger rebates to fewer and fewer outlets, like this [draws on a piece of paper, see Figure 1-1].

Kjell Gunnarsson. Excerpt from interview notes May 29, 1997.

Back from the interview, I was struck by the apparent similarity between Gunnarsson's characterisation of ICA's situation and some of the statements made in the historical documents I had collected. There too, the main problem seemed to be to convince the retailers to purchase through "their own purchasing centre." Here are two examples from Hakonbolaget, one of the four purchasing centres that in 1938 had formed ICA.

-We sin often enough in our daily deeds, for instance when we receive a visit from a travelling salesman... for thirty years now we have seen how Hakonbolaget has grown and become a fine and forceful purchasing centre, but we retailers have not yet awakened and acted as we should do, namely by giving one hundred per cent support to this, our company...

E. Valin. Minutes of meeting, the Borlänge council of trustees, AB Hakon Swenson, Sept. 26, 1948. Trans.

-There is a certain danger in these retailers, who we have helped forward and who, in many cases, we have set up in their stores, becoming too large. There are tendencies that some of these retailers join together and buy clearances cheap from the manufacturers. We must attend to this development, so that it does not result in a purchasing system that competes with ours.

Josef L. Lindqvist. Minutes of the managers' conference, AB Hakon Swenson, May 19-20, 1952, p.3. Trans.

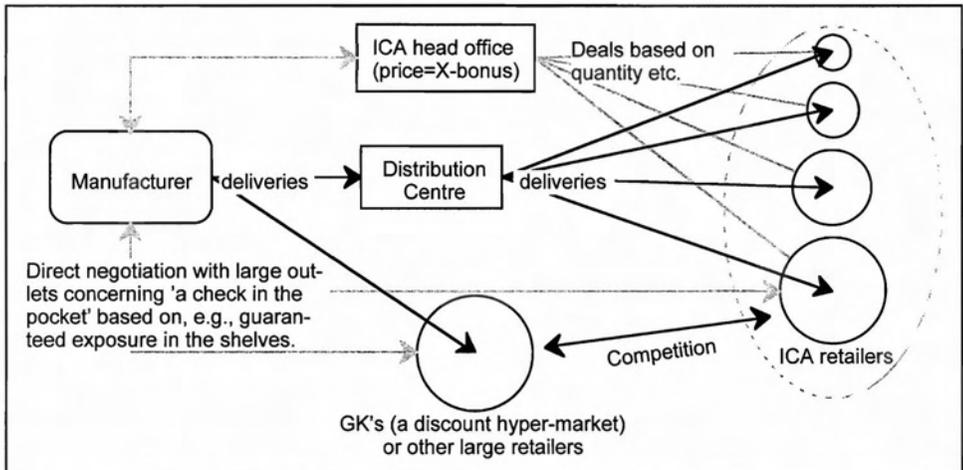


Figure 1-1. ICA's purchasing problem. Source: Kjell Gunnarsson, personal interview, May 29, 1997.

These statements were made some 50 years before I met with Kjell Gunnarsson, and yet they seemed to indicate an almost identical problem. Had nothing happened? Had they grappled with this problem for all those years without solving it? In fact, at the time when the statements above were made, Hakonbolaget was making a major attempt to solve this problem. In connection to this, the problem was given the following characterisation:

The Hakon-deal purports to solve the purchasing-issue through reducing the costs of the flow of goods from the purchasing centre to the members. It is based on a deeper co-operation between Hakonbolaget and its members. Thereby both the sales efforts of the purchasing centre and the purchasing work of the members can be reduced. The purchasing centre can concentrate its efforts on purchasing and the retailers are given more time for saleswork.

Purchasing fidelity renders the purchasing centre greater resources and the members increased possibilities of selling good products at low prices.

Hakons-given (information leaflet) AB Hakon Swenson, 1950. Trans.

Here even, the reference to the retailers being over occupied with buying is the same as in Gunnarsson's characterisation above. There can be no doubt. It was the same problem.

Besides this indication of repeated efforts to solve the same problem, the ICA of today was also described as being founded on an 80-year old idea:

This is a publication about an idea which has grown strong and developed over a period of 80 years. It is about people and about Sweden's most successful food company. It is about ICA.

Den samlade styrkan, ICA Handlarna, 1996, p.1. Trans.

The ICA business concept is a brilliant one, and is nowadays virtually unique in the world, in that it is still based on the four cornerstones laid down by Hakon Swenson, way back in 1917 – the year that the ICA movement was born.

Rolf-Erik Hjertberg, chairman of the ICA-board. ICA Handlarnas AB, Annual report 1996, p.3.

ICA, was thus the result of realising an idea, a “brilliant” and “virtually unique” business concept. This idea had turned ICA into something more than just “Sweden's most successful food company”– it had turned it into “the *ICA movement*.” For a movement is just that – an organisation with a common objective, an idea.¹

What was this common objective, this “ingenious business concept”, the ICA-idea? Had it really been the stable, unchanging principle according to which the operations had been organised “since the birth of the ICA-movement”? In the 1996 annual report Rolf-Erik Hjertberg, chairman of the ICA-board, described the idea in the following way:

The four cornerstones were, and are: the retailers' proprietary interest; co-operation; capital creation; renewal.

ICA Handlarnas AB, Annual report 1996, p.3.

¹ **movement**, ... 3 organisation of persons who fight for a common object often idealistically” (translation of the Swedish expression, *rörelse*, *Nationalencyklopedins ordbok*) An English version reads: **movement**... 3 a a body of persons with a common object (*the peace movement*) (*The Concise Oxford Dictionary*, 8th ed.)

Through ownership of ICA, through co-operation, and through capital formation, the members of the movement, that is, the ICA retailers, were to gain certain advantages.

In much the same way as for the purchasing problem, the historical material indicated a considerable continuity in the characterisation of the idea on which operations were based. For instance, an “idea-program” which Hakonbolaget adopted in 1948, stated that the co-operation within the purchasing centre purported to:

1. *Better insight into wholesale trade*: a) through partnership in the purchasing centre and majority on its board; b) through the Councils of trustees.
2. *Cheaper and better goods*: a) through joint purchases, b) through rational and hygienic storage; c) through our own superb branded goods; d) through rationalisation of the goods transports; e) through our own production.
3. *Higher retail culture and better customer service*: a) through economic support for new construction and modernisation; b) through the advisory activities; c) through our own trade journal.
4. *Stronger economic backbone through capital formation for private trade*.
5. *More efficient consumer guidance*: a) through extensive advertising; b) through the household magazine ICA Kuriren.
6. *Free and independent private trade*.

Hakonbolaget - köpmännens inköpscentral, AB Hakon Swenson, 1948. Trans.

Once again, co-operation, retail influence over wholesaling, joint purchasing, renewal and capital formation are all said to be central to the ICA-idea. While the formulations differ, there is much continuity in how the idea is presented from the 1940s to the present.¹

Existential problems

The idea that a central organisation, rather than the retailers themselves, should handle purchasing is vital to both ICA and its predecessor Hakonbolaget. Thus, if the retailers do not purchase through this company, its basic *raison d'être* would be lost.

If ICA ceases to make efforts to have the retailers buy from them, then after some time at least, they will cease to do so and, after a while longer, ICA will be gone as well. Only by constantly making efforts over the years to have the retailers purchase centrally through Hakonbolaget/ICA, can they continue to exist. Small wonder then, that this is a recurrent problem. Still, the continued existence of Hakonbolaget/ICA is not put forward as the reason *why* the retailers should behave in this way. The most important reason supplied for this behaviour, rather, is that it increases distribution efficiency.

As I started to look closer, I found that purchasing was not the only problem that the ICA of today had in common with its historical counterpart, Hakonbolaget. How to render wholesale operations more efficient (in the sense of less costly) was another; a

¹ This continuity is evident in books and other publications from ICA Förlaget, the internal publishing house. See, e.g., J. Ejdestam et. al., *Bilder ur Lanthandelns historia*, 1942; *ICA Tidningen*, 1962:10, p.35; Margit Falkenstam and Nils-Erik Wirsåll, *Något till Livs*, 1967; Nils-Erik Wirsåll, *Den omöjliga idén blev verklighet*, 1988; and *ICA Handlarna, Information about the joint ICA-operations*, 1991.

third concerned what assortment to offer at wholesale level; and a fourth, how to realise competitive retail formats, i.e. combinations of location, store size, assortment and service. On the whole, the central concerns of ICA today, seem to be more or less the same as those of Hakonbolaget some 50 years ago.¹

These, I guess, are some of the existential issues for a food distributor. They recurrently give rise to new efforts at organising distribution. If they are left unattended, the distributor will gradually be less and less involved in the distribution process.

The outcomes of organising

As I tried to follow the efforts that these problems gave rise to within Hakonbolaget (and ICA), the issue which this thesis deals with slowly took shape. In short, I came to focus on the process of organising distribution. That is, on the efforts which purported to give direction to the practice of distributing goods.

Some attempts at organising aim at developing and maintaining behavioural patterns, others aim at their change. Some such attempts may be successful, others less so. What is deemed successful is also subject to change over time. That which at the time was considered a successful attempt at organising, might in retrospect be regarded less favourably, whereas a failure very well might seem a success. Stability, change, failure or success – to understand such outcomes, attention must be paid to the practices of organising. And this is what my thesis aims at.

1.2. Purpose and research questions

There is a deeply rooted belief in the import of a clearly formulated research problem within social science. At my own department this is reflected in a question – *What is your research question?* – which I think has been raised at every seminar where a doctoral candidate has presented part of his or her thesis. Usually, the question is put by a senior researcher, but younger ones soon catch on and quickly hurl this safe bet at the disenchanted respondent.² After numerous attempts during the process of writing this thesis, I have reached the following formulation:

¹ These issues were emphasised both by ICA in the 1990s, and by Hakonbolaget in the late 1940s and early 1950s. Sources: ICA Handlarnas AB, Annual reports, 1990-1996; AB Hakon Swenson, Annual reports, 1945-1955; and Minutes of the managers' conference, AB Hakon Swenson, 1947-1955.

² Among Researchers (capital R), Max Weber (*The Methodology of the Social Sciences*, 1949 (1922), p.110) has stressed the need for conceptual clarity, characterising the use of “undifferentiated collective concepts of everyday speech” as always being “a cloak for confusion of thought and action” and “a means of obstructing the proper formulation of the problem.” This in no way belittles the import of research practice. For I had heard the question and the embarrassed replies many a time, before I read Weber.

The twofold purpose of this thesis is to describe the organising of a business enterprise and to increase our understanding of efforts to give direction to (intervene in) such enterprises.

This purpose is very broad and general. However, I argue, it must necessarily be so at this point. The principles which I have tried to follow in this study (sketched below and developed more fully in Chapter 2) suggest that a strict *à priori* definition of the subject unnecessarily limits the possibility of understanding how social processes work.¹

The term *business enterprise*, is defined as *activities undertaken to generate market exchange*.² Besides being a recourse in the absence of finding a more specific term³, “business enterprise” indicates the more general significance I hold the study to have.

The term “organising” is motivated first by its *wide scope* – as I see it, it includes attempts to change (a form of re-organising), as well as attempts to stabilise (practices for instance) and anything in between. A second motive is its *processual character* – the -ing suffix emphasises that what I am interested in is an ongoing process. When constructing my empirical account, “organising a business enterprise” was allowed to signify whatever Hakonbolaget and the other involved actors undertook to generate exchange.

The phrase “organising a business enterprise” is in a sense inappropriate. It implies that there is something - a business enterprise - which is being organised. That is not what I have in mind. The *business enterprise* should rather be regarded as the outcome of organising – without the organising there is no business enterprise. Organising and that which is organised are one and the same; it is a *recursive process*⁴; there are no structural pipes and containers available to the entities that engage in organising.

¹ This makes the standard, textbook definition of distribution as the activities that bridge the gap between production and consumption less suited for my purpose (Louis Stern and Adel El Ansary, *Distribution Channels*, 3rd. ed., 1988). Although neat in principle, such distinctions are never that clear-cut in practice.

² Confer Ivan Snehota's (*Notes on a theory of business enterprise*, 1990) discussion of business activity which draws on the work of Israel Kirzner. “What [business activities] all amount to is creating a ‘bundle of benefits’ that may be bought and sold, thus becoming an object of exchange... Business activity is thus any activity that has as its primary scope market exchange.” (ibid., pp.26-27) The focus on market exchange makes the *business enterprise* similar to John Commons' (*Institutional Economics*, 1934) term “going concern” which he defines as “a joint expectation of beneficial ... transactions, kept together by ‘working rules’ and by control over the changeable strategic or ‘limiting’ factors...” (ibid., p.58), and as “collective action in restraint, liberation, and expansion of individual action” (ibid., p.73).

The entire sequence of activities from extraction of raw materials/growing of crops, via production of equipment and consumer products, their distribution and subsequent sale, can be viewed as a single *business enterprise*. It can also be viewed as several such enterprises, each ending with the sale of some good / service. In my empirical account, I have defined the business enterprise of interest in a rather wide fashion.

³ I could have chosen “daily goods distribution”, which is what the record states that ICA was involved in (in 1996). However, over time, ICA has reformulated what it is that ICA does. Further, the term “daily goods” was yet to be introduced at the time of my account. Indeed, it is partly an outcome of the process I want to study (a result of how the grocery store assortment developed during the period under study).

⁴ John Law, *Organizing Modernity*, 1994.

As for the second part of the purpose, I use the term *understanding* in a Weberian sense, that is, my ambition is to generate an explanatory account.¹ The nicest formulation of why I use it, however, I owe to Marc Bloch:

When all is said and done, a single word, “understanding,” is the beacon of light of our studies. ... “Understanding,” in all honesty, is a word pregnant with difficulties, but also with hope. Moreover, it is a friendly word. Even in action, we are far too prone to judge. It is so easy to denounce. We are never sufficiently understanding.

Marc Bloch, 1953, p.143.

The terms “give direction to” and “intervene in” suggest that what I want to explain is akin to that which often is called ‘management’. This is not to say that I assume a ‘management perspective’. Rather, I emphasise the process-like character of business life and the inherent difficulties of managing these processes. As I see it, there are attempts to organise rather than organisation; attempts to manage rather than management; attempts to stabilise rather than stability. This leads to a gestalt-switch in the view of change processes and attempts to manage them. I will argue that if change in itself is what is sought, nothing in particular needs to be done. Directed or managed change will on the other hand require efforts to conceive stabilised patterns as well as efforts to realise such stabilisations.

Research questions

To achieve the first part of the purpose, I have sought to generate an empirical account of how goods distribution practice developed within Hakonbolaget during the period 1945-1960.² For this, two concrete questions have provided guidance:

- What changes took place in the distribution practice of Hakonbolaget from 1945 to 1960?
- How did these changes come about?

¹ Max Weber (*The Theory of Social and Economic Organization*, 1947) uses *Verstehen* in the following sense: “Sociology... is a science which attempts the interpretive understanding of social action in order thereby to arrive at a causal explanation of its courses and effects. In ‘action’ is included all human behaviour when and in so far as the acting individual attaches a subjective meaning to it. Action in this sense may be either overt or purely inward or subjective... Action is social in so far as, by virtue of the subjective meaning attached to it by the acting individual (or individuals), it takes account of the behaviour of others and is thereby oriented in its course.” (p.88, italics added) Ernest Nagel (*Problems of Concept and Theory Formation in the Social Sciences*, 1963) provides a critical reading of this position arguing that “it consists in supplying interpretations and explanations of social action by imputing to social agents ‘subjective states of mind’, ‘motivational interests’, and ‘intended meanings’.” For an overview of the “subjective” position, see Maurice Natanson (ed.), *Philosophy of the Social Sciences*, 1963.

² To satisfy my standard for “scientific honesty”, I should point out that the formulation has been adjusted to fit the outcome of the study. Originally, I intended to cover not only Hakonbolaget, but ICA as a whole. I also sought to account for an additional 35 years in time. This is the reason why the situation in 1996 was used in the introduction. When trying to establish what the changes had been, I used this wider delimitation. Thus, most of the results from that inquiry cannot be found in the thesis as it now appears.

I first tried to establish *what* the development of distribution practice within Hakonbolaget from 1945 to 1960 consisted of. If it changed, in what ways did it change? Did the company expand its operations? Did the output of the operations change? Did the way in which this output was produced change? Given the ways in which the distribution practice had changed / remained stable, I then tried to find out how this was achieved.

As I see it, my attempt to answer these questions is not merely a means for addressing the second part of the purpose, but also an end in itself. First, there is a heavy focus on the manufacturing industries in research on Swedish business history.¹ Second, most existing accounts of ICA's development have been produced internally.² Thus, I suggest that this study is of value as a documentation of a chapter in Swedish business history.

The second part of the purpose aims at explanation. For this, I addressed the following question:

- How can attempts to organise a business enterprise be conceptualised?

Given the empirical research questions, it should be clear that my concern is with attempts at managing distribution (practices, structures, resources, etc.). I have chosen to use the term "organising a business enterprise" in an attempt to capture this. So, what is it then that I want to know about "organising a business enterprise"? Well, simply, *how* it is done. My inclusion of the term "attempts" serves two purposes: it directs attention to actions undertaken with the *intent* of organising and it explicitly takes into account that such attempts may either succeed or fail, that is, that they are all *attempts* at the outset.

1.3. A relationist account of organising

In saying what I've said so far, I have skipped a few hurdles that were part of the process of writing this thesis. To an extent, it has all along been an attempt to study the organising of distribution within ICA.³ Much work has been put into generating an empirical account of this. But I have made many attempts, with various methods, and a significant share of

¹ Notable exceptions are Hugo Kylebäck's (*Konsumentkooperation i strukturomvandling* vol. I, 1983 and vol. II, 1989) work on the Consumer Co-operation and Sven Gerentz's (*Individer, familjer och block*, 1994) study of the development of trade on Gotland. Recent attempts to counteract this relative neglect has also been made by Jan Jörmmark (*Från KF till Galne Gunnar*, 1993) and Anna Nyberg (*Innovation in Distribution Channels - An evolutionary approach*, 1998).

² See, e.g., J. Ejdestam et. al., *Bilder ur...*, 1943; Margit Falkenstam and Nils-Erik Wirsäll, *Något till...*, 1967; Ragnar Allberg, *Så gick det till*, 1976; Nils-Erik Wirsäll, *Den omöjliga...*, 1988; and Nils-Erik Wirsäll and Roland Fahlin, *Så lever den omöjliga idén*, 1997.

³ For instance, in the spring of 1998, I asked if it was possible for me to unravel the development of an organisation (ICA) over its 60 year long 'life'? If it was possible for me to merge into one story how the changes which this organisation went through were brought about, in terms of working methods, technologies in use, organising principles, physical facilities, etc.? And finally, if I could learn anything about the organising of business processes from such a study?

this work is nowhere recorded in the present thesis. Rather than dwelling on dead-ends and re-routes, I will briefly present the approach I ended up using.

The empirical study reported in Part II (chapters 3 through 7) is an account of how certain changes were brought about within Hakonbolaget during the 1940s and 1950s. It is a narrative of the practice of organising food distribution. Due to my interest in studying distribution practice, I sought to construct my account without defining in advance what this practice did or did not consist of. Thus, rather than starting out with a theoretical framework into which the empirical material is fitted, I assumed a relationist stance and followed the actors. Inspired by work within the sociology of science and technology, my ambition was to describe as closely as I was able to, given available sources, the organising of Hakonbolaget as perceived and performed by those involved.¹

Basically, my stance amounts to letting the actors define each other, what it is they do, their motives for so doing, what the relevant features of the situation are, in short, define the world under study. That is, I let the world under study have fluctuating referents. This I do under the assumption that the actors understand what they are and what they do. Further, I assume that, as a researcher, I do not. This is why I go off to learn from those who are constructing the world. I have chosen to call this a relationist position.² The character of this position is developed further in Chapter 2.

Of course, I then add my own interpretation to that which I learn. Thus, despite my ambition to generate an empirical account of distribution practice which shies away from pre-established conceptions of its contents, I do make use of such a framework. However, I do not use it to *generate* the empirical account; I use it to bring out certain aspects of it that concern organising. In doing this, I contribute to the world on the same grounds as any other actor. No preferential position is awarded to me as a researcher.

This means that in the final part of the thesis (chapters 8 through 10), there is an epistemological break with the actor level. There, the findings from the empirical study are discussed in terms of a vocabulary foreign to the actors in the account. As it happens,

¹ E.g., Michel Callon and Bruno Latour, *Unscrewing the Big Leviathan*, 1981; Michel Callon, *Some elements of a sociology of translation*, 1986; Bruno Latour, *The Powers of Association*, 1986; Bruno Latour, *Science in Action*, 1987; John Law and Michel Callon, *The life and death of an aircraft*, 1992; John Law, *Organizing Modernity*, 1994; Bruno Latour, *Aramis, or the love of technology*, 1996; Bruno Latour, *Pandora's Hope*, 1998; and Michel Callon, *The Laws of the Markets*, 1998. Two previous efforts to make use of this approach within business administration are Barbara Czarniawska, *The Three-Dimensional Organization*, 1993; and Claes-Fredrik Helgesson, *Making a Natural Monopoly*, 1999.

² Basically, this is what Bruno Latour (*The powers...*, 1986) has called the Performative position. In short, it says that it is *impossible in principle* to define the list of characteristics which are typical for life in a society, although it *in practice* is possible to do so. Barbara Czarniawska (*The Three-Dimensional...*, 1993) has asserted the merits of a performative (relationist) position for *exploring organisational practice*. The alternative, the *ostensive* position, uses a fixed framework in attempting to *explain principles* and is suited for investigating structures, institutions, objects, linear relations etc. Similarly, Latour (*Aramis, or...*, 1996) has argued that the relationist position is suitable for studying change, since it allows for ontological variation. For to study a change-project is to study the gradual realisation of a fiction.

the vocabulary is likely to be foreign also to most of those who are involved in research on distribution channels. Still, it is a meta-language, a language of the scientist looking (down?) at the actors, having a different perspective from the actors.

An important reason for this epistemological break has to do with that other group of actors with whom *I* wish to speak on these matters. I am far from the only one interested in organising. There has, I believe, for the past 30 years or so, been an ever increasing interest in the dynamics of organising economic activity and the relations between what is usually termed the social, the economic and the technological aspects of organising. This community of researchers, which includes my supervisors, expects a conceptual discussion. Since I also enjoy such discussions, I saw no reason to abstain from them.

1.4. Organising and social ordering

My analysis of the empirical account centres on the notion of organising. Although much has been written on *organisation*, less attention has been given to the type of active realisation I take *organising* to imply.¹ Following John Law, I hold organising to fundamentally concern the problem of social order, or rather – in the spirit of Law’s text – the problem of *social ordering*, of striving for, but rarely, if at all, achieving order.² This has been my starting point for devising a vocabulary for talking about organising.³

What then, is social ordering? First of all, my definition of the term social, or society for that matter, is both processual and materially heterogeneous. Society is actively realised. It is not what keeps us together, but what is kept together.⁴ Social refers to the process of establishing, maintaining, altering, and breaking associations (relations, links, ties, bonds, etc.). But this process does not involve humans alone. It also involves all the non-humans that surround us, be they naturally occurring entities or man-made artefacts. (This is why I sometimes use the term *sociotechnical* rather than social.) Social ordering, then, refers to attempts to give direction to this process.⁵

¹ One such attempt is that of Karl Weick (*The Social Psychology of Organizing*, 1979).

² John Law, *Organizing Modernity*, 1994.

³ To me, speaking about “the problem of social order” has a pompous ring. Still, the relationist stance I have assumed regards society as a materially heterogeneous process to which we all contribute. Viewed in this way, it is only fair that we also be allowed to speak of it. Perhaps the best thing would be to speak of organising as the more general process encompassing social and other forms of ordering? By placing “the problem of social order” in local contexts, in actor-to-actor interactions, as a micro- rather than macro-phenomena, I was able to restore some comfort. But this might be a deceptive comfort. For what is to say that “the problem of social order” becomes less problematic as we reduce the scale? For all I know, it might be much easier to speak of it “the Big way.” Still, it had this effect on me.

⁴ Confer Bruno Latour, *The Powers...*, 1986.

⁵ Why not start with a definition of *social order*? Simply because we need to see it the other way around. We need to recognise that there is *social ordering*, constantly, all around, and that this, at times, allows us to detect social order. Whatever we find this to be, it is an outcome of social ordering. If pressed for a defi-

Seemingly, this perspective merges the two alternative regimes for achieving social order sketched by Friedrich Hayek.¹ It acknowledges that we all contribute to social ordering, whether we want to or not. In this sense, it resembles Hayek’s cherished individualism, under which social order emerges as an “unforeseen result of individual actions.” On the other hand, it recognises that attempts are made to give direction to this process. In this sense, it resembles Hayek’s despised socialism, under which social order emerges as the result of deliberate design. Of course, these resemblances disappear at closer inspection. Material heterogeneity is incompatible with individualism and the fluidity of the social process casts serious doubts as to the possibility of socialism.

Of some import for the remainder of the study, though, is whether there are other existing accounts (explanations) of social order that can be used.

Accounts of social ordering

What solutions are offered to the problem of social order in social scientific literature? It seems that many attempts to explain social order strive to find stable (and distant) causes, often resulting in some type of determinism. I suggest that many of these attempts fit nicely into Figure 1-2, below. The figure indicates a range of possible *explanans* to social order; factors which have been turned to as last instances in analyses of social order.

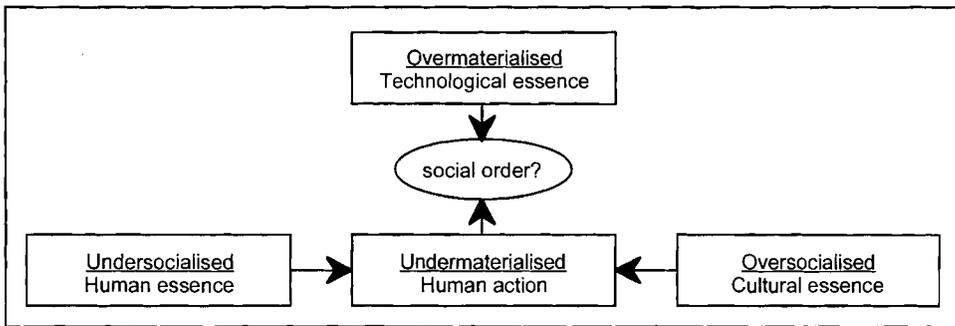


Figure 1-2. Explanations of social order.

niton, I would probably define social order as ‘that which makes the actions of others predictable’ (given, of course, that “others” include non-humans as well). Consequently, social ordering would consist of efforts purporting to render the actions of others predictable. It seems to me that this largely amounts to the same thing as trying to give direction to the social process.

A relatively recent discussion of social order is that of Jon Elster (*The Cement of Society – a study of social order*, 1989). Elster suggests two alternative conceptions of social order: i) predictability as to the behaviour of others, and ii) the existence of co-operative behaviour. The former view resembles that of Friedrich Hayek (*Individualism and Economic Order*, 1948), who talks of “social ties”, of rules that make “the behaviour of other people predictable” (ibid., p.23), and of “definite and durable relations” (ibid, p.27). The latter view seems to be similar to that suggested by Thomas Hobbes (*Leviathan*, 1981 (1651)).

¹ Friedrich Hayek, *Individualism and...*, 1948, p.8.

The figure is based on two general dimensions. *Socialisation* concerns solutions that posit social order to be “produced by man” and that the explanations therefore must be sought among men.¹ The two polar views are those that have been referred to as *under- and oversocialised* conceptions of man.² The second dimension, *materialisation*, concerns the degree to which non-humans (e.g., naturally occurring or man-made objects, techniques, etc.) are used to account for social order. Although less attended to within sociology proper,³ considerable thought has been given to this in the sociology of science and technology.⁴ By analogy to socialisation, I suggest that we may speak of under- and overmaterialised accounts. Overmaterialised accounts regard social order as technologically determined; under-materialised ones are based solely on human action.

Below, I expand on these alternatives, bringing forward proponents of each stance. Admittedly, I exaggerate the character of the accounts to make my point more clear. In practice, many models either tap into at least a couple of these sources, thus becoming in some way pluralistic,⁵ or make use of some kind of circular causation.⁶ Still, I consider the figure to reflect available explanations to social order fairly accurately.⁷

Society as a human product: degree of socialisation

If social order is seen as a human product, or perhaps as an ongoing human production, it must be explained by human conduct. Two ways of doing this have been discussed by Mark Granovetter in terms of “over- and undersocialised conceptions of man.”⁸

Undersocialised accounts endow humans with interests that make their behaviour predictable. A celebrated version is the hedonic will of *homo economicus*, that “lightning

¹ E.g., Peter Berger and Thomas Luckmann, *The Social Construction of Reality*, 1966, p.52.

² This is Dennis Wrong’s (*The Oversocialized Conception of Man in Modern Sociology*, 1961) label for sociological theories that *assume* social man to have successfully internalised prevailing norms and to conform to them in conduct. It was subsequently picked up and popularised by Mark Granovetter (*Economic Action and Social Structure*, 1985; and *Problems of Explanation in Economic Sociology*, 1992).

³ A notable exception is Georg Simmel’s (*The Philosophy of Money*, 1990 (1907)) discussion of the role of objects and technology in the social process (see, e.g., p.334-335).

⁴ Confer Bruno Latour, *On Technical Mediation*, 1994; Merritt Roe Smith and Leo Marx, *Does Technology Drive History? The Dilemma of Technological Determinism*, 1994; and Keith Grint and Steve Woolgar, *The Machine at Work*, 1997.

⁵ One example is the transaction cost approach. “The comparative efficacy of alternative modes of governance varies with the institutional environment on the one hand and the attributes of economic actors on the other...” (Oliver Williamson, *Transaction Cost Economics and Organization Theory*, 1994, p.80.)

⁶ One example is the interplay between the governance structure (a network of exchange relationships) and the technological system in the Industrial Network Model (see, e.g., Anders Lundgren, *Technological Innovation and Industrial Evolution, The Emergence of Industrial Networks*, 1991; and Jan Johanson and Lars-Gunnar Mattsson, *Network Positions and Strategic Action: An Analytical Framework*, 1992).

⁷ The image of the two dimensions constituting an Euclidian space is made for presentational purposes alone. I do not imply that they make up a continuum in which any account of social order can be placed.

⁸ Mark Granovetter, *Economic Action...*, 1985; and *Problems of...*, 1992.

calculator of pleasures and pains, who oscillates like a homogenous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact.”¹

Having been an economist-to-be, I will search in vain for a straw-man of the dignity of *homo oeconomicus* among oversocialised accounts.² Overly emphasising the secondary socialisation process in a reading of the social constructivist position of Peter Berger and Thomas Luckmann would be an example.³ John Meyer’s and Brian Rowan’s explanation of formal organisation as arising from institutionalised myths, another one.⁴

Granovetter argues that although the oversocialised position, which views human action as culturally determined, is as far removed from the undersocialised one as imaginable, the two are in fact very similar. For they both rest on an atomisation of the actors.

In the undersocialized account, atomization results from narrow utilitarian pursuit of self-interest; in the oversocialized one, from the fact that behavioral patterns have been internalized and ongoing social relations thus have only peripheral effects on behavior... Under- and oversocialized resolutions of the problem of order thus merge in their atomization of actors from immediate social context.

Mark Granovetter, 1985, p.485.

Granovetter argues that we must avoid these extremes (or any combination of them⁵). Instead, we should recognise the *embedded* character of economic action.⁶

Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations.

Mark Granovetter, 1985, p.487.

The consequence of this assertion is an emphasis on the social relations which the actors are engaged in. Not on social relations in general, but on the highly specific ones that actors have with known others, that is, on *inter-action*.⁷

¹ Thorstein Veblen, *Why is Economics Not an Evolutionary Science*, 1961 (1919), p.73.

² Wrong’s original critique concerned the assumption of a close relation between internalisation of norms and conformity in conduct, which he in part attributed to Talcott Parsons.

³ Peter Berger and Thomas Luckmann, *The Social...*, 1966, p.52.

⁴ John Meyer and Brian Rowan, *Institutionalized Organizations: Formal Structure as Myth and Ceremony*, 1991 (1977).

⁵ In his attempt to address the problem of social order (find “the cement of society”), Jon Elster (*The Cement...*, 1989, p.15) combines over- and undersocialised accounts by developing an eclectic model out of “rational-choice theory” and “the theory of social norms.” Surprisingly, Elster, who has written on technological change, makes no use of the material dimension in his work.

⁶ Confer Karl Polanyi’s (*The Great Transformation*, 1944, p.272) assertion that “Economic systems, as a rule, are embedded in social relations; distribution of material goods is ensured by noneconomic motives.”

⁷ This is hardly unique for Granovetter. Interaction was central to the sociology of Georg Simmel (see e.g., *The Philosophy of...*, 1990 (1907)) as well as to Karl Weick’s (*The Social...*, 1979) discussion of *interacts*, that is, the contingencies that make individual behaviours interlock with that of others. Weick argues that the basic unit of analysis in organising is the *double interact*, a pattern “in which an action by actor A evokes a specific response in actor B, which is then responded to by actor A.” (*ibid.*, p.89)

Largely, this is also the position of George Homans in his study of the human group. Homans addressed the issue of social order by asking “What makes custom customary?”¹ His solution was that within a social system consisting of “a number of elements in a complex state of mutual dependence” a departure from a certain norm or custom activated “the system of relations so as to reduce future departures.”²

The individual's behavior is controlled because the results of his departure from the norm are, on balance, unpleasant to him, and because the mutual dependence of the elements of behavior means that a relatively small departure will have relatively large results.

George Homans, 1951, p.311.

A prerequisite for such stability to materialise is a more or less continuous interaction. Indeed, in the final chapter Homans asserts that “As the frequency of social interaction decreases, the norms of the group become less well defined and less strongly held.”³

I find embeddedness to be a considerable improvement over both over- and under-socialised conceptions for studying organising. Still, there is a risk of emphasising social interaction to the extent that continuous interaction is required to maintain social order. Granovetter explicitly refers to “the general principle that fragmentation of network structure will reduce the homogeneity of behaviour.”⁴ This is to disregard entirely the ability to act from a distance, something for which materials seem to be central...

The material dimension

The way in which accounts of social order treat materials also varies. Some attribute considerable import to this, as for instance the early Structure-Conduct-Performance model of industrial organisation which posits that *basic conditions* (raw materials, technology, etc.)

Karl Mannheim (*Man and Society in an age of reconstruction*, 1940) takes a similar stance when he complains about sociology's lack of appreciation of the unique and individual character of social events; how social institutions are “embedded in the concrete environment.” (p.168) “The seemingly great abstraction which prevails in this treatment [arises] from a *remoteness* from the world, if by ‘world’ one understands the interdependence of a particular event with the manifold factors which really cause it.” (p.169)

A third example is the behavioural approach to organisational decision-making (e.g., James March, *Decisions and Organizations*, 1988) which rejects the idea that actors have fixed goals and emphasises how decision-making affects learning, the development of rules, organisational aspirations etc. By focusing on decision-making, the approach displays a relative neglect of organising in favour of organisations.

¹ George Homans, *The Human Group*, 1951, p.281 ff.

² Given the amount of inspiration Homans got from economics, one might suspect that his solution was an under-socialised one as well. However, he noted the limits of economics to the study of market exchanges, for instance its neglect of “interpersonal sentiments” (ibid., p.286). Indeed, he explicitly stated that *sentiments*, the net satisfaction of which supposedly was the yardstick for measuring the result of departures (p.441), went beyond the “motives of self-interest.” Citing Elton Mayo, he argued that “If a number of individuals work together to achieve a common purpose, a harmony of interests will develop among them to which individual self-interest will be subordinated. This is a very different doctrine from the claim that individual self-interest is the solitary human motive.” (p.96)

³ Ibid., p.450.

⁴ Mark Granovetter, *Problems of ...*, 1992, p.36.

determine *market structure*, which in turn determines the *conduct* of firms in an industry.¹ Lately, the import of materials, objects, technology, nature, etc. for social order has been stressed by sociologists of science and technology.² The idea that man increases his control over situations by use of materials is hardly new. It can be found, e.g., in Karl Mannheim's discussion of how man controls the social world by introducing various devices.³

As I claimed above, we may classify accounts of social order as either under- or overmaterialised. On the one hand there is social determinism, an *under-materialised* class of accounts, on the other there is technological determinism, an *overmaterialised* account.

Overmaterialised accounts ascribe a force or power to the materials in themselves. Keith Grint and Steve Woolgar define technological determinism as a position which "holds that humans (human behaviour and even the course of history) are largely determined by, rather than having influence over, technology."⁴ They also note that technological determinism in its strong form, often associated with Marxist thinking, appears to be more of a straw-man than an actually defended theoretical position.⁵ Still, many explanatory schemes include an essentialist conception of technology, either seen as a factor in a pluralistic framework, or in a circular system of causation. An example is the determinism found in most models of technical diffusion, according to which innovations are equipped at the outset with the characteristics which determine their success or failure.⁶

At the other extreme, *under-materialisation*, we find various forms of social determinism where "subjects impose forms and categories onto shapeless matter."⁷ This is the position of social constructivists like Peter Berger and Thomas Luckmann who argue that

¹ The model is at times referred to as the Bain-Mason paradigm, reflecting the prominent work of Edward Mason (*Price and Production Policies of Large Scale Enterprises*, 1939) and Joe Bain (*Industrial Organisation*, 1959) in establishing it. In F.M. Scherer's (*Industrial Market Structure and Economic Performance*, 1990) more recent version, feed-backs have started to appear, linking conduct back to market structure and basic conditions, and market structure to basic conditions. For a discussion of the emergence of the model, its major proponents and its underlying assumptions, see Claes-Fredrik Helgesson (*Making a...*, 1999).

² See, e.g., Bruno Latour, *On Technical...*, 1994; and *Pandora's Hope*, 1998. See also Keith Grint and Steve Woolgar, *The Machine...*, 1997.

³ Karl Mannheim (*Man and Society...*, 1940, p.149-150) gives the following example: "If for instance, I sow seeds in the spring, at a certain level of technical and social development I can predict with reasonable accuracy that a considerable proportion will later come up as corn. There are, however, a large number of incalculable elements, both social and natural. I cannot know for instance, whether or not my crops will be spoiled by drought or flood. I cannot know, either, that the warriors of some neighbouring tribe will not march across my unripe fields. But as soon as I introduce new institutions – for instance, irrigation, to counteract drought, or a body of armed guards to watch over my fields – then the radius of my action grows in so far as more and more links in the causal chain come directly under my control, and correspondingly my range of foresight becomes both larger and more reliable."

⁴ Keith Grint and Steve Woolgar, *The Machine...*, 1997, p.7.

⁵ The following quote from Marx seems to espouse a technological determinism: "The hand-mill gives you society with the feudal lord; the steam-mill, society with the industrial capitalist." *Ibid.*, p.6.

⁶ This point has been made by Bruno Latour (*Aramis, or...*, 1996, p.35). The work of Everett Rogers (*Diffusion of Innovation*, 1962) and the study of the acceptance of a new drug by James Coleman, Elihu Katz and Herbert Menzel (*Medical Innovation, a diffusion study*, 1966) are two early examples of this.

“Social order exists *only* as a product of human activity.” This is also where I would locate the embeddedness argument provided by Granovetter (see above), as well as Karl Weick’s approach to organising.²

There are of course attempts to incorporate technology and nature into accounts of social order. A relatively recent and systematic attempt is the *sociology of translation*, which is discussed at length in Chapter 8. Here, I will draw attention to Karl Mannheim’s suggestion that whether the origins of devices employed by man are social or natural, their incorporation in technologies make them part of the social world.

With the gradual integration of unplanned events into a planned society, an important stage in the technical control of nature is reached. The newly controlled provinces of nature lose their original character and become functional parts of the social process. That part of nature which is not mastered by technology and has not been drawn under the influence of social conduct will for the time being remain extra-social. This is not, however, true of those aspects which have come under the domination of technology. *They are suddenly brought into the field of social interactions and become, for practical men, problems just like any other genuinely social problems.*

Karl Mannheim, 1940, p.155. Italics added.

This seems to be a rather different conception of the social than that which traditional under-materialised accounts make use of. Unfortunately, Mannheim made little use of this conception in his work, and focused almost entirely on traditional social aspects.

Generalised embeddedness – a position for studying the organising of business enterprise?

The overview above has sought to contrast some accounts of social order. Order is determined, or so it is argued, either by the character of technology, the prevailing institutions in society, man’s natural pursuit of self-interest, or some combination of these.

A central problem with these accounts is their tendency to become deterministic. For instance, even the reaction to technological determinism provided by social constructivism ends up as just another kind of determinism. It restores human agency and social influence over technology construction, but when the technology in question is ‘completed’, it posits a rigid determinism. The technology now actually *has* the characteristics given to it during the construction process. A clear line of demarcation is seen between construction

⁷ Bruno Latour, *On Technical...*, 1994, p.19.

¹ Peter Berger and Thomas Luckmann, *The social...*, 1966, p.52. Italics original.

² Karl Weick (*The Social...*, 1979) focuses on (inter-)subjective aspects of organising. Organising provides a grammar for understanding the world and taking action. This grammar is ‘in there’, although it is held to be consensually validated, i.e. shared by many ‘in there’. Indeed, he explicitly disregards both technology and environment: “Conspicuously missing... are two prominent elements in organizational theory: technology and the environment. ... these omissions are not serious. Environments will be treated as the outcomes of organizing ... Technology will be viewed as relevant solely for the information that it provides the organizational members and for the effects it has on equivocality.” (p.22)

and use. The former being subject to social influences, the latter being largely independent of them. We need to recognise the interpretative character of both these processes.¹

My second reason for breaking free from determinism has a humanist touch. It has to do with the negative consequences that I find a deterministic view of science, technology and economy to have for society. From a deterministic perspective, scientific controversies are settled by Nature telling us what is True and what is False; technological controversies are settled on the basis of the inherent Efficiency of the competing solutions; and economic controversies between competing offers are settled by their Profitability on the Market. Such views are likely to have the citizens standing on the sidelines awaiting judgement from the experts – the scientists, the engineers and the political economists. In this sense, accepting determinism is a threat to democracy. The basic insight is, as Wiebe Bijker points out, that things could have been otherwise.²

A third reason for avoiding deterministic models is methodological. First, as Thomas Misa has suggested, technological determinism seems to be an effect of the level of analysis: macro-perspectives mix well with determinism whereas micro-perspectives do not.³ Despite the immediate appeal of the argument, Claes-Fredrik Helgesson has pointed out that this is not simply an effect of the level of analysis; there is successful structuring at the micro-level behind every macro-perspective.⁴ This suggests that macro accounts in themselves constitute a kind of determinism, and that the real distinction lies in what one may call backwards and forwards accounts. A macro-account presupposes a process of stabilisation, and hence takes as its point of departure an outcome. In this sense, it is a backwards account. Micro-accounts allow us to start before such stabilisations have been achieved, and may thus produce forward accounts. Of course, it is possible to produce deterministic micro-accounts (undersocialised ones, for instance). It seems difficult, however, to produce macro-accounts that are *not* deterministic. Macro-actors are outcomes, they are made different (bigger, better, etc.) and their making should be studied.⁵

The embeddedness position proposed by Granovetter is an attempt to move beyond under- and oversocialised accounts, arguing that individuals and institutions are so affected by ongoing social relations that they cannot be construed as independent. Both the motives individuals have for taking action and the internalisation of behavioural patterns

¹ Keith Grint and Steve Woolgar, *The Machine...*, 1997. A similar conclusion is reached by Per-Olof Berg (*Techno-Culture: The Symbolic Framing of Technology in a Volvo Plant*, 1985) in his study of the implementation of a new technology in a stamp press plant: "neither technological nor social determinism can explain technological change processes." (p.237)

² Confer Wiebe Bijker, *Of Bicycles, Bakelites and Bulbs*, 1995, pp.280-281.

³ Thomas Misa, *Retrieving Sociotechnical Change from Technological Determinism*, 1994.

⁴ Claes-Fredrik Helgesson, *Making a...*, 1999, p.42.

⁵ Michel Callon and Bruno Latour, *Unscrewing the Big...*, 1981.

(institutions) must be regarded as outcomes of a social process characterised by ongoing social relationships. But this position takes no explicit account of non-humans. It describes a society similar to that of the “Machiavellian baboons” discussed by Bruno Latour:

It is the presence of the past, the presence of the far away, the presence of non-human characters without which we would be limited, precisely, to interactions, to what we can manage to do, right now, with our own social skills, like the Machiavellian baboons I have just introduced.

Bruno Latour, 1994, p.38.

There is a need to allow for materials to enter into the social process in order to be able to account for social order. This must be done, however, without reverting to technological determinism. We need to recognise the importance of both technology, man and culture, while avoiding to impute an autonomous internal dynamic to any of them.¹

This position, I suggest, is *generalised embeddedness*. A position which allows us to talk about social ordering (organising) while folding the individual humans, the institutions and the materials into the ongoing social process. A position that captures the embedded and materially heterogeneous character of social action which I argued for above. A position that avoids determinism by treating social action as doubly interpretative in character. A position that allows me to follow the process of realising society.

Some might object, at this stage, that if we deny these last instances – man, nature, technology, culture – we will be unable to explain anything, or end up explaining social action with social action. This objection, I think, rests on a misconception of the phenomenon we are trying to explain. The social is a process, not an entity. It is this complex and ever changing collective enterprise that is being realised through everything we do. I seek a vocabulary capable of accounting for this, rather than for a state imputed from the last snap-shot taken. Seen as a process, the social must be explained from within.

1.5. An outline of the book

Figure 1-3 below illustrates the structure of the book. In the first (present) chapter, I have introduced my basic concerns. Chapter 2 spells out the ontological, methodological and epistemological principles I have sought to follow when approaching these. Against common practice, there is no presentation of a theoretical framework in Part I. The principles introduced in Chapter 2 are all that is required for constructing the narrative found in Part II. Further, this narrative is not just limited to my theoretical concern (which is the subject of Part III). As I see it, Part II lends itself to analyses centring on wholly different issues than those I have chosen to discuss in Part III. In this sense, Part II should be regarded as independent from the subsequent theoretical discussions.

¹ Confer Claes-Fredrik Helgesson, *Making a...*, 1999, p.42.

The empirical account makes extensive use of excerpts. These should be read. They are part of my story. I do not comment on all that is said in them in “my own” text. They should *not* be read, however, as if every word in them was of utmost importance. Rather than simply stating that a discussion about so and so took place then and there, I have provided accounts for these events. These provide insight into how these issues were handled, how various stances were defended, what the arguments looked like and so on.

Chapter 3 is an introduction to the empirical setting. It sketches the history of the purchasing centre-idea, which was intimately connected to the expansion of Hakonbolaget and three other companies during the 1930s and 1940s. Together, these four companies also formed ICA at the end of the 1930s. The chapter ends a few years after the war, at a time when the geographical expansion of the purchasing centres was coming to an end, their ambition to associate more retailers was relaxed, and building restrictions prohibited the realisation of existing plans to modernise their wholesale operations.

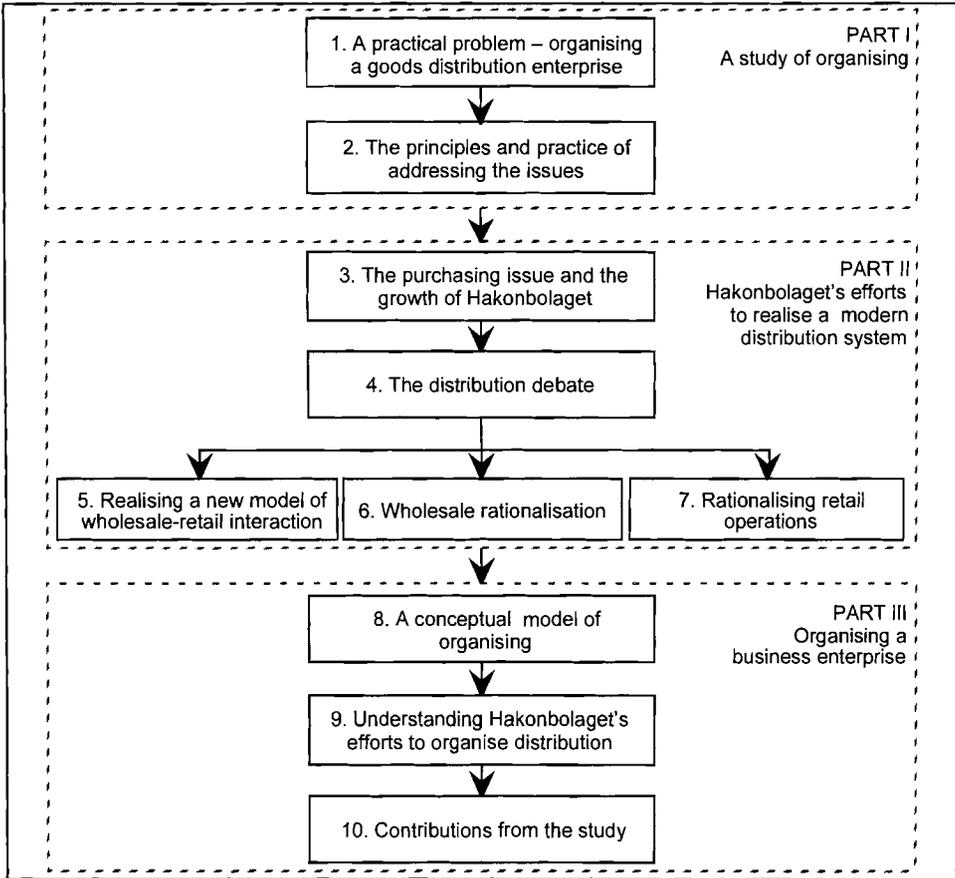


Figure 1-3. The structure of the thesis.

Chapter 4 sketches an alternative introduction by accounting for the public debate about goods distribution and its rationalisation, which came to the fore in the mid-1940s. The account is not a “contextual” one, as it directly involves Hakonbolaget. A number of issues and ideas on how to achieve a more cost efficient distribution of goods are identified in the chapter. It further accounts for some public attempts made to investigate and devise measures to further a more rational distribution of goods. The debate allows me to identify a focal area for the rationalisation of goods distribution. An area within which the accounts provided in the remaining empirical chapters fit nicely.

Chapters 5 through 7 pick up where Chapter 3 left off. That is, the stories told there start a few years after the war and tell of Hakonbolaget’s efforts to change its distribution operations. At the same time, these chapters pick up some of the central ideas brought forward in the public debate described in Chapter 4. The chapters can thus be said to concern the practical realisation of a more rational distribution system.

Chapter 5 reports on an attempt to rationalise wholesale-retail interaction. Specifically, it tells the story of the Hakon-deal, a major effort to reduce the costs of goods distribution, designed and realised by Hakonbolaget and its associated retailers. This effort was also fed back into the public debate as an example of what was being done to reduce costs by companies involved in goods distribution. The repeated attempts made to solve a number of recurrent issues during the six years covered in the account, directs attention to the difficulties of imbuing attempts at organising with a lasting character.

Chapter 6 accounts for Hakonbolaget’s attempts to solve the efficiency problem in wholesaling. It shows how minor, day-to-day changes, as well as completely new principles for constructing warehouses, were realised. It also indicates the import of representations for practical efforts at organising. In this case, the use of time and motion studies to create general representation of warehouse operations.

Chapter 7 tells of retail rationalisation. Partly, this concerns the introduction of self-service as a solution to certain perceived problems in retailing. But, as the account shows, other solutions were being considered as well. Some of these were alternatives to self-service, others were complements. Here, too, there are important links between the public debate and the doings of Hakonbolaget. In all, Part II tells the story of how a “modern distribution system” came into being within Hakonbolaget during the years 1945-1960.

Whereas I assume a relatively naïve position towards the story in Part II, I become much more knowledgeable in Part III. There the account is clearly subject to my interests. In Chapter 8, I propose a vocabulary for talking about organising which occupies the generalised embeddedness position I argued for above. In Chapter 9, I discuss the empirical account in terms of the proposed vocabulary to determine the plausibility of the latter. Finally, in Chapter 10, I link the contributions of the present study to previous research on distribution channels and to work within the sociology of science and technology.

Chapter 2

The principles and practice of addressing the issues

How have I sought to achieve the twofold purpose of this thesis? How have I constructed my empirical account? How have I generated my analysis of this account? These are the questions with which this chapter is concerned. The questions are addressed in two ways: First, I present the ontological, methodological and epistemological positions underlying the study. Second, I describe how this study has been conducted and discuss some practical problems associated with adherence to the principles presented in the first section.

2.1. Principles - A performative view of the world

This section serves to clarify my position as a social researcher. Three questions related to the purpose of the thesis provide concrete direction:

- What assumptions do I make about the phenomenon under study – goods distribution?
- How should I investigate a phenomenon with these characteristics?
- What status claims do I make concerning the resulting text?

Underlying all three answers is a shift from an *ostensive* to a *performative definition of society*.¹ This leads me to assume a variable ontology, stressing the emergent character of the world. I then propose three methodological principles to assist me in understanding this world. Finally, I discuss the epistemological consequences of the performative defi-

¹ See Bruno Latour, *The powers of association*, 1986.

dition. I argue that science and society form a single collective. A collective that I am part of, and which the object of my investigations *was* and still *is* part of, through various remnants and my bringing it back in by writing this book.

Ontological position¹

What basic assumptions do I make concerning the character of society? (Society here seen as a totality including the phenomenon under study – the organising of business enterprise) It is common to subscribe either to an *organicist / holistic* or an *atomistic / individualistic ontology*.² Given the protracted conflict between these two positions, anything resembling a settlement of the issues is unlikely to be arrived at. Rather than choosing sides, I will argue that it is unnecessary – even unwise – to decide *à priori* on what constitutes society. First, though, I will attempt a rough characterisation of the two positions. For this, adherents of each stance are invited to give their views on what they defend.

Neither individuals nor wholes

Is society an aggregation of individuals, or are there social wholes existing independently from individual actors? This is what individualists and holists argue about. Holism is associated with Emile Durkheim, although Mary Douglas has argued that Durkheim tried to “keep a delicate balance between reproaching utilitarianism for overlooking that humans are social beings and reproaching socialism for overlooking the demands of the individual.” His talk of society as a kind of separate intelligence, Douglas continues, should properly be understood as part of an attack on the Utilitarian tradition, the spread of (English) liberalism and the individualism it celebrated.³

Geoffrey Hodgson, a modern-day adherent to the organicist stance (and notably an economist, too), offers the following description of an organicist (holist) ontology:

In an organicist ontology, relations between entities are internal rather than external, and the essential characteristics of any element, are seen as out-comes of relations with other entities.

Geoffrey M. Hodgson, 1994, p.61.

The internality of relations is central to this stance. This means that what is related is altered if the relation changes or breaks, entities depend on their relations to other entities.⁴

¹ *Ontological position* signifies my theory of being, *methodological position* my theory of explanation (including the practical aspects of explaining), and *epistemological position* my theory of knowing.

² The terms are used by Geoffrey Hodgson (*The return of Institutional Economics*, 1994) and Lars Udehn (*Methodological Individualism - A Critical Appraisal*, 1987), respectively.

³ See Mary Douglas, *Risk and Blame, Essays in Cultural Theory*, 1992, p.158-160. Quote from p.159.

⁴ Lars Udehn (*Methodological Individualism...*, 1987, p.91) characterises ontological holism as follows: i) There are social wholes exhibiting a certain unity and integration between the parts. ii) These parts are

This is why there are social wholes; their properties cannot be reduced to the parts and their external relations.

The individualist stance must first of all be divided into a *subjectivist* and an *objectivist* version. Friedrich Hayek, a heavyweight representative of the subjectivists argues:¹

The terms for collectives which we all readily use do not designate definite things...; they refer to certain structures of relationships between some of the many things which we can observe within given spatial and temporal limits and which we select because we think that we can discern connections between them – connections which may or may not exist in fact. ... In other words, the wholes about which we speak exist only if, and to the extent to which, the theory is correct which we have formed about the connection of the parts...

Friedrich Hayek, 1979 (1952), p.97-98.

To a subjectivist, society exists only in the minds of men (probably women too, but these are seldom mentioned). This leads analytically to an individualist stance. Still, Hayek's talk of wholes referring to "certain structures of relationships between ... things which we can observe", does indicate something existing beyond individuals also in his ontology.

The *objectivists*, the most well-known being Karl Popper, argue for the existence of a world outside our minds. As Popper's pupil and successor, John Watkins, argues:

According to this principle, the ultimate constituents of the social world are individual people who act more or less appropriately in the light of their dispositions and understanding of the situation. Every complex social situation, institution, or event is the result of a particular configuration of individuals, their dispositions, situations, beliefs and physical resources and environment.

John W.N. Watkins, 1959, p.105.

Although holists seem more tolerant towards individuals than individualists do towards social wholes, most individualists *do* allow for the use of concepts referring to social wholes, particularly when it comes to *descriptions* of social phenomena. The question I will turn to now is: why am I not prepared to choose sides?

internally related, determined by their relation to other parts and their position in the whole. 3) Properties of social wholes are emergent and cannot be reduced to properties of the parts and their external relations. 4 a) Social wholes are causally efficacious, their causality does not result from the causality of the parts. 4 b) The rules governing the behaviour of social wholes are not reducible to those governing the parts.

Similarly, Rom Harré (*Philosophical aspects of the macro-micro problem*, 1981) distinguishes between *taxonomical collectives* which exist only in the mind of the observer, and *structured collectives* which are held together by internal relations and have "the possibility of forming some stronger kind of aggregation than merely that of being classified as one group" (p.147). Collectives gain ontological status through *structure* (emergent properties) or *causal efficacy*. Structure is defined as determinable characteristics of the collective which are lacking in its constituent parts. As to causal efficacy, Harré claims: "an individual, basic or supra, exists if 'it' can reasonably be said to have noticeable effects" (p.144).

¹ Some of Hayek's texts suggest that he was not in fact an ontological individualist. For instance, in *Individualism and Economic Order* (1948) he talks of "the belief that individualism postulates ... the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society" as "the silliest of the common misunderstandings" (p.6). Despite this, it seems to me that most of his work indicates an individualist ontology.

Ostensive and performative definitions

In order to explain why I will not choose, I will start by arguing that the holist position (and the objectivist individualist position) is based on an *ostensive definition* of society.¹ That is, holists know in advance “what constitutes society.”² They assume the existence of social wholes or social phenomena, whatever their composition; of social actors, whatever their size; and of society, alone in its kind.³ In a similar fashion, the objectivist individualists seem to know in advance what actors and their interests are.

The alternative view, which I am arguing for, has been called a *performative definition* of society.⁴ This definition has a constructivist streak; it does not view society as something which actors enter into, but rather as something which they perpetually create.⁵

Actors, whatever their size, define in practice what society is, what it is made of, what is the whole and what are the parts...

Bruno Latour, 1986, p.273.

This is clearly not compatible with a holist stance. But doesn't the actor-focus imply an individualist stance instead? Not necessarily, although it is sympathetic to the subjectivist idea that society is a problem rather than a solution. Most importantly, from a performative viewpoint, the character of the actors is not pre-determined. Actors and their characteristics are effects of the social process.

Variable actors

First, the performative definition of society makes no assumption as to the *size* of the actors. They are not necessarily individuals. Indeed, in principle they are nothing, just as society in principle does not exist. An individualist ontology, on the other hand, either

¹ An *ostensive definition* is based on one or more examples of that which the expression refers to, e.g., “That colour is ultramarine.” Since a simple act of indicating an example in itself is not enough to specify what is being indicated (is it the shape, colour or size of the object?) *ostensive definitions* require a more closely specified lingual frame, viz. defining the term colour. (*Filosoflexikonet*, 1988, s.v.)

² Confer Bruno Latour, *Aramis, or the love of technology*, 1996, p.199.

³ Confer Bruno Latour, *The powers...*, 1986.

⁴ Ibid. The term performative is originated in language studies. According to Gilles Fauconnier (*Social ritual and relative truth in natural language*, 1981, p.178-179), performative expressions are used “to accomplish some determined social act: order, advice, request, promise, etc.; and the verbs (advice, warn, ask) which indicate the nature of the act are also christened ‘performatives’”. If a performative verb explicitly indicates the nature of the act performed ... the utterance is an ‘explicit performative’. In contrast, ‘ordinary’ utterances... are labelled ‘constative’. Explicit performatives may be singled out for their lack of truth value; or, according to a different interpretation, they do have a truth value, namely ‘true’, which is conferred upon them simply by uttering them. Indeed, merely from my saying: ‘I ask you to tell me the time,’ it becomes true that I ask you to tell me the time. ... This is the sense in which such expressions have been called self-verifying.”

⁵ This is hardly a new stance. Most writers in the phenomenological tradition inspired by Husserl have argued along similar lines. See, e.g., Alfred Schutz, *Collected papers I: The Problem of Social Reality*, 1962; and Peter Berger and Thomas Luckmann, *The Social Construction of Reality*, 1966.

argues that social phenomena are caused by individuals (ontogenetic thesis) or that they are made up of individuals (ontological thesis). In any case it denies the existence of acting collectives.¹ A collectivist ontology assumes that social wholes exist, although not necessarily apart from individuals.² But are these the only two alternatives?

To me, the performative stance is an alternative. Its main feature is that it does not define *à priori* if and what actors or social wholes are. *In practice*, however, society as well as the numerous and shifting actors which participate in its making, are very much 'alive and kicking'. Further, what these actors and wholes are, what they are made up of, is a question of practice. It is a question of an ongoing process of interdefinition.³

A second point of disagreement concerns the *content* of actors. More specifically, it concerns the relation between society and the physical world of naturally occurring and man-made objects. Contrary to the individualists (and the holists) who regard society as something essentially separate from the physical world (although a certain influence in both directions is recognised, particularly concerning artefacts), the performative stance makes no such *à priori* distinctions. Indeed, an important part of the stance is to bring objects, the second part of the collective, back in. In this way, the practical means that make it possible for an interaction to last over time and across space become visible.⁴

Society has to be composed, made up, constructed, established, maintained and assembled. ... society explains nothing but has to be explained... And if it is to be accounted for, it will be, by definition, through the presence of many other little things that are not social by nature, but only social in the sense that they are associated with one another. ... many features of the former society, durability, expansion, scale, mobility, were actually due to the capacity of the artefacts to construct, literally and not metaphorically, social order, including the infamous agent/structure dilemma.

Bruno Latour, 1999c, p.111.

There is an affinity here, to Georg Simmel's ideas that institutions have a tendency to persist and that "society", in a more specific sense, refers to permanent interactions.

¹ Max Weber (*Economy and Society*, 1978 (1922)) who is a subjectivist individualist, defines sociology as "a science concerning itself with the interpretive understanding of social action and thereby with a causal explanation of its course and consequences. We shall speak of 'action' insofar as the acting individual attaches a subjective meaning to his behaviour..." (p.4) To Weber, only individuals act and "for sociological purposes there is no such thing as a collective personality which 'acts'." (p.14)

² Lars Udehn (*Methodological Individualism...*, 1987, p.251) argues that "there is no need to assume that, because social entities are held to exist, they must exist independently of individuals."

³ Confer Bruno Latour, *Aramis, or...*, 1996, pp.162-164. The practical character of society as representatives of the Western world try to redefine non-Western / non-modern societies. These have often been realised – in practice – as decidedly more holistic than what most Western observers *believe* society to be – in principle – or even *find acceptable* for society to be – in practice. Sometimes these efforts have been successful and the society in question has become more like societies 'really are and should be'.

⁴ Confer Bruno Latour, *Artefaktens återkomst* (The return of the artefact (a Swedish reader)), 1998.

... the interactions we have in mind when we talk about "society" are chrysalised as definable consistent structures such as the state... and organisations based on common interests. ... The large systems and super-individual organisations that customarily come to mind when we think of society, are nothing but immediate interactions that occur among men constantly, every minute, but that have become crystallised as permanent fields, as autonomous phenomena. As they crystallise, they attain their own existence and their own laws, and may even confront or oppose spontaneous interaction itself.

Georg Simmel, 1950 (1917), pp.9-10.

To some extent these ideas on the persistence of social institutions influenced social constructivists such as Peter Berger and Thomas Luckmann.¹ But unlike the social constructivists, Simmel also hinted at something which might account for the lasting character of interactions and, indeed, of actors:

[T]he Ego would collapse and lose its dimensions if it were not surrounded by external objects which become the expression of its tendencies, its strength and its individual manner because they obey or, in other words, belong to it. ... objects must enter into the Ego, just as the Ego enters into objects.

Georg Simmel, 1990 (1907), p.323.

Whereas there is at least a suggestion in Simmel's work of the objects having a part in his social ontology, in most other sociologies these are missing and in their stead there is indeed "vacuum."² One may of course ask why this is so; why the objects are lacking from sociological analysis. It seems to me that a plausible answer is that in taking a stance against the empiricist criterion of reality as observability and tangibility, sociologists of yesteryear came to foster a neglect of the world of objects within sociological analysis.

Irrespective of their reasons, it is at this point that the idea of a single collective including humans and non-humans alike, has such appeal. Thus, an important part of my ontological position is to "bring the objects back in", much like George Homans argued

¹ See Peter Berger and Thomas Luckmann, *The social construction...*, 1966.

² When discussing the relation between the individual and the objective realms, Simmel (*Philosophy of Money*, 1990 (1907), p.307) argues that *the self* extends through property, i.e. through objects. Indeed he recognises a two-way connection: "there is a chain from being to having and from having back to being" implying a dualistic view of individuals and objects. Still, he stressed that this distinction was an effect and that "the primary state is a complete unity, an unbroken indifference which is completely removed from the opposition of the personal and the objective sides of life." (p.301) Methodologically, this meant that: "To understand the concept of property it is decisive to recognise that the rigid demarcation between it and the self, between internal and external life, is quite superficial and that it should be made more fluid for the purpose of a deeper interpretation." (p.322) He also claimed that possession required activity from the individual: "The habit of considering possession as something passively accepted, as the unconditionally complying object which ... does not require any activity on our part, is false... [Property] is supposed to be something static, a terminal point, perhaps a point of departure for action but not action itself. If one looks more closely, this passive concept of property proves to be a fiction" (p. 304) Largely, the subjective (personal world) and the objective (world of objects) are outcomes of a more fundamental process. Still, he was far from convinced about the role of objects. In a later text, he claimed to see nothing between individuals: "Groping for the tangible, we find only individuals; and between them only a vacuum, as it were." (Georg Simmel, *The Sociology of Georg Simmel*, 1950, p.11.)

for “Bringing men back in.”¹ The result is an altered view of the world in which there is nothing specific about society; in which society is part of a single collective.²

Conclusion: A variable ontology

There is an important point of agreement between me and the subjectivist individualists – a conviction that *society is not an entity which exists objectively*. But whereas the individualists promote the *subjective nature* of society, I stress its *emergent character* – it is constantly being shaped and reshaped. Society, as Bruno Latour has argued, is not a specific entity which can be studied objectively, but a *heterogeneous collective* which must be realised actively.³ Given this, it is reasonable to ask: who is doing the realising? It is on this point that I depart from the individualists. Society is a *recursive process* to borrow a phrase from John Law.⁴ It simultaneously describes and constructs its subject matter.

Society is *not* a lot of social products moving around in structural pipes and containers that were put in place beforehand. Instead, the social world is this remarkable emergent phenomenon: in its processes it shapes its own flows. Movement and the organisation of movement are not different.

John Law, 1994, p.15.

Bruno Latour has summarised the import and consequence of this emergent character:

[S]ociety is not what holds us together, it is what is held together. Social scientists have mistaken the effect for the cause, the passive for the active, what is glued for the glue. ... Thus it is always necessary to redefine who is acting, why it is necessary to act together, what are the boundaries of the collective, how responsibility should be allocated, what are the best meta-languages to define collective action... The result of such a continuous definition and redefinition of what collective action is about is to transform society from something that exists and is in principle knowable into something which is built equally, so to speak, by every actor and that is in principle unknowable – it involves shifting from an ostensive to a performative definition.

Bruno Latour, 1986, p.276.

The term *emergent*, the emphasis on process, and the talk of “mistaking the effect for the cause”, all hint at an underlying ontological position that I shall call a *variable ontology*. Properties of the world are neither facts of nature nor social constructions resulting from cultural influences, etc. They are outcomes of the recursive process which constitutes the world.⁵ As Michel Callon observes about the market, that mythical and sacred place in the currently dominant economic system:

¹ George Homans, *Bringing men back in (and putting some blood in them)*, 1971.

² Bruno Latour, *Artefaktens återkomst*, 1998, pp.270-276.

³ Ibid. p.276.

⁴ John Law, *Organizing Modernity*, 1994.

⁵ This is not to say that we do not perceive the world as stable. As Georg Simmel (*Philosophy of...*, 1990 (1907)) has argued, we ceaselessly attempt to stabilise and divide between object and subject. “[T]he

Table 2-1. Ostensive and performative definitions of organisations. Excerpt from Barbara Czarniawska, *The Three-Dimensional Organization*, 1993, p.11; see also Bruno Latour, *The powers...*, 1986.

Ostensive definitions (of organisations)	Performative definitions (of organisations)
In principle, it is possible to discover and describe all properties of a given organisation, but in practice it might be hard to do so.	In principle, it is impossible to describe all properties of a given organisation, but in practice we might be able to grasp those most relevant.
Actors inhabit organisations, which exist without them.	Actors define what organisations are; they construct organisations.
Actors are "informants" for researchers; they are unable to see the whole of an organisation without help.	Actors and researchers both construct knowledge about organisations; in a research project they do it jointly.
The task of research is to explain principles.	The task of research is to explore practices.

These regularities perform behaviours and therefore have the obduracy of the real; yet, in turn, they are performed by these behaviours and therefore have the contingency of an artefact.

Michel Callon, 1998a, p.46-47.

I assume that what our world is made of, including the part called society, varies. That there are intermediate stages between fiction and object; that reality is emergent, a constant *process of realisation*; that the world is a collective in which the constitution of society is ongoing, and for which it is not possible, *in principle*, to list the ultimate constituents. In short, I assume a *variable ontology*. If anything, this collective *is* the ongoing recursive process of interdefinition (the practical efforts). As part of this practice, that is, *in practice*, I neither deny the possibility of society being constructed as individualistic nor of it being constructed as holistic. What I deny is that it is any such thing *in principle*. Society is what actors make it to be.¹ And actors are what they are made to be in the ongoing recursive process of interdefinition which constitutes the world. Circular reasoning? Of course. Below, I suggest some methodological devices that might handle this circularity.

A final issue before moving on to these methodological devices concerns the consequence of this ontological stance for the phenomenon under study – the organising of a business enterprise (in my case goods distribution). Table 2-1 provides an overview of the differences between ostensive and performative definitions applied to *organisations*. Of course, there need not be any conflict between the two positions, they merely under-

goal of our thoughts is to find what is steadfast and reliable behind ephemeral appearances and the flux of events; and to advance from mutual dependency to self-sufficiency and independence. In this way we attain the fixed points that can guide us through the maze of phenomena... An absolute is sought beyond the mere relationships between objects, beyond their accidental and temporal existence." (p.102)

¹ Karl Mannheim (*Man and Society in an age of reconstruction*, 1940, p.161) put forward a similar idea: "Properly speaking there are no spheres in social reality – only in human activity. When the individual in his daily life behaves in such a way that he separates his religious from his economic motives and conduct, then a new type of individual conduct emerges. On a social scale, when these new types of separated activities integrate so that the economic or religious chain of action of one individual finds its counterpart in the economic chain of action of another, then the various spheres tend to take on an objective form."

score different aspects of the phenomenon. For my purpose, studying the organising of a business enterprise, it would seem that the performative definition has certain advantages.

Barbara Czarniawska has showed that the performative definition is relevant for studying organisations by allowing us to address practice.¹ Bruno Latour has suggested that the approach may contribute to the study of organisations by allowing us to jointly address issues concerning science, technology and social action. By bringing the objects back in, it offers a way of getting at that which makes interactions last, and thus produces organisations. By neither fixing the size nor the content of agents, it allows us to get at the seemingly contradictory observations of the same agents first acting in an organisation and a minute later being acted upon by the organisation. By including the ‘social sciences’ in the process of organising (e.g., accounting, marketing, management studies, etc.), it provides a way of understanding their performative role in organising.²

The performative definition is the basis for the variable ontology that I have been arguing for. The methodological and epistemological positions assumed follow from it. Given this, I will shift now from ontological issues, first to my methodological position, and then to issues concerning epistemology. Thus, the next section concerns how I will seek to describe and explain the organising of a business enterprise as a world of practice.

Methodological position

The debate about the relative merits of *methodological individualism* and *methodological holism* mirrors the one on ontology discussed above. As implied by the words “relative merits”, I believe there are merits to each stance. Given this, I will argue that we should avoid, if possible, choosing either stance, and instead attempt to take advantage of their merits, when they *are* merits. (This is, however, far from straightforward, as I try to show in the discussion below.) Rather than choosing between the two, then, I will use the controversy as a way of identifying some important issues on scientific methodology.

Methodological individualism vs. Methodological holism

These stances differ primarily in their view of what the ultimate explanatory element (explanan or antecedent) for social phenomena must be. Methodological individualists argue that social phenomena (society) must be explained in terms of individuals, their physical and psychic states, actions, interaction, social situation and physical environment.³

¹ Barbara Czarniawska, *The Three-Dimensional Organization*, 1993.

² Bruno Latour, *Artefaktens återkomst*, 1998.

³ This stance is often associated with the Austrian school of economic thought. Thus, Ludvig von Mises (*Human Action*, 1966 (1949), p.42) argues: “... all actions are performed by individuals... a social collective has no existence and reality outside of individual members’ actions. ... Thus the way to a cognition

... a framework within which the analytic primacy lies with society and the theoretical primacy with the individual. This is the meaning of methodological individualism...

Reinhard Wippler and Siegwart Lindenberg, 1987, p.141.

Methodological holists, on the other hand, argue that some social phenomena and actions must be explained in terms of social wholes, their parts, the internal relations between the parts and the position of the parts within the whole:

The minimal claims of methodological holism, then, is that, at least some social phenomena must be, at least, partly explained in terms of social wholes. ...

Typical for methodological collectivism ... is explanation in terms of collective actors, be they true collectives or just methodological collectives...

Lars Udehn, 1987, pp.94-96.

Other areas commonly discussed as part of methodology include the formulation of laws and the definition of concepts referring to society and social phenomena. Due to their stance on explanation, methodological individualists are *reductionist*. They require that social laws and concepts be reduced to statements concerning individuals. Holists, on the other hand, seem to seek social laws that govern social phenomena and hold that some such laws are irreducible to laws concerning individuals.

Related to concept formation is the issue of *describing* the social. Here, the difference between the two positions is less clear. Allegedly, most individualists accept the existence of social phenomena, and the possibility of describing them in terms of social concepts.¹ In all, it would seem that an important part of a methodological discussion is the clarification of one's position concerning the ultimate class of phenomena explaining all other phenomena, that is, the "drivers of society." As a first comment to this, I would like to repeat a rhetorical question posed by Robert Nozick:

If each time we explain the current situation as arising from previous actions in a certain institutional setting, then why are actions prior? In this apparent chicken and egg situation, why aren't we equally methodological institutionalists?

Robert Nozick, 1977, p.359.

Yes, why not? And: No, why? Which of course is the point I will make once again: we should find a way to be both, or none, for that is *in practice* what we have to be.

It is my contention that only trivial social phenomena can be fully explained with reference to individuals alone. The complexity of social situations makes methodological

of collective wholes is through an analysis of the individuals' actions." Similarly Friedrich Hayek (*The counter-revolution of science*, 1979 (1952), p.58) claims: "Society as we know it is... built up from the concepts and ideas held by the people; and social phenomena can be recognised by us and have meaning to us only as they are reflected in the minds of men."

individualism untenable. Either, one has to accept some social phenomena as given, that is, break with individualism proper, or one has to attempt to explain all aspects of the situation, and in doing so be faced with an insurmountable task.¹

But, due to the ontological position assumed above, which stresses the role of actors constantly defining and redefining society, methodological holism also becomes untenable. The primary reason for this is that according to a performative ontology, “there is nothing outside – no ‘last instance’ – that drives the processes of the social.”² Thus, social forces cannot be placed as the drivers of society. Of course, this is a general argument which applies equally to the position entertained by individualists.

Due to the lack of any such ‘last instance’, the label *methodological pluralism* cannot be used to describe the position I am arguing for.³ For my position entails more than not giving explanatory priority to any class of phenomena. What I need is a method that allows me to follow the ongoing recursive process of interdefinition which I assume to constitute society. John Law’s suggestion that we should do away with explanations which refer to things – “to try to do without any nouns”⁴ – conveys the issue at stake.

At any rate, methods which decide in advance on the ultimate class of explanatory elements are untenable. This goes for individuals as well as social collectives and makes methodological individualism and methodological holism *equally bad* rather than *equally good*. In effect then, I am denying the battleground outlined by the individualists and the holists. Contrary to those, who at least agree that it is important to specify the class of elements which is to be given explanatory preference, my position is that it is important *not* to decide on the drivers of society. This position is reflected in the principle of non-reduction to which I now turn.

¹ Lars Udehn (*Methodological Individualism...*, 1987, p.71) notes: “There is the view to be found in Weber and other methodological individualists, that social phenomena may be described by social concepts, but are only explained by the behaviour of individuals.”

¹ Here, the same kind of refutation that Bruno Latour has invoked in reply to the stance that humans make techniques, can be made with reference to social wholes: it is too late, humans are no longer by themselves, they have delegated actions to so many others that social situations cannot be reduced to individuals. Confer Bruno Latour, *On Technical Mediation*, 1994, p.17.

² John Law, *Organizing Modernity*, 1994, p.15. But am I not still assuming an underlying generative structure, to use Roy Bhaskar’s term? To argue that I am, I think, would be to move to an Orwellian language tradition and say that “process is structure.” I am arguing that there is no class of elements, no nouns, no last instance, but rather, that there is process.

³ To argue for *methodological pluralism* has in its weaker form been associated with the recognition of a “better method in principle” coupled with the idea that in practice, the use of several competing methods will be more productive. This, then, is close to a liberal view on research policy. In its stronger versions, *methodological pluralism* is the view that several methods *always* should be used, and that, in principle, it is impossible to give priority to any one of them. If, in addition, it is argued that the problem is to pick the best parts from the various methods, then the *methodological pluralist* position comes close to methodological eclecticism. (*Filosoflexikonet*, 1988, s.v. “dualism”, “monism”, “pluralism”)

⁴ John Law, *Organizing Modernity*, 1994, p.16.

The Principle of Non-Reduction¹

To reduce is to refer phenomena back to some (smaller) class of elements (lat. *reducere*, bring back), a class which explains (explanans) the occurrence of the former (explanandum). Under a variable ontology, a traditional application of this principle is untenable since any such class must be an outcome of the process which constitutes society.

In dealing with these problems, John Law has argued for a principle of non-reduction. In terms of explanatory practice, this principle denies the idea “that there is a small class of phenomena, objects or events that drives everything else...”² This drawing of a line between causes and effects, Law argues, is dangerous (for social science):

So, the danger is this: that you violate the principle of symmetry by driving a wedge between those that are doing the driving and the rest. And (this is the real problem) the former gets described differently, or not at all.

John Law, 1994, p.12.

To me, this danger is epitomised by individualistic rational choice models.³ But what would a non-reductionist approach be like, then? According to Law, it...

... will be relational, with no privileged places, no dualisms and no *à priori* reductions. It will not distinguish, before it starts, between those that drive and those that are driven. But, and this is where it is relational, but not structuralist, it will allow that effects, a relative distinction between the drivers and the driven, may *emerge* and be sustained.

John Law, 1994, p.13.

The final sentence is central. It is here all the problems and all the differences lie. How can I allow these distinctions to emerge without resorting to reductionism? A first step is to attend to *the practice of defining what society is*, as a whole, and *what it is made up of*, its parts. This is what the *performative definition of society* is about. We need to display the *work* of extracting the elements that make up the explanans, of bringing them from the world (which needs to be explained) to the safe haven of our conceptual schemes, and of having them act back unto this world.⁴ To this end, I suggest a *relationist* perspective.⁵

¹ The title of this paragraph was caused some discussion during a meeting with my supervisors. Two of them insisted first, on the importance of reductionism, and second, on my practising a form of it. I complied and changed the title to: *A reformulated principle of reduction*. But something was nagging me... What did they mean by reductionism? After brushing up on the idea of reductionism as an explanatory principle, I rewrote the paragraph, hopefully with added precision, and reverted to my original title.

² See John Law, *Organizing Modernity*, 1994, p.12. In a sense, this principle of non-reduction is an extreme form of the principle known as Occam's razor, which posits that we should not make more assumptions than necessary when trying to explain a phenomenon (confer *Filosoflexikonet*, 1988, p.404). What could be more economic than to reduce the process back to itself...

³ This characterises neo-classical economics and has been suggested for economic sociology by James Coleman (*A Rational Choice Perspective on Economic Sociology*, 1994).

⁴ Confer Bruno Latour, *The Politics of Explanation: An Alternative*, 1988.

Fluctuating Referents – A Relationist Perspective

So far, I have argued for a variable ontology, based on a performative definition of society, and for a principle of non-reduction as important given this ontological stance. This is all very well, but, as indicated by the excerpt from John Law concerning the character of a non-reductionist sociology (above), there is a conflict which must be handled. This is the conflict between the ardent talk of “no privileged places” and the somewhat indistinct talk of allowing for relative distinctions to emerge.

As a starting point, most observers would probably agree that the ongoing recursive process of interdefinition which I claim to underlie my variable ontology world, has been very successful in producing dualisms such as those separating science from society, structure from process, the subjective from the objective, etc. The important point is that these dualisms are *outcomes* of the process rather than principles inscribed in “nature.” The methodological consequence of this, is to find a way of allowing for such outcomes.

A first observation is that it would be difficult to allow relative distinctions to emerge with a fixed (realist) frame of reference. As Bruno Latour has argued (successfully, I think) this applies to any attempt to study change:

If the actors in a project define not only the other actors' essences and desires but also the rules for interpretation that make these definitions workable, all their viewpoints have to be deployed in a supple frame of reference – a *reference mollusk*, as Einstein called it in his essay on relativity. Since they themselves establish their theories, their metatheories, and even their meta-metatheories, the actors have to be left to their own devices.

Bruno Latour, 1996, p.170.

Obviously, this smacks of relativism which has become something of a taboo in many areas of social science.¹ The basic idea of relativism is that there is no substantial superior frame of reference within which radically different and alternative schemes are comparable; that there are no universal standards above and beyond the competing alternatives.²

⁵ Although *relationism* can be interpreted as an ontological stance – the view of reality as a network of relationships, I use it to denote a methodological rule. Further, as argued by Law in the quote above, I want to avoid the structuralist associations of this label.

¹ Alvesson and Sköldbberg (*Tolkning och reflektion*, 1994, p.52) claim that few researchers readily admit to being relativists. This obviously does not apply to the Sociology of Scientific Knowledge (SSK) (see Steve Woolgar, *Knowledge and Reflexivity, New Frontiers in the Sociology of Knowledge*, 1988).

² As Richard Bernstein (*Beyond Objectivism and Relativism*, 1983, p.9) argues: “ever since Plato objectivists have argued that relativism ... is self-referentially inconsistent and paradoxical. For implicitly or explicitly, the relativist claims that his or her position is true, yet the relativist also insists that since truth is relative, what is taken as true may also be false. Consequently, relativism itself may be true *and* false. One cannot consistently state the case for relativism without undermining it.” Steve Woolgar and Malcolm Ashmore (*The Next Step: an Introduction to the Reflexive Project*, 1988) refer to this position (where the object of study is relativised, but the study itself is realist) as “phase 2 social study of science” (phase 1 being realist both about the object of study and the study itself). Rather than a return to realist-realist studies (phase 1) to resolve the dilemma of phase 2, they argue for a phase 3, where the study itself

This has led to objections that social constructivists / relativists / sceptics reject the possibility of establishing “the truth” about anything.¹ When approaching subjects which are regarded as having moral or ethical repercussions, relativism is accused of being the source of moral compromise. Keith Grint and Steve Woolgar supply two arguments in defence of relativism: First, that “assessing the strength of a truth claim through an analysis of its social construction is not equivalent to supporting that claim.”² Second, that in the face of scientific “truth”, realists have no option but to accept, irrespective of whether they like it or not, whereas for a relativist the issue is never who is telling the truth, but rather “why one side manages to persuade the actors who are involved in the decision-making process that their version of the truth is the only one.”³

Contrary to realist assumptions, scepticism about truth claims does not mean that constructivists accept all truth claims as equally valid. Their aim is to assess why some claims are considered true and others false, or some more true than others.

Keith Grint and Steve Woolgar, 1997, p.145.

A practical consequence of such a stance is a sensitivity to the process of constructing the world. To this end, Bruno Latour has suggested an approach which...

... has no fixed reference frame, and consequently no metalanguage. It expects the actors to understand what they are and what it is. It does not know what society is composed of, and that is why it goes off to learn from others, from

is relativised by means of a reflexive approach. As is obvious from work made in the SSK-tradition, the degree of reflexivity needed is in practice variable.

Besides repeating that relativism is self-defeating in his critique, Andrew Sayer (*Method in Social Science*, 1992, p.72-79) claims that the scepticism about the comparability of alternative systems of thought is “grossly exaggerated.” But so, it seems to me, is Sayer’s characterisation of what this position entails. (See also Bruno Latour, *The Politics of...*, 1988; Mats Alvesson and Kaj Sköldberg, *Tolkning och...*, 1994; and Keith Grint and Steve Woolgar, *The Machine at Work*, 1997.)

¹ A comment by a colleague about my discussion of truth, made me realise that my argument might be difficult to grasp from a realist perspective (surprise!). He argued that it was possible to work with the notion of “logical truth”, which he associated with internal consistency, rather than the kind of truth I was discussing, which he associated with correspondence. To me, the logic behind logical truths would be one example of the kind of framework necessary to establish a truth claim.

² Steve Grint and Steve Woolgar, *The Machine...*, 1997. Quote from p.143.

³ Confer *ibid.* p.144. Stefan Thorpenberg (*Socialkonstruktivismen och reifieringsbegreppen* (Social Constructivism and the Concept of Reification), 1999, p.7) has noted the affinity between the relativist position and the later position of the Vienna positivists (and that this affinity might be disturbing to researchers who find the relativist position appealing but regard positivism with dismay). Part of this affinity, he claims, lies in their mutual recognition of the import of lingual frames. Thorpenberg quotes from Otto Neurath’s later work: “In accordance with our traditional language we may say that some statements are accepted at a certain time by a certain person and not accepted by the same person at another time, but we cannot say some statements are true today but not tomorrow; ‘true’ and ‘false’ are ‘absolute’ terms, which we avoid.” and “That Logical Empiricist ‘relativise’ terms such as ‘just’, ‘right’, ‘beautiful’, needs no particular discussion. ‘Just’ may be replaced by ‘just in concordance with regulations made by somebody’; it does not matter whether one interprets somebody as the person in question (‘own conscience’) or as ‘the community in which somebody is living’.”

those who are constructing society. It adds its own interpretations to those of the actors whose fate it shares...

Bruno Latour, 1996, p.200.

The important point made by Latour, I think, is found in his insistence that we should go “off to learn from others, from those who are constructing society.” For these, the actors under study, may very well perceive certain aspects of the world as being inscribed in “nature.” That is, not questioned, taken at face value. In such a case, a researcher striving to understand the social, is advised to accept these views. Thus, in effect, relationism has it that we should not relativise stable or “cold” aspects of the world. Unless of course, we want to understand how *these* parts of reality came to be, too. But that would direct us to another time and place, when and where these aspects were far from cold. It would also direct us to another question than that which we attempt to provide an answer to.

We will then need to have two different discourses depending on whether we consider a settled or an unsettled part of technoscience... [When studying a controversy] we cannot be *less* relativist than the very scientists and engineers we accompany; they do not *use* Nature as the external referee, and we have no reason to imagine that we are more clever than they are. ... since the settlement of a controversy is *the cause* of Nature's representation not the consequence, we *can never use the outcome – Nature – to explain how and why a controversy has been settled.* ...

However, when talking about a cold part of technoscience we should shift our method like the scientists themselves who, from hard-core relativists, have turned into dyed-in-the-wool realists. Nature is now taken as the cause of accurate descriptions of herself. We cannot be more relativist than scientists about these parts and keep on denying evidence where no one else does. Why? Because the cost of dispute is too high for an average citizen, even if he or she is a historian and sociologist of science. If there is no controversy among scientists as to the status of facts, then it is useless to go on talking about interpretation, representation, a biased or distorted world-view, weak and fragile pictures of the world, unfaithful spokesmen. Nature talks straight, facts are facts. Full stop. There is nothing to add and nothing to subtract.

Bruno Latour, 1987, pp.99-100.

The upshot of this seems to be to apply *fluctuating referents*. Fluctuating, that is, with the views of the actors under study, and not fluctuating *per se*. By not taking a predetermined frame of reference as my starting point for investigating an attempt at organising, but instead the frames of reference of the actors involved, I may come across several “natural principles”, that is, interpretations and claims concerning the situation which are not contested by the actors involved in the process. For my understanding of the actions undertaken by the involved actors, these interpretations and claims should be left alone. Thus, I might end up with a strict individualistic view of the world, *if* the actors so describe it. On the other hand, I may equally well end up with a largely holistic world, in which events are caused by social phenomena such as “the spirit of the time” and the like. Due to this

switching back and forth between realism and relativism, I think it is more appropriate to use the term *relationism* as a label for the position I am advocating.¹

The primary merit of this approach seems to me to be the balance it offers. It does not undermine what the actors accept as true or relevant when going about their business. As soon as controversies arise, however, it advises us to follow how they relativise the world and document how facts and artefacts are constructed.² The actors themselves are left to indicate where the (always) controversial process of realisation is underway, that is, what the hot parts of their world are.

There is, however, yet another problem which must be handled: that which concerns the character of the actors which populate this variable ontology world. In much the same way as the actors are left to identify the controversial aspects of fact-building or realisation, they are left to define each other:

The methodological rule that consists in letting the actors define each other can accommodate all cases, including the miraculous one of agreement between the one who is defining and the one who is being defined.

Bruno Latour, 1996, p.164.

As a consequence of this methodological rule, the question of what the actors are like, is left open. There may be instances where a stable and homogenous group of actors is identified, as well as instances where there will be as many definitions of actors as there are attempts at defining. This matter, however, should be empirically determined. In terms of concrete guidance, then, the idea of fluctuating references suggests that I should "Follow the actors!"

Underlying the principle of non-reduction and inextricably linked to the ideas of regarding organisations as outcomes of organising, of studying organisations in the making, and of applying a relationist view, there seems to me to be a tool suggested by David Bloor and subsequently reformulated by Michel Callon and Bruno Latour. This is *the principle of symmetry* which is the subject of the next section.³

¹ The term has at times been used by Bruno Latour and John Law to characterise their position. Whether my use of the term *realist* is a fair representation of the realist stance of, e.g., Andrew Sayer is questionable. A central tenet of his approach is that "Our knowledge of [the world which exists independently of our knowledge of it] is fallible and theory-laden." (Andrew Sayer, *Method in...*, 1992, p.5) This suggests that realists do not necessarily claim what Bruno Latour claims they claim, viz. that "Nature is ... the cause of accurate descriptions of herself." This is not a major issue here. What is important is to clarify the approach I propose. To this end, I think the term *realist* conveys my general point.

² Confer Bruno Latour, *Science in Action*, 1987, p.100.

³ The principle of symmetry, originally suggested by David Bloor (*Knowledge and Social Imagery*, 1976), was extended by Michel Callon (*Some elements...*, 1986) and Bruno Latour (*Science in...*, 1987) and suggested as a basic methodological principle for studying scientific and technological controversies.

Symmetric processes – asymmetric outcomes

The general idea found in the principle of symmetry is that we should not distinguish successes and failures on the basis of intrinsic qualities. Both outcomes deserve explanation, and moreover, they deserve explanation in the same terms. This applies equally to traditional distinctions made between Society and Nature.¹ As John Law notes:

To insist on symmetry is to assert that everything deserves explanation and, more particularly, that everything you seek to explain or describe should be approached in the same way. Why is this important? The answer is simple: it is that you don't want to start any investigation by privileging anything or anyone. And, in particular, you don't want to start by assuming that there are certain classes of phenomena that don't need to be explained at all.

John Law, 1994, pp.9-10.

How can symmetry help me as I attempt to learn more about how things come to be one way rather than another? A good starting point is our tendency to judge everything by the present standards concerning truth and falsity, often manifested in evaluations of scientific claims, technological solutions and economic evaluations. In terms of scientific knowledge it amounts to saying that old truths are wrong because the men (for we write mostly about men, although the tendency applies to women as well) who claimed them, were mistaken (by our standards), while what we know now is right because it is right.²

But, given enough time, most "truths" are superseded by new ones, and the same claims are made again. Truth is something which we attribute to a statement. But if we start out assuming that something is true or correct or good, and that something else is false, incorrect or bad, then we never get to understand how this distinction came about. And such distinctions are central to understanding change, because in the end, when the change has been realised, it is nearly always held to be a change for the better.

¹ As Michel Callon (*Some elements of...*, 1986, p.200) argues: "The goal is not only to explain conflicting viewpoints and arguments in a scientific or technological controversy in the same terms. We know that the ingredients of controversies are a mixture of considerations concerning both Society and Nature. For this reason we require the observer to use a single repertoire when they are described."

² Examples of this practice abound in science. For instance, you may read in modern encyclopaedias that the alchemists of the middle ages "believed" that everything was made out of a combination of only five matters: fire, earth, air, water and the quintessence. During the 19th century, researchers became "convinced" of the existence of the atom as the basic component of all matter. Later scientists "confirmed" that there really was such a thing as the atom, but that previous researchers were wrong about it being the basic component. Niels Bohr "showed" that the atom was composed of a set of elementary particles: electrons which were layered around the nucleus of the atom, two on the first layer, 8 on the subsequent ones; the nucleus itself in turn consisted of neutrons and protons. Nowadays, we "know" that Bohr was wrong. Electrons are not layered around the nucleus. Both protons and neutrons are made up of even smaller particles, quarks, and there are several types of quarks. (*Nationalencyklopedin*, s.v. "atom" and "alchemy")

Judging from the above, the only thing which we know with certainty seems to be that our present image of the basic material out of which all matter is made, will be subject to change in the future. (Admittedly, this is inductive, but please don't argue about that!)

For me – investigating the organising of a business enterprise – the symmetric stance is particularly valuable in relation to the dominant use of ex-post explanations based on the notions of efficiency and profitability. For, as has been argued by several sociological writers, such judgements are also socially shaped.¹ The very scales by which we evaluate practices are outcomes of the social process. It might then be justified to entertain a hypothesis that *the shaping of value scales may be an important part of a process of change*.

A first observation, then, is that an *asymmetric stance* is an unfavourable point of departure. It would amount to assuming that the “coming to be” was inscribed in the alternatives from the start.² This would reduce my inquiry to the writing of ready-made history, winner-history. I simply repeat the ex-post observations – e.g., “the self-service store was a success whereas the automated store was a failure” – while placing the cause of both in the beginning of the process – “the self-service store was good whereas the automated store was bad.” This would result in a mechanistic rather than processual description of the observed changes. At most, I could identify reasons for differences in the speed of change, by comparing several cases.

A relativist stance seems more attractive. It suggests that competing versions / interpretations of the world are just that, and that I should study the process through which one such claim is made more true, efficient etc., than the others. It suggests, in short, that I should consider competing claims *symmetrically*. In the case of the store formats, it suggests that I should attempt to explain, in the same terms, how self-service stores came into being in Sweden and how automated stores failed to do so. It seems to me, then, that this is a more fair approach.

The relativist stance also suggests that, since a judgement must be based on the relative point of view of those passing it, no verdict regarding the truth or falsity of a claim, or the efficiency or inefficiency of a solution can be passed. Thus, if HUI (the Retail Research Institute) would have presented figures in 1970 indicating that customers liked self-service stores more than they did automated ones, or that the costs of operating self-service stores were lower than those for automated stores, this would only be a point of view. A point of view that was based on close to 25 years of experience of self-service stores in Sweden, and an equal period of attempts to measure the efficiency of such stores. The judgement would be relative to the experience or lack of experience with the solutions in question.³ In short: it would be relative to the point of view. Period.

¹ E.g., Mark Granovetter, *Economic Action and Social Structure*, 1985 and *Problems of Explanation...*, 1992; John Law, *Organizing Modernity*, 1994; and Michel Callon, *The Laws of the Markets*, 1998a.

² Bruno Latour, *Aramis, or...*, 1996, p.78.

³ A similar point has been made within the evolutionary approach to technological and economic development. In this tradition, it is not the relative point of view that is emphasised, but rather the successive realisation of a technology's (objective?) potential through investments in research and development. An

This still leaves me with two annoying observations: first, the actors involved in an attempt to change (e.g., those advocating the self-service store) appear to be trying very hard to *make* their claims more credible, more efficient, more successful, more spread, *more real*, than those of the competing alternatives; second, some such claims seem to be clearly more successful than others, i.e. “out there” there are certainly asymmetries as regards to how the claims are being treated (no automated stores, many self-service stores). It is in relation to this that the term relationism becomes more appropriate, for it seems untenable to argue that it is simply a question of perspective when there is nothing to have a perspective on.¹ This relates to Law’s formulation “you don’t want to *start* any investigation by privileging anything or anyone” (see excerpt on p.39). This, I think is an important qualification, one which I will develop more below.

The approach proposed by Bruno Latour, which links up with my variable ontology (see p.29), is to regard available alternatives as moving along a continuum between what exists and what does not exist. As gradually taking on or losing reality in the process. By re-establishing symmetry, argues Latour, we posit that success and failure both “may gain or lose in degrees of reality” – that “[e]xistence has to be added to them continuously.”²

[W]hat is left for us in order to account for the many little differences between chains of associations? Only this: the number of points linked, the strength of the linkage, the nature of the obstacles. Each of these chains is logical, that is, it goes from one point to the other, but some chains do not associate as many elements or do not lead to the same displacements. In effect, we have moved from questions about *logic* (is it a straight or a distorted path?) to **sociologics** (is it a weaker or a stronger association?).

Bruno Latour, 1987, pp.201-202.

Back to the stores, then! I do not claim that one is more efficient or better, but simply that more elements have been successfully stabilised and tied to it. More retailers, store facilities, capital, goods, customers, statistics, etc. have been linked to the self-service store format, thus making this chain stronger, more resistant to “trials of strength” than the one for automated stores. Indeed, by 1970, the issue of retail formats was all but closed, supermarkets were all around and if anyone still nourished the idea of a fully automated store, they were few and far between. The elements they were able to tie to their idea were even fewer. The automated store had been reduced to a fiction. A curiosity in the annals

example is Robin Cowan’s (*Nuclear Power Reactors: A Study in Technological Lock-in*, 1990) study of the development of atomic reactors for submarines. For a review of the tradition see Richard Nelson (*Evolutionary Theorizing about Economic Change*, 1994).

¹ “To study [existing objects] classical relativism suffices – everyone has his or her own point of view on the thing... To study [a project], we also have to explain how certain points of view, certain perspectives, certain interpretations, have not had the means to impose themselves so as to become objects on which others have a simple point of view.” (Bruno Latour, *Aramis, or...*, 1996, p.79.)

² *Ibid.*, p.78.

of Swedish retail history. Still, as time wears on the positions might be reversed – indeed, in this case, there now seems to be somewhat of a renaissance for store automation.

What I propose then, is a relationist notion of symmetry. Rather than saying that everything is a matter of the point of view taken, I say that if a certain point of view is the only one taken, I will take it too (during the study). To study *symmetrically* a given controversy (or attempt to organise), I should treat the views taken symmetrically while not treating the views not taken. Asymmetries which are the results of previously settled controversies, and which remain settled during the controversy under study, should be taken at face value. In short, it amounts to treating *the process* symmetrically, while allowing for asymmetric outcomes.

Summary of the methodological position

The outcome of the discussion on ontology above was what I called a *variable ontology*. This was closely linked to a *performative definition* of society (including organisations). In this section, I have tried to supply an answer to the second question posed at the outset of the chapter, viz. “How should I investigate a phenomenon with these characteristics?” More specifically, I have been arguing for three methodological principles which may offer assistance in an inquiry based on a variable ontology:¹

1) Non-reduction. This principle suggests that I should not give explanatory preference to a certain class of phenomena *à priori*. Thus, it opposes the ambition of methodological individualists, as well as that of the more radical methodological holists.

2) Relationism. This perspective advises me to start without a fixed frame of reference and instead learn from those who are constructing society. This amounts to letting my referents fluctuate with those of the actors under study. By doing so, I will be no less of a *relativist* than the actors I follow concerning unsettled parts, or controversies in the process under study. On the other hand, I will be no less of a *realist* concerning the parts which are settled and which remain so for the duration of my study. The principle applies equally to the definition of actors, which also should be left to those under study.

3) Symmetry. This principle, which is closely related to non-reduction, asserts that everything deserves explanation, and that such explanations should be given in the same terms. As part of a *relationist* perspective, this principle takes at face value explanations which are the results of previously settled controversies, for as long as they remain un-

¹ These principles are closely linked to the rules of method for following scientists and engineers through society, proposed by Bruno Latour (*Science in...*, 1987): i) studying science in action rather than ready made science; ii) determining the objectivity or subjectivity of a claim, the efficiency or perfection of a mechanism by looking at the transformations they undergo later in the hands of others; iii) viewing both Nature and Society as consequences, not causes, of a settled controversy; iv) and being as undecided as the actors we follow as to what technoscience is made of.

questioned. In short, the relationist principle of symmetry advises me to consider *the process* symmetrically, while allowing for asymmetric *outcomes*.

Epistemological position

I have now reached the third and final question about principles, that concerning the status of the results of my inquiry. On what theory of knowledge is my study of the organising of business enterprise based? It can be argued that what has been called the *ostensive* definition (see p.26 and Table 2-1, p.30), emphasises epistemological issues. This preoccupation stems from the assumption that it is possible, in principle, to find ultimate explanations to social phenomena. Attention is then directed towards the practical difficulties of finding such relations between the à priori defined elements which make up society.

Classical sociology knows what constitutes society, knows the rules and laws of the social context... [A]ware of the countless contradictions entailed by its own existence situated at once above the fray and in the middle of it, at once inside society and outside it, classical sociology multiplies its methodological precautions, its hermeneutical circles, its retroactions, its marks of modesty. Classical sociology is epistemological; it talks and talks and goes on talking. Obligated to reassure itself continually of its own scientificity, it can be recognised by its jargon. For classical sociology the world is an asylum of fools and traitors, of pretenders, guilty consciences, and half-educated types. In this asylum, the sociologist is the director, the only one who has the right to go outside.

Bruno Latour, 1996, pp.200-201.

With this "right to go outside" comes also the question of what is to pass as scientific (from-the-outside) knowledge about society. The well-known and at times heated debate between the objectivist/naturalist and subjectivist/phenomenological positions largely centred on this.¹ Few social scientists seem to maintain a strict naturalist principle at present, i.e. that the experimental method of the natural science is the only way of generating scientific knowledge.² In practice, however, a considerable group seems to emphasise the search for objective knowledge and general laws about the social world. Objective, that is, in the sense of the social world becoming directly meaningful to the observer after he or she has described and explained his or her experiences of a chosen phenomena.³

Such a claim is denied by subjectivists, who often refer to Max Weber's famous assertion that the object of the social sciences is interpretive understanding (*Verstehen*).⁴ What is required of the observer is to deal directly with the common social world as it pre-

¹ See, e.g., the selection of papers in Maurice Natanson, *Philosophy of the Social Sciences*, 1963.

² Thelma Lavine, *Note to the Naturalists on the Human Spirit*, 1963 (1953), pp. 251-252.

³ Leon Goldstein, *The Phenomenological and Naturalistic Approaches to the Social*, 1963 (1961), p.288.

⁴ Max Weber, *Economy and Society: An outline of an interpretative approach*, 1978 (1922).

sents itself to *those who experience it*.¹ Whether it follows from this that inquiry should only be “concerned with the idiosyncratic standpoint of the individual” is unclear.²

What seems clear, however, is that both positions share the view that scientific inquiry is made from the outside. The objective/naturalist tradition, reflected in the writings of, e.g., Ernest Nagel and Carl Hempel, takes care not to allow subjective influence over the work of the scientist.³ That this is also a concern for the subjectivist/phenomenological position can be seen from the writings of both Max Weber and Alfred Schutz.⁴

Peter Berger and Thomas Luckmann has summarised the troubles involved nicely:

The logical structure of this [epistemological] trouble [caused by empirical research] is basically the same in all cases: How can I be sure, say, of my sociological analysis of American middle-class mores in view of the fact that the categories I use for this analysis are conditioned by historically relative forms of thought, that I myself and everything I think is determined by my genes and by my ingrown hostility to my fellowmen, and that, to cap it all, I am myself a member of the American middle class?

Peter Berger and Thomas Luckmann, 1966, p.13.

Although they pinpoint the problem, Berger’s and Luckmann’s solution is far from satisfying. They ‘wish the problem away’ by arguing that their inquiry into the sociology of knowledge is part of the empirical discipline of sociology (with theoretical ambitions) and that it, as such, will feed problems into the methodological inquiry to which epistemological issues belong.⁵ On the contrary, I believe there to be some merit in considering what is to pass as knowledge and, particularly, how my assumption of a variable ontology affects the way in which knowledge is regarded.

The traditional view, stressed by Max Weber in his discussion of objectivity in the social sciences, has it that it is important to separate, as far as possible, between science

¹ Maurice Natanson, *A Study in Philosophy and the Social Science*, 1963, p.273.

² Leon Goldstein (*The Phenomenological...*, 1963 (1961) p.294-295) argues that important phenomenological writers such as Schutz and Natanson “take the regularities of social life to be part of the *Lebenswelt* that phenomenological social science is called upon to describe, and these are not subjective in the idiosyncratic sense. The standpoint, then, that this approach is supposed to make explicit is that which the actor may be thought to acquire in the course of his enculturation and which comes to inform his life and actions, even though he need not be explicitly aware of it as one standpoint among others.”

³ See, e.g., Carl Hempel, *Typological Methods in the Social Sciences*, 1963; and Ernest Nagel, *Problems of Concept and Theory Formation in the Social Sciences*, 1963.

⁴ Max Weber (*The methodology of...*, 1949 (1922)) largely deals with how to secure the outside perspective of the observer in his discussion on ideal-typical constructs. Likewise, Alfred Schutz (*Common-Sense and Scientific Interpretation of Human Conduct*, 1962, pp.35-38) holds that the social scientist can study the subjective meaning structures of social reality from the outside – as a disinterested observer: “[T]he social scientist detaches himself from his biographical situation within the social world. ... By making up his mind to carry out a plan for scientific work governed by the disinterested quest for truth in accordance with pre-established rules, called the scientific method, the scientist has entered a field of pre-organised knowledge, called the corpus of his science.”

⁵ Peter Berger and Thomas Luckmann, *The social construction...*, pp.13-14.

and society.¹ From the perspective of science, social and political influences should be kept out, since, in the worst of cases, they might hinder or spoil scientific progress. This seems to be the view that triggered the comment by Berger and Luckmann (above). There is also a contrasting view, it should be added, which stresses the importance of protecting *society* against the non-human(e), cold sciences. What emerges is an image of science and society as two separate spheres, with numerous “defence systems” which serve to maintain this separation, while at the same time allowing each sphere to benefit from the other.

This view of science and society has become less and less tenable, primarily due to empirical studies in the sociology of scientific knowledge (as was suggested/anticipated by Berger and Luckmann in 1966). Work in this tradition has shown that Truth is better seen as the result, or consequence, rather than the cause of the settlement of scientific

¹ The difficulties involved are nicely depicted in Weber's (*The Methodology of...*, 1949 (1922)) discussion of the ideal-type. He holds the conscious, logical explication of ideal-typical constructs to be necessary to distinguish social scientific inquiry from social activity in general and emphasises that the ideal-type is “formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent *concrete individual* phenomena ... into a unified *analytical* construct (*Gedankenbild*)” (p.90). Hence it does not portray “the ‘true’ content and essence of historical reality.” Rather, “in its conceptual purity, this mental construct ... is a *utopia*.” (p.90). The social scientist uses these concepts as limiting cases to which the real situation is compared.

But ideal-types are also found among those under study: “those ‘ideas’ which govern the behaviour of the population of a certain epoch, ... can, if a somewhat complicated construct is involved, be formulated only in the form of an ideal type, since empirically it exists in the minds of an indefinite and constantly changing mass of individuals and assumes in their minds the most multifarious nuances of form and content, clarity and meaning... [Ideal-typical presentations] regularly seek to be, or are unconsciously, ideal-types not only in the *logical* sense but also in the *practical* sense, i.e. they are *model types* which... contain what, from the point of view of the expositor, *should* be and what to *him* is ‘essential’ ... Here it is no longer a matter of the purely theoretical procedure of treating empirical reality with respect to values but of *value-judgements* which are integrated into the concept ... The sphere of empirical science has been left behind and we are confronted with a profession of faith, not an ideal-typical construct.” (ibid. p.96-97)

Since Weber recognised that empirical concepts, i.e. those used by the people under study, must be ideal-types (given enough complexity), it should follow from this that our task as researchers (constructing new ideal-typical concepts as heuristic devices) does not differ from that of, to use his example, the church during the middle ages. For the church, too, the content of the concept of Christianity, as they saw it, was far from that in the minds of the people. He continues: “the manner in which those syntheses are made (always in logically imperfect form) by the members of a state, or in other words, the “ideas” which *they* construct for themselves about the state... is of great practical significance. In other words, here too the *practical idea* which should be *valid* or *is believed to be valid* and the heuristically intended, theoretical-ideal-type approach each other very closely and constantly tend to merge...” (ibid., p.99)

Whether or not the components of historical reality and the ideal-types we construct are “fundamentally different things” seems to depend on whether we see ourselves as detached from the world or recognise our participation in it. It can of course be argued that Weber is suggesting how research *should* be carried out, i.e. that he himself is suggesting a model-type for scientific conduct. A possible reading of Weber's discussion in this light suggests that what *should* differentiate the logical, heuristic ideal-type used by the scientist from the model-types used in practice, is the scientist's awareness that his concepts are false.

Karl Mannheim (*Man and Society...*, 1940, p.165) criticised these ideas: “The distinction between theory and practice is by no means only that which scientists have naïvely been accustomed to conceive it to be – namely the distinction between superficial and more exact knowledge, between obscure and clear concepts, although of course this distinction, too, has a very large element of truth in it. It is primarily a matter of attitude to quite different levels of reality and of distinctive ways of dealing with reality.”

controversies.¹ With this observation, the separation of science from society at large has got to go. The alternative view, which has emerged during the past two decades or so, is based on a completely different image of science, society, technology and epistemology. Instead of the two opposite poles, there is a single collective, which can be defined as an assemblage of humans and non-humans (see Figure 2-1, below).

Recalling the preceding discussion on ontology and methodology, these ideas regarding knowledge and knowledge production may come as no surprise. They simply extend the ontological assumption of an ongoing-process-within-single-collective-constituting-our-world, to include also the sciences. And they restate the methodological idea of avoiding privileged places and *à priori* distinctions, this time between science and society; between scientific knowledge and everyday know-how.

The result is knowledge redefined as something like a sub-category to know-how.² Something which is produced locally, and which in order to be spread, requires assistance from various allies. It turns the creation of knowledge into something resembling a combined political process (introducing a bill) and construction process (building a house). Actually, the stylised character of such (sub-)processes is misleading: there are few, if any, pure political or pure construction processes. As an alternative, I prefer Michel Callon's suggestion that we should consider all such processes as *processes of translation*. What, then, is the consequence of this view of science and society?

Breaking with the actor level

My ontological position suggests that the researcher is part of the same collective as the subjects under study. No priority is given to his or her knowledge claims over those of other members of the collective. Still, as I argued above, differences may arise. One such difference stems from the successful work of others to establish something of an interpretive priority for scientific knowledge, that is, for knowledge-claims produced within what passes as the scientific community. (Perhaps this is only my distorted image of tabloid headlines saying: **RESEARCH SHOWS THAT...**) While it acknowledges this asymmetry, the relationist view also acknowledges that such asymmetries may be undone.

It seems that the most energetic attempts at undoing such assumptions are actually being made within what passes as the scientific community. The ontological and methodological positions promoted above can be partly seen in this light. It can be said that they promote a measure of naïveté on the part of myself as an empirical researcher. Or it can be said that they restore agency on behalf of those being studied. In any case, they amount to

¹ See, e.g., John Law (ed.), *Power, Action and Belief*, 1986; and Bruno Latour, *Science in Action*, 1987.

² Confer Michael Polanyi, *The tacit dimension*, 1967.

arguing that those who inhabit the world, although this world is impossible to understand in principle, de facto understand what *they* are and what *it* is. The relationist position...

... has no fixed reference frame, and consequently no metalanguage. It expects the actors to understand what they are and what it is. It does not know what society is composed of, and that is why it goes off to learn from others, from those who are constructing society. It adds its own interpretations to those of the actors whose fate it shares...

Bruno Latour, 1996, p.200.

Thus, it would be naïve indeed to think that, as a student of business behaviour, I was not involved in this construction process. Since I have studied events that took place some 50 years ago, I have not been personally involved in the process under study, as such. Had I not written about it though, it might simply have been gradually forgotten (a trend indicated in the 1999 Annual Report of ICA). For all I know it might still be. Through my reconstruction, however, I am offering a new view on some events which led to ICA₁₉₉₉. Given this, the question is: How can I make the most out of my present position?

In scientific ethos, the answer seems relatively simple: good scientific writing is true writing... [But if we assume] that no linguistic items correspond to any non-linguistic items, then these criteria are neither appropriate nor well grounded. We are left with the 'performance criteria' of beauty and good use. The question is no longer 'Does it correspond to outside reality? Does it observe the rules of formal logic?' but 'Does it work? Is it beautiful? Who is it for?'

Barbara Czarniawska, 1995, p.26.

Czarniawska's view is entirely in line with the merger of science and society as depicted above. It also indicates some important issues for a scientist-wanna-be, like myself. The criteria "does it work?" largely reflects Max Weber's position:

[S]ocial science in our sense is concerned with practical *significance*. This significance however can very often be brought unambiguously to mind only by relating the empirical data to an ideal limiting case. If the historian... rejects an attempt to construct such ideal types as a "theoretical construction", i.e. as useless or dispensable for his concrete heuristic purposes, the inevitable consequence is either that he consciously or unconsciously uses other similar concepts without formulating them verbally and elaborating them logically or that he remains stuck in the realm of the vaguely "felt."

Max Weber, 1949 (1922), p.94.

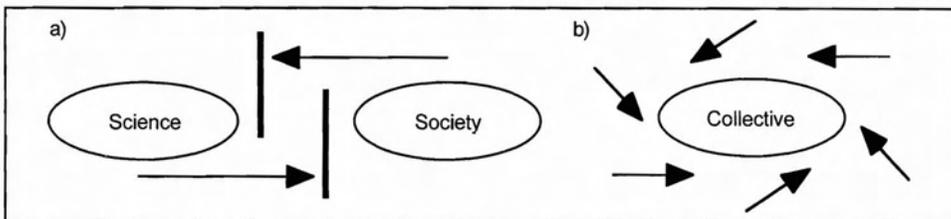


Figure 2-1. Latour's shift in the view of science. In a) knowledge is protected from the damaging influences of social interests, and society from the tyranny of objectification. In b) a collective enrolls humans and non-humans to increase in scale. Source: Bruno Latour, *Artefaktens återkomst*, 1998, p.270.

Weber's criterion of practical significance, and his recognition that it is impossible to find concepts that accurately reflect empirical reality, made him stress the import of clearly formulated concepts. This would allow us to see the limitations of our concepts and make our scientific presentation unambiguous. Weber's solution to these problems was the use of *ideal typical constructs*. And here, in the construction of ideal types, Czarniawska's second criterion, that of beauty, certainly may make itself felt (not exclusively, of course).

As the heading of this section indicates, I too believe that breaking epistemologically with the actor level, that is, with the concepts and frames of reference found in my empirical material, will afford me some additional resources when exploring the character of attempts at organising business enterprise.¹ Besides allowing me to access the work of other researchers who have given the issue attention, it allows me to move beyond the surface structures communicated by the involved actors. It allows me, maybe, to get at the recurrent process of interdefinition which I have argued produces society (and organisations). Thus, in the final part of this thesis, I break with the relationist perspective proper and address "the organising of a business enterprise" in a more abstract manner. As I see it, this break is consistent with the performative definition of society, since the issue dealt with in Part III (Chapters 8-9) differs from that dealt with in Part II (Chapters 3-7).²

Czarniawska's third criterion, that which concerns the reader, also deserves a comment. For me, the epistemological break is partly an effect of my 'taking' the perspective of a group of presumptive readers. I anticipate that the typical reader of Part III of this book will be a practising researcher, or a theoretically interested practitioner who is interested in a generalised discussion of the organising of business enterprise on the basis of my empirical study. Further, I assume that such a discussion will benefit from, and that the reader will expect, the use of previous theoretical insights into the issue.

¹ This is what Michel Callon (*Some elements...*, 1986, p.200) argues for when studying controversies: "[The researcher] cannot simply repeat the analysis suggested by the actors he is studying. ... It is up to the sociologist to choose [the vocabulary] that seems the best adapted to his task and then to convince his colleagues that he made the right choice." This type of break has also been suggested by Mats Alvesson and Kaj Sköldböck (*Tolkning och...*, 1994, p.93) as a new fundamental principle for grounded theory approaches. Sten Jönsson (*Frame Shifting, Sense Making and Accounting*, 1987) advocates a similar stance for studying 'Accounting in action': "research on the use of accounting information... must focus on action in organisational settings... be interpretative, i.e. account for the observed phenomena in a perspective from within the actor's frame of reference and, then *step out of the actor's frame of reference and take a critical view of the actor's definition of the situation.*" (p.257, italics added)

² Through this epistemological break, my position changes. I distance myself from the empirical material and start to use concepts which are nowhere to be found in the empirical account. Consequently, the break makes it important for me to address what I require of the concepts I use. The criteria for evaluating the work are thus far from independent. To some extent they also have a mutually reinforcing character (e.g., practical significance -> conceptual clarity (beauty); conceptual clarity -> epistemological break, typical reader -> epistemological break; epistemological break -> conceptual clarity, etc.)

Summary of the principles

Hopefully, I have answered the three questions posed at the beginning of this section:

- What assumptions do I make about the phenomenon under study – goods distribution?
- How should I investigate a phenomenon with these characteristics?
- What status claims do I make concerning the resulting text?

I summarised the answer to the first question as a variable ontology, resting on a performative definition of society. Thus, I assume that goods distribution, or any business enterprise for that matter, is constituted by an on-going recursive process of interdefinition. The entities that partake in this process, such as humans, organisations, naturally occurring objects and man-made artefacts are all outcomes of this process.

As far as the second question is concerned, I have argued for three principles. First, *non-reduction*, which suggests that I should introduce no *á priori* distinctions concerning classes of elements. Second, *relationism*, which through the use of fluctuating referents, offers a possibility of following the process through which society is realised. Third, *symmetry*, which suggests that I should give explanations in the same terms, while allowing for relative distinctions to emerge from the process under study.

Finally, concerning the status of my work, I argued that it was no different in principle to that of those under study. Rather, science and society should be seen as a single collective. However, to make my study as convincing as possible, something I associated with practical significance, clarity of concepts, and targeted reader, I argued for an epistemological break with the actor level and the use of a conceptual vocabulary to address the issue of organising. This vocabulary would be similar to an ideal-typical construct in that no claims are made as to its correspondence with the empirical account, but that its relative merits should be evaluated based on what it adds to our understanding of organising.

These principles can all be said to follow from my move from an *ostensive* to a *performative definition* of society, i.e. from regarding society as something which can be studied objectively, to something which must be realised actively.

2.2. Practice - writing this thesis

The principles I have argued for suggest that it is impossible *in principle* to describe all properties of research, whereas it is possible *in practice* to grasp those most relevant. In this part, I will relate the principles discussed above to the *practice* of writing this thesis. I will describe how the present study came to be and highlight what I consider to be some of the merits and drawbacks in actually trying to follow the principles explicated above. Most of the material presented is based on running notes I made during the process. To some extent, I have added reflections later, when re-reading my notes.

I start with something that the principles do not really cover – finding out what to do. Then, I discuss the difficulties of clinging to the principles when doing a historical case study. Third, I discuss some explanatory problems, in particular, the type of explanatory method used. Fourth, I discuss issues concerning the practice of writing.

Finding out what to do (Issues and questions)

Despite the process of writing being anything but linear, for the sake of readability, I have felt obliged to make the final text appear coherent and stable. For instance, the purpose and issues presented in the first chapter have been reformulated before, during and after the practice of actually approaching them. Here, I give a background to my choice of approach for the study. Then, I discuss two problems arising from the Principles above, namely those of finding suitable points of entry to, and exit from the empirical material.

Yet another longitudinal case study from the Marketing Department at SSE? In terms of structure, empirical setting and basic concern, my thesis is similar to previous work carried out at the marketing department of the Stockholm School of Economics and by a group of researchers with similar interests in Uppsala. As for the empirical setting, a considerable amount of work ‘at home’ has been devoted to analyses of the Swedish food distribution system.¹ I also share the concern of many of my colleagues for improving our understanding of the links between scientific, technological and economic development, and their conviction that this understanding cannot be sought at a macro-level, but that it requires an analysis at the level of the network of relationships between actors (companies, divisions, single individuals, etc.).² Despite a superficial methodological ‘fit’ as well, this thesis *is* a reaction to both my own and my colleagues’ practices.³

¹ The workings of the Swedish food distribution system has been analysed by my supervisor, Lars-Gunnar Mattsson (*Integration and Efficiency in Marketing Systems*, 1969); the structural development of Swedish food distribution was addressed by another co-worker, Staffan Hultén (*Omvandlingen av dagligvaruhandeln 1970-89*, 1990); an overview of the structural transformation of Swedish trade was made by Lars-Gunnar Mattsson and myself (*Handelns Omvandling 1950-1990*, 1992); the introduction of self-service retailing has been studied by Anna Nyberg (*Innovation in Distribution Channels-An evolutionary approach*, 1998).

² Some examples are: Alexandra Waluszewski, *Framväxten av en ny mekanisk massateknik* (The emergence of a new mechanical pulping technique), 1989; Anders Lundgren, *Technological Development and Network Evolution*, 1991; Per Andersson, *Concurrence, Transition, and Evolution*, 1996 and Claes-Fredrik Helgesson, *Making a Natural Monopoly*, 1999. An explicit attempt to study the world-views of organisational decision-makers is Magnus Söderlund, *Omvärldsmodeller hos beslutsfattare i industriföretag* (Environmental models of decision makers in industrial companies), 1993.

³ This has been reflected in some comments on previous versions of the thesis. Magnus Söderlund at the Centre for Consumer Marketing at SSE noted: “Your study is completely different from what most others are doing.” When discussing a draft for the thesis in Uppsala, Alexandra Waluszewski noted “It’s amazing how something can be so similar (to what we are doing) and yet so utterly different!”

Although not intended that way, much of my work as a PhD candidate has come to concern the use of alternative methods for business studies borrowed from sociology. In my licentiate thesis, I examined techniques for quantitative network analysis as a complement to case-studies. When starting on my thesis project, I intended to use these methods for a structural analysis to complement a more processual ditto. However, my disenchantment with this kind of analysis grew over time. Besides the tremendous amount of work required to design and realise a database which met the requirements posed by the analytical techniques, I found the output of the analyses dull, to say the least.¹

At that point, in the winter of 1997-1998, I was growing increasingly convinced that the major obstacle was how to get at the processes. However, I was far from content with the way in which case studies generally were performed.² I disapproved of the way in which these accounts, despite a general concern for understanding processes, tended to gloss over the real action. 'First company A did this. Then company B tried to do that. This proved difficult because supplier C had no capacity.'³ To me, these accounts reproduced stabilised versions of the action. In some cases, agreement as to what had happened was even explicitly sought through triangulation. There was an obvious risk of producing 'winner-history' and a poor understanding of the processes at work.

Moreover, it seemed to me that there was a lack of consistency between the methodological and ontological positions assumed (to the extent that ontological issues were discussed at all). Thus, neither a traditional case-study nor a quantitative network analysis would suffice. During this period, my sharing a room with Claes-Fredrik Helgesson was decisive. We had long discussions concerning this new approach he was applying – the actor network approach. Initially I was relatively sceptical. But C-F persisted; he made me try. The definite turning point was my reading of Latour's *Aramis, or the love of technology*. I was amazed, thrilled, amused, and convinced.

My interests and their concerns – finding a way in

Back to the present - given my interests and the principles I attempt to adhere to, a concrete problem has to be handled: How to find a "way in" to studying the organising of distribution? By assuming a variable ontology, I am directed towards understanding the

¹ Alas, I came to this conclusion relatively late, thus ending up with a whole array of databases describing the structure of ICA at various points in time from 1941 to 1996. I regard these to be of questionable value. In retrospect, then, this was a dead-end.

² Many refer to Jan Valdelin (*Produktutveckling och marknadsföring* (Product Development and Marketing), 1974, pp.42-61) and Robert Yin (*Case Study Research*, 1994). To me, these are poor guides for studying change-processes: Valdelin argues for methods that "generate data" independently of individual informants, and Yin for the use of triangulation to corroborate facts.

³ See, e.g., Anders Lundgren, *Technological Innovation...*, 1992, for instance pp.122-124; Anna Dubois, *Organising Industrial Activities*, 1994, for instance pp.59-61;

recurrent process of interdefinition which constitutes society. But to do this, I need to translate my interest into a practical concern with which, at some point, some actors have grappled. That is, I have to enter society in the making.¹ My practical solution to this problem, described below, is hardly ideal, but it is what I have come up with.

After having collected a significant amount of empirical material (and tried the quantitative analyses) I traced the history of ICA backwards to the time when it was formed, starting with accounts made in the 1990s of what ICA was and how it had become just that. By comparing accounts made at different points in time, I (re-)constructed a history of ICA and identified a number of changes it had undergone. Apparently, ICA as well as the way in which food was being distributed underwent major changes during the period 1945-1995. I identified five development phases: a growth phase (1938-1948), a novelty phase (1948-1962), an implementation phase (1962-1974), an administration phase (1974-1989) and a reconstruction phase (1990-). Gradually, it dawned upon me that I would be unable to cover all phases in my account. I then focused on the first two and identified a new retail technology (self-service), a new wholesale technology (one storey warehouses) and a new way of handling the interaction between wholesaling and retailing (increased integration) and set out to investigate how these changes were brought about.

But this approach was problematic as well. It was based on the result of the process, rather than the concerns which had set it off. Hence, I made an attempt to find the practical concerns behind the observed changes. This led me to study the post-war debate on goods distribution in Sweden (Chapter 4). By following this debate, and by being attentive to problems that were brought up in connection with practical efforts at organising distribution, I identified a central concern: *the rationalisation of goods distribution*, or how to render goods distribution more efficient (in the sense of less costly).

This concern was further specified in the debate and in the practical work within Hakonbolaget, from which three sub-problems emerged: i) the problem of rendering the connections between the different levels in the distribution chain more efficient, formulated by Hakonbolaget as “our customer-contact problem”; ii) the problem of rendering wholesale operations more efficient, including work-organisation, warehouse-facilities and construction quotas; and iii) the problem of rendering retail operations more efficient, including uneven work-load, labour shortage, pre-packaging of goods, customer service and assortment issues. At the outset of each empirical chapter, I spend some time in indicating my point of entry to the story told there. Largely, I think I am right in saying that I found my points of entry by following the actors and attending to their views.

¹ Confer Bruno Latour, *Science in...*, 1987. See also the attempt to study accounting in the making by Sten Jönsson (*Frame Shifting...*, 1987).

Where (and when!) does it stop?

Equally problematic, I find, is to call it quits. Follow the actors! Sure, but what if the events they are involved in simply go on and on? Then a line has to be drawn, but where?

Really, universally, relations stop nowhere, and the exquisite problem of the artist is eternally but to draw, by a geometry of his own, the circle within which they shall happily *appear* to do so.

Henry James, Roderick Hudson, 1986.

A positive practical example can be taken from Chapter 7, which deals with the rationalisation of food retailing. In a series of articles in ICA Tidningen in 1942 and 1943, self-service retailing was suggested as a solution to the problem of (cost-)efficiency. A few years later, the solution resurfaced in more articles, some of them written by Nils-Erik Wirsäll, an employee of Hakonbolaget. At roughly the same time, a question was put to the local councils of trustees (made up of retail-customers) by the head office of Hakonbolaget about this new retail solution. As a basis for discussion, a few articles were sent out to the council-members. Both the articles and the minutes from the council-meetings, refer to other sources: to previous articles, to the situation in the US, to activities within the Consumer Co-operation, etc. If I am to follow the actors, I should look for these sources. But does a reference to activities within the Consumer Co-operation warrant a detailed description of these? It would, if I wanted to write the history of self-service. But since my ambition has been to understand the development within Hakonbolaget (ICA), I draw the line where it seems to have been drawn by the actors within Hakonbolaget.¹

Cases where I really *should* follow the actors, but for some reason or another cannot do so, provide a first practical problem. Again, Chapter 7 offers an illustration: Both articles promoting self-service and discussions held in the councils of trustees suggest that individual retailers were decisive in realising self-service within ICA. I should thus follow the retailers as they evaluated the new solution. But here I cannot follow, for the actors have left no trace. Still, the loose end is there and cannot be wished away. Should I simply note that the actors are silent and remain as they? Or should I try to work myself around the problem by making use of other sources (e.g., collective representations of retailers from the time, traces left by those trying to influence the retailers, etc.) to reflect these deliberations? I chose to do the latter. Mainly, I think, to keep the story going.

¹ This makes my account of self-service different from previous ones. For instance, many trace self-service to Clarence Saunders in the US in 1916, and in Sweden to some anonymous store established during the 1920s. In my story, though, self-service came into existence as ICA Tidningen ran an article on this new US retail format. Later on, during the 1940s, reference was made to experiments which the Swedish Consumer Co-operation made during the war. Thus, my story neither tells of Saunders nor of the anonymous Swedish store, while it does tell of the US-situation in 1943 and KF's experiments. But then again, my story is not about self-service, but about the rationalisation of food distribution within Hakonbolaget.

A second practical problem concerns 'the end'. Disregarding the problem of available sources, trying to follow the actors as far as they go still leaves me with the problem of where to stop. What is a good 'point of exit'? Most empirical studies in the tradition which has inspired my methodological stance take as their point of departure something (temporarily) stable, e.g., an established scientific fact, a scrapped sub-way system, a dominant bicycle design, an automated telephone exchange.¹ The constructivistic tool-box is then used to open up these objects, or rather, to reveal the process of closing them. The end point is more or less clearly defined at the outset. For me, this has not been the case.

There is no grand closure in my account, no end to Hakonbolaget's efforts to improve the efficiency of goods distribution. The focal problems during the period under study (1945-1960) largely seem to be the same as those which concerned ICA in the 1990s. But there have been temporary stabilisations along the way. Most importantly, the single storey warehouse, the self-service store and the integrated wholesale and retail operation discussed in the account seems to have made up a model for a modern food distribution system which was realised in full by the mid 1970s.

Since trains of events have no end, I must impose one. What principle should I apply for this? I am inclined to suggest a *principle of stability* which could be formulated like this: *stop when the contents of the change process have been fixed and are taken for granted*. In practice this could either mean 'stop when the change is complete', or 'stop when the change has been undone', i.e. when it has become a mere historic curiosity. For self-service, this translates into stopping either when its character has been stabilised, its superiority accepted, and it has been realised throughout ICA, or when its character has been stabilised, its inferiority accepted, and it has been reduced to a museum specimen.

Would it not be great if everything was this clear-cut? The problem, I find, is the less than perfect order found in reality. Orders are seldom pure, Zygmunt Bauman tells us (for those who haven't read him, life usually does a fine job of making this point).² Often, there is simply no end-point in sight that satisfies the requirements. At other times, just at that point when you seem to reach an 'end', some event sets the process in motion again.

But then again, I was never entirely comfortable with constructing my empirical account so as it would "happily appear to do so", i.e. as if it were ready-made. Thus, the empirical account presented here does not convey a clear point of exit, but rather, a continuity beyond the limits I have imposed on it. Further, I should like to think that it is possible to analyse this account from a number of vantage points – not just the one which has been at the centre of my attention. If this is so, I am pleased.

¹ The examples are from Bruno Latour (*Aramis, or...*, 1996), Wiebe Bijker (*Of Bicycles...*, 1995) and Claes-Fredrik Helgesson (*Making a...*, 1999).

² Zygmunt Bauman, *Intimations of Postmodernity*, 1992.

Doing historical research as a non-historian

A practical consequence of my processual concern has been something bordering on historical research. This is not to say that a historical account is the only or even the best way of studying processes.¹ Still, it is what I have been working on and I believe there are some lessons to be learnt from pursuing ‘the historians craft’ as a non-historian (and one assuming a constructivist perspective at that). Below, I discuss four such lessons: the available sources; the critical stance of the researcher; the interpretation of archival material; and finally, the micro-macro link. On the whole, it seems to me that the principles I have clung to, in practice have led me to produce something which is very close to the kind of historical account advocated by the Annale school and Marc Bloch. There is also considerable similarities to Göran B. Nilsson’s efforts “to write history forwards.”²

What is left when the game is over?

I have relied heavily on material produced within ICA. More specifically, I have collected material from the archive of what used to be Hakonbolaget. I have also used material produced or collected by Nils-Erik Wirsäll, who plays a prominent role in my account. Given this, I am pressed to ask: Who selected what went into the archives? What did Nils-Erik collect? How has this affected my account?

To me, the very existence of certain types of document tells something about that which I am trying to account for. Why were they produced? Still, the non-existence of other types of document – due either to them not having been produced, or to them not having been collected or retained – makes my account subject to factual misrepresentation. (Below, I discuss this further as a distinction between remnants and rationalisations.)

Whereas my colleague Claes-Fredrik Helgesson has praised the documenting practices of a bureaucracy for allowing his study,³ I would like to praise another Swedish institution: the popular movements (non-governmental organisations). The purchasing centres were formed by individuals with considerable experience from work within the Free Church movement and the temperance movement. Furthermore, they were, at least in part, modelled upon the Consumer Co-operation, another popular movement. Meetings, minutes and memos were part and parcel of these democratically organised movements. Although lacking the orderliness of the bureaucratic archive, the Hakons

¹ Indeed, this project started as a processual study of the contemporary internationalisation of food distribution (see, e.g., Hans Kjellberg, *Cooperative Alliances in Food Retailing*, 1995). As the project wore on, access problems led me to focus on the historical development in Sweden. Still, I was only looking for interviews. Today, I regard some form of fieldwork necessary, making access even more problematic.

² Göran B. Nilsson (*Banker i brytningstid*, 1981) advocates a “critical hermeneutical” approach in which “the historian departs from the thinking and acting persons’ situation in the past and confronts this with his present armoury of hindsight-wisdom and scientific aids, rather than the opposite.” (p.10)

room in Västerås is filled with minutes, protocols, memos, hand-written letters, press cuttings, etc.

I could of course have done more. There are always more places to look. One particular case I have made a note of concerned The Hakons Seniors, an association of former employees of Hakonbolaget in Uppsala. I saw a notice of a meeting with this organisation in my local daily and made a note of its existence. In the end, I never did look up any of its members. But as my supervisor said when we discussed it: “But then you probably faced that perennial problem of having to stay home with a sick child, or something...”

Follow the actors! Sure, but if they are nowhere to be found? An example of this was discussed above: the lack of accounts of how individual retailers viewed self-service retailing and how they went about realising it in practice. This lack of material was particularly distressing given the role ascribed to the retailers in Chapter 7. Thanks to the minutes of meetings of the local councils of trustees, I was, at least at some points, able to let these more anonymous heroes of the past speak. Still, the more general problem remains: Who is shaping the images we can recreate about our history?

Sources and criticism – What to be critical of?

A central problem in historical research (as well as in contemporary oriented approaches) is the position of the researcher vis-à-vis his or her sources. Often, a source-critical stance is assumed, i.e. an evaluation of the source in terms of when and for what purpose it was produced, whether it is based upon other earlier sources, whether it is tendentious, etc.¹

The historian... knows that his witnesses can lie or be mistaken. But he is primarily interested in making them speak so that he may understand them.

Marc Bloch, 1953, p.90.

To me the “pursuit of fraud and error” has been a mixed concern. I have found no reason to suspect that the authenticity of the minutes and memos I have relied upon. Despite this, in my view, incontestable authorship, the content of the documents has bothered me quite a lot. A major reason is the practical application of the methodological principles I argued for above. For despite the talk of symmetry and fluctuating references, some sources may still be erroneous. First, minutes from a meeting do not necessarily reflect what a speaker actually said at this meeting. Errors of this kind have been very hard for me to uncover.

Second, a speaker may make an erroneous claim, e.g., ‘there is no self-service store operating with a profit’, when there was in fact such a store. In some such cases, I can perhaps make probable that the speaker was in error, for instance, by referring to some other sources available to me. On the other hand, if the speaker actually claimed

³ See Claes-Fredrik Helgesson, *Making a...*, 1999, p.49.

¹ See, e.g., Marc Bloch, *The historian's craft*, 1953, and John Tosh, *The pursuit of history*, 1991.

what he was reported to have claimed (despite it being erroneous), this might have had effects on the subsequent discussion, decision, and so on. Both the claim and the existence of opposing ones are important for understanding the events under study.

To some extent, the question of errors is dependent on how I use the sources. An example is provided by the summaries prepared centrally within Hakonbolaget on the basis of minutes from, e.g., the councils of trustees. Since I have not found the original minutes in all cases, I have been unable to verify whether these summaries represent the originals truthfully. But I do not claim that they are truthful representations. My use of them is restricted to their role as summaries prepared centrally in the process under study, as support for decisions, etc. In this sense, I regard them as truthful.

Evaluating the past, a questionable practice

Besides the question of errors, there is a more delicate problem connected to a general critical stance. In order to be critical of content, an 'objective' frame of reference, that is, one accepted as objective at present, is needed as a yard-stick. Of course, my principle position questions the use of such yard-sticks (see above, p.34).

When the passions of the past blend with the prejudices of the present, human reality is reduced to a picture in black and white. ... Were they right or wrong? What do I care for a historian's belated decision on this point?

Marc Bloch, 1953, pp.140-141.

Here, Leopold von Ranke's (in)famous counsel that we should describe things as they happened, "*wie es eigentlich gewesen*", is central. In Marc Bloch's interpretation it contains both a counsel of integrity and a counsel of passivity. We should be impartial, but, as Bloch points out, impartiality comes in two shapes: that of the scholar and that of the judge.¹ This connects to the principle of symmetry. In constructing my empirical account, I have not refrained from making my own reflections. I have tried to state clearly, though, that they are just that – my reflections – and that other ones are possible as well.

What I have tried to refrain from is evaluating whether someone, something or some claim is better, more correct, more true on the basis of my knowledge today (being the judge). To observe that self-service stores became more frequently seen within the Hakon group, is one thing. To claim that they were so *because* they were more efficient is quite another. This requires an accepted definition of efficiency. Something which we still lack today. However, if self-service was said to be more efficient *at the time* and if this was supported by figures, then the relative efficiency of various store formats is part of the process under study and something which I should examine more closely. What measures were used? How did these come to be accepted as measures of efficiency?

¹ Marc Bloch, *The historian's...*, 1953, p.138.

This is not to say that I cannot conclude that some attempt in the end failed to produce the intended effect (if I know what this was). The challenge lies in not using the outcome to explain itself. What I want to know is how it became a failure.

What they did and said vs. what they say they did and say they said

The constructivist position assumed here brings up a second aspect of evaluating sources. For it advises me to reflect over them as potential parts of, and not only reflections of, the process under study. Thus, there are *remnants*, products of the process under study, and *rationalisations*, ex post evaluations of efforts undertaken by actors that may have been involved in the process, but not at the time the account was given. Needless to say, depending on the focus of the study, many sources can be both these things.

The issue is related to what Anthony Giddens discusses as *discursive* versus *practical* consciousness.¹ He argues that any attempt made by an actor to formulate what the actor has done and why the actor did so, involves a dramatically different capacity than does the doing itself. This relates to Alfred Schutz's discussion of *because* and *in order-to* motives (Schutz also being an important influence on Giddens). In-order-to motives are instrumental and future-oriented, they spell out how an actor perceives a situation and what to do *in order to* achieve a desired outcome. "Because" motives are ex post rationalisations, attempts to make sense out of a *fait accompli*.²

Some practical examples are called for to illustrate my point. First, take an interview I had with Nils-Erik Wirsäll (W) about the Hakon-deal (see Chapter 5). During the interview he said: "The decisive factor for the Hakon-deal was our trip to the US." What can I make of this statement? Obviously, I cannot use it to say: The decisive factor was W's trip to the US. And this is not due to any doubts I may have as to W's conviction that it really

¹ See Anthony Giddens, *Agency, institution, and time-space analysis*, 1981; and *New Rules...*, 1993.

² Alfred Schutz (*Collected papers I*, 1962) notes: "We may say that the motive of the murderer was to obtain the money of the victim. Here, 'motive' means the state of affairs, the end, which is to be brought about by the action undertaken. We shall call this kind of motive the 'in-order-to motive.' [For] the actor this class of motives refers to the future. ... We may say that the murderer has been motivated to commit his deed because he grew up in this or that environment... This class of motives... '(genuine) because-motives' refers from the point of view of the actor to his past experiences which have determined him to act as he did." (pp.21-22)

Of course, Schutz did not invent teleological explanations; they have been discussed since Aristotle. Showing that someone had a motive for doing X does not provide a teleological explanation; it must also be shown that X was done *with* this motive. Georg Henrik von Wright (*Explanation and Understanding*, 1971) has argued that *in-order-to* motives typically are part of *practical syllogisms* which are central to teleological explanations (why a person did this) while *because* motives typically imply a causal explanation which goes beyond the reasons of the acting person. The use of because motives could then be seen as an attempt to supply a causal explanation, in retrospect, of something which in the midst of the action was seen as largely driven by the interests and motives of the actor. That is, an attempt to downplay the significance of the actor for the observed outcome. (See also Jon Elster, *Vetenskapliga förklaringar* (Scientific Explanations), 1986.)

was so. It is due to the fact that by asking W to tell me about what happened, I ask him to reflect upon a certain development which has already occurred. The answer he provides is thus based on his *discursive competence*.¹

What I *can* say is that W, with hindsight, holds his trip to the US to have been decisive for the Hakon-deal. This tells us relatively little about the realisation of the Hakon-deal. Rather, it indicates that, at least for W, the realisation is explained by his trip to the US. It is his way of making sense of the events. This directs us to a new issue: how is it that W has come to associate the Hakon-deal with the trip to the US? Others may offer similar or different explanations which will do the same, that is, direct us towards finding out why the Hakon-deal has become associated with X, Y, Z or whatever.

A second example concerns the rationalisation of wholesale operations (Chapter 6). In an archive I found a folder presenting Hakonshus, a new warehouse facility, stating that a one-storey design was chosen for the new facility because it was the best design. The result was a “rational large-scale pantry.” What use can I make of this? I cannot use it to say: Hakonshus was built as a one-storey warehouse because that was the best design. For this is an ex-post rationalisation of the process of realising the facility. In fact, when studying the brochure more closely it becomes clear that this particular “one-storey warehouse” had two storeys... What I *can* do is wonder why the brochure was produced; why it presented certain arguments on warehouse design; why the new warehouse was said to be a one-storey warehouse, and this the best design, when it in fact had two storeys; etc.

Linking “the spirit of the times” to organising practices

As Håkan Lindgren has pointed out, all historical accounts face a micro-macro problem.² In my case, it can be formulated as follows: What can I make of a public debate about the high costs of distribution in Sweden involving representatives of private business, academia and government, when it comes to the activities of Hakonbolaget?

On the basis of the principles I argued for above, it is untenable to simply assume a connection between such a debate and the actions of a certain group of actors. If I am to stay with the actors under study, I cannot include material which has not been indicated by them. That is, I have to ask questions such as: what is to say they knew about it? what is to say they cared? what is to say they were affected?

In the empirical account, I have indicated how material which originated outside the Hakons-group is connected to the events under study. The private archive of Nils-Erik Wirsäll has been a priceless source in this respect. Relying on this material has no doubt

¹ Anthony Giddens, *The constitution of Society*, 1984.

profoundly affected my account. Despite obvious shortcomings, I would still argue that the use of it represents a considerable improvement over simply assuming that, e.g., the doings of Hakonbolaget were affected by this or that public debate. Wirsäll's books (written by him and others), his binders of news-clippings, his marginal notes in these books and clippings as well as articles referred to by him, have enabled me to link the on-going debate about the rationalisation of distribution to the doings of Hakonbolaget. For Nils-Erik Wirsäll (at the time the head of the organisation department of Hakonbolaget), was most knowledgeable as to this debate and contributed to it on several occasions.

Explanatory problems

Although I discussed some principles concerning explanation above, nothing was said about the process of generating explanations. There are two issues concerning explanation that I have encountered during the research process. One concerns the use of theoretical concepts, the other concerns the process through which I have sought explanations.

Ex-post-plaining

A problem which has bothered me as a reader more than as a writer is the direction in which an ostensive definition (see p.26) leads researchers in practice. That is, what are the practical consequences of assuming that there are principles about reality that can be discovered? Besides the endless struggles with the practicalities of separating science from society, one consequence seems to be a temptation to make ex-post rationalisations. A good example is provided by John Wilson's overview of British business history:

Realising [by the early-20th century] that the transaction costs associated with concentrating and integrating production and distribution were much lower than those in traditional forms of capitalism, entrepreneurs in these countries [US, Germany, Japan] rushed to build large scale firms which exploited the available economies of scale and scope.

John Wilson, 1995, p.83.

Here, a rational TCA-calculus is ascribed to the actors.¹ That is, they are said to have calculated transaction costs for various alternatives and chosen the least costly alternative. But Wilson provides no indication of the actors making these calculations. Obviously this

² Håkan Lindgren (*Teori, empiri och metod i ekonomisk-historisk analys*, 1992, p.5) argues that the relation between a micro-oriented understanding and a macro-oriented structural analysis is central to all economic-historic research.

¹ Alfred Chandler (*The Visible Hand*, 1977) uses a similar reasoning: "... the mass retailers supplanted the wholesalers because they internalised one more set of transactions and so co-ordinated flows more directly and efficiently..." (p.486) Still, Chandler's analysis is slightly more sensitive to the empirical material, recognising for instance, the co-production of managers and managing. The major weakness of Chandler's

reasoning is not reasonable. It would be another 30 years or so before Ronald Coase published his article stating that “there is a cost of using the price mechanism” and probably even longer before the term *transaction costs* was heard for the first time.¹

We could of course blame Wilson for sloppy work, and continue as if nothing had happened. But this is untenable given the ambition of most writers engaged in methodological issues – to provide techniques that help us produce better research. With an interest in knowing more about the how of things, the use of ex-post explanations has to go. The only safe way out, then, is to omit the cause of these errors, that is, the fixed frames of reference. Instead we should try, work like dogs, really, to find traces of what may have led actors to behave the way they did. That is, to find traces of *their* frames of reference. And this is what a *performative* stance urges us to do.

The only defence for Wilson’s analysis is to say: ‘They acted *as if...*’. Despite the fact that he doesn’t say this, it deserves some attention. Use of the *as if* rationale leaves open the possibility that the actors acted *as if transaction revenues* were being maximised, i.e. as if they had calculated how various ways of organising exchange would affect revenues.² Since the actors have already been said to have acted in accordance with one calculus unknown to them, why that one and not another? And why the transaction focus? Might they not have behaved as if they had made a *DPP-analysis* (Direct Product Profitability)? Or as if they had *benchmarked* against the successful textile merchants of Prato in Italy at the turn of the century? There are an infinite number of possible *as ifs*. The only reason for using one should be that it allows us to understand more about the things we study. The as-if-explanation recommends itself as a means, not an end.³

Abduction - how I have sought to explain⁴

Clearly, the way in which I have sought to explain (in the Weberian sense) my empirical account is neither inductive nor deductive. I do not use the observations made to formulate tentative general rules, nor do I start out with general rules that I apply to the account. So what have I been doing? It was with some unease that I first thought about this.

analysis is rather the technological determinism found in his claim that the rise of the modern business enterprise was caused by new and advancing technologies.

¹ Ronald Coase, *The Nature of The Firm*, 1937, p.390.

² This term is not found in Wilson’s text, yet it seems likely that there should be something resembling transaction revenues, if there are transaction costs. The absence of the term is probably due to none of the theoretical references with which Wilson strikes up a conversation, having it in their vocabulary.

³ This is akin to Max Weber’s (*The Methodology of...*, 1949 (1922)) point about the use of ideal typical constructs. Andrew Sayer (*Method in...*, 1992, p.71 and p.238) has criticised the ‘as if’ rationale and the use of ideal-types for promoting a measure of disinterest in the correspondence between the theoretical construct and the world they refer to. Of course, this critique assumes a realist ontological perspective.

⁴ The reason for not bringing this up as part of the discussion on principles, is that abduction originated as a practice. Only later did I find that what I had done could be related to the principle of abduction.

When trying to find out more about induction and deduction, I came across Peirce's alternative, the process of *abduction*, the forming of an explanatory hypothesis.¹

[Abduction] is the only logical operation which introduces any new idea; for induction does nothing but determine a value, and deduction merely evolves the necessary consequences of a pure hypothesis.

Charles Sanders Peirce, 1934, p.106.

Peirce held *abduction* to be instrumental to the act of insight. Whereas induction starts out from empirical observations and deduction from theory, the abductive process makes use of both induction and deduction by going from observation of a phenomena (b) to the construction of a hypothesis (if a then b) that explains the observation as a deduction from itself (see the formalisation in Figure 2-2, below).² In fact, it has been suggested that induction and deduction should be seen as parts of the abductive process.³ This would suggest a more complex view of research practice than does Cipolla's talk of either twisting facts to prove a theory or adopting theory to provide better accounts.⁴ The process of abduction involves a successive reinterpretation of both theory *and* empirical observation.

How have I made use of abduction? Influenced by my supervisor and colleagues, I started the project with the industrial network model underlying my licentiate thesis from 1994.⁵ My thesis proposal from 1996 repeated this 'ready-made' model. In 1998, with my growing fondness for the methodological principles which I expanded on above, I decided to drop the model. (Admittedly, I did not drop all the ideas on which it rests. Most importantly, I still viewed the events under study as an organising process.)

a) induction	b) deduction	c) abduction
P(a), P(b), P(c), ...	If a then b	b
<hr/>	a	If a then b
Thus: for all x P(x)	Thus b	Thus a

Figure 2-2. Formalisation of explanatory approaches. Source: Mats Alvesson and Kaj Sköldbberg, *Tolkning och Reflektion*, 1994, pp.46-47.

¹ Charles Sanders Peirce, *Collected papers, Vol. 5 : Pragmatism and pragmaticism*, 1934, p.106.

² Filosofillexikonet, s.v. "abduction".

³ Mats Alvesson and Kaj Sköldbberg (*Tolkning och...*, 1994, p.42) claim that abduction starts out from empirical facts (as induction), but does not reject theoretical preconceptions. Analysis may be combined with, or preceded by, studies of previous theory, not as a mechanic application on individual cases, but as a source of inspiration for the discovery of patterns which bring understanding. During the research process, there is thus an alternation between (previous) theory and empirical observation, whereby both are successively reinterpreted in the light of the other.

⁴ Carlo Cipolla, *Between History and Economics – an Introduction to Economic History*, 1991, p.17.

⁵ Hans Kjellberg, *Formal Network Analysis of Markets and Industries*, 1994. See also Jan Johanson and Lars-Gunnar Mattsson, *Network positions and strategic action*, 1992; Anders Lundgren, *Technological Innovation...*, 1991; and Hans Kjellberg, *Distribution Changing*, 1996.

Equipped with my new methodological principles, I set out to construct an empirical account without having a clearly articulated conceptual vocabulary. In the spring of 1999, after having completed a first version of three empirical chapters, I came across Michel Callon's work on framing. This concept seemed capable of making sense out of the account I had begun to construct. After reading Goffman's *Frame Analysis* and Bateson's work on frames (texts which later forced me to completely rewrite the vocabulary due to problems of consistency with my constructivist principles), I started to develop the conceptual vocabulary suggested in Chapter 8. After a first draft of this chapter, I turned back to complete the empirical account. The first version of my analysis in Chapter 9 was then written on the basis of notes made when writing the empirical chapters.

As a whole, it is impossible for me to clearly separate between constructing the empirical account and the conceptual vocabulary, or to indicate at which points the one has influenced the other. Given the epistemological position developed above, this is not serious. The main problem I face is being able to convince You as a reader about the plausibility of my empirical account, my conceptual vocabulary, and their combination. Besides the processual links, both the empirical account and the conceptual vocabulary are based on the variable ontology I argued for above.

On the whole, it seems to me that what I have done in practice, resembles a process of abduction.¹ I also view my conceptual vocabulary as a hypothetical pattern, which, if it were true, would explain (some of) the events in my account. That is, if the events presented in Part II are seen as a framing process, what can we learn from the account?

Writing about business processes

Writing has been an important part of this project, not least in terms of the time put into it. Below, I make a few comments about my writing practice.

No return to naturalism

The way I have chosen to present my work, separating my empirical account in part II from the theoretically oriented discussions in part III, might lead the reader to conclude that I have come to espouse a form of naturalism in practice; that I really believe in generating empirical accounts that tell what happened. Since this is not so and I recognise the possibility of it being perceived in this way, a few comments are in place.

My point in maintaining the separation between the empirical account and my discussion of organising has nothing to do with the status of my account vis-à-vis the train of events I have tried to reconstruct. A story like this one necessarily decodes events, con-

¹ Alvesson and Sköldberg (*Tolkning och...*, 1994) argue that most case studies are abductive.

cerns, ideas, etc. found in one sub-culture (the purchasing centres in the 1940s and 50s) and re-codes them in terms of another (constructivist business studies in the 1990s).¹

I have two reasons for separating the story about Hakonbolaget from the discussion of organising. First, it largely reflects the way in which the thesis came into being. That is, a large part of the empirical account was realised before the theoretical framework was stabilised and written up. Whereas my concern for organising has been present during most of my writing, the vocabulary proposed in Chapter 8 has not.

Second, the empirical account is in my view an end in itself, a documentation of a chapter in Swedish business history. Thus, rather than making sure in practice that my concern and my vocabulary would be the only one applicable, by inextricably integrating the empirical account with it, I have wanted to allow for other alternative approaches.

Style - or the lack of it

The view on science and society advocated above places considerable responsibility on me as a writer. If I have no privilege as a researcher, if my text is simply just another addition to the on-going construction of the world, then I am faced with a much wider problem than if I could perform my work “in accordance with pre-established rules, called the scientific method” and then cash in on the status that this would render my work.²

This makes the notion of style very important. For it requires me to write in a way that convinces, entices and appeals to the reader. Besides ability, a measure of courage is needed. A measure that I was able to amass only occasionally. Thus, rather than the impressionistic tale I would like to have told, my story largely has a realist style. At times, such as in this section, it is spiced with some confessionals. Sadly lacking are both the action and the rich narration that would give it a literary quality capable of convincing.³

An important finding for me is that the view on science and society that I find appealing in principle, in practice requires a different approach to writing. An approach that for me is not yet within reach. The short stories about work at the new Hakonshus in Västerås towards the end of the 1950s (Chapter 6), and about work in a mid-Swedish food retail store in the 1940s (Chapter 7), are some of the few traces of my attempts at such a more impressionistic approach in the thesis.

There is also a close connection between my style and the ambition to construct a business history account. For the sake of honesty, and also for the sake of clarifying the “status” of the information used, I have found it necessary to be relatively detailed about

¹ Confer Roland Barthes, *Mythologies*, 1972; and Clifford Geertz, *The Interpretation of Cultures*, 1973.

² Alfred Schutz, *Common-Sense and...*, 1962, p.38.

³ Confer John van Mannen, *Tales from the field*, 1988.

sources. I also have wanted the sources to play a prominent role in providing the thread to my story. This has led to excessive use of excerpts and footnotes.

For apart from the free play of imagination, we have no right to make any assertion which cannot be verified and a historian who in using a document indicates the source as briefly as possible (that is, the means of finding it again) is only obeying a universal rule of honesty. Corrupted by dogma and myth, current opinion, even when it is least hostile to enlightenment, has lost the very taste for verification.

Marc Bloch, 1953, p.88.

Reflexivity

A reflexive approach has been suggested as a means for handling the tension between the relativist view of knowledge as the result of social, cultural and historical processes and the fact that this applies to the work of the relativist researcher as well.¹ Attempts have been made to introduce a second speaker, providing comments on the unfolding text.² The merit of this approach is that it can highlight the possibility of alternative interpretations. Still, this speaker is just the author in another guise. Moreover, the main problem is probably not that your text is believed in too great an extent.³ People are not stupid, and they are likely to interpret an account differently than the author.

Whatever an author does to distance his or herself from the text, he or she will still be there. In part, my frequent use of excerpts can be seen in this light. The accounts of discussions and the inclusion of marginal notes along with excerpts from reports are attempts to make the text reflexive in itself.⁴ In addition, I have chosen to let some of my colleagues enter comments into the empirical account on passages of their choosing, suggesting alternative interpretations. That is, they have been given the opportunity to work directly with the text as it appears in this thesis (although I did instruct them to limit their intrusions to one or two comments). I believe that these commentaries – Peer reflections I call them – provide a more credible indication of the relative character of my account, than would any measure of meta-reflexivity on my behalf.

Failures

Although I have chosen to speak here of the thesis as it appears in the present version, it should be made clear that the process of writing it has been one of constant reformulation and change, even outright failure.

¹ Confer Steve Woolgar, *Knowledge and Reflexivity*, 1988.

² Steve Woolgar and Malcolm Ashmore, *The Next Step...*, 1988.

³ Confer Bruno Latour, *The Politics of...*, 1988.

⁴ Confer Bruno Latour's (*The politics of...*, 1988) discussion on infra-reflexivity and the reflexive strategies he uses in *Aramis, or...*, 1996).

Most importantly, I have failed miserably in achieving what I originally set out to do empirically. It gradually became clear to me during the investigation that I would not be able to unravel the development of an organisation over its more than 60 year long "life." My failure concerned both the organisation and the time period. The empirical account presented here concerns the doings of Hakonbolaget, not of ICA, which was my original intention. Further, it deals with events that took place during the 1940s and 1950s, rather than accounting for the development from 1940 to 1995, which also was my intention.

Although a disappointment to me personally, I don't think that my failure in this respect is altogether negative. Fortunately, I might even say, I was unable to provide such a long term account. Had I persisted, the account would have become more sketchy, thus not providing the kind of insights into the process of organising I came to seek.

The actors – Who is doing the doing and how can you tell about it?

The principles discussed above emphasise the actors and their views. At the same time they also stress that it is important to relax the distinction between the social and the natural. To put the objects back in. This has led to two practical problems.

The first concerns how to represent the objects as I tell my story. To some extent this is about the difficulty of doing away with pre-conceptions concerning the character of elements. But to an equal extent, it concerns the difficulties of achieving a symmetric representation of spokespersons and those spoken for. Thus, the problem not only applies to the realm of objects, but to much of the traditional sociological realm as well. True, objects seldom speak for themselves in my account. But as I noted above, neither do the great majority of retailers associated to Hakonbolaget.

This problem is hardly new to studies of business and organisation, although my stance concerning objects might make my version of the problem appear different.¹ The fact that the problem is not exclusively mine doesn't make it less of a problem. I (we) still face the difficulty of finding suitable ways of representing the entities involved in the collective that I argued for in principle above.

¹ It was noted, for instance, by Chester Barnard (*The functions of the Executive*, 1938, p.8) who found it central to the study of organisation: "I have found it impossible to go far in the study of organisations or of the behaviour of people in relation to them without being confronted with a few questions which can be simply stated. For example: "What is an individual?" "What do we mean by a person?" ... On the one hand, the discrete, particular, unique, singular individual person with a name, an address, a history, a reputation, has the attention. On the other hand, when the attention transfers to the organisation as a whole... then the individual loses his pre-eminence in the situation and something else, non-personal in character, is treated as dominant. If in such situations we ask "What is an individual?" "What is his nature?" "What is the character of his participation in this situation?" we find wide disagreement and uncertainty. Much of the conflict of dogmas and of stated interests... result from inability either intuitively or by other processes to reconcile conceptions of the social and the personal positions of individuals in concrete situations."

There are always elements that neither speak nor write, that leave no trace in the archives or whose traces so clearly are subject to the intentions of others (given my empirical setting, many elements in my case were doubtlessly eaten...). How can these be brought in and given a symmetrical representation? To be honest, it is beyond me. In my efforts to find such a mode of representation, I made an attempt to follow the encounters of a pea as it travelled the “deep freeze highway” in the 1950s, from the packaging in Skåne to its final resting place in a (broken down) freezer in a mid-Swedish grocery store. By emulating a conversation, I tried to animate the negotiations needed to realise this trip.

Although potentially fruitful, it would seem that such an exaggerated mode of presentation cannot be relied upon but for short passages. Of course peas don't speak, and by making them – besides the obvious risk of overdoing it – we might neglect the way in which they really partake in the recursive process which constitutes society.

The second practical problem of bringing the objects back in, concerns how to treat these entities after having made the epistemological break, viz. in my analysis of the empirical account. Largely, this is a language problem. It presented itself as I tried to devise a symmetrical vocabulary in Chapter 8. There, I found that the very words we use tend to perform the distinctions that I was trying to do away with. Some additional comments on this are presented in my discussion about actors and agency in Appendix 1.

Summary

As a whole, this chapter has attempted to spell out the methodological principles underlying this thesis, and some of the practical problems I have met and experiences I have had when writing it. The principles were summarised above (p.49). Here, I will make some concluding remarks on the second part of the chapter.

This part has concerned some issues with which I have struggled when working on this project. I have indicated some of the less practical aspects of the principles argued for in the first part. Thus, a first problem that I have found when attempting to perform a non-reductionist, relationist, and symmetrical study, was to find ways in and out.

A second problem arose from my application of these principles to a historical case. It concerned what to do when the actors cannot be followed, due to them no longer being there. This problem is likely to be present in all studies of this kind, although it might make itself felt to a greater extent in a historical context.

A third issue of import to studies of this kind concerns the distinction between practical and discursive consciousness, between action and retrospection, between remnants and rationalisations. To understand how, it is important to get at that which was part of the action. This also goes for the use of general ‘macro’-oriented, or institutional aspects of an account, such as ‘the spirit of the times’. These, too, must be linked to the story at hand, and not be based on retrospective claims concerning their generality.

Finally, I found that my way of generating an explanation to the empirical account resembled an abductive explanation. That is, an effort to construct an explanatory hypothesis, which in my case is what Chapter 8 is all about. This hypothesis is then used to explain (some of) the events reported in my empirical account.

2.3. What next?

This completes the first part of the thesis. I have spelled out the issues and the method through which I intend to pursue them. What remains, then, is to ‘do it’.

According to the purpose stated in Chapter 1, the first thing to ‘do’ is “to describe the organising of a business enterprise.” Thus, in Part II, I will tell the story of how Hakonbolaget attempted to rationalise goods distribution after the second world war. To set the stage for this, an introduction to the empirical setting is needed. This is provided in Chapter 3, where the history of Hakonbolaget is briefly sketched along with the idea on which it allegedly was based – that of the retailers’ purchasing centre. In all, Part II is my answer to the empirical research questions: What changes took place in the distribution practice of Hakonbolaget from 1945 to 1960? How did these changes come about?

The second thing to ‘do’ is “increase our understanding of efforts to give direction to (intervene in) such enterprises.” This is my preoccupation in Part III, where I first devise a vocabulary for talking about organising, and then bring this vocabulary to bear on the empirical account. This is done in an attempt to provide an answer to my second research question: How can attempts to organise a business enterprise be conceptualised?

Part II

Hakonbolaget's efforts to realise a
modern distribution system

Prologue

The structural rationalisation of trade

During the 1960s and early 1970s, Swedish food distribution went through what is known as “the structural rationalisation.” In general, this meant that the units involved in food distribution, primarily the retail stores and the warehouses, became fewer and larger. Concurrently, the units also changed character. The retail stores went from manual service to self-service. The warehouses went from multiple storey to single storey design. Further, the activities of wholesalers and retailers were increasingly integrated into three “blocs”: the Consumer Co-operation, ICA, and the “third bloc” (consisting of private wholesalers and retailers in co-operation).

Available figures (see Table P-1, p.72) suggest that this characterisation of the structural rationalisation applies well to Hakonbolaget and ICA. Why, then, did these changes come about? What made greater integration, larger one-storey warehouses and larger self-served food stores good solutions? The single most common answer is that they improved efficiency and profitability.

The growing costs required an ever more rational handling in the stores (self-service) and at wholesale level (e.g., single-storey warehouses, mechanical handling of goods, and computerised accounting and planning).

Nils-Erik Wirsäll, 1982, p.25.

The benefits of single-storey houses and piece wages were to be found in a more effective handling of goods.

Nils-Erik Wirsäll, 1982, p.85.

To utilise the technical opportunities for mechanised goods handling ... the new warehouses had to be built as single storey buildings.

Lars-Gunnar Mattsson and Hans Kjellberg , 1991, p.55.

Table P-1. The structural rationalisation of ICA and Hakonbolaget. Sources: AB Hakon Swenson, Annual reports; ICA Tidningen, 1951:10 and 1952:10; Nils-Erik Wirsäll, *Handelns förnyelse*, 1986.

Year	Associated food retail stores		Self-served food retail stores		Wholesale units		One storey warehouses (Hakon)		Retail market share %	Wholesale / Retail turnover	
	ICA	Hakon	ICA	Hakon	ICA	Hakon	No.	(%)	ICA	ICA	Hakon
1950	11587	4016 ⁱ	35	128 ⁱⁱ	67	27	0	(0)	29 [*]	0.22	n.a.
1955	10226	3984 ⁱ	747	354	65 ^e	28	1	(3.6)	23	n.a.	n.a.
1960	10092	3959	1784	765	61	27	5	(18.5)	23	0.34	0.34
1965	7432	3476	3390	1071 ⁱⁱⁱ	46	31 ^t	7	(22.6)	21	0.40	0.38
1970	5814	2708	3893	n.a.	34	18	10	(55.6)	23	0.47	0.46
1975	4674	2331 ^u	n.a.	n.a.	23	12	12	(100)	27	0.48	0.49
1980	4056	1926	n.a.	n.a.	21	12	12	(100)	30	0.51	0.53

ⁱ) Hakons members. ⁱⁱ) Figure for 1952. ⁱⁱⁱ) Figure for 1962. ^t) Including the warehouses of Nordsvenska. ^u) Figure for 1974. ^e) Figure for 1957. ^{*}) Estimate made by ICA Tidningen for 1951.

In addition, explanations given in hindsight often stress that the structural rationalisation really was an effect of a series of exogenous changes: increasing urbanisation, increased standard of living, growing mobility of consumers, and technological development (new aids for wholesale and retail operations as well as new products). The structural rationalisation was simply the result of companies reacting (to various degrees, and sooner or later) to these changes.

The empirical account given here, moves further back in time to a point where the solutions that were part of the structural rationalisation were far from self-evident (some were even unheard of); to a point where Hakonbolaget recognised and addressed a series of problems connected to its operations within food distribution. The ambition is to produce a forward account of the efforts that provided direction to the structural rationalisation within the Hakon-group (and ICA). In short, how was this direction established?

The resulting account shows that Hakonbolaget directed much of its efforts towards rationalising three areas of food distribution: the interaction between wholesale and retail operations, the internal operations at the wholesale warehouses and the operations of the associated retailers. These areas were also prominent in the debate about goods distribution in Sweden at the time. Indeed, the account shows that the doings of Hakonbolaget was linked to this debate in more ways than one.

Chapter 3

The purchasing issue and the growth of Hakonbolaget

This chapter serves as an introduction to the empirical account. It deals with the gradual realisation of the *purchasing centre idea*. This includes the reorganisation of a grocery wholesaler called Hakonbolaget into a retail co-operative in the early 1930s; the subsequent formation of two new companies along similar lines, Eol and Nordsvenska; the creation of ICA as a joint co-operative venture between the purchasing centres to exploit advantages connected to joint purchasing; and the national expansion of the purchasing centres. The issue is simply: how was the purchasing centre idea realised?

To provide a satisfactory answer to this question, I have to reach back in time to the formation of Hakonbolaget and SV (the fourth purchasing centre), around 1920. Particularly, I have to account for the *Purchasing Issue*, to which the formation of all four purchasing centres and their joint venture ICA were attributed. A lack of primary sources for events taking place prior to 1945, has forced me to use retrospective accounts and official documents such as Annual reports. This has rendered the chapter a slightly different character as compared to subsequent ones, for which primary sources have been available.

Indirectly, the chapter will show the difficulties of creating a new organisation. For the story told is at odds with reports concerning ICA's considerable expansion during the 1940s. For instance, in 1951 ICA's managing director, Gustaf Kollberg, said that "the total turnover of the company during 1950 surpassed the MSEK 500 mark. The number of ICA offices is now 66, and 360 trucks handle the distribution to the 11,587 associated members." Other official accounts claim a rapid growth in the number of wholesale units (from 42 to 68), and in the number of associated retailers (from 7,000 to 11,000).¹

¹ ICA Tidningen 1941:1 (cover); 1951:6, p.6; 1951:10, p.10; quote from 1951:12, p.7.

My account does not so much tell of ICA's expansion as of the expansion of four purchasing centres. ICA is conspicuously missing from most records of what happened. This does not make the story less interesting, it is still a story of realising an innovation in goods distribution. A process largely driven by the expansion of the purchasing centres. An expansion which, in turn, hinged on a reconfiguration of yet another group of actors, the retailers. In all, the story points at the importance of enrolling others in support of new organisational constructions. A suitable starting point for this story is the official comments from Hakonbolaget in 1938 concerning the development in other parts of the country, which suggested that their mode of operation finally would gain following.

Point of entry: the purchasing issue and the purchasing centre-idea

In the annual reports for 1937 and 1938, Hakonbolaget commented upon the development in other parts of Sweden towards the formation of retail purchasing companies.

The retailers' endeavour for economic organisation has taken a major step forward during 1938. ... a retail purchasing company for the western and southern parts of the country... Aktiebolaget Eol, has been constituted during the year, and several older wholesale companies have merged into the new company. On the same grounds, a retail purchasing centre has been established also for the northern parts of our country under the name of Nordsvenska Köpmannaaktiebolaget... The co-operation between the different retail companies has begun to take shape. To this end, a co-operative organisation, The Purchasing Centres Aktiebolag (I c a), has been constituted.

AB Hakon Swenson, Annual report, 1938. Trans.

The excerpt suggests that Hakonbolaget regarded the formation of Eol, NS and ICA as a single process – a step forward for “the retailers' endeavour for economic organisation.” Moreover, these efforts were all means towards a final solution to *the purchasing issue*:

...Emil Clemetson, then managing director of AB Ekström & Leffler in Gothenburg, had set about “the retailers purchasing issue” with zeal and interest... [The Purchasing Centres AB Ica] was meant to be a forum for the purely economic co-operation in the form of joint purchasing...

J. Ejdestam et. al., 1943, p.340. Trans.

3.1. The purchasing issue and a possible solution

Since “the retailers purchasing issue” was said to be central to the formation of both Eol and ICA, a brief look at this issue is warranted before moving on. What was the “issue”? How had it emerged? What measures had been taken to solve it?

A retrospective (1943) view of the purchasing issue

Five years after the formative events that I set out to describe, in 1943, Hakonbolaget celebrated its 25th anniversary. To commemorate this, the book *Bilder ur lanthandelns*

historia (Images from the history of rural retail trade) was prepared.¹ The final chapter accounts for the efforts to achieve some form of economic co-operation among the retailers on purchasing. There, the emergence of the purchasing issue is attributed to the “poor organisation of the prior link in the goods distribution chain – the wholesale trade.”²

The crux of the issue, then, was that the wholesale trade did not supply the retailers with goods to satisfaction. To some extent, the retailers were blamed for this by not acting to improve conditions. But there were other villains as well. During the first World War “many wholesalers forgot their appropriate task and pursued businesses which had very little to do with supplying the regular trade with goods.”³

Facing this worsening situation, some retailers decided to act on their own. A first attempt at solving the issue was the formation of AB Förenade Köpmän (Allied Retailers) during the war. According to retrospective sources, the company first grew rapidly, but success turned into failure and in 1922, bankruptcy. The failure was attributed to the combination of a highly expansive strategy and the lack of capital formation.⁴ Another attempt was made in 1917 when AB Hakon Swenson, or Hakonbolaget, started its operations. Allegedly, this company was based on the idea of an intimate co-operation between wholesaling and retailing. The retail customers were also to be partners in the company.⁵

Although Hakonbolaget fared slightly better than Allied Retailers, no final solution to the purchasing issue was reached during the 1920s. Hakonbolaget was still around, but it operated more or less as a regular wholesaler, despite a few retail partners. Further, it did not expand. Indeed, the yearly turnover for 1919 was not surpassed until 1933 (in fixed prices).⁶ Meanwhile, AB Svenska Varor (SV) was formed in the Stockholm area in 1922. Its organisation differed slightly from Hakonbolaget. SV was largely owned by its manager and the retail-wholesale interaction was achieved through a co-operative agreement between the company and a retail association.⁷

So, according to the retrospective accounts, no major breakthrough had been achieved by the end of the 1920s. At this point, the Consumer Co-operative movement appeared as a new villain, and purchasing became “the burning issue”:

Surely You have worryingly noted the success of the co-operative movement and its rising turnover. The sales of KF [the Co-operative Association] displays a continuous rise... – Have You ever considered that the co-operation despite its immense expenses is able to grant annual bonuses...? – Have You

¹ Ejdestam, J., Nathan Hedin and Erik Nygren, *Bilder ur lanthandelns historia*, 1943.

² Ibid. p.308.

³ Ibid. p.308.

⁴ E.g., J. Ejdestam et. al., *Bilder ur...*, 1943; Ragnar Allberg, *Så gick det till* (Thus it was done), 1976; Nils-Erik Wirsäll, *Den omöjliga idén blev verklighet* (The impossible idea became reality), 1988.

⁵ J. Ejdestam et. al., *Bilder ur...*, 1943, p.308.

⁶ This was partly attributed to falling prices in the annual reports.

⁷ Ragnar Allberg, *Så gick...*, 1976.

considered that the operations of KF, whatever they are, always pay their way?... Easily enough, You ought to realise, that there must be something particular with the Co-operation, which has enabled it to grow to such strength. ... We are certainly not mistaken, if we state this to be the ability for concentration and joint action.

Circular letter, AB Hakon Swenson, Dec. 2, 1927. Trans.

Obviously, this was no common villain. The co-operation, it went, was an enemy posing a considerable threat to the very existence of private trade. It did so, through its "ability to concentration and joint action." This time, Hakonbolaget allegedly reacted:

Where the Co-operation has threatened to acquire important private businesses and thereby, in some places, monopolise or considerably strengthen its position, Hakonbolaget has, in several cases, in part interfered on its own, and in part succeeded to gain assistance from other suppliers to prevent these plans, whereby in the course of years, millions of kronor in goods turnover has been prevented from being devoured by the Co-operative abyss of Ginnung.

Résumé of Hakonbolaget's circular letters, 1936. Trans.

The abyss of Ginnung¹ was the enemy incarnate... Would this arouse some interest among the retailers in some form of closer co-operation?

Hakonbolaget - the mid-Swedish retailers own purchasing centre?

Well, of course, facing the abyss of Ginnung, who wouldn't be interested? During the late 1920s and early 1930s, Hakonbolaget asked for increased support from the retailers. In 1928, the company expressed a "warm hope, that the retailers thenceforth increasingly contribute ... to create a solid basis and an organisational unit for the preservation and service of the interests [of] the free trade."² In 1929, it urged for increased support for "the retailer's company par preference" and argued that "every alert and sensitive retailer must understand and appreciate the value which a more and more effected centralisation of the collective purchasing power creates."³ In 1930, it urged the retail trade to pay sharper attention to purchasing and said that it would offer "a further expanded and consolidated co-operation, thereby contributing to the solution of the topical question: The purchasing problem of the retail trade."⁴ Finally, in 1931, it presented "a far-reaching program to create the retailers' own purchasing centre" arguing that "a purely economic co-operation" was necessary to solve "the burning purchasing issue."⁵

¹ According to Nordic mythology, the abyss of Ginnung is what was open in the chaos of prehistoric times, before Genesis. According to Snorre Sturlasson, building on the Edda poems, it is located between Nifelheim, the kingdom of the shield of ice, in the north and Muspelheim, the world of fiery heat, in the south. (Nationalencyklopedin (The Swedish National encyclopaedia), q.v.)

² AB Hakon Swenson, Annual report 1928.

³ AB Hakon Swenson, Annual report 1929.

⁴ AB Hakon Swenson, Annual report 1930.

⁵ AB Hakon Swenson, Annual report 1931.

As a first stage in the realisation of this program, the board has invited the retailers to an extended partnership with the company. The 1,500 shares offered at a rate of SEK 650 were soon signed up by the company's customers, distributed on 1,212 signatories.

AB Hakon Swenson, Annual report, 1931. Trans.

Through intensive organising work, co-operation on both economic and ideological issues, concentrated purchasing and financial stakes from 1,200 new retail partners, Hakonbolaget was to become "the mid-Swedish Retailers own Purchasing Centre."

How did Hakonbolaget go about realising these plans? The new ideas seem to have emanated from the founder of the company, Hakon Swenson. In February 1931, he presented them to the board of directors:

...that Hakonbolaget finally would seek its way to becoming the retailers' own economic organisation, the retailers own wholesale company, whose ambition to a higher and higher extent would be a rational solution to the important purchasing problem of the retail trade.

Hakon Swenson. Minutes from the board meeting, AB Hakon Swenson, Feb. 10, 1931. Trans.

The board decided to bring the proposal before the annual convention. This was the easy part. To achieve this, Hakon Swenson only had to convince 4 members of the board, of whom at least three had been among the founders of the company in 1917.¹ What remained was to convince the shareholders and, perhaps most importantly, the shareholders *to be*, i.e. the customers of the company, of the merits of the scheme.

To do this, they (the management) made sure they were not the only ones to speak. Thus, the new ideas were first presented to 50 prominent retailers (including the three retailers on the board) invited to Västerås for talks. As a result of these talks on April 18, 1931, the following appeal was sent to all of Hakonbolaget's customers:

The undersigned retailers from various parts of mid-Sweden, gathered in Västerås to discuss the burning purchasing problem of the retail trade with the board and management of Hakonbolaget, have after thorough deliberations, become convinced that the solution to this problem ought to be sought along the lines developed in the program which today, for the first time, has been fully presented by the company. In short this program aims at creating, through the expansion of Hakonbolaget, a retailer owned purchasing body, a planned and efficient economic organisation capable of safeguarding the interests of the free trade in this area. ... As Hakonbolaget in the near future is likely to turn to the retailers with an invitation to partnership in the company... we urge the

¹ In 1931, the members of the board were: Erik Jernberg, Hakon Swenson, Joh. Pettersson, B. Carlborg, and Emil Eriksson (AB Hakon Swenson, Annual report 1931). Ejdestam et. al. (*Bilder ur...*, 1943, p.312-13) claim that out of these, Hakon Swenson, Joh. Pettersson and B. Carlborg were among the founders of the company, while Emil Eriksson was the first retail shareholder in the company. According to Harald Mörck (*Ett planläggningens kvartssekel* (A quarter of a century of planning), 1943), he, Helge Mörck, Joh. Pettersson, M.E. Toft, and Rudolf Lindgren left their employment at Manne Tössbergs Eftr. AB on September 30, 1917, and followed Hakon Swenson when he formed Hakonbolaget. Hakon Swenson stayed on for yet another 7-8 months in order to sort things out and hand over his work in an orderly manner.

colleagues in various places within the territory of the company to *unite* in active participation to realise these endeavours to protect our *own* interests.

Västerås, April 18, 1931.

[Signatures of 50 retailers]

Transcript of circular letter from "The 50-men meeting" to "All customers of Hakonbolaget", April, 1931. Trans.

After this appeal had been made, Hakonbolaget publicly announced the new issue.

But, as the excerpts from the annual reports above show, the propaganda for these ideas had started before that. So had the efforts spent on finding the appropriate spokesmen, too. Thus, in December 1930, a man of honour was enlisted to serve the company.

... As part of this ambition [to create an economic organisation for retailers] Hakonbolaget has ensured the participation of the ombudsman in the Swedish Association of Retailers, Erik Nygren, who is to take position as assistant director in the company in mid 1931.

Circular letter, AB Hakon Swenson, Dec. 1930. Trans.

Erik Nygren was a retail ally. In the position he was to leave, he represented the entire body of Swedish retailers, and he was without doubt personally acquainted with many a retailer. This fact was also noted by the opposition. For there was an opposition.

Has it been and is it of any significance that Hakonbolaget employed E. Nygren, the ombudsman as he was then, in the national association at the time when he had a position set aside as director Thunholm's successor with a guaranteed salary of SEK 12.000?

Vikt. Gudmundson, 1934. Trans.

So here's the deal: Nygren is offered the position as director of the Swedish Association of Retailers, and is then employed by Hakonbolaget. Will he uphold both offices? And in that case, whose interests will he serve? Hakonbolaget responded:

... the agreement concerning the transfer of Mr. Nygren to Hakonbolaget was made long before the death of Thunholm and with his full agreement.

Memo on the so called "Grå Boken", AB Hakon Swenson, 1934. Trans.

The claim that Thunholm died on April 16, 1931, and that the announcement of Nygren's employment is contained in a circular letter dated Dec. 1930, tend to corroborate Hakonbolaget's version.¹ Whether Nygren ever held both positions is not revealed.

The main point is that there was an opposition. Some retailers, notably Gudmundson, did not look upon Hakonbolaget as a salvation, rather the opposite, actually. To warn others against Hakonbolaget, Gudmundson wrote a pamphlet, *Den Grå Boken* (The Grey Book), where he tried to expose the scheme with the urgent question:

Is Köpmannaförbundet [the Swedish Association of Retailers] or Hakonbolaget the retail-organisation?

Vikt. Gudmundson, 1934. Trans.

¹ Ejdestam et al., *Bilder ur...*, 1943, p.306.

In response, Hakonbolaget produced a memo in which the charges were refuted. This effort indicates that the pamphlet was considered to be of potential significance.

True, we believe that most retailers will pay no regard to Mr. Gudmundson's assertions and accusations, but there are always some who are "incredulous" and may be influenced. These need to be informed of actual facts.

Memo on the so called "Grå boken", AB Hakon Swenson, 1934. Trans.

Besides commenting on the role of the Association of retailers, the Grey Book attacks the practices of Hakonbolaget on two accounts. First, Gudmundson claimed that Hakonbolaget was trying to infiltrate the Association of Retailers so that Hakon's system, i.e. the purchasing centre model, would appear to be officially supported by all retailers. This was contested by Gudmundson, who recounted an unsuccessful attempt to gain support made by Hakonbolaget at the national grocery trade convention in 1932:

Was it merely a coincidence that, despite energetic attempts at the national grocery-trade convention in Umeå in 1932, it was not possible to gain support for the proposal: Full and complete support for Hakonbolaget and its idea? ... Any assent, that might have been expressed in Umeå, came from the small cheering section of the representatives, who already were Hakon's partners.

Vikt. Gudmundson, 1934. Trans.

To the general accusation of infiltration, Hakonbolaget replied by denying any such attempts, calling Gudmundson's assertions deceitful. As to the events at the convention, Hakonbolaget denied that any attempt at gaining support for their system had been made:

Director Swenson developed his views on the issue there, just as the head of Örebro Köpmannabolag Erik Gustafsson... No attempt was of course made by director Swenson to gain "full and complete support for Hakonbolaget or its idea", but he naturally maintained his ideas as did the other speakers.

Memo on the so called "Grå Boken", AB Hakon Swenson, 1934. Trans.

Where the critic saw conspiracy and political strategy, the defendants saw only the matter-of-fact presentation and argumentation for their ideas. Who was right? For the recipients of these messages, the judgement would hinge on their perception of the arguments, possibly mediated by their own recollections of the meeting in Umeå, had they participated.

Gudmundson also accused Hakonbolaget of trying to 'pay their way':

Have the customer dinners held by Hakonbolaget in Västerås and elsewhere any import? ... Among the participants were some shareholders in the company, and then the others, who were to become just that. ... The content of the talk was however intended to strengthen the former and encourage the latter to the right faith in the saving company. ... [T]he entertainment apparently had the intended effect on at least one rural retailer. For when the "dinner" had had time to act he was ready to declare his position thus: Next year I will buy up to 80% of my need for goods from Hakonbolaget. Cheers!

Vikt. Gudmundson, 1934. Trans.

Tactfulness is perhaps not the first word that springs to mind. However, Gudmundson informs of a practice which Hakonbolaget used to realise its plans, that of customer meetings combined with dinners. The reply from Hakonbolaget adds some more information:

We assume that each supplier at some occasion tries to show some hospitality towards their customers. To save time, effort and costs Hakonbolaget arranged a series of social gatherings for their customers in different areas ... at which the company's newly employed assistant director was given opportunity to meet with the customers and expand on the program promoted by the management. In connection to this, the participants were treated to a simple supper or dinner. We cannot see that there is anything remarkable about this.

Memo on the so called "Grå Boken", AB Hakon Swenson, 1934. Trans.

So, the dinners were really held in order to economise on information costs. Once again, we have diametrically opposed views as to what really took place. The words of the critic are resonant of revival meetings, whereas the reply from Hakonbolaget has a more matter-of-fact tone. Perhaps they were both, these "social gatherings"? For those who already believe, or very much would like to believe, I suppose a revival meeting would have a matter-of-fact character, whereas for the agnostic, it would be only just that.

The second general point brought up by Gudmundson concerned the expansive practices of Hakonbolaget. And here, he pointed at an interesting conflict:

What will happen if the remaining wholesalers of some import are counted out? ... Even Hakonbolaget claims that it doesn't aim for this. But they have said that they want to reach a certain majority in terms of turnover in their territory: i.e. mid-Sweden. This is equally dangerous. Just large enough is best. Equilibrium and balance is a good rule. Dictatorship is dangerous! Where did free trade go?

Yes, but – some colleague might say, who reads this and gets annoyed: "Don't you know that Hakonbolaget is the only company that does something to help us retailers against the co-operation?" But wait and let us investigate what they have done and how they have succeeded. "Yes, they advertise a lot." Have you then not noticed how the advertisements generally are directed more towards the retailers than the consumers? "And then, it saves large businesses from the co-operative abyss of Ginnung." Yes, and gobbles them up itself with good appetite, that is, when it appears to be a good deal to "save" someone. These circumstances I know of.

Vikt. Gudmundson, 1934. Trans.

The potential conflict is easy to see. On the one hand, the new program to create 'the mid-Swedish Retailers own Purchasing Centre' was heavily inspired by the Consumer Co-operative movement, advocating similar practices. Indeed, Hakon Swenson admitted that he was inspired by KF. "The Consumer Co-operation had a content in their organisation and a power behind their propaganda, namely economic solidarity."¹

On the other hand, KF was the worst of enemies – the abyss of Ginnung. But, if Hakonbolaget was to use the same means as KF, couldn't it too be regarded as an enemy? It is an obvious possibility. For Gudmundson, and others who wanted to keep retail and wholesale trades separate, it was clearly perceived in that way, too.

¹ Hakon Swenson quoted in Ejdestam et. al., *Bilder ur...*, 1943, p.308.

Just as the co-operation is an idea made a system, so is Hakonbolaget... The only difference is: that the co-operation wants to tie the consumers while Hakons wants to tie the retailers.

Vikt. Gudmundson, 1934. Trans.

Obviously, many retailers had seen it differently and decided to support Hakonbolaget. This was indicated in the annual report for 1931 (see excerpt above, p.77), where 1,212 signatories were said to have signed up for the new issue, launched in the spring of 1931.

But Gudmundson was not the only opponent. There had been other attempts to thwart the plans of Hakonbolaget. One move in this direction had been made in connection with the new issue of shares. During October and November 1931, advertisements of this type were inserted in several mid-Swedish dailies:

50 shares in AB Hakon Swenson sold off at half their value. Reply immediately to "Not under 50%", Västerås, poste restante.

Transcript of advertisement in Gävle Dagblad, Oct. 27, 1931. Trans.

Some correspondence also took place in connection with these advertisements. Notably, both KF and Hakonbolaget received letters with urgent information.

Since we have seen in some papers that shares in AB Hakon Swenson are being sold off at half their value, and also that an office with this interest in mind in Stockholm [SV?] are buying such shares at SEK 800 we feel as true co-operators that the time has come to try to capture as many shares as possible in this damned competitor company, in order to possibly put a stop to its more and more aggressive attacks on our dear Association. ...

Private meeting on October 27, 1931

Transcript of letter to Albin Johansson, KF, Oct. 27, 1931. Trans.

Upon receiving this letter, Albin Johansson, the head of KF, personally wrote to Hakon Swenson on Nov. 9, 1931. Included with his letter, was a transcript of the letter he had received. By then, however, Hakon Swenson had received mail of his own:

As former beneficiaries and admirers of Your company, we feel the time has come to write to inform you that KF with all means at their disposal are trying to acquire shares in the company. This attack seems now the more probable to succeed as an office with this interest in mind in Stockholm is buying shares at SEK 800, and firms... attempt to sell off shares at "no less than 50%." What is the cause of this decline? We demand an explanation in the press before it is too late, which it perhaps already is. Can your formerly so proud company not be a match for these damned co-operators? Wasn't this what we had already said at a previous convention, but which then was dismissed with contempt. ... We shall hope that these short lines will open your dull eyes for the clear and present danger which hitherto seems to have been completely ignored. If immediate measures are not taken we will surely be heard of. ...

Private retailers gathered to a private meeting on October 28, 1931.

Transcript of letter to Hakon Swenson, Oct. 28, 1931. Trans.

The explanation asked for in the letter to Hakonbolaget was given by Erik Nygren:

Though the attempt at damaging our company, which has been staged here, ought to be too transparent and coarse to produce the desired effect... shares in

our company us knowingly have never been sold below par... we have also replied to the anonymous advertisement, but, as expected, *not received any answer ... the replies have not even been collected ...* It should therefore be ... clear that the anonymous advertiser does not hold any shares in Hakonbolaget ... Finally, we would like to mention that certain other transactions, to all appearances emanating from the same source... anonymous threatening letters, etc., are the subject of criminal investigation by the police.

Erik Nygren, AB Hakon Swenson. Gävle Dagblad, Nov. 5, 1931. Trans.

For the anonymous third party, the interaction between KF and Hakonbolaget must have been a disappointment. My interpretation of the events is this: the anonymous advertiser calculated on arousing considerable concern among the shareholders and shareholders-to-be of Hakonbolaget as to the soundness of the company. Ultimately the aim was to convince those holding shares to sell, and those who were thinking of signing up, to change their mind. At the same time, the letters to KF and Hakonbolaget intended to heighten any existing animosity between the two. Perhaps KF could turn into a potential buyer of any shares that the advertisements may push into the market? However, the scheme turned on non-communication between KF and Hakonbolaget, and on a less than convincing defence on behalf of Hakonbolaget. It seems that the scheme failed on both counts.

Incidentally, Hakon Swenson acknowledged some twenty years later, as he resigned from Hakonbolaget, that he had purchased stocks in the company at a premium.

...later, during a troublesome time for Hakonbolaget, [I] bought Hakon's shares at a premium as they were being offered, to maintain the company's reputation for stability. This was a risk-taking and a large effort.

Minutes of directors conference, AB Hakon Swenson, June, 1950. Trans.

This remained unknown at the time, however, and the opposition sought new ways to disturb the operations of Hakonbolaget. At the 1932 convention, where the expansion program and the new issue was to be finally decided upon, a new attempt was made.

At the annual meeting in [1932] an action was staged by the competitors through a front, who ... received the answer such a measure deserves.

Résumé of circular letters, AB Hakon Swenson, 1936. Trans.

What seems to have happened is this: In some way, the management of Hakonbolaget received information about a mole, who was to stir up any hesitant shareholders into rejecting the proposed change. Upon receiving this information, Hakon Swenson decided to retaliate even before the attack was launched.

—Here, in this room, there is a man, who has been hired by our opponents and competitors, to try to overthrow and destroy our plans of expansion. I direct an appeal to those benign present here today: Give him the answers his contractors' plans deserve!

Hakon Swenson. Quoted by Nathan Hedin, 1933. Trans.

Nathan Hedin, a long time member of the board of Hakonbolaget, was there and afterwards praised Hakon Swenson for his actions. He had had "the warrior's fair intention to wound and kill" and Nathan Hedin "would not have liked to walk in that man's shoes,

who sat to the right of me and to whom the words were directed.”¹ Perhaps this episode brings us back to the religious theme. As a case of “damnation”...

This event begs a question that I have ignored so far: Who was Hakon Swenson? The founder and leader of Hakonbolaget. Yes, but what was he like? The comment above suggests that his colleagues respected him to an extent verging on awe. Further, he was said to have the “necessary skills, enthusiasm and good will”,² to be “a man of honour, responsible and tactful”,³ and to have a “disarming humour and great knowledge of man.”⁴ Through his work, he had also “restored in the private grocery and food trade its faith in itself.”⁵ Hakon Swenson himself, said that aiming high and assuming individual responsibility were important qualities in a leader.⁶ Admittedly, these verdicts were given by people who had seen the light. But then again, many had, and for my story, they are more important than those who had not. To those who worked with him, Hakon Swenson had whatever it took and was prepared to take responsibility (and buy shares).

Despite critics and opposition, Hakon Swenson’s expansion plans were realised and the outcome as such was not contested. In 1932, “a new stage” in the development of Hakonbolaget – the mid-Swedish Retailers Purchasing-centre – was announced:

[The] past year denotes the start of a new stage for Hakonbolaget, as the planned expansion of the company into the mid-Swedish Retailers Purchasing-centre has been completed... The raising of the company’s share capital suggested by the board at the 1932 annual meeting, partly through transfer of profit funds, partly through a completed new issue of shares, was unanimously approved of by both the regular and the extra annual meeting.

AB Hakon Swenson, Annual report 1932. Trans.

3.2. The growth of the retail co-operative idea

Let me take stock: The *retailers’ purchasing issue* was referred to in connection with the formation of two new purchasing centres, Eol and Nordsvenska, and a joint venture for purchasing centre co-operation, ICA,. This led me back to 1915, when the issue allegedly first surfaced. Then, in the early 1930s, Hakonbolaget attempted to reorganise itself into “the mid-Swedish Retailers own Purchasing Centre”, claiming that a closer co-operation between wholesaling and retailing was needed to solve the issue. This attempt, despite various counter-attacks, was turned into reality as some 1,200 retailers signed up for shares and the new issue was approved at the 1932 annual meeting. What next?

¹ Nathan Hedin, quoted in Nils-Erik Wirsåll, *Den omöjliga...*, 1988.

² Emil Clemedtson, quoted in ICA Tidningen, 1943:3 p.26.

³ Harald Mörck, *Ett planläggningens...*, 1943, p.5-9.

⁴ Simon Andersson, retailer from Gävle, quoted in ICA Tidningen, 1943:3 p.15-23.

⁵ Ejdestam et. al., *Bilder ur...*, 1943, p.355.

⁶ Interview with Hakon Swenson, VLT, 1940, date unknown.

An expansive decade for Hakonbolaget

After having successfully enrolled 1,200 mid-Swedish retailers as partners / owners of their own wholesale company in 1931-32, Hakonbolaget started to expand. As indicated in Figure 3-1, below, the turnover grew by 160% between 1931 and 1940. As can be seen, the main part of this growth was achieved during the latter half of the 1930s.

What is surprising is that much of this rapid growth was achieved while Hakonbolaget entertained an official policy of not expanding its territory further:

For Hakonbolaget has within its territory such major tasks laid before itself, that its force and endeavour should be concentrated on consolidating and further developing its position within these areas.

AB Hakon Swenson, Annual report 1935. Trans.

This policy was retained throughout the 1930s, despite considerable expansions. The acquisition of Örebro Köpmanna AB in 1936, and the subsequent opening of the district office in Örebro in 1937, led to an official comment concerning the expansive practice:

It might possibly seem as if a deviation from this publicly declared position has been made, when during the latter part of last year, an agreement was reached with the shareholders of former Örebro Köpmanna AB concerning the merger of this company into Hakonbolaget. It is urgent for the board to make clear, that this agreement does not represent a deviation from the principle once officially declared, but on the contrary forms part of the endeavour to gain increased solidity, unity and strength within the natural territory.

AB Hakon Swenson, Annual report 1936. Trans.

Thus, expansion was allowed, as long as it was made within the "natural territory." In 1938, the company expanded further as two local wholesale companies were acquired.

The question of adjusting the borders for Hakonbolaget has been brought to the fore [by the retailers' economic co-operation], particularly in the western and northern parts of the territory. Hakonbolaget has ... acquired two old, well-known wholesale firms, viz. Sundling & Co. in Falköping and Handels AB Aug. F. Ohlson in Söderhamn and Hudiksvall. Hakonbolaget has previously operated both in Falköping and Söderhamn but without affiliate offices. Hudiksvall and the surrounding district rounds off the northern border in a natural way.

AB Hakon Swenson, Annual report 1938. Trans.

This time, besides reference to the *natural* delimitation of the territory, the expansion merely represented *an adjustment* of the borders. And this was necessitated by a positive external development – the expansion of the retailer's economic co-operation:

For long, it has been the wish and hope of Hakonbolaget that the co-operation started here, would gain following in other parts of the country.

AB Hakon Swenson, Annual report 1937. Trans.

The acquisitions led to the establishment of new affiliate offices in Hudiksvall, Söderhamn, Falköping and also in Norrtälje, where a local wholesaler was acquired in 1939.¹

¹ AB Hakon Swenson, Annual report 1939; and Ejdestam et al, *Bilder ur...*, 2 ed., 1965, p.369.

Largely, the rapid growth during the period 1935-1940 was achieved through an expansion of the office net. This expansion mainly took place within the 'natural territory of Hakonbolaget'. Six new offices were added, four of them resulted from acquisitions of local wholesale companies, two of them appear to have been set up from scratch.

The purchasing centre idea gains following

Finally, I am able to pick up where I intended to start out, that is, in 1938 with the formation of two new purchasing centres and a jointly owned company which was to act on behalf of the purchasing centres. Given the story told above, these events should be seen as adding reality to the purchasing centre-idea championed by Hakon Swenson.

Retrospective sources claim that talks held during the mid 1930s between retail and wholesale interests in western Sweden led to the creation of AB Eol in May 1938. The new company resulted from the merger of several wholesalers in south-western Sweden, primarily AB Ekström & Leffler and Orust Varuinköp, a retail co-operative.¹ Allegedly, both Hakon Swenson and Rudolf Liwendahl from SV (see p. 75) were involved in the process.² The discussions between Swenson and the head of Ekström & Leffler, Emil Clemetson, had started much earlier, though. A letter from Clemetson to Swenson, suggests that the two had met even before Hakonbolaget became a purchasing centre:

The idea of concentration within the wholesale trade and co-operation with the retailers has given me a headache ... what particularly makes me consider a departure from the traditions of my company such as this represents, is that a counterbalance to the Consumer Co-operation must be formed as soon as possible and that the retailers must be supported in the battle for the free trade.

Letter from Emil Clemetson to Hakon Swenson, Aug. 17, 1929. Trans.

Besides pointing at an ongoing exchange of ideas on purchasing, the letter also confirms the view of the Consumer Co-operation as the new villain at the time (see p. 75).

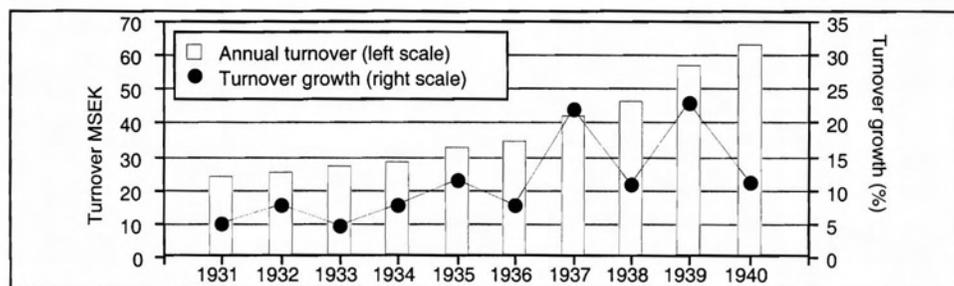


Figure 3-1. Hakonbolaget's turnover, 1931-1940. Compiled from AB Hakon Swenson, Annual reports.

¹ Ragnar Allberg, *Så gick...*, 1976.

² In retrospect, in an interview in ICA Tidningen (1943:3, p.26), Emil Clemetson claimed that Hakon Swenson and Rudolf Liwendahl were asked to help out when the founders got stuck in "our artfully designed proposal." As a result, they decided "to establish Hakonbolaget for southern Sweden."

Swenson and Clemedtsen allegedly continued their discussions on and off during the 1930s, until they finally met, in December 1937, to discuss an "artfully designed proposal" to form Eol.¹ During this meeting, Swenson "assumed a very unresponsive attitude towards the form of organisation we had decided on" and argued that "financial stakes from the retail trade [was] necessary in the co-operative company."² Swenson had advocated this stance on many occasions, most notably, during his appearance at the 1932 annual convention of the Swedish Retail Association in Umeå (see above p.79).³ These recommendations concerning retail ownership which Hakon Swenson promoted seems to have been adhered to, as the new company was formed during spring of 1938:

After AB Eol had been formed at the constituting convention on May 16 1938, a wish of long standing among the grocery and food retailers in western and southern Sweden had finally been fulfilled, that of having a purchasing centre of their own. The goal could be reached primarily due to 1,327 retailers who decided to sign up for shares in the new company.

AB Eol, Annual report 1938. Trans.

Some 1,327 retailers in the south-west of Sweden had decided to invest in "a purchasing centre of their own." Eol's affinity to the purchasing centre idea was also reflected in the official comments made in the 1937 annual report of Hakonbolaget:

At the end of [1937] negotiations which had been going on for some time were concluded. The result was the initiative to form a retail purchasing company for western and southern Sweden, which was made public early this year. Hakonbolaget and AB Speceristernas Varuinköp in Stockholm participated in the constitution of this company. The purpose is to achieve a co-operation on a wider basis between the purchasing centres.

AB Hakon Swenson, Annual report 1937. Trans.

Meanwhile, preparations were also made for the foundation of a purchasing company "on the same grounds" for the northern part of Sweden.⁴ The new company, Nordsvenska Köpmanna AB, was based on the wholesale company Import AB K.J. Karlsson in Östersund. In this case, too, Hakon Swenson and Rudolf Liwendahl were among the founders.⁵ As had been hinted at in the annual report for 1937, i.e. that the "purpose is to achieve a co-operation on a wider basis between the purchasing centres", another step was also taken in 1938, as the four purchasing companies agreed to form a jointly owned company called Inköpscentralernas AB Ica. A first meeting between representatives of the four companies was held in Västerås, April 8 1938:

¹ Nils-Erik Wirsåll, *Den omöjliga...*, 1988, p.41-42.

² Ragnar Allberg, *Så gick...*, 1976, p.16.

³ Vikt. Gudmundson, *Den Grå Boken*, 1934; J. Ejdestam et. al., *Bilder ur...*, 1943; and Ragnar Allberg, *Så gick...*, 1976.

⁴ AB Hakon Swenson, Annual report 1938.

⁵ Ragnar Allberg, *Så gick...*, 1976, p.15-16, 28-29.

Unity was observed concerning the need for a superstructure or a body for the co-operation. This joint body must not become an expensive organisation, but shall be set up in the simplest possible way. It was decided that a company should be formed with a share capital of SEK 50,000, in which the companies should enter with equal shares. It was suggested that the company be called Svenska Inköpscentralernas [Swedish Purchasing centres] A/B/Sica/.

Minutes of the first meeting with representatives of the purchasing centres, Västerås, April 8, 1938. Trans.

ICA was to fill "the need for a superstructure or an organisation for the co-operation." At the same time, it was noted that the "joint body must not become an expensive organisation." An establishing document was signed on November 10, 1938 and a constituting convention was held in January, 1939.¹ The co-operation was reported to have been "pursued and deepened" during 1939 and at the end of the year ICA was said to represent a joint turnover of MSEK 115.² During 1940, the new "superstructure" was completed with the formation of the Ica förbundet (Ica association) "whose task it is to be the common organisation for issues of a more general, not directly business-oriented character."³

By 1940, then, there were four regional wholesale firms organised largely according to the same principles. As I see it, they were all based on the idea that a close co-operation between wholesaling and retailing was necessary, that financial stakes from the retail trade were needed to make this co-operation last, and that it was possible to combine the benefits of individual enterprise with the exploitation of large economies of scale. In addition, the four companies had agreed to co-operate nationally on business matters through a jointly owned company, Ica. The ambition was primarily to use their collective force to improve purchasing conditions and to exploit potential benefits of joint marketing and retail support. A second joint organisation, Ica förbundet, was formed in 1940 to handle "issues of a more general, not directly business-oriented character."

Through these endeavours, an embryonic national retail co-operation had been formed. However, additional work was required to realise this nation-wide organisation.

Wartime conditions

Before moving on, a brief outlook is warranted given the time during which these events took place. Europe in 1940 meant war. However, Sweden had declared its neutrality at the outbreak in September 1939 and remained neutral throughout. Neutrality did not make the war go by unnoticed, but the hardships were of a different kind. In Swedish history, these years are known as 'the state-of-alert-period'. The poor state of the Swedish armed forces, both in terms of men and material, led to increased defence budgets in 1939. To

¹ AB Hakon Swenson, Annual report 1938.

² AB Hakon Swenson, Annual report 1939.

³ AB Hakon Swenson, Annual report 1940.

finance the rearmament, several new taxes were levied, most notably a general value-added-tax in 1940. Many Swedish men were also called up for military duty.

The supply of goods was particularly problematic. A special government body, *Folkhushållningsdepartementet*, was set up to handle these issues. Many food-stuffs were rationed, e.g., coffee, tea, sugar, flour, bread and margarine in 1941, and meat in 1942. Milk, potatoes and fish were the only staple food stuffs not rationed. Through parallel negotiations with Germany and Great Britain during 1939, Sweden was able to secure the consent of both nations to maintain exports approximately at pre-war levels. This led to the so called safe-conduct traffic, during which a small number of Swedish ships were allowed carry goods from Gothenburg to non-belligerent powers.¹

The sign of the times is shown in the documents from the period. First of all, the rationing of goods was said to have led to "significantly increased burdens and difficulties" for wholesale and retail trade which had assumed these "tasks in the service of the public" without any compensation.² A second area where the extraordinary conditions brought about by the war affected the operations of Hakonbolaget was transports. Initial fuel-shortage was mitigated by the development of producer gas operations, but by 1941, the shortage of rubber and lubricating oils made transports increasingly difficult.³

The range restrictions for car-traffic which these conditions [shortage of oil and tires] have enforced have brought about considerable cost-increases and other inconveniences... The transport restrictions have brought certain expansions of the distribution apparatus to the fore.

AB Hakon Swenson, Annual report 1942. Trans.

Besides the investments in producer gas units for cars and trucks, then, the range restrictions for automobile-traffic necessitated adjustments in the distribution organisation.

It seems that since the problems affected all companies, it was not a major worry. However, for the new co-operative venture, ICA, the situation proved to be beneficial. Apparently, the administrative procedures called for by the war provided an opportunity for ICA to get started. ICA was able to act as a representative of the four purchasing centres in relation to various organisations that were created to handle the difficult import-situation, e.g., the Association of Colonial Goods Importers and the Fruit Import Association.⁴ Whether it would be able to offer its owners any advantages or not, we know not. For the purchasing centres, other matters were calling for attention. Matters which at least superficially seemed to be unaffected by the ongoing war. But matters, nonetheless, which themselves bore certain characteristics of war.

¹ S. Hadenius et. al., *Sverige efter 1900*, 1993; and Sten Carlsson, *Sverige under andra världskriget* (Sweden during the second world war), 1979.

² AB Hakon Swenson, Annual report 1940.

³ AB Hakon Swenson, Annual report 1941.

⁴ AB Hakon Swenson, Annual report 1940.

Continued expansion for Hakonbolaget

Hakonbolaget expanded significantly during the 1930s, both in terms of turnover, shareholders, share capital and number of offices. With minor exceptions, this expansion took place within its territory. Towards the end of the 1930s, Hakonbolaget actively participated in the formation of two new purchasing centres and a joint co-operative organisation. Would this new national co-operation become its main preoccupation from now on?

Wholesale and Retail initiatives vs. War-time restrictions: Hakonbolaget's continued expansion during the war and after

Initially, at least, it did seem like the expansion of Hakonbolaget had slowed down. No new offices were added in 1940 and 1941, despite plans to establish a new affiliate office in Åmål.¹ War-time restrictions were said to prohibit an expansion according to plan:

It has, due to the crisis, not been possible to pursue Hakonbolaget's construction program at the pace which the development really should have demanded.

AB Hakon Swenson, Annual report 1940. Trans.

When the office in Åmål was set up in 1942, it had to be housed in rented facilities (see Table 3-1, below). The new office in Arvika was opened under similar circumstances. As indicated by the short excerpts in the table, war-time restrictions provided both the reason for opening these offices and for housing them in rented facilities. The restrictions also delayed construction of the new office in Malung until 1943, when the Labour Market Commission granted the necessary permits for the project.²

One way of circumventing the restrictions on construction was of course to acquire companies already in operation, a method which Hakonbolaget had used frequently before the war. The main part of the war-time expansion was accounted for by two such acquisitions which led to new offices being opened in Sala (1942) and Sundsvall (1943). In all, these added roughly MSEK 8, or 10%, to the turnover of Hakonbolaget in 1943.

¹ A piece of land was acquired for this in 1940. (AB Hakon Swenson, Annual report 1940.)

² Comments in the annual reports of AB Hakon Swenson suggest that the war affected the construction industry in particular, giving rise to government regulations and causing shortages of both materials and labour: "The construction industry has been affected the most by the crisis. Estimates have it, that for 1940, it has been reduced to 50% of the 1939 level." (1940); "...the construction industry... has gone down to a minimum. Increased prices and risks as well as shortage of materials have foremost contributed to this." (1941); "The construction activities has been unfavourably affected by both the shortage of labour and the unsatisfactory supply of certain construction-materials... A continued governmental regulation of the construction sector has therefore been necessary." (1943); "construction activities have been brought back to the pre-war level..." (1944); "The construction activities have remained at the same relatively high level as during 1944... The government construction regulation have ... been maintained and very restrictive principles have had to be applied... The new construction plans of the industrial and distributive companies have therefore been realised only to a limited extent" (1945).

After the war, Anders Örne (*Bromsen på näringslivet - verkningar av den enskilda och statliga kontrollen*, 1947, p.69) characterised the situation as one where "each new venture should be tested for its necessity and usefulness by central and local bodies."

Table 3-1. Changes in Hakonbolaget's office net 1940-45. Sources: AB Hakon Swenson, annual reports.

Year	Office	Change	Comments in the annual reports concerning the changes
1942	Arvika and Åmål Sala	Establishments Acquisition	"The restrictions of transports have necessitated some expansions of the distribution resources. New affiliate offices have thus been set up in rented facilities in Arvika and Åmål." (1942, p.7) "An agreement concerning co-operation on transports has been reached with AB K.A. Anderson, Sala. In this connection, a financial merger has also been made." (ibid.)
1943	Sundsvall	Acquisition	"An agreement was reached with the board of AB Gottfrid Sjöman & Co., Sundsvall, concerning the merger of this company into Hakonbolaget... Hereby, Hakonbolaget's office in Sundsvall was organised..." (1943, p.9)
1944	Malung	Establishment	"After having received permission from the Labour Market Commission to erect the planned warehouse facility in Malung, construction work has begun and by the end of the year largely been completed." (1944, p.11)

During the war, no reference was made to the policy of non-expansion. Given the rather significant territorial expansion which resulted from the acquisition of AB Gottfrid Sjöman & Co. in Sundsvall, this is perhaps not so strange. In 1945, though, the board of Hakonbolaget put down the present boundaries as definite.

It can thus be definitely decided already at this point, that Hakonbolaget never shall expand beyond its present territory. However, over time it will probably be suitable to expand the office net so that customers in our entire territory can be served to such satisfaction and with such efficiency, that Hakonbolaget can assume responsibility for the main part of their goods supply.

Minutes from board meeting, AB Hakon Swenson, April 1945. Trans.

The territory was fixed. Only expansions which were considered necessary to serve the customers "to such satisfaction and with such efficiency, that Hakonbolaget can assume responsibility for the main part of their goods supply" were to be considered.

During this period, it seems that ICA had little import on the operations of Hakonbolaget. The only point at which ICA was involved was when AB Gottfrid Sjöman & Co. was merged into Hakonbolaget in 1943. This company had become a member of the ICA-association in 1942. As it was merged into Hakonbolaget, certain adjustments were made to the territorial border between Nordsvenska and Hakonbolaget.

Merging retail co-operative businesses into Hakonbolaget

On two occasions during the expansive 1930s and 1940s, Hakonbolaget was able to considerably increase its number of retail customers by acquiring / merging ongoing retail co-operative businesses into the company. The first one was the agreement reached with the share holders of Örebro Köpmanna AB to merge the company into Hakonbolaget in 1936, the second was the merging of AB Gottfrid Sjöman into Hakonbolaget in 1943. The first merger was characterised as an agreement between friends:

Hakonbolaget has during a number of years also operated in large parts of Närke [the province]. The only reason that a district office previously hadn't

been established in Örebro is that a retail owned company with largely the same tasks and ambitions as Hakonbolaget already existed there. Competition between the two firms has not been considered appropriate or desirable.

AB Hakon Swenson, Annual report 1936. Trans.

As part of this deal, the customers / owners of Örebro Köpmanna were offered to become share holders in Hakonbolaget. To this end, a new issue of shares was prepared in 1936.¹

The 1943-merger was similar in character. The retail co-operative AB Gottfrid Sjöman & Co. in Sundsvall had first become associated to the ICA-association.² Then in 1943, an agreement was reached with Hakonbolaget concerning a merger of the company into Hakonbolaget. Just as in 1936, new shares were issued to supply the new partners who were offered to trade their shares 1 to 1. The fact that all 600 shares were exchanged was taken as "proof of the interest for the association with Hakonbolaget."³

The two mergers had considerable effect on both Hakonbolaget's turnover and the number of retail share holders. The Örebro-merger added approximately 8% to the total turnover in 1937. The one in Sundsvall added another 7.3% in 1943. No exact figures are available concerning the number of retail partners added in these mergers, but figures in the annual reports allow for an approximation. After the 1931-issue of shares, the number of retail shareholders was 1400. At the end of 1937, after the new partners in Örebro had signed up, they were 2,051. Finally, after the new partners in Sundsvall had traded their shares in 1943, there were 3,081 retailers holding shares in Hakonbolaget.

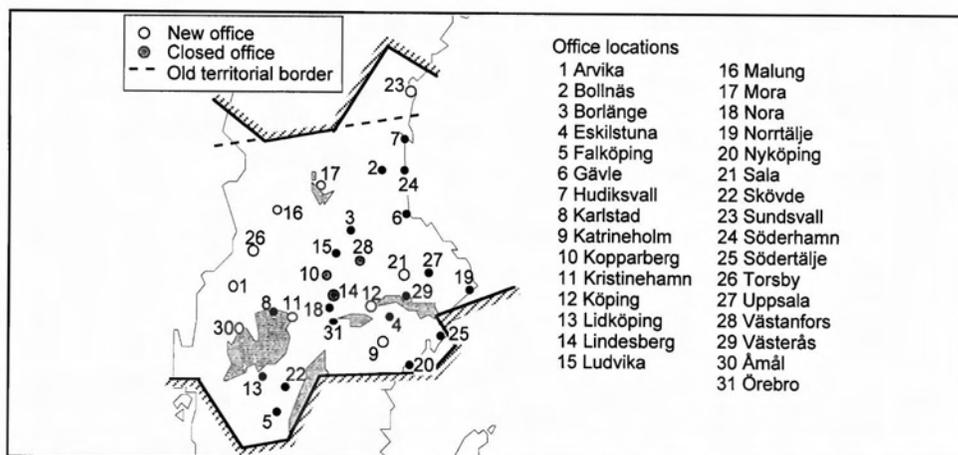


Figure 3-2. The expansion of Hakonbolaget's office net, 1940-1951. Sources: AB Hakon Swenson Annual reports, and *Vad Hakonbolaget gör, hur det arbetar och vad det vill* (information leaflet), 1941.

¹ AB Hakon Swenson, Annual report 1936.

² The turnover of the company was included in the total turnover of ICA for 1942 (AB Hakon Swenson, Annual report 1942). According to Nils-Erik Wirsäll (*Den omöjliga...*, 1988, p.50) the company was also represented among the founders of the ICA-association in 1940.

³ AB Hakon Swenson, Annual report 1943.

Table 3-2. New issues by Hakonbolaget, 1930-1946. Sources: AB Hakon Swenson, annual reports.

Year	Shares issued	Added capital including premiums (SEK)	Share capital after issue (MSEK)	Retail shareholders after issue
1931	1500 (scrip issue 1:2)	–		
	1500	750,000	3.0	≈1,400 (+1,200)
1937	1000	650,000	3.5	2,051
1939	800	520,000	3.9	
1941	2,600 (scrip issue, 1:3)	-	5.2	
1943	1,600	880,000	6.0	
	600+2,400	1650,000	7.5	3,081
1946	3,000	1875,000	9.0	
	2,000	1250,000	10.0	3,790

When examining the expansion of Hakonbolaget during the 1940s (see Figure 3-2, p.91), it seems that the new offices mainly *did* improve the coverage within its “natural” territory, i.e. mid-Sweden. The establishment of the new office in Sundsvall did lead to a significant expansion of this territory, and the new office in Malung led to a slight adjustment of the north-western border. Still, six out of the ten new offices were located on the western and northern fringes of the territory. Three offices were closed, all located in the central parts of the territory. One of these, the one in Västansfors, seems to have been both opened and closed during the period.

Retail capital finances the expansion

The fact that many of Hakonbolaget's customers became share holders in the company during the 1930s solved two problems for Hakonbolaget. First, the new issues provided capital to finance the expansion of the company. Second, they provided the link between retail and wholesale operations which Hakon Swenson firmly believed in. In all, four new issues were made during the 1930s, adding roughly 2,000 retail share holders. Further the company was given a capital addition of MSEK 1.9 (see Table 3-2). During the 1940s, an additional five new issues were carried out. These raised the share capital from MSEK 3.9 to 10.0 and added MSEK 0.9 to the reserve fund.¹

¹ First, in 1941, a scrip issue was made in which one new share was issued for each three old ones. This raised the share capital to MSEK 5.2. In 1943, an new issue was first made that raised the share capital to MSEK 6.0. After this had been paid in full, a second issue was made, divided in two tranches. The first tranche, 600 shares, was to enable retailers in the Sundsvall region to become share holders (the same reason as for the issues in 1937 and 1939). The second tranche was an ordinary new issue of 2,400 shares. All shares were offered at a 10% premium, thus adding both to the share capital and to the reserve fund.

In 1946, a new issue was made. Actually, as it turned out, two. Given “a very vivid interest” the original 3,000 shares were oversubscribed. The board then decided to issue another 2,000 shares. All 5,000 shares were offered at a 25% premium. Thus the share capital was raised by MSEK 2.5 and the reserve fund by MSEK 0.625. (AB Hakon Swenson, Annual reports, 1940; 1943; and 1946, p.22 and p.27.)

The System of Annual Bonuses and the Savings Certificates

Repeated new issues of shares was not the only way in which the retailers contributed financially to the operations of Hakonbolaget. In 1940, a new means of raising capital was also introduced. The idea was allegedly first introduced during a discussion at the first annual ICA meeting in Örebro. Emil Clemedtson had brought up the issue of capital formation. Josef L. Lindqvist, a prominent retailer from Uppsala and long-time member of the board of Hakonbolaget, suggested a system of savings certificates as a solution:

Clemedtson established that we must achieve capital formation to the service of the retail trade. ... Josef L. Lindqvist suggested savings certificates instead of cash refunds.

Summary of the ICA meeting in Örebro 1940. Trans.

The board of Hakonbolaget decided to adopt the scheme. Thus, close to 80% of the retailers' yearly bonus for 1940 was retained by the company.

The board has from this year considered it fit to introduce a new system for the remuneration of bonus to the customers-partners. Instead of crediting the customer accounts with the respective amounts, savings certificates have been issued in the denominations SEK 50, 100 and 500. ... Savings certificates have thus been issued to the amount of SEK 238,200, besides which SEK 56,222:72 has been credited to customer accounts. The savings certificates are interest-bearing and redeemable after a shorter term of notice. This new form of remuneration of the annual bonus has gained warm appreciation.

AB Hakon Swenson, Annual report 1940. Trans.

A comment is warranted, for this is an important event. Through this measure, the owners of Hakonbolaget were asked to contribute financially, not only by being shareholders, but also by accepting to lend the company their annual bonuses.

Why did this bonus system exist in the first place? Why didn't Hakonbolaget just lower their prices? It seems that the Swedish market conditions made such a measure difficult.¹ First, due to the war, the Government had introduced a system of price-control, "which gradually has come to comprise more and more types of goods" and which "largely has kept the profit margins unchanged in absolute terms."² Although this didn't restrict wholesalers from lowering their prices in principle, the set prices apparently left little room for reductions.³ Given the uncertain times, lowering prices in hindsight (via bonus) might also have been preferred over up-front price-cuts.

Second, there was a private system of price-control which had been in effect already before the war started. Through Resale Price Maintenance (RPM), producers set the

¹ Since I have been unable to retrace any documents concerning how the price controls influenced the decision to adopt a bonus-system, these are my own reflections.

² AB Hakon Swenson, Annual report 1942.

³ This is indicated in the 1940 Annual report of AB Hakon Swenson: "For the retail trade, the increased burdens and simultaneously reduced profit-margins must bring considerable dangers... Thus it is necessary

consumer price charged for their goods, as well as the wholesale and retail margins (set as percentages deduced from the consumer price). Thus, neither retailers nor wholesalers were allowed to set their prices individually. Estimates made after the war have it that 40-55% of the goods sold in the food trade were subject to such pricing.¹

The bonus-system as such had been introduced by Hakonbolaget in 1933. It was constructed as a shareholder bonus based on the annual purchases made.² Originally, as was indicated in an excerpt above, the bonus had been credited to the respective customer's account. But in 1940, the system was changed as "the board has seen it fit to introduce a new system for the remuneration of bonus to the customers-partners." Why the change? One possible reason is given in the annual report for 1939:

The severe shortage of money and the accompanying tight monetary policy on behalf of the banks which replaced the previous abundance of money almost immediately after the outbreak of war, has gradually eased considerably. However, the interest rates have not been lowered, instead these have stabilised at the level which was reached right after the outbreak of war.

AB Hakon Swenson, Annual report 1940. Trans.

Besides the general need for capital to finance its expansion, Hakonbolaget perceived the situation on the money-market to be problematic, particularly the interest rates were high.

The excerpt announcing the new form of remuneration claimed that it had "gained warm appreciation." Since the new savings certificates were "redeemable after a shorter term of notice", I would expect a rapid redemption if the retailers were unhappy with the situation. However, 93% of the retained amount for 1940 remained at the end of 1941.³ This lends some credence to the assertion that the retailers appreciated the system.

Through the changeover to savings certificates in 1940, Hakonbolaget was able to raise considerable capital during the 1940s. In 1948, both the grounds and the forms for the certificates were changed so that the new certificates had a fixed life of five years. At the end of 1948 (the last year of the original bonus scheme) the retained retailer bonuses amounted to MSEK 2.5 or an additional 19% of the company's total own capital.⁴ While the long term debts grew from MSEK 3.5 in 1940 to MSEK 6.5 at the end of 1948, the retailers contributed more than MSEK 9 in the form of added share capital and annual bonus on deposit, during the same period. It would thus seem that the retailers were the main source of financing for Hakonbolaget during the 1940s.

to try to gain understanding from the price-control authorities as to the involved risks, so that some compensation can be had for the cost increases caused not least by the public claims for service..."

¹ The figures and general information on the RPM-system is taken from Ulf af Trolle (*Bruttoprissystemet, en problemanalys*, SOU 1951:28.)

² Ejdestam et. al, *Bilder ur...*, 1943, p.351, and AB Hakon Swenson, Annual report 1933.

³ The total value of outstanding savings certificates was 497,700 SEK at the end of 1941, out of this amount, 276,100 SEK had been issued in 1941. (AB Hakon Swenson, Annual report 1941.)

⁴ AB Hakon Swenson, Annual report 1948, p.29.

Modernising existing facilities – Additions, rebuildings and acquisitions

Besides acquiring local wholesale companies and establishing new offices, the capital raised was also used to finance a rather extensive construction program to improve the facilities. In several locations the facilities needed to be expanded and modernised. This construction program took shape during the last years of the 1930s. The first tangible results were the new facilities taken into operation in Uppsala and Örebro during 1938 and 1940. New facilities, although of more modest proportions, were also completed in Ludvika during 1938 and in Nyköping during 1939.¹

The large and rapid expansion that Hakonbolaget has undergone during the past few years, has necessitated the drawing up of a construction program of rather grand proportions. During 1938, the large new building for the Uppsala-office has been completed, and the Ludvika-office has also moved to new modern facilities after a major addition and reconstruction of an older building. In Västerås, improvements have been made at the warehouses, and the head office is being equipped with appropriate new facilities. Additions and new constructions are also planned for a number of other offices. The completion of this construction program is an important part of our company's endeavour to serve its customers and partners better and better and to render possible a more economical organisation of the goods-distribution. It also has import *externally*, that the private trade through economic co-operation acquires visible and tangible resources, which are devoted to inspire the greatest possible confidence in this form of distribution among the consuming public.

AB Hakon Swenson, Annual report 1938. Trans.

Apparently, the new buildings were important not only as functional facilities. 'Hyper-modern' buildings were also thought to have a face value – that of inspiring confidence among consumers for the retail co-operative movement that Hakonbolaget was part of.

Hakonbolaget has its warehouses in 20 well-situated locations in mid-Sweden. Some of them are older, but these are being modernised or completely rebuilt. Many of them, though, are of the most hyper-modern kind – really impressive facilities – valuable additions to the national household.

Vad Hakonbolaget gör, hur det arbetar och vad det vill, information booklet, AB Hakon Swenson, 1941. Trans.

On the operational side, new cars, office equipment and other effects were also needed to handle the expansion. During the years 1938-1942, roughly SEK 200,000 was spent annually on new cars and trucks as well as office equipment.² The outbreak of war and the import-embargo caused additional expenditures: all lorries had to be fitted with producer gas units and shelters had to be built.³

Above, I commented that war-time restrictions hindered the realisation of the construction program established by Hakonbolaget at the end of the 1930s (see p. 89).

¹ AB Hakon Swenson, Annual reports, 1938-1940.

² According to the annual reports, this approximately corresponds to a third of the annual net profits or 5-7 % of the annual gross profits for those years.

³ AB Hakon Swenson, Annual report 1940.

However, this inability to realise its plans did not stop Hakonbolaget from making them. New pieces of land were acquired on at least 15 occasions during the war.¹

With the war coming to an end, the plans were finally to be realised. Starting in 1944, the annual reports addressed the construction program under a separate heading.

Due to the company's rapid development, the need for increased office and warehouse space has been brought to bear at many locations. The post-war construction program thus takes up a large number of projects. These will be realised according to their degree of urgency.

AB Hakon Swenson, Annual report 1944. Trans.

Hakonbolaget's plans in 1945 included new buildings in Södertälje, Nora, Mora, Gävle, Köping and Skövde. In 1946, projects were added in Åmål and Hudiksvall. Alas, remaining construction restrictions delayed the program, to the detriment of retail service:

The current restrictions within the construction business prevent the set up program to be realised at a desirable pace. Presently, certain offices therefore work under unfavourable conditions, whereby the ability to carry on operations in the best way and to offer the associated retailers the service, which is included as a cornerstone in the company program, is considerably reduced.

AB Hakon Swenson, Annual report 1945. Trans.

The post-war construction plans mainly purported to improve existing facilities. The expansion that *did* take place included new facilities in Torsby, Mora and Köping (see Table 3-3). A new Hakons-house in Södertälje had been considered the most urgent project since 1944. Failure to receive permits delayed the project until 1947, when AB Anders Diös could start the construction work. During the delay, plans were made for a Hakons-house in Gävle (see Figure 3-3) and for some lesser projects. These, however, came to nought:

The severe regulation that nowadays applies to construction work, has forced us to pause in the realisation of the purchasing centre's construction plans.

AB Hakon Swenson, Annual report 1948, p.21. Trans.



Figure 3-3. Degrees of reality: The planned Hakonshus in Södertälje completed in 1948 (left) and the planned Hakonshus in Gävle which never became (right). Source: *Efter 25 år*, AB Hakon Swenson, 1943.

¹ In Karlstad and Åmål during 1940; in Borlänge during 1941; in Gävle, Karlstad, Norrtälje, Borlänge and Kristinehamn during 1942; in Mora and Örebro during 1943; in Borlänge and Hudiksvall during 1944; and in Nora, Skövde and Uppsala during 1945. (AB Hakon Swenson, Annual reports, 1940-1945.)

Table 3-3. Changes in Hakonbolaget's office net 1945-49. Sources: AB Hakon Swenson, Annual reports.

Year	Office	Change	Comments in the annual reports about the changes
1945	Torsby	Establishment	"Office and warehouse facilities of somewhat greater proportions have been erected in Torsby, after a request from the retailers in the Torsby-area..." (1944, p.11)
1946	Katrineholm	Establishment	"...an affiliate office has been set up in Katrineholm as of March 1 1946..." (1946, p.16)
1947	Kristinehamn	Establishment	"Within the Karlstad-group, Kristinehamn has been added as an accounting office..." (1947, p.18)
	Köping	Replacement / status change	"... the erection of a warehouse for the depot in Köping, where the present facilities must be handed over in the near future." (1944, p.11)
	Mora	Establishment	"...an affiliate office in Mora ... to improve the supply of goods and other services to the partners and customers..." (1945, p.16)
1949	Kopparberg	Closure	"During 1949, a reduction of the number of affiliate offices has been made, as the office in Kopparberg for the purpose of rationalisation was closed on Oct. 1." (1949, p.19-20.)
1946- 47? 1943-48?	Lindesberg Västansfors	Closure Establishment and closure (?)	No comments are made concerning either of these offices. The office in Västansfors only appears on a single map describing the office net in 1945.

The expansions and modernisations stopped and the degree of urgency of the projects was re-evaluated. In retrospect, this seems to represent the end of the company's geographical expansion. No more offices were added. Instead, new ideas were emerging:

The compulsive pause, which has arisen in the realisation of the construction program, is now being utilised for investigations based on the experiences and findings made during the last few years, particularly in the US concerning the most suitable types of buildings for the operations of the purchasing centre. These investigations purport to achieve further economised operations and higher work-effect in the future office- and warehouse-facilities.

AB Hakon Swenson, Annual report 1948, p.21. Trans.

The "compulsive pause" was utilised to seek inspiration from abroad in order to economise operations and achieve "higher work-effect in the future office- and warehouse-facilities."

Summary: The continued expansion of Hakonbolaget

Despite the formation of ICA, Hakonbolaget continued to concentrate on its operations within mid-Sweden. Due to the war, however, many of its plans were postponed. To some extent, the construction restrictions were circumvented through acquisitions of businesses already in operation. Mainly, the expansion during these years improved coverage within "the natural territory" of Hakonbolaget. As the war was coming to an end, the boundaries of this territory were put down as definite.

Largely, the expansion during the 1940s was financed with retail capital. The customers of Hakonbolaget provided capital both by increased shareholding and by having their annual bonuses retained by Hakonbolaget through the system of savings certificates that was introduced in 1940. In addition to the geographical expansion, the capital was

used for investments in existing facilities and in equipment. Plans were also drawn up for the construction of new facilities. The realisation of these plans, however, was hindered by war-time and post-war regulations and instead new ideas were said to be emerging.

ICA and the other purchasing centres

At the outset of the chapter, ICA was said to have improved its geographical coverage by establishing new office- and warehouse-facilities during the 1940s. Between 1940 and 1951, the number of facilities increased by more than 50% (from 42 to 68). Similarly, the number of associated retailers, or owners, grew from 7,000 in 1940 to 11,000 in 1951.

So far, however, there have been very few indications of ICA doing anything. But perhaps Hakonbolaget was different. What had the other three purchasing centres been doing during the 1940s? Roughly the same thing as Hakonbolaget had, it would seem...

The expansion of the other purchasing centres

In 1940, the only region which the purchasing centres did not cover was Skåne, the densely populated southernmost part of the country. Allegedly, Skåne had been considered suitable for the establishment of a separate purchasing centre during the discussions leading up to the formation of AB Eol in 1938. Specifically, the wholesaler Albin Löfdal AB in Helsingborg had been approached with a suggestion to reorganise itself into a purchasing centre as had Ekström & Leffler. However, the parties were unable to reach an agreement and the idea of a fifth purchasing centre came to nought. Instead, Löfdal sent out a circular letter to their subsidiaries and salesmen, with a warning concerning Eol.¹

The letter informed of the situation and instructed the representatives to warn their customers of "this money-seeking company." This was not far fetched, for the purchasing centre idea was very much alive among the retailers in Skåne at the time. For instance, retailers in south-western Skåne invited Hakon Swenson, Ragnar Allberg and Emil Clemetson to present their views and experiences concerning the purchasing issue. During meetings held in Ystad and Kristianstad in the end of June 1941, Swenson's "singular delivery-skills and his burning pathos produced spontaneous expressions of assent." According to Allberg, long-time chairman of the board of Eol, the result of the meetings was "an appeal to Eol to expand its operations to Skåne." In October 1941, operations started in Ystad after the acquisition of a local wholesaler.² After this first establishment, the number of Eol-offices grew rapidly, in Skåne and elsewhere. In ten years time, Eol expanded operations across southern Sweden, mainly through a series of acquisitions.³

¹ Ragnar Allberg, *Så gick...*, 1976, p.35.

² Ibid.

³ In 1941, Eol opened new offices in Värnamo and Uddevalla after acquiring Värnamo Kolonialvaru AB and Otto E. Hasselgren. In May 1943, Eol acquired AB Ideströms Eftertr. in Oskarshamn. In all, Eol set

For SV, the period was also expansive, although less so than for Eol. The company planned an expansion to Gotland towards the end of the 1930s.¹ By 1941, the new office had been established in Visby and in 1943, the operations were expanded through the acquisition of the local wholesaler AB Carl Degerman. A considerable addition was made to the facilities in Stockholm in 1942. A new office was also created in Linköping during the war, and in 1946, new facilities were completed there and in Mjölby. As the war came to an end, SV did not expand its geographical coverage further.²

Nordsvenska, the northernmost purchasing centre, started operations on January 1, 1939. Just as Eol, it expanded rapidly during the war, adding 9 offices.³ In January 1944, a new 'hyper-modern' warehouse was also completed in Östersund.⁴ During 1946, new facilities were completed for the offices in Strömsund and Gällivare.⁵

Largely, the expansion of Eol, SV and Nordsvenska was the result of mergers and acquisitions. Only a few offices were established from scratch. Further, the expansion of the purchasing centres seem to have had relatively little to do with their joint venture, ICA. Only during Eol's first inroads into Skåne was ICA directly involved. When ICA failed to interest any wholesaler in Skåne to reorganise itself as a purchasing centre, Eol instead expanded its operations to ensure national coverage.

Initial activities within ICA

There are no indications as to what extent the four purchasing centres were purchasing jointly through ICA AB. This had however been one of the central issues in the discussions prior to its formation.⁶ The first tangible result of joint purchasing seems to have been "the small convenient, low cost and high quality ICA vacuum cleaner" which was presented in a nation-wide advertising campaign during 1941.⁷ Above, I also noted that ICA AB represented the four purchasing centres on various import committees.

up nine offices (Värnamo, Uddevalla, Ystad, Oskarshamn, Helsingborg, Tranås, Malmö, Karlskrona and Kristianstad) by acquiring local wholesalers from 1941 to 1947. After the war, Eol established three offices (Varberg 1946, Trollhättan and Ljungby 1948). (AB Eol, Annual reports, 1940-1948.)

¹ Minutes of the first meeting with the four purchasing centres, Västerås, April 8, 1938.

² ICA Tidningen 1942:8, p.24, 1944:2, p.5, and 1946:2, p.16; and Sven Gerentz, *Individer, familjer och block*, 1994, p.143.

³ At the start in 1939, NS had offices in Östersund and Umeå, and two depôts in Storuman and Strömsund. By the end of the first year, some local wholesalers and a retail co-operative, Norrbottens Speceristers Varuinköp, had been merged into NS, and the company had established new offices at four locations along the northern coast of Sweden: Kalix, Luleå, Skellefteå and Härnösand. During the war, five new offices were added, starting with Örnsköldsvik in 1941, then adding Gällivare, Piteå, Lycksele, and Sveg. (ICA Tidningen, 1941-45; and Ejdestam et. al., *Bilder ur...*, 1943.)

⁴ K-E Karlsson, managing director of Nordsvenska, quoted in ICA Tidningen 1945:1, p.4.

⁵ ICA Tidningen 1947:2, p.16, and 1949:6, p.9; and Margit Falkenstam and Nils-Erik Wirsäll, *Något till livs*, 1967.

⁶ Minutes of meeting with representatives of the purchasing centres, Västerås, April 8, 1938.

⁷ ICA Tidningen, 1941:6, p.21.

But in order to represent, ICA must also be represented. The first managing director, Erik Andersson, was recruited from the Consumer Co-operation and introduced at the first annual meeting of the ICA Association in Västerås in November 1941.¹ At this meeting another potentially important effect of the new co-operation was hinted at – the possibility of information sharing among the four companies.²

Rather than engaging in purchasing, it seems that the new central organisations were doing other things. For instance, in 1940 the ICA Association was said to have developed book-keeping instructions for the retailers.³ Further, available sources indicate that much of what was done initially in terms of joint ICA activities, originated within Hakonbolaget. One example was their initiative in starting a trade magazine, an idea that the other purchasing centres adopted. The first issue of ICA Tidningen was then published in 1941. Subsequently, ICA Publishing was formed as a subsidiary to ICA AB.⁴

In terms of current operations, the main effect seems to have been that some of Hakonbolaget's central resources were now also available to the remaining three companies, for instance, the advertising department and the special goods department.⁵ Thus, the Hakon advertising department to some extent supplied promotion material to retailers associated with the other purchasing centres.⁶ Indeed, after only a year or so, the Hakon advertising department was renamed 'ICA advertising'. In the same way, the Hakon special goods department also came to serve all four purchasing centres.⁷

The general image conveyed is that joint operations at the outset largely concerned activities which can be characterised as peripheral services in the distribution process, rather than core functions of the four purchasing centres. Another aspect of the initial activities is their organisation-building character. The new organisation had to be staffed, and the first director was appointed in 1941. Then, of course, it needed to be given some discretion to act on behalf of its founders. To this end, the proliferating war-time administrative committees were well suited. On the operative side, the resources of Hakonbolaget were made available to the remaining three purchasing centres.

The increasing number of associated retailers

As was noted initially in the chapter, the expansion of the office net was accompanied by a similar growth in the number of associated retailers. The first account available indicates

¹ Nils-Erik Wirsäll, *Den omöjliga...*, 1988, p.59.

² Summary of the first annual ICA meeting, ICA Tidningen, 1941:9, p.7.

³ AB Hakon Swenson, Annual report 1940.

⁴ AB Hakon Swenson, Annual reports, 1940-1945; ICA Tidningen 1941:1.

⁵ ICA Tidningen, 1941:9, p.7.

⁶ ICA Tidningen, 1941:12, p.22.

⁷ AB Hakon Swenson, Annual report 1940.

that the four purchasing centres together had some 7,000 associated retailers at the end of 1940. During the next 7-8 years, their respective office nets were considerably expanded and the number of associated retailers rose to 11,500 by the end of 1947.¹

But neither in this respect, does ICA seem to have been very significant. Hakonbolaget had 2,051 retail share holders in 1938. After the merger with AB Gottfrid Sjöman & Co. in 1943 the number was 3,081, a 50% growth in five years.² The issues in 1946 brought the number up to 3,800. Table 3-4 shows the situation in 1946 and 1951. During the period 1946 to 1951, the number of associated retailers rose to 4,016.

The expansion of the office net thus coincided with a growth in associated retailers. Between 1938 and 1946, the number of share-holding retailers grew by 1,739, or 85%; for the next five years the figure was 226, or 6%. By 1951, the character of the relationship between Hakonbolaget and its customers had changed as well: they were not only shareholders but *members* in the purchasing centre. This change is the topic of Chapter 5.

For the purchasing centres as a group, the growth of Eol was the most conspicuous. As noted above (p.86), 1,327 retailers signed up for shares when Eol was formed in 1938. Still, the rapid expansion of its office net required a similar expansion in terms of customers. But in order to get more customers, the gospel had to be spread. Thus, Ragnar Allberg claims that he and Emil Clemedtson were out 'preaching' among the retailers in Bohuslän, Halland and Småland during the first years of operations.³

In 1941, at the time of Eol's first inroads into Skåne and the establishment of the Ystad office, a new issue of shares was considerably oversubscribed, mainly by retailers. According to Clemedtson, the new issue brought Eol 1,000 new retail share holders.⁴

To continue its expansion in Skåne, Eol needed to attract more customers. To this end, new meetings were arranged in other parts of Skåne, for instance in Helsingborg on September 6, 1943. At this meeting, some 250 retailers met with officials from the purchasing centres who informed them of the purchasing centre idea. Allegedly, the meeting resulted in a unanimous decision to set up an office in Helsingborg. A few months later, the office was created through the merger with a regional wholesaler.⁵ Thus, Eol came off to a flying start in Skåne. At the end of 1943, ICA Tidningen reported more than 1,000 ICA-signs in north-western Skåne.⁶ By 1949, Eol had completed the expansion of its office net. Eol then had 4,000 retail shareholders, of whom 1,500 were found in Skåne.⁷

¹ AB Hakon Swenson, Annual report 1947, p.13.

² AB Hakon Swenson, Annual reports 1937 and 1943.

³ Ragnar Allberg, *Så gick...*, Eol, 1976.

⁴ Interview with Emil Clemedtson, ICA Tidningen, 1941:9, p.18.

⁵ ICA Tidningen, 1943:10, p.8-9. The company was Nelsonbolagen in Helsingborg.

⁶ ICA Tidningen, 1944:11, p.10.

⁷ Interview with Emil Clemedtson, in ICA Tidningen, 1948:6, p.6.

Table 3-4. The customer structure of Hakonbolaget 1946 and 1951. Source: *Hakongiven, Noveas betänkande, April 1952, AB Hakon Swenson, 1952, mimeo.*

Year	Share-holding customers	Non share-holding customers	Total no. of customers
1946	3,790	2,842	6,632
1951	4,016	2,930	6,946

For SV, the only actual expansion that took place was the establishment of a new office on Gotland and the subsequent acquisition of a wholesaler there in 1943. In 1948, SV had 137 associated retailers on Gotland. Their capital contributions were very modest, and SV's expansion seems to have been financed largely without local retail support.¹ Although actual figures are lacking for Nordsvenska Köpmanna AB, contemporary sources claim that the company had experienced a "steadily growing number of members."²

It seems that the 1940s was a period of growth in terms of the number of associated retailers for all four purchasing centres. By the end of the decade, though, this growth came to an end. Instead, another aspect of the retail interaction came to the fore.

Growth by inflation, more customers and higher purchasing fidelity

The expansion of the purchasing centres is reflected in a steadily rising turnover. In 1940, the four purchasing centres together had a turnover of MSEK 131. By 1951, the figure was MSEK 499. This corresponds to an average annual sales growth of 12.9%. Throughout the period, however, this growth was partly attributed to price increases:

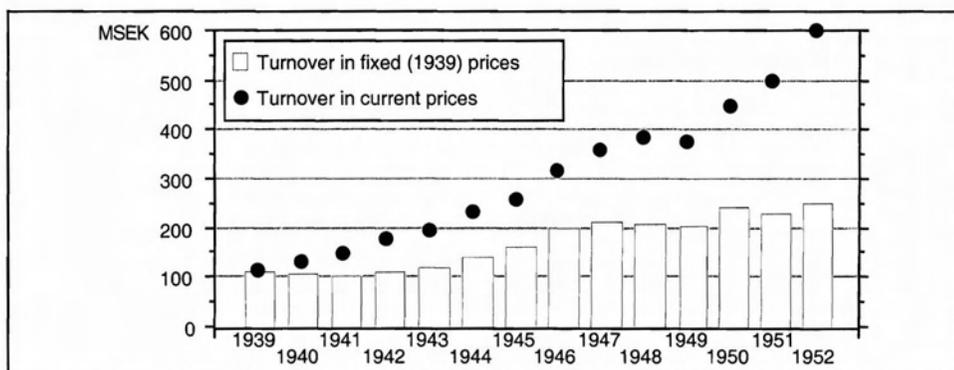


Figure 3-4. The turnover development of the four purchasing centres 1939 - 1952 in fixed and current prices. Fixed prices are deflated by the consumer price index for foodstuffs. Sources: Annual reports.

¹ In his study of trade on Gotland, Sven Gerentz (*Individer, familjer...*, 1994, p.143-44) reports that SV's contribution to the operations on Gotland was 800,000 SEK in 1945, growing to 1.1 MSEK in 1948. The corresponding figures for the retailers were 15,490 SEK and 48,000 SEK.

² ICA Tidningen, 1949:6, p.9.

Given the price level in 1941 compared to the previous year, the quantitative increase is of course not as large as the increase in money would suggest...

AB Hakon Swenson, Annual report 1941. Trans.

Surely the gradual price increases added substantially to the raised turnover.

AB Hakon Swenson, Annual report, 1951, p.15.

The turnover development in fixed and current prices (Figure 3-4), supports this claim. Some 54% of the turnover growth from 1940 to 1951 is accounted for by price increases. Still, the four purchasing centres *did* grow considerably. In fixed prices, their turnover roughly doubled. In general, this growth was attributed to the retailers:

It is interesting to see how the retailers' confidence in their own companies gradually increases... The feeling of responsibility affects the general attitude so that one becomes a more faithful buyer...

Eric Andersson (managing director of ICA), 1943, p.6. Trans.

The turnover growth ... is an obvious proof of the ICA-associated retailers' interest for and appreciation of the activities of the purchasing centres and on the forces which patently exist within the ICA-movement.

AB Hakon Swenson, Annual report 1946. Trans.

[The turnover growth for 1950] has been achieved despite the fact that no effort whatsoever has been made to increase our number of members. We have instead aimed for an even greater concentration and cost reduction in distribution, and I want to point out, that since there has been no increase in the number of members, the increased turnover points towards an ever higher purchasing fidelity on behalf of our members.

Gustaf Kollberg (managing director of ICA), 1952, p.10. Trans.

According to Kollberg, the retailers were closing ranks behind the purchasing centres. As a group, the retailers could contribute to the growing turnover in two ways. The group could either become larger in absolute terms, or buy more in relative terms.

Above, the growth of the group in absolute terms was discussed. Between 1940 and 1948, the number of associated retailers grew by 50% from 7,000 to 11,500 associated retailers. However, in the quote above, Gustaf Kollberg indicated that the number of associated retailers had stopped growing towards the end of the period. Indeed, available figures indicate a decreasing number of associated retailers around the turn of the decade, so that in 1951 there were 10,600 associated retailers left. Given the turnover growth, it seems that the retailers contributed to the growing turnover by becoming more numerous during the first 10 years or so. Towards the end of the 1940s, though, the retailers seem to have contributed to the growing turnover by increasing their purchasing fidelity.

Concluding remarks on the expansion of the purchasing centres

All of the above would suggest a close link between the expansion of the office net and the growth in the number of associated retailers. This has also been pointed out in retrospect by Ragnar Allberg, who has argued that logistical limitations and local patriotism

provided a causal link between more district offices and more customers.¹ In order to expand, the purchasing centres had to come closer to their customers, not literally but physically. Thus, more offices were needed. Since building restrictions were severe during the war, one of the few ways of achieving this was to acquire wholesale firms in operation.

Practically, repeated new issues of shares became the means used to solve two problems which arose as the purchasing centres expanded – the need for capital and the ambition to link retailers more closely to the wholesaler. This was completely in line with the ideas which Hakonbolaget had been promoting since the early 1930s:

During the last few years, it has become increasingly clear that a purely economic co-operation is required, if it is to be possible for the free trade to maintain its position in competition with other forms of goods distribution. Only in this way can a solution to the burning purchasing problem be gained and a strong economic defence organisation be created.

AB Hakon Swenson, Annual report 1931. Trans.

To a lesser extent, the purchasing centres also recruited retailers in areas already served by their existing offices. But in these cases too, an ambition to improve what they held to be good retail service may have contributed. Repeated attempts by Hakonbolaget to set up special goods departments to better serve the rural general stores is one such example.²

It seems, though, that physical proximity and an expanded assortment wasn't enough. Just as Allberg claimed (see note above), it seems that wholesale firms usually already operated in the areas and that competition was fierce:

–The retailers are strongly affected by our competitors through the advantage they have in terms of influence from salesmen through a larger total number of representatives. The customers also have a tendency to act according to the economic advantages, which are offered at the point of purchase.

Jarl Jernunger. Minutes of the managers' conference, AB Hakon Swenson, May 5-6, 1947, §64. Trans.

To remedy this relative weakness, the purchasing centres appear to have relied on ideological propaganda. Thus, the gospel of the purchasing centres was preached to attract retailers (see p.101). Further, it appears that the purchasing centres soon realised that the propaganda was more effective if delivered by retailers rather than by representatives of the purchasing centres, which were still regarded by some as wholesale companies. The story of the expansion of Hakonbolaget into The mid-Swedish retailers' own Purchasing Centre (p.76), indicates that this method was already used by Hakonbolaget in 1931. The

¹ Ragnar Allberg (*Så gick...*, 1976) claims that while the creation of a large number of district offices might seem irrational to present day judges, the situation at the time was very different. The means of transportation were not as good, the road system was not as expanded, the capacity of the trucks much lesser, etc. Further, the retailers had a strong wish to be close to their purchasing centre. Local patriotism was very marked and in many towns there were also competing wholesalers.

² A first attempt was reported in 1939, and a more large-scale effort a decade later. The 1949 annual report states that these departments were set up "In order to... meet the member companies' needs within the areas of ironware and household utensils." (AB Hakon Swenson, Annual reports, 1939 and 1949.)

local councils of trustees, consisting of retailers, provided a permanent communication channel of this kind for all the purchasing centres. The appointment of two retail trustees in 1944 created a second such channel for Hakonbolaget.¹

The rapid growth of the purchasing centres and the talk of improved purchasing fidelity suggests that the propaganda was successful. Still, discussions among the managers of Hakonbolaget at this time suggest that the interaction between the purchasing centre and the associated retailers actually was perceived to be problematic.

§ 64 Rendering our distribution apparatus more efficient

Herman Green started the discussion and maintained that the purpose of this point of discussion is to bring our customer contact problem up for a critical review. New and more rational methods must be investigated.

Minutes of the managers' conference, May 5 1947. Trans.

Thus, despite the obvious success with which Hakonbolaget had managed to expand its operations during the 20-odd years since its transformation into the mid-Swedish retailers own purchasing centre, the purchasing issue was still awaiting its final solution.

Summary and links to subsequent chapters

An important conclusion for the remainder of this empirical study is that a relatively distinctive break occurred in the development of the purchasing centres a few years after the second World War. First, the expansion of their office nets, a process which had been started by Hakonbolaget in the mid 1930s, was completed. In addition, war-time regulations largely prohibited the realisation of any existing construction plans to modernise the facilities. New ways of doing things were instead being considered.

Second, the growth in the number of associated retailers, another process that started with Hakonbolaget's reorganisation into a purchasing centre, had also more or less stopped by 1948. Indeed, by the early 1950s, ICA officially declared that it no longer sought to attract more retailers. Still, in terms of turnover, the group continued to grow.

Third, this continued growth was attributed to increased *purchasing fidelity* on behalf of the associated retailers. That is, to an intensified relation between the retailers and the purchasing centres. The changed status of Hakonbolaget's customers from associated retailers to *members* in the purchasing centre, also hinted at this. As I will show in the subsequent chapters, Hakonbolaget's search for a solution to their "customer contact problem" was closely linked to this intensified relation between retailing and wholesaling.

Before discussing the links to the chapters that follow, a comment is warranted concerning a remark I made at the outset of this chapter. I argued (on p.73) that this chapter would indirectly show the difficulties involved in creating a new organisation. By this, I

¹ Their task was supposedly to discuss problems concerning the co-operation between Hakonbolaget and the retailers with their colleagues. (AB Hakon Swenson, Annual report 1944, p.11.)

meant that although my original ambition was to describe ICA's development, this new joint organisation was only rarely visible in the story told. How can this be?

It seems that on-going operations place strict requirements on those involved. Despite the purchasing centres seeing potential benefits from co-operation, few areas appear to have been conducive to co-operation. ICA was able to act on behalf of its founders only in situations beyond their on-going operations, in emerging situations where the requirements placed on those involved are likely to have been at the formative stage.

This has affected the remainder of my study. The story that I set out to write, that of ICA, has become a story of Hakonbolaget. This is not to say that this story is more interesting than one about Eol, SV or Nordsvenska – the choice of Hakonbolaget is merely an effect of my point of entry. What I do say, however, is that a story about ICA during the 1940s and 1950s has to be a story largely about the individual purchasing centres.

The point of departure for the remainder of my empirical story is the distinctive break which I claim took place a few years after the war, and which was reflected both in the wholesale operations and the wholesale-retail interaction of the purchasing centres. Chapters 4-7 are an attempt to account for the re-evaluations and changes that were initiated in connection to this break. Fortunately for me, this turn of events also coincides with an increasing availability of actual remnants rather than retrospective views on the development. Thus, I am able to move on to tell about constructing and taking action.

An important first instance of this was hinted at in the last quote above, from 1947. There, the notions of *rationality* and *efficiency* are brought up apparently for the first time since the introduction of the scheme to transform Hakonbolaget into the mid-Swedish retailers own purchasing centre, in the early 1930s. In the mid-1940s, these notions were fast becoming the new catch-words concerning the distribution of goods in Sweden.

A major reason for this seems to have been the public debate about the high and growing costs of goods distribution emerging at the time. For the first time in Sweden, to my knowledge, goods distribution was put forward as a central social problem, concerning more than just those directly involved in its practical performance. Thus, academics, politicians and labour union representatives joined the representatives of manufacturers, wholesalers and retailers in discussions concerning suitable measures to rationalise / render efficient / reduce the costs of goods distribution.

My account of this debate will show, that although ICA at the time could be reduced largely to the four purchasing centres, these purchasing centres could hardly be reduced to themselves. That is, their development was part of a much wider development in Sweden at the time. The debate shows that the doings of Hakonbolaget was linked to events taking place outside the realm of wholesale buying and selling of goods, to academia and politics, for instance.

Chapter 4

The distribution debate

It was not only within Hakonbolaget that new ways of doing things were considered at the end of the 1940s. Rather, at the time, there was an on-going public debate in Sweden about goods distribution in general, and the question of its rationalisation in particular. This chapter sketches the contours of this debate and its links to the developments accounted for in the subsequent chapters. In fact, the remainder of the empirical study can be said to concern this one issue: how to rationalise goods distribution. At the same time, it is also a story about the development of Hakonbolaget, for the two go hand in hand.

The chapter consists of two parts. The first deals with the on-going debate about goods distribution. The second deals with public efforts to investigate its structure and conduct, and to devise measures furthering its rationalisation. But first, I need a way in.

A point of entry – Goods distribution and its costs

What problems did Swedish food distribution face in the 1940s? No simple answer can be given of course – actors knew different things and perceived different problems. For my purpose, it is important to appreciate *what was known within Hakonbolaget/ICA*.

For this, internally produced histories of ICA are conveniently available sources.¹ But, as argued in Chapter 2, these accounts have limited value as sources since they were produced in the light of the outcome of the process I am interested in. In search of a “less imposed point of entry”,² I have chosen to follow the head of the Organisation Department at Hakonbolaget, Nils-Erik Wirsäll, as he engaged in and documented this debate.

¹ E.g., Margit Falkenstam and Nils-Erik Wirsäll, *Något till livs*, 1967.

² Claes-Fredrik Helgesson, *Making a Natural Monopoly*, 1999, p.47.

Wirsäll was working as an accountant for Hakonbolaget during most of the war. In addition, he wrote articles for *Affärsökonomi*, a leading business magazine. In 1944, he was also engaged by Svenska Reklamförbundet (the Swedish Advertising Association) to lead a study circle – “The costs of goods distribution” – with Torbjörn Öström from the Stockholm School of Economics (SSE). The objective was to “create an increased interest” for “distribution economics”, a subject which had been relatively neglected by economists. As a consequence, one could observe “how more has been manufactured more cheaply, while the costs of distribution have appeared to become higher and higher.”

It is *necessary* to apply more rational economic criteria also to distribution.

Nils-Erik Wirsäll and Torbjörn Öström, 1945, p.117. Trans.

The remainder of the chapter will sketch various ways suggested to bring about this more rational food distribution discussed by Wirsäll and Öström.

The organisers asked Wirsäll to write a book on the basis of his experiences from the study circle. The result, *Varudistributionen och dess kostnader* (Goods distribution and its costs) from 1946, offers a view of his position on the issues. First, Wirsäll claimed that since it was difficult to establish exactly what the distribution costs were, one should not uncritically accept the view of them as being too high. Still, he took the growing number of employees in goods distribution to indicate increasing costs. He also suggested four possible causes to an alleged decreasing distribution-performance: 1) The improved standard of living, causing increased demand for variety and a growing assortment. 2) The change-over from semi- to fully manufactured goods and the economy of mass production leading to fewer and larger production units. 3) The difficulties of mechanising distribution and the rising costs for labour. 4) The demand for increased service from housewives becoming gainfully employed due to labour shortage.¹

Similar arguments were presented by Gerhard Törnqvist², Wirsäll's former teacher at SSE.³ Törnqvist had expressed deep concern about the lack of facts (i.e. ‘standardised quantitative material’) on distribution in Sweden. He argued that it was of particular import “that distribution as the most costly part of the business economy... be subjected to a much more profound study than what has hitherto been the case.” A major reason for his concern was the high and growing relative cost of distribution:

¹ Nils-Erik Wirsäll, *Varudistributionen och dess kostnader*, 1946a, pp.7-12.

² Gerhard Törnqvist (1894-1963) was called to the Stockholm School of Economics in 1934 to become the first Swedish professor of business administration specialised in distribution economics (*Nationalencyklopedin*, q.v.). For a study of his role in shaping the marketing subject in Sweden, see David Östlund, *Gerhard Törnqvist - mönsterbildare, planekonom och marknadsprofet*, 1995.

³ Gerhard Törnqvist (*Vita fläckar på handelns karta* (White patches on the trade map), 1942) held the local character of distribution to require small units and to prohibit a matching of the industrial mechanisation. Growing real wages also made demand more heterogeneous, leading to larger assortments and greater need for consumer guidance. These conditions had to be appreciated, when discussing the growing distribution costs. Since most critics failed to do so, Törnqvist held their mistrust to be unwarranted.

There is no doubt that also the costs of distribution have been in relative growth for decades, in the sense that the sum of the distribution costs have tended to become an ever larger share of the costs, which in all has been spent on production and distribution.

Gerhard Törnqvist, 1942, p.2.

There is an ambivalence in both Wirsäll's and Törnqvist's texts concerning the costs of distribution. On the one hand, they criticise general statements concerning the high and growing costs of distribution. On the other hand, they both stress that these costs in fact are likely to be just that. The same goes for their evaluation of these growing costs:

If one regards the changed conditions for trade... one must reach the conclusion that a relative growth in the distribution costs in itself does not constitute proof of an unfortunate development. On the other hand, one must not conclude that everything necessarily is well in terms of distribution costs. Quite the contrary, one has reason to believe that the strong and yet not concluded expansion within trade ... in its turn will be followed by a rationalisation process, similar to what has been the case within the manufacturing industry.

Gerhard Törnqvist, 1942, p.5.

The final lines present a scenario for the future development within goods distribution. A scenario in which a rationalisation process similar to that experienced within the manufacturing industry plays a central role.¹ As the chapter unfolds, Törnqvist will emerge as an important promoter of such a process of rationalisation within the distributive trades.

Wirsäll referred to Törnqvist throughout his book, particularly to his cost calculations.² He also repeated Törnqvist's views on the difficulties of estimating distribution costs, the lack of facts on the Swedish system, and the character of the distributive activities. Further, he claimed that Törnqvist's colleagues at SSE, Sune Carlsson and Torbjörn Öström, had put forward ideas of "essential import" to the rationalisation issue:

Research on distribution economy purporting to rationalise and render cheaper goods distribution as a whole, cannot be limited to horizontal studies at a certain defined distribution level... [A] study of the conditions of distribution requires that one follows the good on all levels and investigates the total distribution work and the total costs for this. ... If the area under study is limited to the conditions at a certain level, one may run the risk that what seems to be a rationalisation... at one level only leads to the transfer of certain tasks to another level.

S. Carlson and T. Öström, 1944, p.13. (Quoted in Wirsäll, 1946a, p.13.)

¹ Concerning this rationalisation process, Törnqvist (*ibid.*, p.10) was worried that the limited ability of small businesses to experiment and compare alternative practices would prevent them from rationalising their operations on their own. Since he still held goods distribution to necessitate small units, he argued for an organised collection of facts in areas where chains and other group-formations were uncommon.

² My assertion that Wirsäll was influenced by Törnqvist is based on his extensive references to him and on the copy of Törnqvist's article "Vita fläckar på handels karta" found in the material at my disposal. The article contains several marginal notes in Wirsäll's handwriting and a loose leaf with comments. As for other influences, both Törnqvist and Wirsäll seem to have followed the American debate over distribution costs. In fact, both refer to Stewart's and Dewhurst's (1939) "Does distribution cost too much?"

Table 4-1. Tasks, costs and problems for the main types of organisation involved in goods distribution. Source: Nils-Erik Wirsäll, *Varudistributionen och...*, 1946.

	Retail trade	Wholesale trade	Manufacturing
Task	... to offer to the consuming public, at every occasion, such goods for which there exist a relatively stable demand	... to choose a suitable assortment (for the retailers), collect this (from producers) and finally to distribute it to the retail trade	... to find a market for the produced goods (reach the customers, influence them to buy and make the goods available)
Costs	<ul style="list-style-type: none"> • labour costs (50-65%) • facility costs • interest costs • wastage • customer service (credit, home delivery, etc.) 	<ul style="list-style-type: none"> • labour costs (50-65%) • facility costs • interest costs • transports • insurance costs • advertising and propaganda. 	<ul style="list-style-type: none"> • labour costs (sales, warehouse and transport staff) • facilities (offices, warehouses) • travels • advertising • transports
Primary problems	<ul style="list-style-type: none"> • to increase stock turnover rates • to lower the purchasing costs • to base prices on costs • to achieve an even workload 	<ul style="list-style-type: none"> • to increase labour efficiency • to increase stock turnover rate • to increase size of retail orders 	<ul style="list-style-type: none"> • to control the working up of the market • to lower overall distribution costs

When rationalising distribution all the involved actors and activities must be taken into account, making it far more complicated than rationalising manufacturing. In short, they (including Wirsäll) argued for a 'channel view' on distribution.¹ The structure of Wirsäll's book indicates what this channel looked like: it consisted of *retailers*, *wholesalers* and *manufacturers*. Table 4-1 summarises Wirsäll's description of this distribution channel.

Throughout the book, Wirsäll repeated Törnqvist's concern about the lack of information on the Swedish situation. He also kept using the Consumer Co-operation and ICA as illustrative cases of progressive practices within Swedish goods distribution.²

In a short concluding section, Wirsäll asserted that goods distribution had been unable to keep up with the rapid transition of the manufacturing industry during the past decades. He suggested two measures which he argued would improve the understanding of distribution problems: *increased co-operation* aiming at increased efficiency, and *additional research on distribution* as a basis for this co-operation.

But if such a co-operation ... is to be fruitful and if we are to have any use of our statistical data and distribution-economic studies *we must free ourselves from all prejudice*. We must learn to think in a way which is disconnected from old routines and time-honoured trains of thought...

Nils-Erik Wirsäll, 1946a, p.77-78.

Thus, although Wirsäll's purpose was to overview goods distribution and its costs, he did touch upon rationalisation. Primarily, he stressed the need to regard the distribution

¹ To modern-day observers, these ideas, which are part and parcel of any introductory course in distribution, might seem self-evident. A brief look at the practical problems with which distributors grapple, though, suggests that they are as problematic today as they were 50 years ago.

² Nils-Erik Wirsäll, *Varudistributionen och...*, 1946a, p.27, p.33, and p.46-47

chain as a whole, rather than focusing on a single link. In line with this, he emphasised co-operation between the involved companies in order to achieve rationalisation.

Of course, Nils-Erik Wirsäll was far from the only one aware of these issues within ICA. Several articles in *ICA Tidningen* were devoted to informing the associated retailers about these matters. Thus, for instance, in December 1944 it was noted:

That the issue of distribution and its costs is highly topical is apparent from the vivid interest given to these problems both in newspapers and talks ... The ICA-congress in Uppsala this year had the distribution issues on the agenda, and they have been illuminated most recently in a series of talks at a meeting arranged by the Gothenburg Advertising Club on October 26. There, associate professor Sune Carlson, SSE, director Allan Hernelius, SSLF, and director K.E. Gillberg from Kelifa spoke. The conclusion was that all parties within the free trade must assist in keeping the interfering hand of Government away. The means for this are co-operation and rationalisation. ...

To this end, one must also view the distribution problems at large and not be misled to believe that the rationalisation of details within each individual company will do the job. Surely, much can and need to be done also in that respect, e.g., concerning home delivery, credit, efficient utilisation of staff and facilities, assortment of goods and stock-keeping, etc., but the greatest profits can be made by simplifying the purchasing system and supply of goods of the private retail trade. As this largely works at present, an immense amount of double work and double costs and other malconditions arise, which through appropriate measures almost entirely may be eliminated and which, in fact, must be eliminated. Else private trade and its suppliers will be subjected to government intervention after the war and have to yield to other business forms which already have come far in terms of rationalising their procurement of goods.

ICA Tidningen 1944:11, p.13-14.

The excerpt suggests that the 'channel-view' also was espoused centrally within ICA. Further, it introduces a theme which will be recurrent throughout this chapter: the threat of government intervention. It even offers a solution: "co-operation and rationalisation."

To summarise, this section has served to show that there was a basic awareness of, and concern for the costs of distribution within Hakonbolaget in the 1940s. I now turn to the post-war debate on these issues which involved businessmen, politicians, academics and trade union representatives. On several occasions, Nils-Erik Wirsäll contributed to this debate as a representative of Hakonbolaget. The debate was also reflected in articles published in *ICA Tidningen*, in discussions during board meetings, and in meetings with the councils of trustees of Hakonbolaget. But more on this in subsequent chapters.

4.1. The post-war debate on rationalisation

It seems to have been widely accepted that the distributors had been working under extraordinary conditions during the war. Articles and publications indicate that many regulations and considerable administrative work had been imposed on the distributors, among

other things concerning the rationing of goods.¹ Thus, despite a general awareness of the high costs of distribution, it was only as the war was coming to an end that a more heated debate came to the fore. Representatives of the manufacturing industry argued that while production costs had been cut through the utilisation of technological advances and careful studies of the activities involved, distribution costs had been ever increasing, both relatively and absolutely.² This critical stance on behalf of the manufacturers was also actively promoted by some politicians, e.g., the Minister of Commerce, Gunnar Myrdahl:

It would be unreasonable that the manufacturing industry, which works intensively to lower their own costs by a few percent, at the same time indifferently should watch how several tens of percent are added to the production costs to bring the goods to the consumers. Here, the manufacturing industry has an interest which completely coincides with that of the democratic society.

Gunnar Myrdahl, 1946, p.49.

The ensuing debate engaged politicians, academics, manufacturers, distributors, representatives of trade organisations and trade unions. From the looks of it, Nils-Erik Wirsäll kept abreast with, and repeatedly contributed to this debate.³

Below, I sketch the outlines of the debate, the issues involved, the main causes identified, the solutions suggested, etc. First, I look at the starting point of the debate – the uneven development of production and distribution costs. Second, I attend (at least in spirit) a discussion at SSE, where the efficacy and beneficial effects of private establishment control were debated. Third, I examine a call for a public investigation of the structure of food distribution made by the Swedish Trade Labour Association (*Handelsarbetareförbundet*), which added to the fears of government intervention that were kindled in the debate. Fourth, I look at the contributions concerning the rationalisation of distribution at a conference arranged by the Advertising Association. Fifth, I return to SSE for a discussion of a practical example of distribution rationalisation. Sixth and finally, I attend (again in spirit) a 1952 conference that offers an up-date of the issues.

Efficient production, inefficient distribution?

In September 1945, the Swedish Advertising Association organised a conference called “The manufacturing industry’s distribution of goods in practical illumination.” The proceedings from the conference provide an introduction to the issues involved. The discus-

¹ See *Kostnader och intäkter* (Costs and revenues), SSLF, 1942; *Detaljhandeln och ransoneringen* (Retail trade and rationing), ICA Tidningen, 1941:10; Anders Örne, *Bromsen på näringslivet* (The check on business), 1948; R. Kalderén, *Staten och rationaliseringen* (The State and the rationalisation), 1948. Public interventions in business are discussed in Stig Hadenius et. al., *Sverige efter 1900*, 1993.

² See, e.g., *Industrien och varudistributionen*, Industriförbundet, 1947.

³ The fact that most of the material used in this chapter is taken from Wirsäll’s own archive, indicates his knowledgeability of the issues. As to his participation, the discussions below will show that Wirsäll was to be found among the invited speakers on several occasions where these issues were discussed.

sions and suggestions on how to improve efficiency concerned four themes: i) The order routine within the company; ii) Packaging and packing, iii) Warehouse work and execution of orders, and iv) The transport-economic problem of the manufacturing industry.¹

In his welcome address, the Chairman of the Association, Sten Horwitz, made the following observation concerning the rationalisation of distribution:

It seems natural that the *rationalisation* of distribution, which without doubt is desirable, primarily is directed towards "physical distribution", i.e. order handling within the company, packaging, warehouse work and execution of orders and transports. These functions seem well suited for the further mechanisation that every rationalisation leads to, but it does not hurt to point out in this connection, that sales, where human and other unpredictable factors play such a great part, does *not* lend itself to a far-reaching mechanisation.

Sten Horwitz, 1946, p.9.

According to Horwitz, then, goods handling was suited for rationalisation whereas the "human and unpredictable" sales activities were not. He also held rationalisation to be inextricably linked to "further mechanisation", and thus largely a 'technical' issue. This distinction will prove to be a recurrent theme throughout the debate. As for the doings of Hakonbolaget, Chapter 6 will account for efforts to achieve this kind of rationalisation.

Gillberg: Price according to performance

The first invited speaker was K.E. Gillberg² from Kelifa, the trade organisation for the Swedish chemical and food manufacturers. Gillberg argued that the high costs of distribution made it necessary for producers to attend to these issues:

[Since distribution costs make up such a large share of the price of a good] it is natural that the manufacturer must follow, and to his ability attempt to smooth the way of the good to the consumer, so that the savings which modern production technology brings are not cancelled out by uneconomic distribution.

K.E. Gillberg, 1946a, p.11.

Just as Horwitz, Gillberg pointed at the difficulties of mechanising distribution, but he also emphasised the difficulty of controlling the rationalisation process:

Participation from external parties, whose interests cannot always be coordinated with those of the manufacturing companies, is required.

K.E. Gillberg, 1946a, p.12.

Despite these difficulties, Gillberg stressed the need for action also on behalf of the manufacturers. Foremost, he saw considerable risks for private enterprise if nothing was done:

We must realise that the efficiency in various parts of the business economy is a concern not only for the businessmen themselves and their trustees but a social interest of the most burning topicality. It is necessary for us to be able

¹ *Industriens varudistribution i praktisk belysning*, 1946, Förlags AB Affärsekonomi.

² K.E. Gillberg was a prominent figure within Swedish food trade before and after the war. In the 1930s he was the director of the newly formed trade organisation for food and rural retailers, SSLF. In the 1940s he represented the food and chemico-technical manufacturers' trade organisation, Kelifa.

to show that the private business, which according to us constitutes the indispensable driving force for economic development, is capable of dealing with and overcoming the deficiencies which still exist. If this is not made to happen, we obviously run the risk of other powers engaging in this area, with the consequences which this must bring for the entire business economy.

K.E. Gillberg, 1946a, p.13.

In short, Gillberg held these issues to be urgent enough not to be left to the distributors themselves. Further, he stressed the risk of government intervention, should private business be unable to remedy the present shortcomings of the system.

As the guiding principle for the practical tasks which lay before the manufacturers and distributors, Gillberg advocated a principle of 'pay for performance'.

It is necessary to strive for a solution to the cost issues [which] as closely as possible, is connected to the real division of labour, i.e. to the actual activities which each of the various levels in the production and distribution chain performs. Unfortunately, ... a considerable "lag" applies in this respect. This is particularly the case concerning the wholesale function and the costs for it.

K.E. Gillberg, 1946a, p.15.

It seems that Gillberg largely shared Wirsäll's conviction that the rationalisation of distribution required a holistic view (above p.109). They differed, however, on the perspective from which this view was to be had. To Gillberg, the manufacturer's view was the self-evident starting point, whereas Wirsäll emphasised co-operation between those involved.

The other talks at the conference differed markedly from Gillberg's. Only Gillberg addressed the implementation of changes that would alter the division of labour and the margins for the involved companies. The other speakers (managers, architects and academics) all discussed their own practical experiences or theoretical ideas on how to solve distribution problems. In line with Horwitz' ideas (see p.113), they focused on the 'technical' or 'inner' rationalisation of distribution. That is, on how to do things at less cost.

Efficiency, rationalisation and competition

As suggested in (and by) the excerpt from ICA Tidningen above (p.111), the rationalisation issue was given attention not only at business conferences but also in media (and at the 1944 ICA convention). Articles with arguments similar to Gillberg's appeared in the business press, stressing the conflict between the savings generated by new production technologies and the expensive and old-fashioned distribution. Here is one example:¹

Production and distribution are equally important to the consumer. We have learned how to produce at low cost, but distribution to the consumer is complicated and expensive in modern society. National economic efficiency compels us to act forcefully to render trade more efficient and less costly...

While the cost of producing goods has been lowered, the distribution costs have grown both per cent and absolutely... The efforts to reduce costs have hitherto

¹ Taken from Wirsäll's binder "Handelns Rationaliseringsproblem" (The trade rationalisation problem).

been regarded as a task mainly for the manufacturers, but judging from the magnitude of the distribution costs it ought to be clear, that the same task applies to distributors as well. It is a societal task to rationally reduce the costs of distribution, and we have now surely reached the point at which distribution costs can be reduced more than manufacturing costs. ...

The distribution methods now and half a century ago are in principle quite unchanged. The main difference lies in a growing number of better equipped stores, a growth of all previously existing costs and, in addition, costs for customer service and advertising.

Josef Anér, 1946, p.329-330.

Efficient production, inefficient distribution. Anér went on to suggest that this situation was caused by the Resale Price Maintenance (RPM) system.¹ For although competition between manufacturers resulted in the lowest possible prices, he said, the distributors received these prices in the form of extra rebates. At retail level, the price was kept intact, protected by "establishment control and delivery suspension." Retail and wholesale competition had thus come to focus on service rather than price, and the set margin had "constituted the frame within which costs unfortunately have been allowed to expand."²

According to Anér, then, the pricing system contributed significantly to the need for rationalisation. He suggested five measures that would lead to a more efficient, less costly distribution: 1) find the shortest path from producer to consumer (intermediaries made goods more expensive); 2) rationally separate goods that require wholesaling from goods that can be sold directly (from manufacturer to retailer); 3) perform the required tasks at the most cost efficient point; 4) limit the assortment; and 5) differentiate the service offered by retailers.³ Irrespective of exactly how the costs were reduced, he argued that free competition was the *primus motor* for cost reduction and efficiency:

The foremost promoter of efficiency is of course a free and cost reducing competition... There is hesitance towards letting free competition pass like an angel of destruction...The competition should be free, but naturally it should be fair. Take away everything that hinders natural selection to manifest itself...

Josef Anér, 1946, p.331.

As will become clear below, Anér was one of many stressing the import of competition to achieve rationalisation. His final comment suggests that there might be different opinions both as to the kind of competition sought, and how competition would manifest itself.

Summary

A number of ideas about the rationalisation of distribution were brought up in these first contributions to the debate. First, the starting point was the belief / claim that the costs of

¹ The system of Resale Price Maintenance (RPM) meant that producers set the consumer price charged for their goods, as well as the wholesale and retail margins (set as percentages deduced from the consumer price). Thus, neither retailers nor wholesalers were allowed to set their prices individually.

² Josef Anér, *Handel och distribution som effektivitetsproblem*, 1946, p.330.

goods distribution were high and growing. Second, this was held to be a serious problem for (and by?) both the manufacturers and the distributors. Third, suggestions were made as to how a rationalised (less costly) distribution could be brought about. Foremost, the notion of rationalisation appears to have been associated with technical solutions for handling goods and orders more efficiently. In addition, altered pricing policies and free competition were brought up as general promoters of rational goods distribution. Finally, the threat of government intervention was used as a motive for attending to the issue.

The private establishment control within retail trade

The practice of *private establishment control* which Anér briefly mentioned as a reason for inefficiency, was made part of the debate in 1946.¹ What was this practice? Why was it made part of the rationalisation issue? What were the major controversies concerning it?

Proponents of the system said that it purported to safeguard “a sensible planning of the store net” and an acceptable skill level among the retailers. Organisations representing manufacturers, wholesalers and retailers had agreed on a procedure for handling retail establishment applications. Applications were to be made to local co-operation councils, consisting of retail and wholesale representatives. These councils then decided whether or not to approve the application based on the competence and economic qualifications of the applicant, the character of the facility and the general business conditions in the area.²

A major reason for its topicality seems to have been the commissioning of a public investigation by the Minister of Commerce, Gunnar Myrdal in June 1946. These experts, *Nyetableteringssakkunniga* (the Business-entry Expert Group), were “to investigate the need to abolish private control over new business establishment, as well as certain unsuitable methods of competition such as boycott, exclusive contracts, and price differentiation, and to suggest those measures which this analysis could call for.”³ Their final report is discussed in the second part of the chapter (see p.149). Here, I follow Nils-Erik Wirsell in a discussion on “Establishment control within retail trade” arranged by Företags-ekonomiska Föreningen (the Business Administration Club) at SSE in October 1946.⁴

³ Ibid., pp.330-331.

¹ What do I mean by “made part of”? Well, it is not mentioned in Wirsell’s book, or in his material on the rationalisation issue prior to 1946, or in Törnqvist’s overview of goods distribution from 1946. Anér briefly mentions it. Any discussion of the issue prior to 1946 apparently passed by relatively unnoticed.

² S. Lundberg, *Detaljhandelns nytableteringsavtal* (Retail trade’s agreement on new establishment), 1946.

³ Quoted from the committee directives in SOU 1951:27, Department of Commerce, p.7.

⁴ The talks and the ensuing discussion, characterised by the chairman, Gerhard Törnqvist, as “important, on occasion quite harsh but honest and rewarding”, was reported in *Affärsökonomi* 1946:20. The speakers were: S. Lundberg, Sveriges Kolonialvaruengrossisters Riksförbund (the Swedish Grocery Wholesalers Association); G. Sandberg, SSLF (the Association of Swedish Rural and Grocery Retailers); N-E Wirsell, Hakonbolaget; R. Kaldéren, NK; N Kärrlander, AB Plastolit; and K.E. Gillberg, Kelifa (the Association of Swedish Food and Chemo-Technical Manufacturers).

During the discussion at SSE, one of the speakers briefly commented on the starting point that the Minister of Commerce had indicated for the public investigation:

...the Minister of Commerce stresses that it cannot be taken for granted... that it is through private establishment control that one best counteracts the production and distribution machinery becoming too big, or provides for the companies to reach the turnover and soundness which is required to combine high standards and low costs. For there is the risk, it is stated, that artificial barriers to entry erected by private interests instead contribute to maintaining high prices and costs. ... neither can an unbiased investigation preclude the possibility that a certain establishment control is required also from a societal point of view.

S. Lundberg, 1946, p.1314.

In this way, Lundberg emphasised that the question of whether establishment control had positive or negative consequences was still an open one.

What arguments were brought up in favour of and against this practice during the discussion at SSE? First, I present the pro-establishment-control-view as expressed by three speakers representing involved organisations. Then, I present contested aspects of the practice based on three critical talks and the ensuing general discussion. To highlight what the points of disagreement were, I have chosen to present the critique thematically.

The character of and motives for establishment control

The first speaker was the secretary of the Association of Swedish Grocery Wholesalers (SKR), who described establishment control anno 1946. He claimed that the agreements generally contained four main points: i) a definition of the term establishment; ii) the grounds on which a case should be tried; iii) rules concerning the bodies which should try such cases; and iv) rules concerning appeals, how decisions should be served.¹

As an example, he used the agreement for the grocery and food retail trade which involved Kelifa (representing the producers), SKR and ICA (representing the wholesalers), and SSLF (representing the retailers). This agreement defined establishment as: i) opening a new business, ii) establishing a branch, iii) expanding the assortment of a business into the grocery and food trade; iv) relocating an existing business to find a new clientele; v) restarting a previously closed-down business, or vi) continuing a business after a deed of arrangement. It also stipulated that cases should be tried by a local *co-operation council* made up of four wholesale representatives, three retail representatives and an "impartial" chairman with the casting vote.² The grounds for judging a case were:

- 1:0 The personal competence (trade experience, commercial knowledge etc.);
- 2:0 The economic qualifications (the capital required, his own or borrowed, for equipment and stocks);
- 3:0 The character of the facility (modern, up to date stores);

¹ S. Lundberg, *Detaljhandelns nyetableringsavtal*, 1946, p.1313.

² *Ibid.* p.1313-1314.

4:0 General business-policy conditions. This is the so called need-principle. When judging the need, the existence of other retail businesses in the place should not in itself present a barrier to the establishment.

S. Lundberg, 1946, p.1313.

The fourth ground was called the *need principle*, since it prescribed that an establishment for which no *need* could be found, should be denied. As we will see below, the critics raised objections towards the first, second and fourth of these grounds.

Before the critics were allowed to comment, however, a representative of the retail trade gave his views on "The private retail trade's motives for establishment control."

Our wish and our intention is ... to try to have skilled people in charge of retail trade and to have a tolerably sensible planning of the store net.

G. Sandberg, 1946a, p.1315.

Who could have anything to say against this ambition? To have skilled people and a "tolerably sensible planning of the store net" can hardly be a bad ambition. Or can it? As Sandberg developed his position, he made the following comment concerning skills:

We are also eager to safeguard the continuation of this development [increasing competence within private retail trade] without being hindered too much by outsiders, who by disposing over capital may push the able but less capitalised aside, when it comes to opening new stores.

G. Sandberg, 1946a, p.1315.

Apparently, some sacrifices were necessary to safeguard an increasingly skilled body of retailers. In particular, Sandberg held "outsiders", i.e. non-members of the profession, to be a group doing more harm than good in this respect. He went on to complain about critics, e.g., the Consumer Co-operation, who found faults both in the stores being too many and too small, and in the retail trade attempting to remedy this through establishment control. Finally, he argued that the effects of establishment control should be evaluated by comparing areas where it had been practised with areas where it had not:

In the latter area, a completely free and unrestricted competition has alone been the judge, and thus, the most able talents ought to have been able to advance unchecked there, and there we should thus have the best kept stores. In practice, however, it turns out the other way around in private retail trade. The Consumer Co-operation and other chain store companies have, on the other hand, had the greatest success in the country in precisely these areas...

G. Sandberg, 1946a, p.1315.

Judging from the above, Sandberg held establishment control to be a measure that gave private retail trade competitive strength. Which is a quite different motive than those he listed initially. It is worth noting that Sandberg, a representative of the private retailers in Sweden, saw no connection between the success of their competitors (the co-ops and the chain stores) in areas where establishment control had not been practised, and the idea that free competition would result in the best kept stores...

The final proponent, K.E. Gillberg from Kelifa, also asserted the positive effects of establishment control on goods distribution, both for manufacturers and distributors.

I would like to point out that concerning goods distribution, the manufacturers only have the goal that this should be as cheap and effective as possible, that is, that the good should reach the consumer as cheaply and effectively as possible. If the establishment control would act in another direction, these manufacturers would not be the least interested in it...

K.E. Gillberg, 1946b, p.1319.

No ulterior motives in sight. Since Gillberg chose to comment on the other contributions rather than delivering a talk serving to explicate his standpoint, I have placed most of his comments in connection with the issues brought up during the ensuing discussion.

Issue 1: The economic criteria for evaluating establishment cases

The first critic was Nils-Erik Wirsäll, who questioned the use of economic criteria as a ground for trying establishment cases. In particular, he was concerned about the assessment of the moving capital available to the applicant. He argued that one could not uncritically accept the idea that a retailer who invested his own capital would try harder than one who borrowed his. More important, he said, was the *potential yield* of the store.

[P]eople who seek to open up new businesses [often do not know] the factual potential yield of a retail business. They dream of attaining large profits... many establishment cases could be written off at an early stage, if the applicant in question really had been informed of the factual profit potential at hand. And who could be better suited for this task than the suppliers?

Nils-Erik Wirsäll, 1946b, p.1316.

Apparently, Wirsäll held “the factual profit potential” to be readily available to the suppliers of the retail trade, i.e. the wholesalers. However, he also criticised wholesalers for promoting a less than rational organisation of the retail trade by trying to seize new retail facilities at all cost and then supporting the retailer financially if he purchased from them.¹

During the discussion, it was suggested that banks rather than suppliers should finance new retail operations. Increased price differentiation was also suggested as a way to reduce the need for establishment control, and hence evaluations based on economic criteria. Contrary to Wirsäll, Gillberg claimed that considerable educational activities took place at local level also on establishment issues.²

Issue 2: Evaluations based on the need-principle

A more openly critical stance was assumed by Rudolf Kalderén at NK (a large department store) concerning the fourth ground, the local means-test or *need-principle*.

¹ Nils-Erik Wirsäll, *Nyetablelingskontroll på basis av den etablerandes ekonomiska förutsättningar* (Establishment control on the basis of the establisher's economic qualifications), 1946b.

I can never envisage an objective trial in these cases. One cannot avoid bringing purely competitive aspects into the assessment of these issues... I do not know, how it is possible to establish the local need for a new store...

When it comes to need assessments and establishment arrangements, intuition and individual skill is disconnected, and a committee constituted in a certain way is held to possess an ever greater wisdom than the individual little man, who has a feeling that he shall open a store and make it big. All this rests on a certain overconfidence in the ability of organisations to solve social problems.

R. Kalderén, 1946, p.1317.

Apparently, the reason for Kalderén's critical stance was a certain distrust in organisational governance. Indeed, he argued that reliance on organisational governance would lead to government intervention – a familiar scenario for Swedish goods distribution at the time.

Gillberg replied to Kalderén's critique in a "look-who's-talking" fashion, arguing that many large manufacturers and retailers had individual agreements which provided exclusive access to certain markets. He did not refrain from indicating specific persons, claiming that director Kalderén himself on occasion had acted to limit competition.¹

Rather than directly replying to Gillberg's charges, director Kalderén repeated his critique concerning the *need principle* during the ensuing discussion:

[G]eneral business-policy conditions may always be constructed if one wants to counteract something. There are in this respect no facts which one can rely upon. The personal competence may be directly proven, a person can get a certificate as to this, and the economic qualifications may also be proven. The character of the facility can also be shown to be appropriate, but when it comes to the general business-policy conditions, the decision must be a matter of judgement in the council... The great risk of such a procedure is that the individual in this way is disconnected from the context and is given no say in the matter. Instead, a group of gentlemen, three of whom are competitors and the others residing higher up in the hierarchy and seek a certain power over this part of the business economy, sit down to make such judgements.

R. Kalderén, 1946, p.1320.

A major source of Kalderén's discontent with the need principle was a perceived lack of reliable ways of calculating the need.

Rather than providing arguments in support of the principle, Gillberg renewed his attempt to discredit Kalderén. He asked Kalderén about NK's involvement in an attempt to hinder an establishment by the china manufacturer Rörstrand:

[A]ccording to which of the four principles in the establishment control was this done? Was it the lack of personal qualifications within this company? Was it the lack of economic qualifications? Was the facility not in good condition? Or was it perchance these general business-policy conditions, which director Kalderén spoke of and which can be used for many things?

K.E. Gillberg, *Affärsekonomi* 1946:20, p.1322.

² K.E. Gillberg, *Fabrikanterna och nyetableringskontrollen m.m.* (The manufacturers and the establishment control), 1946b.

¹ *Ibid.*

In reply, Kalderén asserted that this action on behalf of NK had been motivated not by the general business-policy conditions, but by “a clause that is omitted from this agreement, namely general moral conditions.” Gillberg got the final word, arguing that it would be most unfortunate if Kalderén also was to be the guardian of moral standards...

Since Kalderén appears to be the only one who actually presented any arguments on the matter, it is hard to assess the precise character of the controversy. To Kalderén, however, the need principle was reprehensible due to its arbitrariness and lack of calculability, its disregard for the individual applicant and the vested interests of those who were in a position to use it (the co-operation councils).

Issue 3: Evaluations based on the personal qualifications

The third critic argued that the co-operation councils were too far removed from the practical reality of the applicants to correctly assess their qualifications. He also questioned if the criteria used – trade experience and knowledge of accounting – were the right ones.

The required knowledge of accounting supposedly has been put up based on some dim feeling that he who knows something about accounting also knows something about economy. I don't think these two are related to each other.

N. Kärlander, 1946, p.1318.

Contrary to Kalderén, he held any attempt to assess the personal qualifications to be pointless since there was no way of determining a person's ability to keep a retail store.

Issue 4: Price differentiation

Although not part of the establishment control system *per se*, price differentiation was brought up as a way of reducing the need for the system. Wholesalers should charge according to the costs they incurred for serving their customers:

Neither is it correct that new and small companies have the same prices as the larger, existing companies, that is, companies that, counted per unit of a good, cause less sales- and service-costs for the suppliers. If the suppliers rationally organise their terms of payment and price differentiation issues, I think that good effects in the establishment issue would appear as a ripe fruit.

N. Kärlander, 1946, p.1318.

Gillberg replied that a differentiation would have negative consequences for new stores:

This would of course be quite nice for the existing shops... For it would mean a discrimination in secret and maybe cause a growth in the infant mortality... without providing the clarity as to the cause of death that the establishment control does.

K.E. Gillberg, 1946b, p.1319, 1338.

But this was not what the critic had had in mind:

When I spoke of the price differentiation, I did not mean that there should be any special price differentiation problem for the newly established retail shops, rather, the price differentiation issue must be solved as a whole. The

pricing that now exists is really a much more extensive price differentiation, namely... that two customers are charged the same for different services.

N. Kärrlander, *Affärsekonomi* 1946:20, p.1322.

This position was supported by Gerhard Törnqvist, who in an attempt to summarise the discussion, underscored the importance of pricing for the establishment issue.

One has for years preached that the equal-price policy is the sum of all justice, but it is really the sum total of all injustice. It means that one, in a routine-like fashion, treats everyone, buying under different conditions, in a single uniform way which leads to too many small stores.

Gerhard Törnqvist, *Affärsekonomi*, 1946:20, p.1323.

Gillberg largely agreed with Törnqvist, but added a saving clause.

The establishment control could be put somewhat in a back seat though and become a reserve... in the most flagrant cases. ... The establishment control has, despite all, always been a measure purporting to rationalisation.

K.E. Gillberg, *Affärsekonomi* 1946:20, pp.1324, 1339-40.

Judging from these comments, there appears to be something of an agreement that a differentiation of prices according to performance would be beneficial and that it would reduce the need for establishment control. By how much remained an open issue. A slightly different opinion was voiced by Sandberg, who argued that fixed price lists (which seems to me to imply uniform pricing), were necessary to keep order (see quote on p.123).

Issue 5: Free competition

This theme, which can be labelled “the protection of the little man vs. free competition”, was a reaction to Sandberg’s comment on “outsiders”, above.

[Director Sandberg] pointed out that there is a certain interest here to protect somewhat the employees in retail trade who want to establish their own businesses, if they do not have much money, against the large, well capitalised outsiders who want to push into the area. This is also a very delicate and dangerous point, for the constructing of a small guild system is underway there.

R. Kalderén, *Affärsekonomi* 1946:20, pp.1320-1321.

Sandberg replied that he indeed held such a protection to be legitimate. He found it wrong that “a large company pays SEK 50,000 in goodwill for a grocery shop.” Instead “the individual clerks ought to be aided, and big business should not dominate this area.”¹ This outspokenness caused several of the participants to comment on the issue:

I cannot deny that I find all attempts at establishment control from the retail organisations to be ways through which they seek to look after their own interests. ... The employees can readily open their small shops, they say, they are no fierce competitors. But if a well capitalised company comes along ... that may open a large shop at once and reduce the costs of distribution right now, this may hurt the already existing shops... I find this opposed to progress, for

¹ G. Sandberg, *Den enskilda detaljhandelns motiv till nyetableringskontrollen* (Private trade’s motives for establishment control), 1946a.

the development is towards a cheapened goods distribution, and to this end larger units must necessarily be created.

Britta Baeckman, *Affärsekonomi* 1946:20, p.1321.

Baeckman's comment¹ made explicit a criticism which also was found in Kalderén's talk of guilds, viz. that a hostility towards change was present here.

As concerns the discussion about supporting the small companies and preventing big business from monopolising too much, I would like to say, that he who manages the companies in the most rational way, irrespective of whether it is the large capitalists or the small capitalists, should run them.

Arne Rosenberg, *Affärsekonomi* 1946:20, p.1324.

Even if unrestricted competition was not explicitly mentioned in the quote, this was the mechanism which Rosenberg argued would safeguard a rational management of companies. This view was also echoed by several others during the discussion. It was further argued, that such a free competition would be beneficial to progress.

Doesn't everyone speak of free enterprise, but then act in another way? If one at all professes adherence to the principle of free enterprise, one should also act accordingly... Through strict establishment control one preserves the existing. Then no one gives a damn about these shops being efficient or not. I think we would move forward by letting those who have found new methods pass. Doubtless, the chain stores have meant a certain revolution, and there may be other forms, which will revolutionise further. In this way one can achieve innovation in distribution. But one does not through strict control.

R. Kalderén, *Affärsekonomi* 1946:20, p.1340.

Two of the proponents of establishment control, directors Gillberg and Sandberg, also advocated free enterprise, in principle, although adding some qualifications.

I would accept [these] views, if there were balance in the business economy and equal opportunity to utilise the freedom... We must try to reach a synthesis between entirely free competition and planned economy, where the demand for free competition is respected while a certain degree of planning is applied.

K.E. Gillberg, *Affärsekonomi* 1946:20, p.1340.

I concur with the wish for free competition... But there must still be some regulations. Conditions may degenerate completely without fixed price lists and rules... free competition can be maintained also with some rules.

G. Sandberg, *Affärsekonomi* 1946:20, p.1340.

It would appear then, that although most participants agreed on the import of free competition, the opinions differed as to what this really was, and as to what extent it should be practised. To Gillberg, freedom *in potentia* differed markedly from freedom *in actu*.

An observation concerning this theme is that while people may agree on a certain principle, e.g., on free competition or progress, it is decidedly more difficult to agree on a

¹ In reply to Baeckman, Gillberg suggested that she had good reasons for being critical. She ran a relatively large company and could plan her establishments carefully and thus stood to benefit from a less well-organised private trade. (*Affärsekonomi* 1946:20, p.1340.)

practice, e.g., on what *constitutes* free competition or progress. Particularly as someone usually stands to benefit from a certain interpretation. It would further seem that no one knew how to make use of this better than director K.E. Gillberg, who repeatedly pointed at the potential gains that a dismantling of the system would render those opposed to it.

Summary: Establishment control and the rationalisation of distribution

The discussion at SSE indicates that private establishment control was a contested practice. There was disagreement both on how it was performed and what its effects were. The proponents argued that it purported to achieve a sound retail structure, an acceptable skill level among retailers, and a cheap and effective goods distribution. The critics argued that it in fact hindered the emergence of efficient retail operations, and that the grounds used for evaluation either were the wrong ones or far too arbitrary.

Two alternative 'establishment-control-mechanisms' were suggested: differentiated pricing and free competition. If the suppliers would differentiate their prices according to the costs caused by their customers, the argument went, the small and inefficient stores would be unable to survive. Similarly, free competition (which meant scrapping the system) was suggested to promote innovation, and hence lead to effective goods distribution.

Throughout the discussion, there was a clash between principles and practice. First, the critics argued that the principles for evaluating establishment cases had adverse effects in practice. Second, the principle of free competition was espoused by most participants, whereas there was disagreement as to what was to count as free competition in practice.

Investigate the structure of Swedish goods distribution!¹

Gerhard Törnqvist's concern about the lack of facts on goods distribution was shared not only by Wirsäll (see p.108). In October 1947, Handelsarbetareförbundet (the Swedish Trade Labour Association) asked for a public investigation of goods distribution...

... with the purpose of achieving an increased rationalisation of the various parts of goods distribution, whereby both cost reductions for the consumers could be made possible and, through increased soundness of the distribution companies, better chances be created for those employed within trade to reach equality with workers within other sectors of the labour market.

Petition to the Dept. of Trade from Handelsarbetareförbundet, 1947.

The petition was given considerable attention in the media and by wholesalers and retailers. In December 1947, a "numerously visited discussion" was arranged at SSE on "The structural rationalisation of Swedish goods distribution." The first speaker was the chairman of the Trade Labour Association, S.A. Johansson. He stressed the unfortunate lack of figures "available to illuminate this sector of our business economy" and continued:

¹ The material used for this section is from Wirsäll's binder "Handelns Rationaliseringsproblem."

... we in no way find abnormal the fact that the number of persons employed within distribution rises from year to year. This tendency [is] completely natural given the technical advances that enable the workers employed within the manufacturing industries to produce more units per man and hour than before. The distribution of this swelling goods volume to the consumers... quite naturally requires an increased number of employees.

S.A. Johansson, 1948, p.71.

As had previous commentators, Johansson took the high costs of distribution, as well as the difficulties of mechanisation, to be incontrovertible facts. Whereas representatives of the manufacturers claimed that the high costs were due to inefficient practices, however, Johansson was less critical. Repeatedly, he labelled the development as being "natural."

Still, many trade representatives had found the petition distressing and had criticised the Trade Labour Association for taking the manufacturers side (the account in Chapter 5 will show that this included people within Hakonbolaget). Johansson denied this:

...one should try to put oneself into the line of thinking of the opposite interests, in order to reach the greatest possible objectivity by comparison with one's own experiences. It has thus not been a matter of yielding to a subjective appreciation of the statement made by the manufacturers concerning the rationalisation of trade, but rather a reason to point out the critique emanating from quarters which are not daily preoccupied with the tasks.

S.A. Johansson, 1948, p.71.

He also acknowledged that efforts to reduce the distribution costs had been made by both wholesalers and retailers. In wholesaling, this primarily concerned purchasing concentration. In retailing, however, there were areas where little had happened:

But in other areas – I then have certain areas within food retailing closest to mind – distribution methods are practised which strongly underscore the need for changed forms. Surely, it would be possible to reach an order which guaranteed an optimal level both in terms of size and number of stores.

S.A. Johansson, 1948, p.72.

So, Johansson believed in an optimum retail structure. He also claimed that thorough investigations were needed to reach this state. To add credibility to his claim, he quoted Gerhard Törnqvist on the diseconomy of small stores.¹ However, Törnqvist, who chaired the meeting, failed to give wholehearted support to this interpretation of his text:

[T]he stores quite simply have to be very small, if they are to fill their primary task of satisfying the people that live in and around small communities with the selection of goods that they normally demand. ...

Gerhard Törnqvist, 1948a, p.73.

¹ Johansson quoted as follows: "... it can hardly be regarded as economically sound that for food retail stores (where the differentiation of customer service ought to have the greatest chances) our 20 largest communities show a smaller average size (2.7 persons per store according to the 1931 census) than the following 33 communities (3.0 per store) and these in their turn smaller than the next group of 20 communities (3.3 per store)." (S.A. Johansson, *Förslaget om strukturundersökning* (The proposal for a structural investigation), 1948, p.72)

Largely, though, Törnqvist did support the petition in his comment from "a distribution economic viewpoint." He was opposed to some specific formulations, such as the somewhat critical stance towards wholesaling found in the petition:

... there is every reason to underscore that the wholesale trade has come to have its greatest prevalence in precisely those areas where the assortment is most uniform and the demand most stable, e.g., food. This means quite simply, that in these very areas one has come to realise that the wholesale trade is capable of saving freight and sales costs, which more than compensates the margin which the wholesale trade receives.

Gerhard Törnqvist, 1948a, p.73.

Apparently, Törnqvist held the present extent of wholesaling to be the result of an intentional, and correct, assessment of the costs for performing certain distribution activities. However, he then turned to criticise precisely the way in which costs were currently calculated, underscoring that in order to fruitfully discuss distribution costs, the way in which such costs were calculated needed to be altered:

... we must definitely free ourselves from thinking "per cent" and instead express the costs as piece costs for the activities which the trade carries out. Largely, the trade performs only and solely customer service. When this word is mentioned, most people think only of the so called external customer service, that is, credit and home delivery. Far more important is however the customer service which is performed, so to speak, within the store.

Gerhard Törnqvist, 1948a, p.73.

This internal customer service included the convenience of the store location, the assortment offered, the help to select, and the work of serving the customers. The costs of a store, Törnqvist argued, was attributable to the activities performed therein. If distribution costs were regarded in this way, he continued, it became clear that customer service had improved along with the growing costs.¹ While he held this to be largely positive, he found the pricing practices in use at the time (1947) to be a major check on rationalisation:

It is hardly possible to deny that the unitary pricing which we to a large extent have at present, results in both the retail and wholesale trade and the manufacturers often letting their customers off paying for the costs they cause.

Gerhard Törnqvist, 1948a, p.74.

Once again, then, the pricing issue was brought to the fore as important for the solution of the problem of rationalisation within goods distribution.

In line with the position that Törnqvist assumed during the discussion of *establishment control* (see p.122), he objected to the ideas on this issue expressed in the petition:

If the suppliers' pricing policy was designed in such a way as I have sketched above... it could in an ever more efficient way than any business or government establishment committee see to it that there were not too many stores...

Gerhard Törnqvist, 1948a, p.74.

¹ As a curiosity, Törnqvist's way of looking at distribution costs strongly resembles the Service Output Level model introduced by Louis P. Bucklin (*A Theory of Distribution Channel Structure*, 1966).

Thus, Törnqvist clearly rejected both government and private intervention as solutions to the problems at hand.

Government intervention was also the topic of the third talk, "The State and the rationalisation", delivered by Rudolf Kalderén. In line with the general distrust he showed towards 'organisational governance' during the discussion about private establishment control (above p.120), Kalderén was opposed to all forms of government involvement:

To turn to the state authorities with a cry for help to rationalise the retail trade under such conditions testifies to a colossal measure of indulgence with what has happened in other areas of society and an immense overconfidence in the ability of government.

R. Kalderén, 1948, p.170.

Kalderén also held the charges against goods distribution for being old-fashioned to be unjust. The growth of the unit-price shops had, he argued, led to an increased differentiation of customer service and that the growth of chain stores had reduced costs. Finally, he noted that there had been a war and that it was "unreasonable to require an unaltered speed in the rationalisation work" given the tasks that this had placed on the retail trade:

Handelsarbetareförbundet has [neglected] the exceptional conditions under which the business economy has been working since the outbreak of the war ... and ... require not only unaltered performance but a total change-over of the trade and the forms of trade. ... all economic operations require a certain measure of peace, to be able to develop in a beneficial direction.

R. Kalderén, 1948, p.170.

Thus, irrespective of whether the trade was interested in rationalising or not, the workload given to it during the war made it unreasonable to require any dramatic changes.

In a final remark, Kalderén also distinguished between rationalisation and service cutting. He argued that the elimination of certain customer services very well might lower the margins, but that it did not represent a true rationalisation.

Summary: knowledge and intervention

The petition brought the threat – or promise – of public intervention to the fore. Johansson asserted that growing distribution costs were a natural result of improvement in the standard of living and technical advances in manufacturing and as such should not be criticised. Still, planned intervention, based on better knowledge, could improve the situation. Indeed, an optimal retail structure could be reached. Since knowledge was needed, a public investigation would be a first step towards more rational goods distribution.

This 'intervention optimism' was forcefully rejected by Kalderén who in fact argued that a major *reason* for the alleged distribution inefficiency was public intervention. His talk of the need for "peace" suggests a position closely akin to traditional *laissez-faire*.

Törnqvist assumed a middle ground, agreeing and disagreeing with both: a public investigation was called for, but neither public nor private intervention was. Instead, he

opted for a kind of 'academic' intervention. The present problems, he said, were due to erroneous definitions. The value and the costs of goods distribution had to be redefined: distributors produced customer service and prices should reflect the costs for this. For such pricing to be practicable, the costs for the relevant activities must be known.

A reflection: Those in favour of some form of intervention, i.e. those who wanted to speak for many, also favoured centralised knowledge production.

The Swedish market of tomorrow

In November 1947, a few weeks after the petition was made, the Advertising Association arranged a conference called "The Swedish market of tomorrow." Sten Horwitz characterised it as another step in the direction set out by the previous conference (see p.112 ff.). I will focus on one of its themes – the rationalisation of goods distribution – a subject on which five speakers expanded during the conference.¹

The Panacea of "price according to performance"

The first speaker was Ulf af Trolle², who acted as stand-in for Gerhard Törnqvist. He seems to have shared Törnqvist's views on distribution costs (see p.126), arguing that one must take "the arduous road of trying to assess the costs in the light of the efforts spent" in order to correctly assess the rationality of goods distribution.

First of all, however, what was to pass as *rational* must be made clear:

The distribution can be considered rational *when it offers the consumer the goods he wants, in the selection, volume and location he wishes, to the lowest price, which in the long run is enough to safeguard a supply of goods. A price that makes the good disappear from the market is no service to the consumer.*

Ulf af Trolle, 1948, p.143. Italics added.

To structure the discussion, af Trolle split the question of rational distribution in two: first, whether any *unnecessary activities* were performed, i.e. activities that consumers were unwilling to pay for; second, whether the (necessary) activities could be *performed at less cost*.³ Since a rational pricing of distribution services was difficult to achieve, the first problem could be solved by increasing the differentiation of customer service across retail outlets (self-service, unit price stores, etc.). But this required free establishment:

¹ The other themes were: i) Population forecasts and possible developments; ii) Co-operation producer – consumer; and iii) Rendering the training of salesmen more efficient. (*Morgondagens Svenska Marknad* (The Swedish Market of Tomorrow), Reklamförbundet, 1948.)

² Ulf af Trolle (1919-1997) was educated at the SSE. He was a professor of business at the Gothenburg School of Economics from 1951 to 1967. His "most important contributions as a researcher are analyses of the effects of Resale Price Maintenance and discrimination on the structure of trade, and he had a decisive influence on the liberalisation of the competitive system." Nationalencyklopedin, q.v.

³ Ulf af Trolle, *På vilka punkter kan distributionen ytterligare rationaliseras?* (In what ways can distribution be further rationalised?), 1948, p.143.

Each measure which renders the emergence of new forms of distribution more difficult must therefore be regarded as inhibiting rationalisation.

Ulf af Trolle, 1948, p.144.

In the vernacular of structural economics, af Trolle can be said to have stressed the import of keeping the *barriers to entry* as low as possible for the mechanism to work properly.¹

As for the reduction of distribution costs, he argued that this always was possible since new means for rationalisation were constantly appearing. But there were two kinds of distribution rationalisation: technical/internal and structural/external (Sten Horwitz made a similar distinction between goods handling and sales activities on p.113).

Within distribution the technical and the structural rationalisation problems are separated. ... the *technical* rationalisation problem concerns the inner organisational measures that a company may take to increase its distribution efficiency; the *structural* rationalisation problem concerns foremost the measures which can be taken to make the contacts between the different parts of the distribution chain cheaper.

... The simplest way of putting it is that structural rationalisation was originally an automatic adjustment process subject to competitive pressures. Uneconomic distribution paths and methods had to give way to more efficient ones. Now, the distribution structure for domestically produced goods is bound by a relatively rigid price system (resale price maintenance). [This] hinders the former automatic adjustment process, which is replaced by a regulation over which the producer usually decides.

Ulf af Trolle, 1948, pp.143-144. Parts underlined by N-E Wirsäll.

According to af Trolle, the reason why structural rationalisation had come to the fore was that the automatic adjustment process provided by competition had been rendered ineffective through RPM (Resale Price Maintenance). In his view, a more rational pricing, i.e. a pricing according to performance, would solve the problems of too many middlemen and uneconomic contacts in the distribution chain. He repeated Gillberg's assertion (p.114) that the division of labour between producers and wholesalers was twisted at times and that pricing according to performance would correct this. A rational pricing would also allow customers to choose their service level by clearly showing the costs of the services.

Af Trolle also argued that the RPM system made producers responsible for technical rationalisation, i.e. for the involved parties performing their tasks in a rational way. Since distributors were unable to compete with prices, they had to compete with service.

Instead of adapting the margin to the cost, the cost is adapted to the margin.

Ulf af Trolle, 1948, p.150.

Abolishing RPM was central to the rationalisation of distribution according to af Trolle. Several of the important issues concerning rationalisation would be solved more or less automatically if prices were set rationally, that is, according to the activities performed.

¹ Folke Kristensson's thesis from 1946, *Studier i svenska textila industriers struktur* (Studies in the structure of Swedish textile industries) suggests that the group around Törnqvist were familiar with these ideas.

Aspects of rationalisation

The next three speakers presented ideas and views on the rationalisation of particular areas of goods distribution. First, Torbjörn Öström, who had led the study circle on distribution costs with Wirsäll in 1944, spoke about the rationalisation of the internal sales- and distribution-organisation.¹ In particular, he discussed the need to plan sales activities and to utilise sales reports to this end. He argued that many administrative tasks connected to order-handling could be made more efficient, and suggested piece wages as a solution.

Leaving the various technical aids available for warehouse and delivery work aside, he noted that construction difficulties made it difficult to organise the warehouses in ways that allowed the companies to make use of these aids. Still, there were other aspects that the companies could attend to, such as auditing the assortment regularly and discontinuing slow-moving items. He also suggested that the highly costly practice of splitting cases should be seriously scrutinised, always keeping in mind the case size needs of the customers. Finally, Öström referred to the petition by Handelsarbetareförbundet, and argued that it would be unfortunate if companies disregarded the great potential for distribution rationalisation and left the initiative to labour unions and public authorities.

The next speaker, Pär Gierow from AB Tudor, discussed *time and motion studies* as a way of taking on “the problem of simplification.” First, one should generate a flow-chart of all “events” that a product came up against through a vertical study from producer to consumer. This chart should then be analysed “under the method improvement codex” to find the most economical way of performing the work and to standardise methods, tools, materials and other equipment.² For this, one should ask: what, why, who, where, when and how? Posing the why- and where-questions too late would lead to ingenious but less useful solutions. All ideas on how to improve the work should be noted.

When this catalogue of ideas is completed, a simplification of work is then considered according to the following points:

- | | |
|-----------------------------------|-----------------------------------|
| 1) eliminate all unnecessary work | 2) combine operations |
| 3) change the operation sequence | 4) simplify necessary operations. |

Pär Gierow, 1948, p.172.

Gierow was an engineer. He referred to the “pioneering work” of both F.M. Taylor and the Gilbreths and acknowledged the influence of R.M. Barnes whose course he had attended at the University of Iowa.³ His treatment of these problems is far removed from the kind of political process implied by, e.g., K-E Gillberg during the previous conference (see p.113). Rather than politics, mechanics is what springs to mind.

¹ Torbjörn Öström, *Försäljnings- och distributionsarbetets rationalisering* (Rationalising sales and distribution work), 1948, p.161.

² Pär Gierow, *Metodstudium av transporter* (Method-study of transports), 1948.

³ See, e.g., F.M. Taylor, *Principles of Scientific Management*, 1911; F. Gilbreth, *Motion study*, 1911; and R.M. Barnes, *Work Methods Training Manual*, 1947.

Gustaf Borgström from Köpmannaförbundet (the Association of Retailers) was the third speaker.¹ He discussed the possibilities of rationalising retail trade:

Within trade one must always count on a large number of smaller units, and human labour cannot to the same extent as in manufacturing be replaced by machines... Private retail trade in particular is divided into countless numbers of small units... I think that something ought to be done to reduce this division and to achieve a greater measure of planning concerning establishments ... but I am at the same time convinced that the small and middle-sized store has its task and that this store, if it is managed suitably can work at very low cost... [During the war] precisely this type of store has proven effective...

Gustaf Borgström, 1948, pp.180-181.

Borgström went on to discuss the reasons for the high costs of retailing, repeating arguments such as the concentration of production and the increased demand for customer service. As for the main topic of his talk, the possibilities of rationalising retail trade, he indicated part-time employment and self service as solutions to the problem of uneven workload within retail stores. He was relatively sceptical, however, concerning the benefits of pre-packaging goods since the "dead hours" could be used for this.

If the factory-packed goods makes this unnecessary, the question of what to use the staff for during the periods when the store is more quiet, presents itself... Only if full employment for the staff is found for the quiet periods, will the producer's packing-work result in any greater real saving for the consumer.

Gustaf Borgström, 1948, pp.185-186.

Despite the significance he attributed to the workload problem, Borgström claimed that employment *problems* would arise in the stores if the manufacturers started to pre-pack goods. To appreciate his point, the talk of introducing part-time employment is probably central. For at the time, labour apparently came in "full-time units."

Borgström also saw a need for a uniform food regulation, since locally diverging rules made it difficult to plan and equip retail outlets. On the whole, he held planned establishment of new retail outlets to be central to retail rationalisation. To this end, he argued for continued establishment control, repeating the arguments put forward above, i.e. that it ensured that he who opened a retail outlet had the necessary personal qualifications and economic means and that the number of stores did not become too large.

Borgström concluded his talk by listing a number of additional rationalisation measures, such as education, co-operation and research. Finally, he asserted that he held fair competition to be the most efficient means for achieving rationalisation.

Self-service as a means for rationalisation

The final talk on rationalisation of goods distribution was delivered by Nils-Erik Wirsäll on "The future for self-service stores in Sweden."² It focused on *if* and *how* this new

¹ G. Borgström, *Detaljhandelns möjligheter att rationalisera* (Prospects of rationalising retail trade), 1948.

retail format could be successfully introduced in Sweden. Due to the lack of Swedish data – according to Wirsäll only two self-service stores were in operation at the time – he turned to the US, where no other factor allegedly had contributed as much to retail productivity. In the Eastern states, considerable time had passed before housewives accepted the new idea. Caution among the retailers had also led to frequent use of *semi self-service*.

Wirsäll identified three main reasons for continued growth of self-service in the US: i) a majority of the housewives had accepted and preferred it; ii) consumers associated it with economy and quality (self-service stores had cut prices considerably), and iii) housewives liked to be able to inspect the goods undisturbed and not have to stand in line.

In the US, Wirsäll claimed, the assortment had grown in connection to the introduction of self-service. This growth, which could be due both to consumer preferences and low margins on food products, not only concerned food products but included household utensils, chemico-technical products, etc. Although it was possible use self-service for almost any type of good, Wirsäll held it to be primarily justified for food retailing.

He presented figures from *Progressive Grocer*, a US trade magazine, showing that self-service lowered the operating costs by 4%. In terms of turnover, self service led to a 30% sales increase per employee. Judging from these figures it appears that self-service had a significant effect on costs. To this, Wirsäll added other benefits of self-service, e.g., its adaptability to home-delivery and credit, and the well-being of the customer.

He then turned to the issue of whether self-service had a future in Sweden, claiming this to be the case. The current labour shortage and the growing wages were important reasons for this, but self-service also meant a distribution-economic profit by reducing the customer's waiting time. He asserted that the housewives and the retailers were crucial for the introduction of self-service in Sweden and that neither of them was ready to unconditionally accept this new format yet. Information was therefore of utmost importance. Besides these two parties, he also argued that the stance taken by the authorities was of some significance for the development. In particular, this concerned food regulations:

There is today a whole series of detailed directives concerning what stores should look like that are to sell foodstuffs, and how these may be sold... The directives are however generally formulated in such a way that they may be interpreted differently... The rigour and care concerning hygiene is pushed so far that the development of the trade is directly hampered... In addition, the content of the local public health care regulations vary across cities and municipalities. ... The public authorities require, on the one hand, a cheapening of the distribution, while at the same time, through legislation, rendering a change which purports to rationalisation impossible!

Nils-Erik Wirsäll, 1948, p.205-206.

During his rather long talk (by far the longest of the five), Wirsäll focused exclusively on self service, stressing that it might solve certain problems facing the Swedish retail trade

² Nils-Erik Wirsäll, *Självbetjäningens framtid i Sverige* (The future for self-service in Sweden), 1948.

at the time. He listed what he held to be the main problems when introducing self service. Primarily, he argued that consumers and retailers had to be informed of the benefits of the new system. To make this information credible, he argued, more Swedish examples were needed. To this end, both the Consumer Co-operation (KF) and ICA could contribute by establishing stores in communities of different size and with different clientele.

The idea of self-service as a retail rationalisation measure was beginning to appear in most contributions to the debate at this time. Thus, both Ulf af Trolle and Gustaf Borgström made passing references to this new retail format. I will return to this topic in Chapter 7, as I account for the efforts made by Hakonbolaget to rationalise retailing.

An overview of the critique levelled at goods distribution

Since Gerhard Törnqvist was unable to deliver his talk during the conference, he was asked to submit it as an article in the magazine published by the Advertising Association.¹ Törnqvist started in the familiar way, arguing that the growing distribution costs largely were due to increased specialisation in production and difficulties of mechanisation. He then summarised the critique against distribution into five charges:

- a. The number of competing units at various distribution levels is too large.
- b. The number of distribution levels is too high.
- c. The work within different distribution levels is carried out uneconomically.
- d. The connections between the different levels are uneconomical.
- e. The profits of the trade are too high.

Gerhard Törnqvist, 1948b, p.5.

Normally, Törnqvist argued, competitive pressures would render some combinations of these conditions impossible, such as high profits and too many units. The problem, however, was the *less than perfect competition*. Competition was restrained both horizontally, through price agreements, and vertically, through fixed retail prices, sole agencies, etc.

As for the first of the specific charges, the large number of stores and their small size, he argued that an important reason was the pricing-policies of the suppliers:

The supporters of establishment control depict, in somewhat simplified terms it seems to me, this policy as dependent on the suppliers' ambition to seek to sell their own goods at all costs. In my view the reason is more likely to be the inability to set prices that correspond to the costs that different buyers cause, or the lack of appreciation of the dangers that a too schematic pricing brings.

Gerhard Törnqvist, 1948b, p.7.

Undifferentiated prices did not provide the buyers with any incentives to order economical quantities. Rather, Törnqvist said, this policy resulted in average deliveries being considerably smaller than what was in the interest of the involved parties.

¹ The article was also included among Nils-Erik Wirsäll's clippings on the rationalisation issue.

As far as I gather, this *purely businesslike* critique strikes at one of the weakest spots in the present constitution of the distribution machinery.

Gerhard Törnqvist, 1948b, p.8.

Second, he pointed out that middlemen did fulfil important functions. Wholesaling was in this respect more problematic than retailing, since the need for it varied across products and locations. A combination of direct sales by the producer *and* sales via a wholesaler could very well be used for a single product. Further, he stressed that one must regard the wholesale *function*, which was increasing in importance, rather than the wholesale trade:¹

In the future, a clearer division of functions and a pricing based on this can very well lead to the manufacturing industry assuming parts of the work that is now performed by the wholesaler. Also the opposite case seems possible.

Gerhard Törnqvist, 1948b, p.9.

Once again, then, Törnqvist put forward the differentiation of prices according to the services performed as a solution to the distributive problems.

The third charge – whether or not the activities presently performed were being performed uneconomically – was the most central one, Törnqvist claimed. He repeated af Trolle's assertion (p.128) that two issues were at stake: whether or not unnecessary tasks were performed, and whether or not the tasks could be performed more economically. Customer services offered by a retailer, e.g., delivery and credit, illustrated the first issue:

It is however, not certain that all buyers value the benefit equally high, and if the benefit incurs high costs, it is not certain that all buyers value it as much as it really costs. Under such conditions there may be a danger in offering the benefit without specifically charging for it, since the public demand in this way might "degenerate." It might, on the other hand, at times be more costly to charge different prices for different degrees of customer service. [Then] the most rational solution seems to be, that different stores... practice wholly different customer service policies. In that case, one should not attempt to prevent measures which encourage such a development...

Gerhard Törnqvist, 1948b, p.10.

Törnqvist's and af Trolle's arguments seem almost identical: increased differentiation of retail offers would improve distribution performance. As a consequence, measures preventing increased differentiation, i.e. barriers to entry, should be kept at a low level.

Since retailing accounted for nearly half of the distribution costs, Törnqvist held cost reductions in that area to be most important. The current service level probably had to be reduced and the creation of larger retail units and new organisational forms tried out. He also repeated his fear that the retailers would be unable to rationalise on their own (see p.109), this time indicating a possible role for government authorities in the area.

The retail companies are, as are the farms, too small to find the best solutions to their work-organisation problems on their own. Here, our authorities have tasks which are much more natural than many others which they dauntlessly

¹ This passage in the article was specifically marked by Wirsäll.

take on within the business economy. A comparison with the activities within the American Department of Commerce immediately presents itself.

Gerhard Törnqvist, 1948b, p.13.

Törnqvist held that much of the distribution costs arose in the contacts between different levels, i.e. during exchange. Sellers incurred costs both for sales activities, which they could control relatively well, and for serving customers. In many cases, he argued, the unprofitability of a customer was due to purchasing habits. These could be changed, though, by educating the customers and differentiating the prices.

The final issue –whether profits were too high – was quite straightforward:

A business that constantly ... must demand increased compensation for its performances is not likely to yield extraordinary profits.

Gerhard Törnqvist, 1948b, p.15.

That individual retailers were profitable was quite another issue. This, he said, could be due to them having certain costs fixed while the general price level was increasing, etc.

As to the possibilities for rationalisation in general, Törnqvist's was optimistic.

Primarily, one should investigate the possibilities in terms of the connections between the different distribution levels.

Gerhard Törnqvist, 1948b, p.15.

Summary: ways to get to the future

Several ways of improving distribution efficiency were suggested at the conference. New general legislation was needed to improve competition. Existing product-specific regulations must be made uniform and less detailed. Companies must increase and improve their planning, employing new analytical methods. Retailers and consumers must adopt new practices, e.g., pre-packing and self-service. Packages must be standardised. Employment conditions and wage-systems had to be altered to improve labour-efficiency.

At times the suggestions clashed, as did the promotion of *free* establishment to increase customer service differentiation, and the promotion of *restricted* establishment to achieve a sound retail structure. The general impression is that there existed many ideas on how to improve distribution efficiency. Still, few attempts had yet been made at realising these possibilities in practice. It is to one such attempt that I will turn next.

Hakonbolaget rationalises goods distribution!

In his final remark above, Törnqvist suggested that possibilities for rationalisation primarily should be sought in “the connections between the different distribution levels.” In 1949 and 1950, Nils-Erik Wirsäll published articles suggesting that Hakonbolaget was attempting to realise precisely this kind of rationalisation. The first article described a new “very extensive rationalisation program” which Hakonbolaget had started to implement:

Hakonbolaget's "new deal" has attracted much attention within distribution-interested circles. What does this "new deal" mean, then? – One may perhaps primarily characterise it as a very extensive rationalisation program.

Nils-Erik Wirsäll, 1949, p.379.

In the next chapter, I will discuss the efforts made within Hakonbolaget to realise this program. Here, I focus on its part in the public debate: how Wirsäll described its contents and consequences and how it was received "within distribution-interested circles."¹

Hakon's new deal

Wirsäll described Hakon's new deal as an organisational change purporting to render the co-operation between Hakonbolaget and its associated retailers more efficient. To this end, new and stricter rules for membership in the purchasing centre (Hakonbolaget) had been created. The program had been summarised in a Member-book, consisting of four sections: i) a historical overview of the development of the purchasing centre; ii) an idea program; iii) a plan for co-operation; and iv) the grounds for membership.

Membership was awarded after application, given that four requirements were met:

- 1) A member must be a grocery or rural retailer.
- 2) A member must be a shareholder.
- 3) A member's annual purchases from the purchasing centre must amount to at least SEK 5,000.
- 4) A member must declare himself willing, in writing, to conform to the outlines for co-operation drawn up in the idea program and the co-operative plan.

Nils-Erik Wirsäll, 1949, pp.379-380.

According to Wirsäll, the third requirement was based on careful investigations made by Hakonbolaget. These had shown that SEK 5,000 constituted the lower limit for purchases to be "characterised as profitable." And improved profitability was what it was all about:

"Hakon's new deal" aims at a simplification, not only in terms of sales activities, but also in terms of warehouse and distribution work. The new organisational form wants to rationalise the entire organisation and act to reduce costs.

Nils-Erik Wirsäll, 1949, p.380.

The practical means by which this rationalisation was to be brought about was listed in the "co-operative plan." Its main contents, Wirsäll said, was written orders, a loose-leaf goods catalogue arranged according to product categories, and fixed delivery routes.

The written orders have not come into existence as an end in itself. The purpose is neither to reduce sales costs alone. ... One believes and knows, through experience from abroad and through practical findings from the four months of this year, that a regular inspection comprising the whole stock, means

¹ Nils-Erik Wirsäll, *Den nya Hakonsgiven* (The new Hakon-deal), 1949; and *Hakons-given: Problem och erfarenheter* (The Hakons-deal: problems and experiences), 1950. The latter is based on the presentation Wirsäll made during a discussion at SSE on October 25, 1950. The ensuing discussion at SSE was reported in *Varudistributionen under debatt och omformning* (Goods distribution under debate and re-formation), *Affärsekonomi* 1950:20.

improved striking power for the retailers. *By devoting a few hours each week, on a set day, to overview the entire stock of goods on the basis of the goods catalogue, the stock receives such care that deficiencies are avoided as far as possible, while at the same time the "slow-movers" are reduced.*

Nils-Erik Wirsäll, 1949, p.380.

Written orders would allow the costly salesmen to be removed. Instead, contact-men would visit the members 2-3 times a year. A further advantage was that the retailers gained time through fewer visits and calls from suppliers. To simplify delivery and transport work, the new deal also included a reduction in the number of deliveries to one per week.

Since the members' efforts would reduce costs, they were to be rewarded. But instead of lower prices, a system of bonuses was designed to reward "actual performance." All written orders for groceries were rewarded with a 1% *order premium*. On the basis of the members' total yearly purchases they were to be paid a *member bonus*. For this, a sliding bonus-scale starting at SEK 5,000 and ending at SEK 150,000 had been devised through "very careful cost-studies." Finally, a *Hakons-premium* was to reward the members for "their purchasing fidelity and wholehearted effort for the purchasing centre."¹

Problems and experiences

In a second article, based on a talk at SSE on October 25, 1950, Wirsäll addressed some of the problems and experiences made when implementing the program. First, the assortment carried at the district and affiliate offices was affected. The use of a centrally edited goods catalogue, Wirsäll argued, had required a uniform and more limited assortment.

[H]ow many articles should be included in our catalogue? And which articles? Our assortment previously contained close to 4,000 articles. ... the result was a limitation of the number of articles to approximately 2,500.

Nils-Erik Wirsäll, 1950, p.1165.

Allegedly, a visit to the Swiss company Migro, which carried only 500 articles at retail, had convinced the designers of the new deal that the assortment could be reduced.

Linked to the assortment issue was whether or not to allow delivery of split cases. Time and motion studies had shown that the time needed to deliver a split case was three times that for a whole one. Still, the small size of many stores and the large size of many original cases (which Wirsäll blamed the manufacturers for) made it difficult to deliver only whole cases. Instead, Hakonbolaget would re-pack some products into smaller cases.

A third area addressed by Wirsäll was the reduction of delivery-service that the Hakons-deal entailed. The retailers now received goods only once a week.

During discussions with me, professor Törnqvist has wondered whether it would not be appropriate to switch to deliveries every 14-days or 3-weeks. This would surely result in a considerable reduction of the office-, service-, and transport-costs. It might also enable a complete change-over to serving

¹ Nils-Erik Wirsäll, *Den nya...*, 1949, p.380-381.

original cases. This viewpoint is naturally correct from a pure cost-perspective. We have also noted the possibility of reaching this point, but we do not consider this a suitable time for such a change throughout.

Nils-Erik Wirsäll, 1950, p.1166.

Apparently, Wirsäll had discussed the program with Törnqvist who had argued for an even greater reduction in service. He presented two arguments for choosing weekly deliveries. First, retailers were used to receiving goods more or less whenever they wanted; reducing deliveries to once a week represented a considerable improvement (in terms of distribution costs, that is). Second, deliveries every other or third week would increase stock-levels, which in turn would create needs for additional facilities and more capital.

During the ensuing discussion, Törnqvist confirmed that he had discussed these things with Wirsäll, and that he had recommended a further reduction in delivery service.

Wirsäll is right about not luring customers into buying too much, but it is as important to have them buying in a way that results in low delivery-costs.

Gerhard Törnqvist, *Affärsekonomi* 1950:20, p.1276.

Törnqvist clearly held the lowering of delivery-costs to be of even greater import than what was reflected in the Hakon deal.

A problem underscored by Wirsäll concerned the manufacturers' activities towards the Hakon retailers. The new deal prescribed written orders based on the goods catalogue and the assortment had been reduced considerably. This had led to pressures from manufacturers to have their products included, and to intensive sales efforts towards the retailers to stimulate demand and thus motivate inclusion of the products in the catalogue.

Our future dream is to reach such a co-operation with the manufacturers, that their sales visits and direct activities towards the members can be limited to a minimum and that their products are transported to our warehouses in full railway-wagons, where subsequently goods are allocated to the various retailers, who in their turn receive the goods by our ordinary route-lorries.

Nils-Erik Wirsäll, *Affärsekonomi* 1950:18, p.1167.

The program had been in full-scale operation for less than a year. The slow pace at which the sales staff had been reduced also made it difficult to assess the efficiency increase, which Wirsäll held to be the most interesting effect. A too rapid change-over, he argued, would have created a negative opinion towards the new deal. As things stood, some staff had been transferred to other tasks, while others had been put on early retirement.

Still, he was able to present some results. First, Hakonbolaget had had a 19% increase in turnover during the first eight months of 1950. In comparison, the private grocery and rural retail trade had grown by 5-10% according to DUI (The Retail Research Institute). Second, 80-90% of the orders were being placed in writing and the value per order-line had increased. Third, the most successful office had reduced its operating costs by 20%, mainly in the sales department. Transport costs had been reduced by approximately 5% due to a more even workload and a better utilisation of the lorries.

Finally, Wirsäll said that the new deal had had positive effects for the retailers too:

Our competitors like to point out that the written ordering simply is a relocation of the work from the wholesale level to the retail level. ... It is nonsense to speak of a relocation of the work of writing the orders on to the retail trade. Surely, the retailer when ordering by phone or from a travelling salesman also bases his order on an overview of the stocks. During this overview, he notes his need on a note-pad. We recommend our members to do it directly on the order-form. How can one then speak of a relocation of work?

Nils-Erik Wirsäll, *Affärsekonomi* 1950:18, p.1168.

According to Wirsäll, the new deal led to a reduced and more up-to-date stock of goods. Further, the retailer was given more time to work in the store. His liquidity also improved and, on top of this, he received increased bonus on his purchases. As an ambition for the future, Wirsäll indicated lower consumer prices in the shops run by the Hakon retailers.

Reactions concerning Hakon's new deal

After Wirsäll's talk there was a discussion chaired by Gerhard Törnqvist as usual. The first comment was made by Roland Artle who argued that there were two particularly important aspects in connection to the Hakon deal:

What is essential is not how many companies that are associated with Hakonbolaget, but surely the essential is: how high is the purchasing fidelity?...

I would also like to throw in the question which surely is to be at the centre of it all: how can the benefits of the Hakon deal be transmitted to the consumers?

Roland Artle. *Affärsekonomi* 1950:20, p.1276.

In reply to Artle, Wirsäll said that according to his calculations, a grocery store could purchase some 50% of its total turnover from Hakonbolaget. Although he had no figures on purchasing fidelity for the group as a whole, he claimed that purchasing fidelity had grown considerably under the new deal. As for the second issue, he mainly looked ahead:

[W]e try to make clear to our members that it is a question of being price-leading and setting prices which are reasonable and which yield a fair profit, so that we shall reach the point where the Hakon deal will be reflected in lower prices as well. This is the goal that we are working towards. How far we can reach depends on how deep the ongoing co-operation becomes, and how seriously each member takes this problem.

Nils-Erik Wirsäll. *Affärsekonomi* 1950:20, p.1276.

Retail price-cutting was an ambition – for Hakonbolaget, that is. They were also trying to make this clear to their customers, the retailers. From Wirsäll's reply, it seems that he held the question of price-cuts to ultimately depend on the retailers.

In a comment, Gerhard Törnqvist stressed the import of Wirsäll's talk in the ongoing debate about goods distribution, particularly for the critics of current practices.

The talk is valuable for both these groups of critics [the manufacturers and the labour unions]; it shows how attempts are being made to overcome problems that are much more difficult to master than those of production itself.

Gerhard Törnqvist. *Affärsekonomi* 1950:20, p.1276.

As a representative of one of these critical groups, Arne Henriksson from LO (the Swedish Confederation of Trade Unions) commented on the debate, linking Wirsäll's talk to it.

[T]here is agreement on the distribution costs being high. There is also, I think, a general agreement that the distribution costs can be reduced more than the production costs... [the labour unions believe] that the distribution costs should be lowered. We all agree on this, and in this respect, I think that Mr Wirsäll has been illogical when, initially in his talk, he criticised the statements made from labour unions. For his entire talk represented an attempt to prove that the distribution costs can be lowered, and by between 15-20 percent at that.

Arne Henriksson. *Affärsekonomi* 1950:20, pp.1276-77.

Henriksson suggested that most people shared his views and, in particular, that there was "general agreement" on the distribution costs being high and possible to reduce more than production costs. Further, "all" agreed that these costs "should be lowered." Not so!

As long as we insist on using the per cent way of looking at the matter, I hardly see any possibility of lowering the distribution costs. You see, I don't think that it is the case, that the trade cost can be lowered more than the production cost. ... Surely, it is a bit too easy to say that an industry can be assumed to be rationally managed, because it has low costs per cent.

Gerhard Törnqvist. *Affärsekonomi* 1950:20, p.1277.

So, there was at least one opponent to Henriksson's views. This suggests that the generality of the agreement might have been less than what Henriksson thought.

There were also those who praised the initiative of Hakonbolaget. One commentator held it to be of utmost importance to help retailers buy what they needed and nothing else.

[W]hen it comes to standard goods, we have no use for travelling salesmen.

H. Wallentin. *Affärsekonomi* 1950:20, p.1277.

This view on the use of salesmen led the speaker to rate the Hakon deal highly.

The competition has sharpened considerably within the grocery trade after the "new deal." There have been lots of other "new deals", some maybe slightly earlier, others later. But this new deal takes precedence, since one has started to scrutinise the performances of the travelling salesmen and the costs associated with their activities.

H. Wallentin. *Affärsekonomi* 1950:20, p.1277.

He also linked the Hakon deal directly to Hakon Swenson, to whom he extended his praise for showing "a foresight and a boldness, which will be of extraordinary importance." The account in the next chapter, however, tells quite a different story.

A final subject which was brought up during the debate concerned the establishment of new retail stores. Wirsäll had stated that he thought that the Consumer Co-operation had received preferential treatment in this respect. To this, he got as good as he gave.

Well, Mr. Wirsäll, I could produce a very large body which holds that the ICA-group has been unduly favoured. There are thus two sides to every question, but when the crib is empty the horses bite! I don't mean that the crib of permits has been completely empty, but its contents have been insufficient...

everybody feels unfairly treated since no one has been allowed to build as he has wanted. ... without the construction regulation, the trade, not least the wholesale trade, could have managed the distribution of goods more cheaply.

Hjalmar Degerstedt. *Affärsekonomi* 1950:20, p.1287.

Being a manager at KF, Degerstedt disagreed. Instead, he argued that they all wanted the same thing – a more liberal construction regulation, which would allow them to build the cost-reducing facilities they wanted. Still, Wirsäll persisted, saying that he couldn't avoid seeing that KF had "got a better footing." In a closing comment, Degerstedt claimed that KF had acted for a more liberal construction regulation. Unfortunately, he said, it was not that easy to have the planners realise the soundness of this.

The debate was concluded by Gerhard Törnqvist who underscored the need to do something about the present regulations which he held to be disastrous for the trade.

It annoys me to the core that we still have to put up with this, 9-10 years after the regulation machinery came into existence, when everyone within business asserts in unison that it costs an extraordinary amount of money...

Gerhard Törnqvist. *Affärsekonomi* 1950:20, p.1288.

Törnqvist also stressed the need to discuss these issues openly and publicise what was being done. In this respect, he praised both Hakonbolaget and KF for their efforts. It is worth noting that no representative of the manufacturers appears to have been present at the meeting. At least, none participated in the ensuing discussion.

Summary: Hakon's new deal as part of the distribution debate

Gerhard Törnqvist claimed that Hakon's new deal was important to the rationalisation debate. Wirsäll's talk and his articles, the discussion at SSE, and the report from this event in *Affärsekonomi* provided a positive, practical example of rationalisation. In fact, it seems that Wirsäll's articles were among the first to claim that something was being done to rationalise food distribution in Sweden. At the same time, they raise some doubts about a distinction frequently used in the debate: Was Hakon's new deal an attempt at *technical* or *structural* rationalisation? The written orders, the new goods-catalogue, the assortment reduction, the split-case issue, the fixed delivery routes, all seem to be *technical* in the sense implied by af Trolle and Horwitz. Still, they were all part of an attempt to rationalise wholesale-retail interaction, that is, a structural rationalisation. The new bonus system, which allegedly was made possible through these other measures, clearly purported to differentiate prices according to performance, potentially having a *structural* effect. It also seems that another 'truth' – Sten Horwitz's claim that sales work was unsuited for rationalisation (above p.113) – was disproved by the introduction of written orders.

New and old issues in distribution economics

In this final section on the post-war debate over goods distribution I account for a conference on distribution economics arranged by SNS (the Centre for Business and Policy Studies) in January 1952. Once again, representatives of the manufacturers, wholesalers (including Nils-Erik Wirsäll), the Consumer Co-operation, the transport industry, the labour unions and academia met to address the issues, by now mostly familiar: the structure and working methods of distribution, transport costs, pricing and rebates, social planning, cost reductions within retail trade, laws and regulations affecting distribution, consumer preferences, and labour union interests in the rationalisation of distribution.

The first speaker, professor Folke Kristensson¹ overviewed the structure and working methods within goods distribution, referring to the lack of unexploited capacity in Sweden at the time as significant to the whole issue.² The major problem was the need for labour. According to his estimates, 15,000 new employees within the manufacturing industry would, *ceteris paribus*, create the need for an additional 5,000 within distribution. The *dynamic* effects of increased production capacity would require an even larger increase. Given this, he saw two alternative ways to proceed: to expand the “distribution machinery” correspondingly, or to change its structure concurrently with this expansion.

Kristensson advocated the second alternative, for several reasons. Population changes made a more large-scale and rational retail trade possible. Consumers were becoming more mobile, due to a growing number of bicycles and cars, and an expansion of the public means of transportation. Consumption patterns were changing, due to the improved standard of living. In addition, new retail and sales technologies were altering the conditions for goods distribution (self-service, unit-price department stores, increased knowledge of consumption). This meant that there was a potential for structural rationalisation:

The import of [this] primarily lies in the possibility to reduce the number of contacts during the good's course from producer to consumer, including the number of customer contacts. The form of the contacts can also be changed through new technology – which can lower the costs per contact – but this is probably less important than the reduction in the number of contacts.

Folke Kristensson, 1952, p.8.

An unaccredited comment on Kristensson's talk indicates that there were still differences in opinion as to the effects on productivity of efforts made within distribution.³

It would be very useful to calculate how much savings on labour an investment of a given size within trade could be estimated to result in.

Distributionsekonomisk konferens Jan. 20-24 1952, SNS, 1952, p.8.

¹ Folke Kristensson (1914-1993) was professor of business administration at SSE from 1949 to 1980, when he retired. His was succeeded by my supervisor-to-be, Lars-Gunnar Mattsson.

² F. Kristensson, *Distributionens struktur och arbetssätt* (Distribution structure and working-ways), 1952.

³ Unfortunately, the report from the conference does not cover the discussions in any great detail. Those contributing to the discussion are listed and a few unaccredited passages from the discussion are quoted.

Price differentiation and self-service stores¹

Gerhard Törnqvist repeated his views on the import of changed pricing practices for rationalisation. Without differentiated prices, companies could not separate between profitable and unprofitable operations, and demand might degenerate (buyers demand more of a costly service if not priced separately). As an alternative to price-differentiation, he suggested reduced customer service and increased differentiation of retail offers.

During the ensuing discussion, the subject of the growth of self-service stores and the pricing in these stores was brought up. Although a considerable growth was reported in both the number and the turnover of these stores, the development was still held to be checked by the difficulties of receiving construction permits and the lack of capital within retailing. One participant also linked the differentiation of prices directly to self-service:

KF has not yet differentiated the prices for branded goods in their Quickshops, the self-service system still being so new in Sweden. Many self-service stores in new areas operate at a loss during the first period since the area is not fully developed, leading to poor utilisation of the store-capacity. The extra profit that the new system brings is used to reduce these losses. Within KF, the construction regulation is held to be the main check on the development of the self-service system. When one can build and equip stores freely, a price-differentiation is needed for the system to develop quickly enough. A drawback of the present conditions is that the good results lead to a large number of self-service stores, each store thus becoming smaller than desirable.

Distributionsekonomisk konferens Jan. 20-24 1952, SNS, 1952, p.15.

Another speaker argued that consumers would react negatively to price differentiation:

Many consumers would not like differentiated prices on pronounced branded goods. If one had to pay a slightly higher price for a branded good in one's regular store, one would feel fleeced.

Distributionsekonomisk konferens Jan. 20-24 1952, SNS, 1952, p.15.

These comments are the first to gainsay the Gillberg-Törnqvist-af Trolle line of reasoning and present arguments for *keeping* undifferentiated prices. The first suggests that practical considerations sometimes override principle convictions; the second that there was less than complete agreement as to the superiority of differentiated prices. The lack of counter-arguments so far might thus be due to something else than general agreement.

Social planning²

Construction regulations and lack of capital were brought up above, in connection with the spread of self-service stores. Another link between public regulations and distribution was made by Gösta Bohman³ who discussed the effects of the planning of housing areas.

¹ Gerhard Törnqvist, *Priser och rabatter som medel att rationalisera distributionen* (Prices and rebates as means to rationalise distribution), 1952.

² Gösta Bohman, *Samhällsplaneringen och distributionen* (Social planning and distribution), 1952.

Through the 1947 Construction Law, the authorities were... given responsibility for planning the retail net, and the means to carry through their planning. [This] law assumes that "the use of land for buildings, communication ways, and business life shall be so planned that the emergence of socially and economically satisfactory communities is favoured, while outer conditions for the development of the business economy are made as favourable as possible."

Gösta Bohman, 1952, p.17.

Bohman argued that planning could bring considerable advantages in terms of integrating goods distribution into the communities. On the other hand, it also had significant drawbacks, such as the difficulty of fixing the proportions of the retail net in advance.

The plans were often implemented by public utility or co-operative construction companies. These used the estimated need for stores in the city-plan as a partial guideline, but also added their own considerations. Since rents were subject to regulation, tenants could not be found through pricing. So how were the new retail locations distributed?

... from social viewpoints. For instance, there have been attempts to protect the small retailers and counteract the chain stores. One has required that private retailers should give the same bonus as the co-op. There have been attempts to counteract dispersion in the lines of trade... The Consumer Co-operation has been favoured... The regulation of the stores which now takes place within these new areas is an extremely strict establishment control. A person who manages to acquire a store-facility can feel secure and does not run the risk of being out-competed by other stores.

Gösta Bohman, 1952, p.17.

To counteract this unwholesome situation, Bohman suggested that some excess capacity should be planned for and constructed in advance; that several contractors as opposed to only one should be involved in a housing area, thus creating some rivalry among the contractors; and that the plans should only cover the broad outlines.

The effects of laws and regulations on distribution¹

Henry Nilsson² kept the focus on public affairs in his talk. A major obstacle for rational distribution, he said, was the local public health regulations. By being applied too literally, or by having led to interpretive practices that differed in spirit from the original intentions, they prevented joint sales of certain types of goods. He held that the new national Food Regulation in the process of being worked out might solve these problems.

³ Gösta Bohman (1911-1997) worked for the Stockholm Chamber of Commerce 1942-1970. From 1958, he represented the Conservatives in the Swedish Riksdag. He became the chairman of his party in 1970. During the non-Socialist coalition governments 1976-1978 and 1979-1981, he was Minister of Economy.

¹ H. Nilsson, *Hur inverkar lagar och förordningar på distributionen?* (How do laws and decrees), 1952.

² Henry Nilsson (1912-1997) graduated from SSE in 1936. He was then employed by the consumer co-operation. A grant allowed him to study distribution at Harvard Business School in 1939-40. In fact, he stayed in the US during the war working for the American consumer co-operation, primarily on self-service retail stores. Upon his return to Sweden, he became KF's special adviser on self-service issues.

Table 4-2. Practical measures reducing retail costs. Source: Nils-Erik Wirsäll, *Åtgärder för att nedbringa detaljhandelns kostnader* (Measures to reduce the costs of retail trade), 1952.

Area	Means	Effects
Purchasing	Improved planning (ordering goods based on need)	Increased turnover of stock; improved goods quality; reduced need for capital.
Assortment	Limit the depth (goods/category)	Reduced stocks
Assortment	Increase the width (categories)	Larger turnover per store which reduces relative costs
Retail structure	Abolish food regulations that prevent scramble merchandising	The emergence of the all-round food store
Retail organisation	Implementing self-service	Higher turnover per employee but also higher rents
Pricing	Free retail pricing	- no specific effects mentioned -
Staff qualifications	Education	Reduced wastage, particularly for fresh goods
Consumer credit	Limit or abolish	Reduced costs (0.4% of turnover); capital availability
Consumer behavior	Order-pads for planned purchases	Reduced workload variations
Capital	Joint capital formation	Enables the implementation of rationalisation measures

To this end, KF had promoted a regulation expressing hygienic goals rather than one stipulating ways to attain such goals. He went on to assert the restraining effects on the rationalisation of distribution of a number of regulations (e.g., the store closing law, the construction law, RPM and private regulations in general).

In the ensuing discussion, a new view on establishment control was brought up. A regulation against private establishment control would give greater freedom to one group, those who wanted to start new stores, and reduce freedom for another, those who wanted to control establishments. The speaker argued that such a regulation should be postponed for another 5-10 years to await the results of increased price differentiation.

Practical ways of reducing the costs of retailing¹

Nils-Erik Wirsäll addressed an issue in which he had already shown some interest – the rationalisation of retail operations. This time, he discussed how the costs of retail trade could be reduced, taking as his point of departure the small size of Swedish stores.

The small units make it difficult to realise tangible savings. Sometimes their very size makes it difficult to reduce by a whole body. The stores are owned or managed by individualists who are hard to influence. The reluctance to act is also increased by the elasticity of these individualists who prefer to utilise spare time rather than reduce the service to the consumers.

Nils-Erik Wirsäll, 1952, p.21.

Since retail profits were small, cost reductions must be sought by increasing efficiency and simplifying operations. He suggested ten areas where this could be done (Table 4-2).

(Henry Nilsson, *Självbetjäning i amerikanska livsmedelsbutiker* (Self-service in American grocery stores), 1946; Hugo Kylebäck, *Henry Nilsson* (obituary), SvD, Feb. 25 1997.)

¹ Nils-Erik Wirsäll, *Åtgärder för att nedbringa detaljhandelns kostnader – några praktiska exempel* (Measures to reduce the costs of retail trade - some practical examples), 1952.

In general, Wirsäll argued that the average turnover of the stores must be increased; the really small shops had had their day. This was contested by a participant, who argued that the small retailers had displayed much vitality during previous hardships (see also p.131).

Wirsäll and other participants stressed the import of education and suggested that “even consumers” should be educated. Some doubts were also raised about self-service:

Concerning the sale of meats one must be very hesitant about the benefits of the self-service system. In many cases, the new system has resulted in reduced quality of these goods.

Distributionsekonomisk konferens Jan. 20-24 1952, SNS, 1952, p.24.

Consumer perspectives on rationalisation¹

The two final speakers at Persborg directly addressed consumer related issues. In a brief historical overview of goods distribution, Bertil Neuman argued that technological development, improved news-distribution, and increased mobility had created new needs. At the same time, mass-production had become possible. The distance between consumers and manufacturers had grown and their personal contact had been replaced by middlemen.

The result is a critical, selective consumer who requires ... to be allowed to buy “wherever, whenever, and however stupidly they like.”

Bertil Neuman, 1952, p.30.

Neuman argued that manufacturers must learn about consumer preferences and be aware of the fact that these preferences were subject to change over time. Some practical problems associated with this were: i) deciding on the size of the assortment; ii) the dispersion of goods across lines of trade; iii) the demand for service; and iv) the contact between buyer and seller. Those involved in distribution must try to improve “public relations”:

If the consumer wants complete freedom ... she must also understand that this entails costs, making distribution more costly. If this requirement is the foundation for the consumer's well-being, then rationalisation experts and social planners should not render impossible a compliance on this account.

Bertil Neuman, 1952, p.30.

During the discussion, several comments suggested that it would be dangerous to let the consumers exert a decisive influence over goods distribution. In particular, their inability to envisage something which they had not already tried was held to be a major drawback. Further, the use of “qualified” consumers when developing new offers was seen as risky, potentially resulting in products that satisfied “good taste” but not the great majority.

The final speaker was Arne Henrikson from LO, who discussed the position of the labour unions. Primarily, he said, the labour unions regarded themselves as consumer organisations in this respect. He noted that the request for an investigation of the structure

¹ Bertil Neuman, *Vad begär konsumenterna av distributionen av i dag–vad kommer de att begära?* (What do consumers ask of the distribution today - what will they ask?), 1952; Arne Henriksson, *Fackföreningsrörelsen och distributionens rationalisering* (The labour unions and the rationalisation of distribution), 1952.

of goods distribution made in 1947 (see above, p.124) had still not been met, and that it was still needed. However, he held it to be more important to investigate what could be done, than what had been done. For instance, to identify and abolish restrictions of competition which hindered a development that would be beneficial to the consumers.

Summary: Distribution Rationalisation – Principles and Practice

My account has served to explicate the character of the rationalisation issue. A number of specific problems and solutions have been added to the general starting point of the debate – the claim that the production of goods had been rationalised and rendered efficient, while goods distribution had become more costly (both relatively and absolutely).

Some contributions concerned perspective – how was one to look upon this issue? Others singled out specific practices, e.g., establishment control or resale price maintenance, as important causes for the alleged problems. Still others proposed solutions to sub-problems or to the whole issue. All of them were to some extent lined with controversies. Was this a practicable perspective? Was this a common practice? Were the alleged effects really caused by said practice? How was one to establish whether they were or not?

Concerning perspectives, a view that seems to have gained wide acceptance was that which separated technical from structural rationalisation. It was only the practical attempt at rationalisation made by Hakonbolaget that cast some doubts as to its tenability. A similar clash between principles and practice concerned how to evaluate changes in distribution efficiency. Instead of equating costs with per cent margins, which apparently was the current practice, some argued that relating costs to performed activities was an important principle to adhere to in order to evaluate distribution efficiency.

Concerning proposed solutions, free competition was given a prominent position. At least, in principle! During the discussion about private establishment control, I noted that it was decidedly more difficult to agree on what was to count as free competition than it was to agree on its desirability. A radically different and much more controversial solution was Government intervention – the threat of which representatives of private business kept returning to, claiming that it already hindered rationalisation. Others suggested *increased* public participation, e.g., a public investigation of the issue. Public measures also affected the debate by bringing certain practices to the fore, e.g., private establishment control. It is to these public efforts that I turn in the second part of the chapter.

As for the role of Hakonbolaget, Nils-Erik Wirsäll's contributions in the form of talks and articles and his collection of material on the issues, show that at least the head of the Organisation Department took these matters seriously. A reply by Stig Svensson to an article by Gillberg in *Köpmanen* suggests that this concern was shared by others as well. The Hakons-deal, finally, was put forward as a major effort to achieve rationalisation in practice, suggesting that Hakonbolaget was not just in it "for the sake of the principles."

4.2. Public investigations of goods distribution

The discussion about the Hakon-deal above suggests that some distributors were making efforts to rationalise their operations at the end of the 1940s. At least, Wirsäll was making efforts *to tell of Hakonbolaget's efforts* at this. But companies were not the only ones said to be acting in this matter. Most of the future scenarios, included public intervention in some guise or another. Some argued that the mere threat of such intervention should make private business realise that they had to act to solve their problems. Others held that some of the identified problems preferably should be solved by legislation. Yet others called for public investigations (and maybe also interventions).

If nothing else, the commissioning of the Business-entry Expert Group triggered discussions about establishment control among trade representatives (see p.116).¹ During these discussions, the establishment issue was linked to the rationalisation of distribution. The primary concern of the experts, however, was “the need to abolish private establishment control within business and certain unsuitable methods of competition.”² Since establishment control was mainly exercised within retailing, their work was related to goods distribution. The directives also specifically stated that the effects of said control on production- *and* distribution-efficiency should be investigated.³ Still, its task was far from the focused investigation called for by the Trade Labour Association (see p.124).

During the late 1940s and early 1950s, representatives of the labour unions and the Consumer Co-operation (e.g., Henriksson on p.146), and members of parliament repeated the call for such an investigation. In reply to a query in the spring of 1952, the Minister of Commerce argued that an inventory of the problems within goods distribution was needed to see whether or not they were “suitable for Government participation.” This task was given to Ulla Lindström⁴, who reported her findings in a report entitled “Problems within goods distribution” in October, 1952.⁵

A few months later, in February 1953, the Minister of Commerce was authorised to commission a group of experts “to carry out an investigation of the goods distribution and its rationalisation, mainly as far as the pricing within trade is concerned.”⁶ The Minister appointed Ulla Lindström to head this new group of experts, who assumed the name “the Goods Distribution Investigation” and who delivered their final report in May 1955.

¹ The experts also arranged “hearings” with representatives of the wholesale and retail trade, thus creating yet another forum for discussing these matters. (SOU 1951:27.)

² The Minister’s motives for commissioning the investigation, quoted in SOU 1951:27, p.39.

³ SOU 1951:27, p.43.

⁴ Ulla Lindström (1909) was Member of the First Chamber of the Swedish Riksdag 1946-70, representing the Social democrats. She worked as an expert at the Department of commerce 1947-1954. She was made Consultative Minister responsible for family- and foreign aid-issues in 1954. (Nationalencyklopedin, q.v.)

⁵ Ulla Lindström, *Problem inom varudistributionen* (Problems within goods distribution), 1952, pp.1-4.

⁶ SOU 1955:16, p.11.

Below, I overview these three reports, which together provide an image of the public efforts to investigate and devise means to achieve favourable conditions for the rationalisation of goods distribution.¹ As a consequence of the Business-entry Expert Group's report, the *Act to Counteract Restraints on Competition in Business in Certain Instances* was passed in 1953. Ulla Lindström's memo was carefully studied and commented upon by Nils-Erik Wirsäll. The Goods Distribution Investigation contributed to a revision of the 1953 Act (in 1956) and to the creation of a public body for price surveillance, SPK.

The Report of the Business-entry Expert Group²

Above, I argued that the establishment issue came to the fore when the Business-entry Expert Group was commissioned in 1946. I also showed how Resale Price Maintenance (RPM) first was suggested, and then apparently accepted, as a major cause of the problems that private establishment control purported to solve. RPM also came to foreshadow establishment control in the work of the Expert Group. In 1949, Ulf af Trolle was appointed to assist with an inquiry into the problems associated with RPM, and in the dense final report, delivered in July 1951, RPM occupied a central position.

Besides descriptions of practices restraining competition within various Swedish industries and overviews of foreign legislation, the two main topics were RPM and establishment control. The experts' main proposal was to create a law counteracting harmful restraints on competition. Since such a law was passed by the Swedish Riksdag in 1953, the report undoubtedly came to have some import on the issues at hand. Since there are some indications of the report having some import on the doings of Hakonbolaget beyond this legislation, I will briefly comment on its contents.³

Harmful effects of restraints on competition - The main suggestions

In their summary, the experts noted that their directives clearly distinguished between the existence of restraints on competition and the extent to which these had harmful effects. In

¹ *Konkurrensbegränsning* (Restraints on competition), SOU 1951:27 and 28; Ulla Lindström, *Problem inom...*, 1952; and *Pris och Prestation inom handeln* (Price and performance within trade), SOU 1955:16.

² Six experts were appointed in 1946, representing Government, the Consumer Co-operation (KF), the Retail Association (Köpmannaförbundet), the Association of Wholesalers (Grosistförbundet), the Trade Labour Association (Handelsarbetareförbundet), and the Association of Food and Grocery retailers (SSLF). In addition, three manufacturer representatives were appointed consultative members (including K-E Gillberg from Kelifa). The experts were given new directives in 1948 to examine "the need for legislation to counteract socially harmful cartel-agreements, etc.." In 1949, a seventh expert was added representing the Swedish Association of Manufacturing Industries. (SOU 1951:27)

³ In 1952, the managers of Hakonbolaget noted that "Government" was paying attention to the working ways and efficiency of the distributive trades. Some measures were also found to be "in line with Government ambitions." (Minutes of the managers conference, AB Hakon Swenson, May 5-6 and Dec 11, 1952.)

line with this, they recognised the delicate balance between benefits of scale and the risk of monopolists and cartels abusing their power by, for instance, charging high prices.¹

The experts were pleased to note a tendency towards liberalisation through “self-reorganisation” within some industries during the 1940s. But this was not enough. Rather, the experts argued, this interest in self-reorganisation was likely to wane, if government would refrain from more direct measures against harmful restraints on competition. Therefore, they proposed three public measures:²

First, the creation of an independent body for evaluating the effects of restraints on competition, the Freedom of Commerce Board. If harmful effects were found, the board was to initiate negotiations with the involved parties to revoke or redesign the restraint. It would thus largely rely on the participation and co-operation of the involved parties.

Second, as a complement, the creation of a Commissioner for Freedom of Commerce. This office was to have a position similar to that of a “public prosecutor”, finding and bringing cases of general interest before the board.

Third, the passing of an antitrust act (the “Law counteracting socially harmful restraints on competition within business”), specifying the rights and obligations of the new bodies. Although negotiations were to be the major vehicle for action, the proposal included a formal right to intervene, but only in cases of abuse.³

The definitions underlying the new law were a central concern in the report. First, the new board was suggested to have authority to try in three situations: 1) when a company or a group of companies held a considerable market share; 2) when a cartel, tacitly or not, practised joint policies; and 3) when a company had set a lowest price for the resale of a good. The experts stressed that trying a restraint on competition not necessarily meant that it had harmful effects. Rather, the purpose of the trial was to establish whether or not it did.⁴ Second, the experts suggested that a restraint on competition had harmful effects if: 1) it led to high prices relative to real costs; 2) there was considerable danger of it raising costs, hindering cost reductions or technical / economic development; or 3) there was considerable danger of it rendering the supply of goods unsatisfactory.

Since the experts foresaw difficulties in proving the existence, or non-existence, of harmful effects, they proposed that cases where there was a *considerable danger* (väsentlig fara) of such effects should be included among harmful effects. In addition, some

¹ SOU 1951:27, p.13.

² Ibid., pp.15-19.

³ That is, only companies that failed to alter their conduct if this conduct had been found to be a restraint on competition with harmful societal effects could be punished. Ibid. p.17-18.

⁴ The ambivalence towards the effects of restraints on competition was thus reflected in the proposed legislation. The lack of a general presumption of harmful effects differed from foreign legislation such as the Sherman and Clayton acts. Since an entire chapter was devoted to foreign legislation, the experts seem to have been aware of the differences. SOU 1951:27, p.19-20; and Ulf Bernitz, *Swedish Anti-Trust Law and Resale Price Maintenance*, 1964, p.12-13.

practices in themselves infringed sufficiently seriously on the principle of free enterprise, that they, rather than any measure serving to reduce or abolish them, had to be justified. Three such cases of *legally presumed harmful societal effects* were identified: 1) when a firm treats other firms unfavourably in connection to sales; 2) when co-operation concerns pricing, tenders, or the division of markets; and 3) when manufacturers apply RPM.¹

The committee stated that “substantial investigation and consideration is usually required before a differential treatment can be judged discriminatory.”² Only if so judged, the presumption of harmful effects was to be used. It was suggested that the presumption of harmful effects should be lifted if on investigation reasonable doubts as to their existence were presented. This applied, for instance, to cartels only involving a small part of the market, and to cases where, in all likelihood, the restraint on competition had contributed to a cost-reducing rationalisation which had largely benefited consumers.

Establishment Control and Resale Price Maintenance

The directives given to the Business-entry Expert Group specifically asked them to scrutinise the establishment control practice. Despite considerable attention to the issue (entire chapters were devoted to it and to the establishment of retail stores in new housing areas), the experts did not reach a clear conclusion as to the effects of establishment control:

The emergence of new distribution firms is limited through the establishment control, which exists within approximately half of the retail trade. This may appear beneficial, viz. to the extent that it is held that there are too many distribution firms and that the distribution costs for this reason are high. On the other hand, an establishment control may also support existing price regulations and thereby further lock a system of restraints on competition in a way that, not infrequently, imperils the possibilities of achieving such a rationalisation of the distribution structure so that the consumers receive a share of the rationalisation profits, too. An organised establishment control therefore often seems suited to bring results, which largely appear less favourable.

Konkurrensbegränsning, SOU 1951:27, p.15.

The final line above, taken from the summary of the report, nicely depicts the caution shown by the experts. Establishment control “often seems suited to bring results, which largely appear less favourable.” Although, a slightly negative stance can be detected, it is hardly possible to be more imprecise. Given this, it is not surprising that no specific public measures against establishment control were suggested.

Concerning the second aspect of the establishment issue, viz. the allocation of stores in new housing areas, the experts’ conclusion was slightly clearer:

[It] is reasonable to entertain the view that free competition between various companies and various company-forms is obstructed in too great an extent.

Konkurrensbegränsning, SOU 1951:27, p.471.

¹ SOU 1951:27, p.21-22.

² Ibid., p.22.

The experts concluded that public intervention in the planning of new housing areas might be too great. They also recognised that construction companies could influence the possibility for different forms of business to gain representation in new housing areas. Still, they held that a comprehensive change in the area would require more careful consideration of the problems involved. Thus, despite their recognition that construction restrictions, town-plans and construction companies all might restrain competition, the experts suggested no compelling measures. Particularly, they were opposed to locking the relation between different business forms through publicly fixed quotas of retail facilities.¹

Instead, the experts settled for a “minimum-program” consisting of three principles to apply when planning a new area: i) *different forms of business* should be given the opportunity to be represented; ii) the frame for future trade should be as *wide* as possible; and iii) the planning should be as *elastic* as possible.²

Although RPM was not specifically mentioned in their directives, the experts found this practice requiring of further investigation. They argued that since the directives required them to attend to problems connected to branded goods, including the pricing of such goods, and since RPM was used for this, their task included an investigation of RPM. Above, RPM was suggested to be a major check on rationalisation, mainly by Gerhard Törnqvist and Ulf af Trolle at SSE. The experts reached a similar conclusion, arguing that RPM had negative societal effects, and provided two reasons for this: first, that RPM, despite some positive effects, had promoted competition which de-emphasised price and quality and instead focused on aspects which rendered distribution more costly; and second, that this effect was a serious one, and that the high costs of distribution made it important to achieve a rationalisation and a lowering of the distribution costs.

[T]he effects which often are caused by Resale Price Maintenance and aspects thereof, according to the experts' opinion, belong to those factors that have contributed strongly to obstructing the rationalisation of distribution.

Konkurrensbegränsning, SOU 1951:27, p.331.

In the end, then, the ideas promoted by Gerhard Törnqvist and Ulf af Trolle (see, e.g., p.122 and p.129) provided the Business-entry Expert Group with their main argument, as they chose to single out RPM as a particularly harmful restraint on competition. Given that the directives had called for an “unbiased investigation” specifically, it is somewhat surprising that af Trolle was commissioned to prepare a report on RPM. And even more so, that the experts should explicitly base their account of the system on his report.³

¹ Ibid., p.477.

² Ibid., p.473.

³ It is worth noting that af Trolle also promoted his ideas concerning RPM and establishment control in articles published in the business press throughout 1949. See, *Affärsökonomi* 1949:6, 8, 10, 12, and 14.

Disagreement within the committee

The conclusions and proposals found in the final report were decided on by the smallest possible majority within the committee (4 out of 7 members). The remaining three experts made a joint reservation against the main proposal – the new antitrust act.¹

This reservation stressed the importance of *both* competition and co-operation and attributed a wider significance to the observed tendencies towards self-reorganisation than did the majority (see p.150). It alleged that the use of agreements in restraint of competition was diminishing and that businessmen tried to improve competitive conditions. According to the dissenting members, the scepticism of the majority and the proposed formal right to intervene which had resulted from it, was based on questionable data – the negative views expressed by businessmen during the “hearings” arranged by the experts.

It cannot be reasonable to make any more profound conclusions on the basis of what was being said by those summoned to these “hearings.” They obviously regarded themselves, to some extent, as accused and assumed an almost defensive attitude to the “interrogating” committee.

Konkurrensbegränsning, SOU 1951:27, p.628.

A reflection: although the informers might very well have felt “accused” when asked about their competitive policies as part of the investigation, it hardly seems likely that they would feel less so during a future negotiation purporting to alter their policies.

Concerning the proposed legislation, the critics argued that it was poorly formulated and that too little was known about that which it purported to regulate. A specific disadvantage emanated from the use of “considerable danger” and “legal presumption of harmful effects.” These and other relaxations on the burden of proof, would increase the efficiency of the proposed legislation at the cost of weakened legal protection for the subjects. In all, much more thorough investigations were needed before passing new legislation.

In addition to the reservation, a special statement was made by K.E. Gillberg, who had been a consultative member of the committee. In his lengthy statement, Gillberg criticised the proposals of the majority and drew up the broad outlines of an alternative.²

First, he argued for the exclusion of monopolies from the general legislation. These should instead be investigated individually to determine appropriate measures. If not, situations could arise where an efficient company that had achieved a dominating position by out-competing its rivals, was suspected of being socially harmful when it in fact was very efficient. Thus, the proposed legislation could lead to *less* vigorous competition.

The second major area considered by Gillberg was private establishment control. The arguments against this practice, which included the existence of bound prices, were highly questionable in his view. To make his point he quoted from the report:

¹ The reservation was made by three experts representing the business community, Georg Borgström, Einar Kördel and Kurt Söderberg. SOU 1951:27, pp.617-668.

² K.E. Gillberg, *Särskilt uttalande* (Special Statement), SOU 1951:27, pp.669-722.

"If one disregards business fluctuations... and the strong competition between co-operative and private forms of business that has emerged within certain lines of trade, weighty reasons appear to be adducible for the opinion that the bound character of price-formation in the long term tends to become ever more marked" (p.401). *One does undeniably ask oneself why one should disregard conditions that actually exist and which, with reference to their extension and import, must constitute decisive factors for an evaluation.*

Konkurrensbegränsning, SOU 1951:27, p.696. Italics added.

It seems to me that Gillberg's point is a pregnant one. By disregarding indications of strong competition, the experts intentionally based their proposals on a worse situation than that which they found to exist.

Gillberg's third point was that the majority's proposal over-emphasised the negative effects of RPM. Retailers, he said, found RPM to be "the most convenient pricing method", and most consumers found it to be "fair." Legislation should be postponed awaiting the outcome of the current trend towards less rigid prices, including increased use of suggested rather than fixed prices.

Gillberg, who had previously suggested pay-for-performance as a means towards a more rational goods distribution, turned against the committee's proposal. Why the apparent volte-face? It seems to me that his position did not really change. Gillberg had suggested that manufacturers (and distributors) needed to alter their conduct in order to *prevent* government intervention. Now, public experts were promoting intervention, openly disregarding indications of such changed behaviour. Further, while Gillberg had promoted pay-for-performance, he had never opposed bound pricing. In fact, his starting point for promoting pay-for-performance had always been the manufacturers' pricing policies.

The Act to Counteract Restraints on Competition in Business in Certain Instances

The final report of the experts was severely criticised by representatives of private enterprise. Not only through the reservation and the special statement hidden away in the back of the main volume, but through numerous articles in newspapers and magazines. This turned "the proposed anti-trust legislation into a major political issue." In fact, the critics were successful enough to exact negotiations with the Minister of Commerce. The result was a compromise that was summarised in a signed "agreement" between the parties.²

Based on this agreement, the *Act to Counteract Restraints on Competition in Business in Certain Instances* (the Anti-Trust Act) was proposed to and passed by the Swedish Riksdag in September 1953. The first section conveys the basic character of the law:

¹ It is worth noting that these and similar arguments were disqualified and even ridiculed by Ulf af Trolle in the report which he prepared for the experts. SOU 1951:28, pp.89-244.

For the purpose of counteracting restraints on competition in business in certain cases, it is provided hereunder, that certain types of restraint on competition shall be prohibited, and in addition that it shall be the duty of the Freedom of Commerce Board, in cases of restraints on competition submitted for its consideration to endeavour through negotiation to eliminate harmful effects thereof. Harmful effects are such caused by a restraint on competition which influences pricing, hampers the activities of industry or commerce, or obstructs or impedes another enterprise in its business, provided that such effect or effects are incompatible with the public interest.

SFS 1953:602, Section 1. Official OECD translation.

The definition of *harmful effects* differed from the experts' proposal (see p.150), making the legislation more general and less aggressive than the experts had suggested.¹ Rather than the legal presumption of harmful effects proposed by the experts (see p.151), the new law banned two cases of restraint on competition: *resale price maintenance* and *joint co-operation in tendering bids*.² Concerning RPM, fixed resale prices were banned as well as price suggestions that did not explicitly state the possibility of falling below them. Concerning cartels, the law was less comprehensive, focusing only on joint co-operation in tendering bids. Finally, the law left out the general case of *unfavourable treatment*.

The Act also stipulated two cases where the new board could instigate negotiations to set aside harmful effects: when businessmen had formed cartels, or in other ways acted in concert concerning prices, production, sales and transports; and when companies or groups of companies connected through common ownership ties constituted a considerable part of business life in (part of) the country.³ The new law came into force on January 1, 1954, except for the two specific bans which applied from July 1. Two new public offices were also created, *Näringsfrihetsrådet* (the Freedom of Commerce Board) and *Ombudsmannen för näringsfrihetsfrågor* (the Commissioner for Freedom of Commerce).⁴

² This claim is made by Ulf Bernitz in his overview of the legislation. Of course, I would argue that the public debate reported above shows that this had all along been a highly political issue. Ulf Bernitz, *Swedish Anti-Trust...*, 1964, p.11.

¹ First, it was specified that the effects had to be "incompatible with the public interest." Second, it used the more general formulation "influences pricing", where the experts had specified 'causing high prices relative to costs'. Third, the performance argument was made less aggressive by leaving out the notion of *considerable danger*. But it was also made more general by leaving out the experts' specification of the argument. Finally, the experts' supply-argument was transformed into a general argument concerning negative effects on "another enterprise", also without the notion of *considerable danger*.

² These practices were only allowed "if the restraint on competition can be expected to result in lower costs, accruing substantially to the benefit of consumers, or otherwise to form part of a system which is expedient from a public point of view..." (SFS 1953:603, Section 4). Ulf Bernitz (*Swedish Anti-Trust...*, 1964) claims the transfer of onus from the defendant to the Commissioner for Freedom of Commerce was a result of the negotiations between business representatives and the Minister of Commerce.

³ SFS 1953:603. Largely, this was what the experts had proposed (see p.150). Fixed resale prices were left out, but given the explicit ban, this had a negligible effect. More significant is the lack of judicial sanctions to support the anti-trust authorities' efforts to secure compliance if negotiations would fail. According to Bernitz (*Swedish Anti-Trust...*, 1962, p.13), this was one of the concessions made to business.

⁴ The first instructions for the new offices were passed in December, 1953. SFS 1953:731-732.

An inventory of the problems within goods distribution

The calls for specific investigations into the structure of goods distribution were first met by Ulla Lindström's 1952 inventory of the problems in the area.¹ Her memorandum covered six topics: 1) transports; 2) the assortment and its dispersion; 3) the optimisation problem within trade; 4) self-service and packaging; 5) price differentiation and rebates; and 6) the uneven workload within trade. Below, I sketch Lindström's views and proposals. Since I base my account on Wirsäll's personal copy of the memorandum, I have included his marginal notes along with the excerpts from the text. This produces something of a discussion and brings out contested points in Lindström's text.

*The Transport Economy*²

Since a reduction of transport costs would affect both manufacturers and distributors, Lindström argued that they should consider the issue jointly. The best way to improve efficiency, she argued, was to keep the goods moving without stops and reloads while utilising the most economical means of transportation. Efforts in this vein "naturally" fell to the lot of the parties involved. But since a reduction in transport costs also would allow price reductions for the consumers, government involvement was motivated:

[T]he transport-economy cannot be seen solely from the perspective of the individual distributor and the customers who consume precisely his good, and thereby maybe can profit from a lower price... The transport-economy must always be evaluated also from the perspective of the entire public economy.

How is this practically possible? The competition between companies often hinders co-ordination.

Ulla Lindström, 1952, p.8.

Wirsäll's marginal note³ suggests that he found the perspective assumed by Lindström to be impracticable. As will become clear below, this divide between practice and principles was a recurring theme in his comments. It is reflected in his comment on the standardisation of outer packaging, which Lindström held to be another way of reducing transport costs. She particularly noted the standardisation of pallets that had been achieved by then:

The study of these results gives the impression of a fully satisfactory activity in the technical and scientific work... However, having the recommendations applied in practice seems more sluggish. The basic requirement for a more widespread use of standardised packages is a more widespread use of the standardised pallet.

Consider the facility-technical and order-related difficulties of using pallets!

Ulla Lindström, 1952, p.17.

When discussing the standardisation of packaging, Lindström did in fact consider one of the two problems that Wirsäll noted in his comment – the one related to orders:

¹ Ulla Lindström, *Problem inom...*, 1952. Unless other sources are indicated, the section is based on this.

² *Ibid.*, pp.5-26.

³ This and subsequent marginal notes, were made by Nils-Erik Wirsäll in his copy of the memo. Dashed underlining in this and the subsequent excerpts similarly reflect underlining made by Wirsäll.

... one must constantly balance the producer's interest in as large packages as possible, the retailer's interest in the quantities being adequate for an even turnover of the stock and the middleman's ... interest in not having to perform expensive re-packaging

Note!

Ulla Lindström, 1952, p.18.

To secure the practical application of the research results, Lindström recommended that means should be given to SIS (The Swedish Standardisation Institute) to inform concerned parties of the advances in this area. Once again, then, the importance of bridging the gap between research results and practical application was brought forward.

In part, Lindström held Government responsible for the slow acceptance of more rational ways of working. The rationalisation of wholesale facilities, for instance, was hindered by construction quotas. In Chapter 3, Hakonbolaget argued that this was a drag on the realisation of its plans. Now it resurfaced as a major check on rationalisation in general. Lindström quoted from a long-term expert report:

"A rationalisation of the warehouse handling can often only be made in connection with a reconstruction of the out-dated warehouse-facilities which are currently in use in many locations."

Ulla Lindström, 1952, p.20.

(As Chapter 6 will show, Hakonbolaget made considerable efforts to refute this claim.) Lindström presented figures supporting her claim that authorities had neglected this area when granting construction permits: in 1951, MSEK 7 was granted out of an estimated MSEK 60 need for investments, in 1952 the corresponding figures were 15 out of 80.

The rationalisation of wholesaling also involved principles for warehouse location and design. When locating a new warehouse, two aspects had to be considered: first, the need for spacious and relatively cheap land; second, that the warehouse was located in reasonable proximity to harbours and/or railway stations. But the location of warehouses was also linked to the organisation of wholesaling; a link between *where* to locate and *what* to locate. KF were building central warehouses serving greater areas. Could these produce more savings than the traditional individual wholesaler with limited stock-keeping? Should there be a few large central warehouses or many small local ones?

Lindström also discussed the design of the buildings. In general, she said, rational handling of goods required large open spaces, allowing for the use of pallets and trucks. But whereas handling bulk required "one-storey buildings with measures adapted to standardised packages and with a highly mechanised handling of goods", building up assortments for delivery to the retail trade required "studying the placement of the many individual articles so that the manual picking becomes most direct and as fast as possible."

Lindström held it to be of some import to the public economy that the central warehouses performed the 'warehouse function' in the most elastic and least costly way. This made her slightly hesitant towards a liberalisation of construction:

Before the construction operations are liberated and the credit restrictions eased up, one should in principle have reached an agreement on the guide-lines for a modern warehouse structure.

Ulla Lindström, 1952, p.22.

Thus, despite the regulations constituting an obvious check on rationalisation, liberalisation was not wholly beneficial. It would leave rationalisation up to the wholesalers, and it was far from certain that they would put this freedom to rational use. Instead, she advocated a public investigation of the problems to reach consensus on rational design.

Finally, Lindström discussed the order-structure. She claimed that doing away with the small and frequent orders could produce major savings both in terms of warehouse work (sorting and preparing orders) and transports:

If the wholesale trade... succeeds in having the order intake run smoothly, cleared from jumbled small orders, it can undoubtedly achieve large technical advantages and cost reductions... This area is however yet little worked at from a rationalisation perspective... The time and motion study-technique, which has caught on in the manufacturing industry, has yet made few inroads into the trade.

Cf. the Hakons deal and the route-planning

Cf. with us

Ulla Lindström, 1952, pp.24-25.

Lindström thus repeated Pär Gierow's assertion (p.130) that *time and motion studies* were an important means for rationalisation. Apparently, Wirsäll largely agreed, although he held that Hakonbolaget had been doing precisely what Lindström was asking for. Chapters 5 and 6 will show that Hakonbolaget had devoted considerable efforts to the small-order problem, and that they had made use of time and motion studies as well.

The assortment and its dispersion across lines of trade¹

Lindström claimed that the assortment was very hard to survey due to its growth before and after the war. Within the food trade, which she held as offering the best data, certain types of goods had grown markedly. Besides this, she also noted how Hakonbolaget had reduced the assortment from 4,000 to 2,500 articles (see p.137). The central assortment-problem, she argued, was whether or not it corresponded to customer demand:

The assortment which at present is available in our stores is largely decided on by wholesalers and retailers. Does it correspond to what the consumers really demand?

Correct! We ought to act on this and investigate. But how?

Ulla Lindström, 1952, p.27.

Lindström claimed that distributors overrated the consumers' demand for service and a large assortment, and underrated their interest in low prices. A survey made in the suburbs of Stockholm had shown that consumers selected food store on the basis of proximity, time saved and assortment width. This, she said, made the all-round food store superior to specialised stores. The latter would not survive without RPM allowing them to profit

¹ Ulla Lindström, *Problem inom...*, 1952, pp.26-49.

despite high costs. Here she referred to the Business-entry Expert Group, which she claimed had shown that RPM hindered a dispersion of goods across lines of trade.

Lindström also argued that wholesale assortments reflecting those of the retail trade would be conducive to rationalisation. This would improve retail service, reduce the number of suppliers needed, and make deliveries less costly. Here, the manufacturers' direct distribution was a problem. While the resulting competition was valuable, this practice could still result in "a distribution-economical waste" due to double work. Often, manufacturers sold profitable goods directly and let the wholesalers handle loss-bringing ones, thus twisting the distribution system. To solve this, she advocated a differentiated marginal policy (a view repeatedly brought up above, e.g., on p.114 and p.121). Each good should cover its own costs. To this end, a "pay-for-performance system" was well suited. To predict how this would affect wholesaling, thorough investigations were needed.

Besides private regulations such as RPM, Lindström also found public regulations that hindered a differentiation of goods distribution, e.g., food-legislation. Although the new Food Regulation of 1951 had led to improvements, the situation was still not satisfactory. Primarily, "local public health councils with strict and old-fashioned views on trade" could still uphold rules that checked the spread of self-service stores.

Retail differentiation was also checked by the regulation of 'travelling trade' in the Free Enterprise Act of 1864. Primarily, this restricted the so called goods-buses. Due to decreasing rural population and the geography of Sweden, Lindström held this to be a form of retailing for the future and one that should not be hindered by old-fashioned regulations. In a comment, Wirsäll raised doubts as to the potential of goods-buses.¹

Finally, the design of the stores was important for the differentiation of retail trade:

Not least due to the development of the fresh goods consumption, the small store-units in food trade will soon have had their day. If the most important household-purchases are to be made in the same store, then the stores must be larger and planned for the purpose.

[I am] apparently in good company, cf. my statement at Persborg

Ulla Lindström, 1952, p.47.

Here, the views of Lindström and Wirsäll clearly coincide. Wirsäll's comment refers to his talk at the SNS-conference at Persborg (see p.145), where he argued that it was necessary to increase the size of the stores in order to reap the benefits of rationalisation. A talk which elicited remarks to the contrary by some of the participants at the conference.

Here as well, construction regulations hindered rationalisation, Lindström claimed. In old housing areas the existing facilities made modern store-planning difficult, in new areas, the number and size of the stores had to be calculated in advance.

¹ The goods buses, fitted with shelves, a small counter and maybe refrigeration, served as rolling food stores. Today we might be inclined to say that Wirsäll was right and Lindström was wrong in forecasting their future. Still, they did live on for quite some time. Indeed, I remember the goods bus from Ce-Jis, a regional wholesaler, roaming the gravel roads in the area where I spent my summer holidays in the 1970s.

Alas, due to the granting of construction permits and the small construction quotas for store facilities, the large store facilities, which could have been something for the trade to grow into – could have become such household stores and suburban department stores which have broken through in the US under the Supermarket-label – has had to give in to the smaller stores.

Ulla Lindström, 1952, p.48.

This view on the required size of rational retail operations differs from that expressed by Borgström above (see p.131), suggesting a disagreement as to what the optimal size of a retail outlet was. The issue of optimality was also directly addressed by Lindström ...

The retail optimum problem¹

What is the optimal size and location of retail stores? Lindström noted that there were considerable difficulties in establishing such an optimal point, but then added:

[T]he evaluation lacks practical significance in our country, where the authorities have decided to intervene against all forms of establishment control [and] the individual retailer is sovereign in deciding about the degree of customer service he wants to supply. Even if it could be asserted that the number of retail businesses is too large and that it would be better to reduce the number to half as many ... this assertion would be of purely theoretical interest.

Ulla Lindström, 1952, p.50.

Doubts can be raised as to whether an interventionist stance of the kind suggested by Lindström had been assumed by the authorities. No one else made claims to this effect, and at the time of her inventory, the Anti-Trust Act had yet to be passed.

Despite the assertion that knowledge concerning an optimal retail outlet would be of theoretical interest only, she went on to argue that there *were* practical aspects involved:

To know something about where the optimal size of a retail store appears to be located in various lines of trade should be of import to city-planners, to store-architects, to those who establish new shops and finally to the consumers who naturally anticipate lower prices where the costs are the lowest.

Ulla Lindström, 1952, p.51.

From the above, it is apparent that Lindström did attribute more than a purely theoretical interest to knowledge concerning the optimal size of retail outlets. Indeed, her recommendation was that government support should be granted for research into the issue.

Self-service and packaging-issues²

Self-service and (pre-)packaging were often suggested as rationalisation measures above. Lindström held self-service to be “the past few years’ most important contribution to a rationalisation of goods distribution.” In the autumn of 1952, she said, there were 600 self-service stores accounting for 8-10% of the total food retail turnover. Further, surveys

¹ Ibid., pp.49-52.

² Ibid., pp.52-67.

showed that 80% of the consumers preferred self-service. Apparently, self-service had made great strides since 1947 when Wirsäll spoke of its future in Sweden (see p.131).

There were two major consumer benefits with self-service: *saved time* (less waiting) and a valuable *direct contact with the good*. Further, these advantages were greater than the disadvantages (e.g., not being able to send children to the store, difficulties of finding the right goods, lines forming during rush-hours, and some packaging issues that remained to be solved). But self-service was beneficial also to the retailers:

It saves labour. An investigation of five Quickshops showed labour savings of roughly 20%. At the same time, the turnover per employee is greater (approx. SEK 10,000 greater) in a self-service store than in a store that has not left the service-tasks to the customers. The likely cost-reductions within the pure self-service stores have been estimated at 2% of the turnover or 15% of the costs.

Not correct, this is the same thing expressed in two ways.

Ulla Lindström, 1952, pp.53-54.

Wirsäll's note indicates that calculating the benefits of self-service was far from self-evident. Still, Lindström held that the benefits *she* recognised outweighed the drawbacks.

The most important checks on the spread of system were: i) the construction regulations; ii) remaining local food regulations restricting joint sales of different food products; iii) the RPM-system which precluded the savings from self-service to be reflected in the prices for goods; and iv) the strictly technical problems in the area of packaging technology. The pricing in self-service stores was an "intricate problem" according to Lindström. At the time, prices were largely the same in self-service and regular stores. Thus, consumers did not enjoy the cost-reductions offered by the new system. Why?

One has wanted to see the new sales-system stabilised enough, to make an assessment possible of how the higher costs for facilities for self-service stores can be paid off. Owners of both self-service stores and counter-served stores ... have also had to consider the risk of having the clientele on which the older stores are based, abandon their close points of purchase and rather choose the longer distances and the lower prices, which the new self-service stores represent. ... When the self-service stores have consolidated their position, the time will most certainly come when it becomes natural and unavoidable for them to start an active price-competition with the traditional trade.

Ulla Lindström, 1952, p.55.

Here, Lindström repeated an argument that was suggested at Persborg (see p.144): There would be price competition. But first, the system had to be "stabilised" to allow for an "assessment" of its economic consequences. That is, the (unquestionable) benefits of self-service operations must be shown to stand up in calculations as well. In addition, the RPM-system also had to be rendered weaker through legislation or otherwise.

Price-differentiation and rebate-systems

Pricing was repeatedly brought up by Lindström. Foremost, she claimed that market pricing had been seriously disturbed by both public and private regulations:

The consumer price today is less the result of a free and fighting prone competition than of the influences from state price control and private resale price maintenance... 35-40% of the consumer goods are still covered by the price control... In food trade some 40% of the turnover is bound by RPM.

Ulla Lindström, 1952, p.67.

The major disadvantage of this was that companies lost control over their costs. Compensating wholesalers and retailers for their work through per cent rebates on fixed consumer prices, offered no way of separating profitable from unprofitable performances. In fact, the per cent compensation resulted in larger absolute margins for more expensive goods, thus providing incentives to promote these. "Both RPM and per cent margins thus contribute to pushing more expensive goods forward." Although attention had been given to pricing before, she suggested that three issues should be further studied:

1. The effect of the rigid wholesale margins on the structure of the wholesale trade.

[T]he wholesale rebates are ... not adapted to the extent of the wholesaler's activities. Often, the compensation to the wholesaler is awarded irrespective of his cost for distributing the good in question. With stock-keeping the costs are 2-3 times larger than with only sales and order-taking, but the wholesaler's compensation is often the same....

What can we do?

Ulla Lindström, 1952, pp.71-72.

This directly concerned Wirsäll as the Hakon-deal purported to reduce sales activities. His comment "What can we do?" thus seems to be an understatement. It might be strange, however, if Hakonbolaget would ask for less compensation for what it did. According to Lindström, the wholesale trade practised "a policy of marginal solidarity" which added to these problems. Profitable goods subsidised unprofitable ones, creating incentives for the producers of profitable goods to sell directly. Rather than simply selling directly, the manufacturers should compare their costs for this with the margins given to wholesalers.

2. The rebate as a rationalisation instrument within retail trade. By offering higher margins, manufacturers compete to capture retailers rather than consumers. A higher margin was an incentive to sell for the retailers. Such sales activities, on the other hand, threatened to "eat up" the higher margin. Lindström instead suggested a net-price system.

Such a rebate-competition obviously counteracts a rationalisation of the retail trade, while a net-price to the retail trade, on which the retailer had to add his own cost- and profit-margin in competition for the consumers demand, might spur more rationalisations.

What a chaos if each retailer is to calculate himself!

Ulla Lindström, 1952, p.75.

Such an altered policy for compensating the retail trade would spur concentrated purchasing, she argued. Further, some form of quantity rebates for the consumers could also improve their buying habits. Finally, Lindström held that consumer rebates also could be used to improve the uneven workload in the retail stores across the week.

3. Differentiating the price of goods sold with or without service. Retailers incurred costs for services such as home delivery, credit, etc. and Lindström argued that this

should be reflected in the price. She also noted that this was increasingly the case concerning home delivery services.

Credit-shopping is however seldom differentiated from cash-shopping. ... [This] has been discussed a great deal in the United States, where leading distribution economists recommend a general price-differentiation according to the level of service (credit, home delivery, and also right to exchange).

Wrong! Cf. the Hagfors-system
This is something else than if practitioners do it!

Ulla Lindström, 1952, p.75.

Wirsell's slightly dry remark indicates, once again, the distance he perceived between Lindström's inventory and the practical efforts made by distributors. Above, 'leading Swedish distribution economists', e.g., Gerhard Törnqvist and Ulf af Trolle, were also shown to recommend this kind of price-differentiation.

Lindström concluded her discussion on pricing by forcefully arguing for further investigations into the effects of various pricing practices on the structure of Swedish goods distribution. She held that FFI (The Business Research Institute at the Stockholm School of Economics) was well suited for such tasks, but added:

Since a rationalisation of the general structure of trade through outer means of force hardly can come into question, the pressure of a consumer opinion formed through a public debate about the relevant issues is of so much greater import as promoter, that one can hardly refrain from it by encapsulating the investigation in a research institute. A parliamentary committee with members from private and co-operative trade and distribution economic research, would be working more in public and thereby stimulate a general interest for its task.

Note!

Ulla Lindström, 1952, p.75.

Wirsell noted (with some relief, no doubt) that a rationalisation "through outer means of force hardly can come into question." For Lindström, this made it important to stimulate the necessary interest in the issues among the consumers through a public investigation because, lacking the possibility of regulation, the consumers must be made to act in ways that brought about, or at least rewarded, the sought after rationalisation.

Some concluding reflections on the problems within goods distribution

Lindström's memorandum was both similar to and different from the contributions to the public debate discussed in the first part of the chapter. A major difference was the lack of distinction between technical and structural rationalisation. Most contributions either concerned how the economic system could contribute to a structural rationalisation, or how individual companies could improve the efficiency of operations through new practices. Lindström addressed issues concerning the structure of wholesale trade alongside issues concerning warehouse design. In fact, she even claimed a connection between them.

Among the similarities to other contributions is the focus on pricing practices and competitive conditions, which was a popular theme in the debate as well. Lindström

repeated af Trolle's and Törnqvist's views on RPM (which by then had also become the views of the Business-entry Expert Group) and promoted free competition:

... a relentlessly free competition is the most efficient of all rationalisation instruments...

Ulla Lindström, 1952, p.97.

She also joined in the critique of various Government regulations, e.g., food legislation and construction quotas.

My inclusion of Wirsäll's marginal notes shows that the clash between principles and practice found in the debate was present here as well. It is also worth noting that feedbacks are starting to appear from the debate on these issues, back to company practices and then back into the public efforts, e.g., concerning the Hakon-deal and maybe to some extent concerning the warehouse centres of the Consumer Co-operation. Indeed, the chapters to come will show that these issues had been attended to within Hakonbolaget during the latter part of the 1940s and early 1950s.

As for Lindström's proposals for further public investigations, a major one concerned the effects of pricing on structure and performance within trade. This also became her major preoccupation during the years to come, as she was appointed to head a public inquiry into these issues a few months after presenting her memorandum.

Price and Performance – The goods distribution investigation

In March 1953, Lindström was commissioned by the Minister of Commerce to head an investigation into goods distribution and its rationalisation along the lines of her own proposal (p.163). Two years later, in May 1955, *Varudistributionsutredningen* (the Goods Distribution Investigation) presented the final report *Pris och Prestation i Handeln* (Price and Performance in the Trade).¹

The report acknowledged that the public debate about distribution and the growing interest for a rationalisation of trade had promoted the investigation. It also claimed that the public interest in these issues was due to two circumstances: first, that the distribution costs constituted a large share of the prices of goods; and second, that the absolute requirements for capital and labour in distribution were growing.²

The committee's task had been to penetrate "certain issues of import for a rationalisation of goods distribution", mainly concerning "the pricing within trade with a particular

¹ The ten investigators were: Ulla Lindström, MP, Agr. Lic. Paul Grabö, director Erik Grafström, Civ.ek. Arne Henriksson (LO), Eric Holmqvist, MP, professor Folke Kristensson (SSE), director Einar Kördel, adviser Henry Nilsson (KF), director Gunnar Sandberg (SSLF), and director Folke Thulin. The fact that several of the members have appeared already in this chapter, e.g., Kördel as one of the Business-entry Expert Group, Henriksson, Sandberg, Nilsson and Kristensson as partaking in various discussions, indicates that there was a familiarity with the issues at hand among the members of the committee.

² *Pris och Prestation inom handeln* (Price and Performance in Trade), SOU 1955:16, p.13.

view to how current praxis in terms of prices and rebates affect the structure of the trade.” Due to the limited time at their disposal – until the end of 1954 – the investigators held delimitations to be necessary. Thus, unlike Lindström, they disregarded *technical* rationalisation in favour of *structural* rationalisation (repeating the distinction made by af Trolle, p.129). Despite delimitations, they added a disclaimer arguing that the problems addressed required “time-consuming research by scientifically equipped bodies in order to allow certain conclusions.” Support for this type of research should thus be increased.¹

The central ideas

The experts quite specifically stated what they perceived to be the core-problem concerning rationalisation within trade, as well as what the solution to this problem was:

That the necessary activities consume as few resources as possible is the core-problem concerning the rationalisation of trade. Each necessary activity should be performed by the one which performs it at the lowest costs...

Pris och Prestation i handeln, SOU 1955:16, p.19.

The experts made no attempt to specify these “necessary activities”, whereas “resources”, was readily translated into *costs* as the core-problem was reformulated in practical terms.

The solution that the experts promoted could be termed an ‘enlightened market system’ – “a society, where a price- and quality-conscious consumer opinion incites to competition between different forms of distribution and gives support to those... that perform the most efficient distribution.” Government should create conditions for this, primarily by giving all types of distribution companies opportunity “to develop freely under competition.”² Stated more succinctly, and adding emphasis on the type of competition sought:

As the No.1 tool for rationalisation, the committee has indicated competition, particularly price-competition.

Pris och Prestation i handeln, SOU 1955:16, p.32.

In short, the experts viewed the rationalisation problem within trade as one of ‘performing necessary activities at the lowest possible cost’. The solution was to assure “price competition.” Largely, their position was the same as that of Lindström in her memorandum.

The clarity found in these formulations is somewhat surprising given the experts’ excuses (above) concerning the scope of their task, the limited amount of time at their disposal, and the complicated character of the issues. Part of these complications arose from their insistence on a vertical inquiry technique, an idea that had been promoted by some academics, e.g., Carlson and Öström, in the public debate on these issues (see p.109).

The experts found the lack of any good measure of distribution efficiency problematic. For want of a better measure, they chose to evaluate “more generally and on the basis

¹ They even suggested regular surveys of the distribution system every fifth year. Ibid., pp.13-14.

² Ibid., p.17.

of costs”, thus making distribution costs a central concern.¹ In their formulation of the core-problem above, though, there was a second side to efficiency – the necessary activities. Supposedly, these were ‘demand-driven’ and costs were to be reduced only given that “a selection and a service that corresponds to the need and taste of the consumers” was supplied. The committee listed two points of departure concerning need-satisfaction:

... one is that if the need-satisfaction requires investigation with reference to selection of goods, service, price, etc., it should be studied among *knowledgeable and well-informed consumers rather than among the average consumer of today*; the other is that need-satisfaction, which can never be achieved without a choice between alternatives, ... requires a free consumer-choice within the scope of what the market has to offer. Therewith it has also been stated that any tutelage of the consumer is foreign to the committee...

Pris och Prestation i handeln, SOU 1955:16, p.16. Italics added.

It would seem that although the experts held need-satisfaction to be important, and free choice on a market necessary to attain this, they disqualified the average consumer as a representative for the demand-side (a similar argument was put forward during the discussions at Persborg, see p.146). Despite their talk of “any tutelage of the consumer” being foreign to them, a certain reservation regarding the consumer was clearly displayed:

A passive acceptance of the present price- and service-conditions does ... not further the development, but does in fact produce an influence in preserving direction, and the committee has found it urgent that the rationalisation of trade is accelerated more positively through an active demand-opinion, manifested in a conscious and competent customer-choice. The improvement of the conditions for such a choice is therefore part of the committee's ambition and the purpose of its suggestion regarding increased consumer-guidance...

Pris och Prestation i handeln, SOU 1955:16, pp.16-17.

In effect, the experts were saying something along the lines of ‘the consumers are free to act as they wish as long as they act as we wish’. To make sure that they did, they proposed that additional means should be made available for consumer-guidance.

The “calculated costs and price competition” complex

Given the suggested solution to the rationalisation issue, it was hardly surprising that the committee spoke in favour of measures purporting to create a competitive environment.

Complete competition is a reality seldom observed ... competition is given too little space ... it must be given better opportunities to make itself felt. As a consequence, the committee wants to do away with socially harmful establishment control that hinders the establishment of competing companies, and also to increase the possibilities for loans and to see regional and town-plans with foresight encouraging new companies and forms of distribution to establish.

Pris och Prestation i handeln, SOU 1955:16, pp.17-18.

¹ Ibid., p.15.

The ideas and practical measures suggested concerning establishment were similar to those of the Business-entry Expert Group, i.e. general recommendations concerning what principles to apply in town-planning. As indicated above, however, the major pre-occupation of the committee was with price-competition:

A ... prerequisite for society's willingness to bet on free pricing... is of course, that the businessmen themselves accept flexible prices as a competitive means and an alternative to government regulations and public price control.

Pris och Prestation i handeln, SOU 1955:16, pp.18.

The results of their inquiries raised serious doubts as to the extent that businessmen accepted "flexible prices as a competitive means." The RPM-system had formally been banned in 1953 (see p.154). Still, a survey made by the experts indicated that prices remained rigid. In fact, only 20% of the total sales within food trade was accounted for by individually priced goods. While admitting that only a short period of time had passed since RPM was banned, they argued that the recommended prices or list-prices that had been introduced in its stead were just as slavishly followed.¹ To assure flexible pricing in practice, they suggested the creation of a public body for continuous price surveillance.²

Price-competition was not enough, however. Rather, the experts held it to be part of a more comprehensive approach to competition. Thus, they argued that companies needed to become more aware of their costs by means of *calculation*. Further, the differences in costs which such calculations might show also had to be reflected in the prices charged:

To study the activities performed, to calculate what they cost and to let prices reflect the differences in the activities performed, is a road to rationalisation which the committee holds to be extremely important. ... [Only] companies that know and can overview their cost-situation and can estimate the profitability for different groups of goods and sales methods have the courage to compete. *The businessman's ability to calculate is thus of great import.*

Pris och Prestation i handeln, SOU 1955:16, p.32. Italics added.

In order to improve the ability to perform calculations within business life, the experts proposed that education concerning calculation should be increased.

Costs and calculations

Above, I argued that the experts practically defined efficiency as 'performing a given activity at the lowest possible cost' (p.165) and that they linked competition to the calculation of costs. They also claimed that the way in which these calculations were performed affected the evaluation of distributive efforts. But to calculate was far from straightforward.

One can... never calculate the objectively correct cost of a good or a group of goods within a larger assortment. ... This depends in part on the difficulties of

¹ *ibid.*, p.314.

² Since these issues also were subject to another ongoing investigation, the Price Control Investigation, the experts' recommendations were based purely on distribution-economic considerations. *Ibid.* p.43.

distributing the costs... In part, it depends on having to consider not only what is accounted for and distributed as costs afterwards, but also the various revenue-alternatives that may be present.

Pris och Prestation i handeln, SOU 1955:16, p.197. Italics added.

Despite this major problem, the committee stressed “the great import of calculation as a foundation for systematic, plan-like action on behalf of the company.”¹

So why was it important for a company to calculate its costs? The committee discussed two purposes, *control* and *planning*, and attributed most import to the latter. In order to make possible a choice between different competing alternatives, they argued, a calculation must consider both costs and revenues. Further, depending on differences in the turnover rate, they suggested that fixed per cent margins did not always reflect actual costs. Despite the considerable problems associated with calculations, the experts held them to provide a necessary “foundation of facts” for decision-making:²

“Intuition” and “experience” without the foundation of facts, that only a calculation of some sort ... can provide, is however an asset of questionable value.

Pris och Prestation i handeln, SOU 1955:16, p.203.

Calculations were not only valuable as means for pricing goods, but also for evaluating profitability. In the long run, if prices were given (by competition, RPM, or in some other way) calculations were also a means for rationalisation. If companies could establish the profitability of individual activities, they could improve their net results by refraining from performing unprofitable ones. This would also allow the companies that performed these activities most efficiently to expand and further rationalise. Businessmen and consumers thus had a common interest: they would all benefit if businessmen became more knowledgeable as to the costs associated with their operations. Unfortunately, such insights were often lacking among businessmen, particularly concerning individual activities.

The relation between costs and revenues [for the individual activity] is ... as a rule too complicated to be evaluated simply on the basis of changes which take place in the company's cash balance. However, one does not seldom find companies with an extremely rudimentary accounting whose only purpose it is to meagrely satisfy the legal requirements.

Pris och Prestation i handeln, SOU 1955:16, pp.203-204.

The experts acknowledged the valuable contributions made by trade organisations, but claimed that much remained to be done. Indeed, they even discussed specific calculating methods, how they worked and what their merits and drawbacks were.³ Finally, they

¹ Ibid., p.197.

² Ibid., pp.202-203.

³ E.g., “the simple annual cost estimate” by which an average cost-share to be added to each good was calculated by comparing expected total costs with expected total revenues, “the differentiated cost estimate” which distributed costs on activities performed in relation to the extent that they had caused them, and “the principle of supporting capacity” which distributed costs based on what the activities could support.

discussed alternative wage-systems that might stimulate improved efficiency, e.g., piece-wage systems which had been used within manufacturing industries for a long time.¹

Despite pointing towards several problems associated with calculations, including the apparent risk of “overdoing it”, the experts persisted in their view:

Even defective attempts at distributing the costs on different activities ... is however superior to simply applying the per cent trade-margins that have become customary and which might not reflect the actual costs at all, or which, transformed into ören [1/100 of a SEK], create warped proportions between the actual compensations for the work of selling different goods.

Pris och Prestation i handeln, SOU 1955:16, pp.32-33.

Price and performance

As indicated above, the experts sought a closer connection between price and performance. To this end, they held price-competition based on cost-calculations to be very important. This required increased knowledgeability on the part of businessmen. Further, consumers were attributed considerable import in shaping the structure of distribution through their purchasing behaviour. Here, too, increased competence was necessary. In effect, then, the experts argued that a closer connection between prices and performance required education of both consumers and distributors; they had to be taught how to act.

To complement these general ideas, the experts proposed means to align price and performance from the viewpoints of the consumer, the enterprise, the bloc, and society.

Everything that contributes to heighten the consumer's attention to different distribution economic alternatives and clearly accentuates these alternatives is according to the committee beneficial.

Pris och Prestation i handeln, SOU 1955:16, p.34.

First, conditions conducive to rational purchasing behaviour must be created. The experts claimed, as had Lindström in her memorandum (see p.162), that bonuses and refunds might obscure the price and performance-relations for the consumers.

Concerning the company-viewpoint, the experts asserted that the choice of customers and suppliers was a complicated matter with considerable import on performance:

For it is an old observation that it is the number of contacts within goods distribution that costs...

Pris och Prestation i handeln, SOU 1955:16, p.35.

Based on this observation, the experts discussed the merits of different distribution methods, involving none, one or two intermediate levels. They concluded that no “best practice” could be recommended. Direct distribution, for example, could create pressures towards structural rationalisation of intermediate levels, but could also be a waste of resources compared to distribution via intermediaries. This applied to selective distribution as well. If a company that was well suited to sell a certain good was kept from doing

¹ Ibid., pp.206-210.

so, because it was of a certain type or because it competed with price, selective distribution was hostile to rationalisation. Still, there were "good" forms of selectivity as well:

The selectivity which discards uneconomical small customers and seeks to create conditions for larger transactions is, however, a sales-policy which the goods distribution investigation can strongly recommend.

Pris och Prestation i handeln, SOU 1955:16, p.38.

Rebates based on cost-differences between orders were well suited to encourage this type of purchasing behaviour. Companies should thus inquire into their order-structure.

The third point of view on price and performance was that of the *bloc*, or "organised co-operation between companies or individuals." The formation of such groups were, according to the committee, driven by the individual's desire for increased security.

The committee must, on the other hand, point out the dangers that lie in a perfect organisation of ever greater sections of Swedish business life and of trade in particular. The productivity development may become locked in a certain position or at least, a general inertia may emerge within the distribution machinery. ... The cure for tendencies of this kind is competition.

Pris och Prestation i handeln, SOU 1955:16, p.40.

Finally, the committee addressed the societal aspects of price and competition.

... there is a marked price-rigidity with centrally calculated prices in price-lists from the suppliers or the trade organisations. Behind this price-rigidity lies deeply rooted instincts of security... Competition must ... not be subordinated to security, for then the rationalisation of trade will lag behind. ... What the committee wants to promote is thus price-flexibility and competition as means towards achieving higher efficiency and lower prices.

Pris och Prestation i handeln, SOU 1955:16, p.42.

In principle, the committee was opposed to all forms of bound prices, whether resulting from fixed gross prices or slavishly adhered to suggested resale prices.

The proposals of the Goods distribution investigation¹

In all, eight specific proposals, some of which already mentioned, were made in the report. First, to counteract the observed price-rigidity, the experts proposed the creation of a permanent body for price-surveillance. Its purpose being to render the Anti-Trust Act of 1953 more effective. A second step in this direction would be public price-control, but the experts opposed this since it would be incompatible with flexible pricing.

The second proposal was to expand the Anti-Trust Act of 1953 to include harmful pricing practices maintained by oligopolies in addition to monopolists and cartels. The primary reason for this was that the border-line between cartels and oligopolies was fluid, and that a considerable number of industries and lines of trade were oligopolies.²

¹ Based on the final chapter of the report, summarising the views of the majority. *Ibid.*, pp.313-338.

² Oligopolies being defined as "cases where up to half a dozen companies ... together command half or more than half of the turnover in their group of goods." *Ibid.*, p.335.

The experts also proposed public funding for further investigations into goods distribution, both concerning specific practices and for distribution research in general, including regular surveys every fifth year. They further proposed increased public funding for consumer goods research and consumer guidance as well as more and better education of store clerks in the public school system. To increase investments in modern facilities for retail trade, they suggested that companies within trade should be eligible for Government support in the form of collateral for loans. Finally, the committee proposed modification of the shop-closing law so as to allow stores to be open until 9 p.m. at least once a week, and the removal of some restrictions on the use of vending machines.

On the whole, there are significant similarities between these experts' ideas and proposals and those found in Lindström's memorandum. But, just as there were differences in opinion within the Business-entry Expert Group, some of the Goods Distribution experts disagreed with the proposals made. There is also the issue of the outcome of the proposals. Did the suggested change in the Swedish 'antitrust' legislation materialise? Was a permanent body for price-surveillance created? It is to these issues that I now turn.

Differing opinions within the committee

Three reservations were made against the final report. The first one was written by Folke Thulin and Einar Kördel (who also had been critical of the report of the Business-entry Expert Group). Their major critique was that the conclusions of the majority largely lacked any support in the material available to the experts.¹ In addition to this general attack,² they held the lack of nuances in the overview to be unfortunate as readers were likely to study only this. There were three major drawbacks to the conclusions made by the majority. First, the dynamics of business life had been underestimated:

[These sections] are marked by the static view that the task of distribution is only to bring, within a given market, the results of production to the consumers at the least possible sacrifice, that is, at the lowest total costs. It almost appears that one has regarded distribution as a kind of plumbing system. ... For that which, from a static perspective, may appear as an unnecessary and price-increasing element, often receives a wholly different import as the phenomena in question are put in their dynamic context... It often then becomes apparent that the "price-increasing" factors constitute necessary parts in a development, which continually improves the consumers' situation...

Pris och Prestation i handeln, SOU 1955:16, p.342.

What Kördel and Thulin appear to be arguing for is that a whole range of long term effects had been more or less neglected by the majority.

Their second critical remark concerned the focus on price-competition.

¹ Reservation by Einar Kördel and Folke Thulin, SOU 1955:16, p.341.

² The severity of the remark is perhaps best appreciated through its structural similarity with the grave remark sometimes made by courts of appeals by accepting the reasons for a verdict but not the verdict itself.

... both price-competition and other forms of competition have tasks to perform, and it is precisely the interplay between them that warrants a rapid development in a direction which is beneficial to the consumers. To be sure, this interplay is emphasised ... but in certain practically important contexts [there is] too much of a one-sided stress on the import of price competition, without considering other factors of competition, such as quality and service.

Pris och Prestation i handeln, SOU 1955:16, p.342.

My account above shows that it indeed is possible to view the report as placing considerable stress on the import of price-competition. Whether this represents “too much of a one-sided stress” is not a matter for me to dwell on.

Besides these general remarks, Kördel and Thulin criticised three of the proposals made by the committee. First, they held the proposed specific investigations of selective or exclusive dealerships to be uncalled for, since no particularly negative effects could be brought against these practices. Second, they opposed the expansion of the Anti-Trust Act of 1953 to include oligopolies. They could not accept the definition of the oligopoly-concept. There was no mention of how it was to be “interpreted in practice” and a wide interpretation “would result in practically all production activities falling under the regulations of the cartel-law.” Once again, there is a conflict between principles and practice. Third, they rejected the idea of a permanent body for price-surveillance. This was based entirely on subjective views since the issue had not been investigated. It was also incompatible with a competition-based solution, since it would lead to continued price-control.

In a second reservation, Gunnar Sandberg, who accepted Kördel's and Thulin's general remarks,¹ added to the critique. First, on the import of individual calculations:

If one imagines every retailer in the country calculating his entire assortment of goods on his own and then, guided by this calculation, in isolation competes with the price on each good, one must ask what obvious results this would give... [it should be] apparent that these “consumer-profits” are very soon consumed by the considerably increased cost for calculation... there is in reality not much indicating that [suggested prices] are either fanciful or generous.

Pris och Prestation i handeln, SOU 1955:16, pp.347-348.

Not only would individual calculations be costly to realise, argued Sandberg, but the potential value of such calculations was also highly questionable. Further, he argued that rigid prices, in fact, were just as likely to be the result of the prices being cut so deep that the possibility of any more significant differences were non-existent.

Finally, he noted with some satisfaction that the majority favoured flexible pricing and declared price-control to be incompatible with this. However, he argued, the body for price-surveillance that they proposed, would in effect produce price control.²

¹ The account of Sandberg's reservation is based entirely on SOU 1955:16, pp.347-353.

² *Ibid.* p.352.

In a third reservation, Eric Holmqvist and Gunnar Sandberg criticised the proposed liberalisation of the shop closing law. They argued that the revision of this law six years previously had been based on a more thorough penetration of the issues than the present investigation. Given the development since the passing of the law, particularly the growth of self-service and “scrambled merchandising”, the need for liberalisations had decreased. Finally, and contrary to the majority, they argued that a liberalisation would benefit small stores operated by the owner, since these would not be affected by increased wage costs.¹

In addition to the three reservations, a special statement was made by Folke Kristensson.² He accepted the report in its entirety but found some of the ideas to lack the desirable precision. Like Kördel and Thulin, he was mainly concerned with the overview of the report and the concluding summary of the results and proposals. First of all, he repeated Sandberg’s comment on the meaning of an observed price rigidity – equal prices could be a sign of both weak and strong competition.

A second aspect discussed by Kristensson were the difficulties associated with the study of prices. He argued that rather than lowering the price of an existing good, manufacturers often chose to introduce new goods which they priced differently. In effect, this meant that prices could be considerably more flexible than what appeared to be the case if one studied price changes over time for a given good. He specifically noted the difficulty of finding objective and exact measures, since certain subjective considerations must be made, such as the delimitation of the relevant groups of goods to be included.

His third remark concerned the proposed practical definition of an oligopoly (see above, p.170). Here, he gave voice to a similar view as Kördel and Thulin (see p.172), stressing the clash between public interest and practice: “Theoretically it seems possible to reach a reasonable degree of specification, whilst, as so often is the case, the measurement of reality is extremely difficult.” However, he went on to argue that the possibility of oligopolists practising the same kind of pricing-policies as monopolists or cartels, warranted an equal treatment despite the lack of any formal monopoly or cartel.

Kristensson’s arguments concerning different requirements for short term and long term efficiency, also shared significant similarities with the views of Kördel and Thulin.

The efficiency of distribution at short sight, in the sense of the lowest possible costs at a certain service level, etc. often does not imply a state which would render the highest possible efficiency within distribution in the long term. Further, the indicated efficiency-concepts, lowest possible costs, etc., may come in collision with the desirability of new goods being supplied to the consumers as quickly as possible.

Pris och Prestation i handeln, SOU 1955:16, pp.360-361.

¹ SOU 1955:16, pp.354-355.

² Folke Kristensson, *Särskilt yttrande* (Special statement), SOU 1955:16.

Kristensson apparently wanted to stress the import of long term considerations, which he linked to changes in the offers made to consumers. This was largely what K rdel and Thulin argued for when they criticised the committee's static stance.

A final area on which Kristensson further specified his position was RPM and "suggested resale prices." Although Kristensson held the drawbacks of RPM to be greater than the advantages, he underscored the positive effects of "suggested resale prices."

An important reason why one managed to limit the drawbacks of abolishing RPM ... was that good opportunities for an active price-policy remained through the use of suggested resale prices. In this way the large blocs, for instance, within food retail trade (ICA, the Consumer Co-operation, etc.) have been able to pursue a vigorous price-competition. The suggested resale prices have made possible drives for lowering the prices for certain goods.

Pris och Prestation i handeln, SOU 1955:16, p.362.

Once again, the stern view expressed in the report was modified by Kristensson.

As a general reflection, it seems that Kristensson's views were at least as diverging from the ones found in the report, as were those expressed in the reservations. Perhaps with one important exception – the tone used. Whereas the reservations were replete with negative comments about the final report and also expressed considerable indignation, Kristensson made his "specifications" in a very matter-of-fact manner. Possibly, this is explained by the different positions of Kristensson and the critics. Kristensson reflected on the issues as an academic, while the reservations were made by practitioners or representatives of their trade organisations. This implies that their respective stakes in the issue were dramatically different. After all, the proposed new legislation would not affect an academic in the same way as it would a businessman involved in, say, RPM.

Consequences of the proposals

In line with the experts' first proposal (but largely based on the final report of the Price Control Investigation), *Statens Pris- och Kartelln mnd* (the National Price and Cartel Office) was created as of January 1, 1957. This new body was to "study the development of, and further general knowledge of price- and competitive conditions within business life." Specifically, it was to collect price-information about goods and commodities and to maintain a directory of cartels. Further, it was to supply the Council and the Commissioner for Freedom of Commerce with investigations of import in regard to negotiations motivated by the Anti-Trust Act.¹

Further, the Anti-Trust Act of 1953 was amended along the lines of the experts' second proposal. Through this amendment the Freedom of Commerce Board was given the right to instigate negotiations in all cases where restraint on competition was found to

¹ This was made possible by passing a new law obliging firms to submit information concerning pricing and competition. (SFS 1956:511 and 1956:245, and Ulf Bernitz, *Swedish Anti-Trust...*, 1962.)

have harmful effects (as defined in the original Act, see p.155). The amendment thus went beyond the proposal made by the experts, which had concerned only pricing practices. A special provision was also included concerning monopolistic pricing, providing Government with the right to set, at the request of the Board, a maximum price in cases where harmful competition was manifested by a price that was "obviously too high with regard to costs and other circumstances." This provision, intended to be used only exceptionally, reflects the priority that the experts put on costs as opposed to value (see p.165).

4.3. The rationalisation problem of the trade

What has my overview of the discussions, talks and public inquiries into the subject of rationalisation of goods distribution resulted in? How can the issue be characterised?

Even though some attempts to divide the rationalisation issue into a set of more clearly defined problems as presented above, there is a strong indication that to Nils-Erik Wirsäll, it constituted a single complex. The binder "The rationalisation problem of the trade, a number of Swedish articles", from which much of the material presented was taken, comprises some 18 clippings (some of which include several articles) published between 1929 and 1950 (12 published 1946-1948). The writers include academics, consumer co-operative officials, union representatives, architects and engineers, as well as businessmen. The topics range from general societal concerns for efficient distribution, over specific practices such as establishment control and internal organisational problems, to specific technical aspects of warehouse-planning and construction. Wirsäll's own contributions similarly suggest that to him, the rationalisation problem included wholesale and retail organisation (warehouses and stores) as well as wholesale and retail interaction.

This hints at a possible way of rendering a structure to the rationalisation issue. First, there were some suggestions and much discussion about general measures and mechanisms that would be conducive to rationalisation. The primary means suggested was improved competition. To achieve this, improved pricing practices were needed, thus RPM should be abolished. Further, the offers made by the distributors should become more differentiated, hence private establishment control should be abolished. In all, this line of reasoning can be summarised in the phrase "Price according to performance."

Second, a multitude of specific technical and organisational measures were suggested that would reduce the costs of distribution. One-storey warehouses, mechanisation, written orders, self-service, pre-packing, time and motion studies, piece wages, to mention a few. Many of these were specifically intended for a certain area of goods distribution, e.g., wholesaling, retailing or wholesale-retail interaction. In fact, it seems that the whole issue of distribution rationalisation concerned these three areas. (Although some contributions indicate two additional areas: consumers and retail-consumer interaction.) This characterisation also coincides with the areas covered in Wirsäll's articles, and with

the channel view on distribution suggested in his 1946 book which I used as a point of entry into the chapter. In Figure 4-1, below, I have sketched this "area of rationalisation."

At my point of entry into these issues in the mid-1940s, the lack of facts was repeatedly stressed and many ideas were taken from the US. By the time of the conference at Persborg and most definitely at the time when the Goods Distribution Investigation was published, a lot had happened not least within Hakonbolaget. This was also reflected in the feedbacks that were starting to appear in the debate and the reports.

The Hakon-deal is a case in point. First, it was an attempt to achieve a rationalisation of the sort Gerhard Törnqvist and others had been arguing for in the debate after the war. Second, it became part of this debate through the efforts of Nils-Erik Wirsäll. Third, it was recognised in the public investigations during the first part of the 1950s.

But there were also other points at which the doings of ICA and Hakonbolaget crossed paths with the debate. Foremost, Nils-Erik Wirsäll created these intersections. But Stig Svensson, the financial director of Hakonbolaget was also shown to have contributed to the debate. During the conference at Persborg, the editor of ICA Tidningen also participated. As we shall see in the following chapters, there were others as well, who had recognised that there were things going on outside their own operations.

The remainder of the study will follow the structure indicated by the "area of rationalisation" sketched in Figure 4-1. First, in Chapter 5, I will turn to Hakonbolaget's efforts to bring about a more rational wholesale-retail interaction, that is, to the Hakondeal. Second, in Chapter 6, I will look at the efforts made to rationalise wholesale operations, efforts which largely bore the characteristics of technical rationalisation as discussed previously in the chapter. Finally, in Chapter 7, I will account for some attempts made to solve the rationalisation problem in retailing.

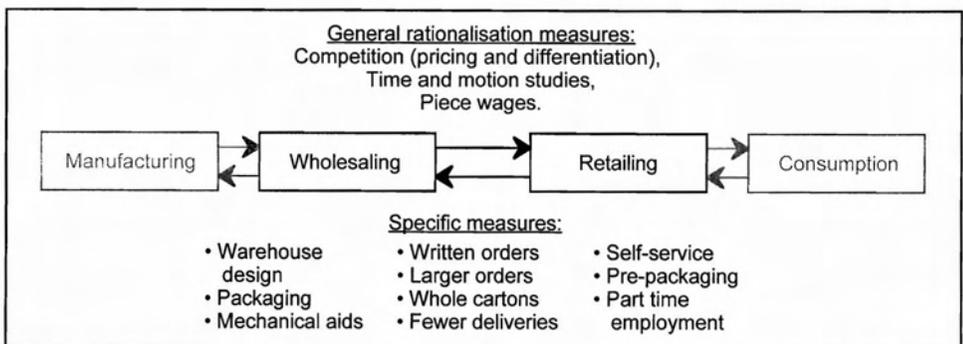


Figure 4-1. The area of rationalisation implied by the distribution debate and some examples of specific and general rationalisation measures that were suggested in the debate.

Chapter 5

Realising a new model of wholesale-retail interaction

At an extra annual meeting on October 11 1948, the shareholders of Hakonbolaget unanimously approved a rationalisation program that became known as the Hakon-deal. During 1949 and 1950, the program was implemented at the district and affiliate offices. The program included written orders on colonial goods based on a goods-catalogue, fixed delivery routes, a new bonus-system, and retail membership.¹ In the previous chapter Nils-Erik Wirsäll used the Hakon-deal in the public debate as an example of a practical effort made to rationalise goods distribution. This warrants a closer look at the process through which the Hakon-deal was realised. How did this program come about? How were its contents and scope determined? How were the agreed changes implemented?

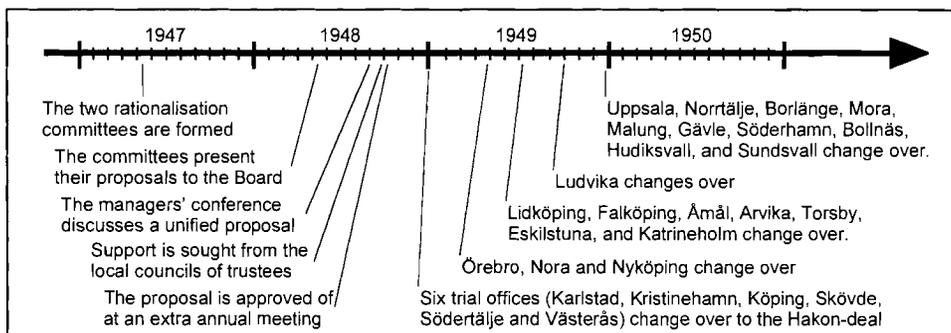


Figure 5-1. An overview of the construction and implementation of the Hakon-deal.

¹ *Hakongiven, en revolution inom svensk varudistribution* (The Hakon-deal, a revolution within Swedish goods distribution), information booklet, AB Hakon Swenson, 1950.

Figure 5-1 provides an overview of this process in time. Rather than taking the approved Hakon-deal as my point of departure, however, I will enter the process at the point where the problem which prompted all these efforts was first brought up.

Point of entry: Our customer contact problem

The starting point for the efforts that produced the Hakon-deal was a perceived problem in the interaction between Hakonbolaget and its customers.¹ This issue was brought up for discussion at the managers' conference in May 1947.² Let's move back to this meeting and follow the managers as they address the issue of distribution efficiency:

§ 64 Rendering our distribution apparatus more efficient

Herman Green started the discussion and maintained that the purpose of this point of discussion is to bring our customer contact problem up for a critical review. New and more rational methods must be investigated.

The Managing Director [Hakon Swenson] maintained that we absolutely must not forget all we have done for private trade. A system of premiums to improve the fidelity of the customers has been long discussed and it has been brought to the fore – not by the trip to America – but mainly by our improved accounts. ... a truly radical solution is the only feasible way, a way which we must be brave enough to dare to tread, if our views point in that direction.

Elis Götberg thought that the turnover increase which would result from abolishing the transport charges would well compensate for the higher cost.

Eric Gotborn: The transport issue is not a big issue. A change-over of the design of the distribution apparatus is of such a scope, however, that we must think twice before taking action.

Jarl Jernunger pointed out that the retailers are strongly affected by our competitors through the advantage they have in terms of influence from salesmen through a larger total number of representatives. The customers also have a certain tendency to act according to the economic advantages offered at the point of purchase. To succeed, we must also achieve... a definite feeling in the retailer of belonging, that Hakonbolaget is his own company.

Herman Green reminded that our intention is not to immediately change our sales apparatus. The issue must first be very carefully investigated by a committee, whose proposal should then be further discussed within this group.

¹ The reader might find the use of the terms *customer*, *retailer*, *member*, and *shareholder* rather confusing. In general I have simply translated the Swedish words used in the excerpts: *kund* (customer), *köpmän* (retailer), *medlem* (member) and *aktieägare* (shareholder). The problem is that the words are not used in a uniform manner. Sometimes, they are used as synonyms, at other times they signify different groups. What should I do, then? Should I change the words according to my interpretation of the context?

I have wrestled with this problem and decided to use the closest translation of each word, leaving the confusion in the text. The reason being that the Hakon-deal, in my view, entailed a redefinition of precisely this group of actors. It is hardly surprising that the words get mixed up if the definition of the group is being questioned. Thus, the confusing use of words reflect unclear definitions of the group(s).

² The *managers' conference* was one of Hakonbolaget's executive *fora*. At these meetings the local directors, their office managers at the district and affiliate offices, and the managers at the head office participated. A more limited assembly was the *local directors conference*, where only the local directors and the managers at the head office participated. Usually one conference of either type was held each quarter. Special assemblies like conferences with the office or warehouse managers were arranged less regularly.

Carl-Hakon Swenson maintained that several of the younger retailers were very receptive to new working methods for our company in terms of customer contact. The speaker further described the working methods of the Swiss company Usego. Swenson posed the question as to whether the time wasn't ripe for weeding out the lesser customers.

Eric Lewén was afraid of crystallising the lesser shops. The customers are not as slow as many think. We demand too little.

Nils-Erik Wirsäll: We must seek a solution to our contact problem which gives us improvements and cost reductions over and above the reduction in the sales apparatus, for instance in terms of warehouse costs, office costs, etc. The system must give the customer an economic advantage at the point of purchase.

Carl-Hakon Swenson held that a crystallisation of customers not acting economically helps us to reach the goal we strive for.

The Managing Director reminded that we already had achieved much in terms of measures purporting to create a larger and wider interest. We must seek to have a system that rewards the active retailers. The investigation must aim at creating and not destroying something already built up.

The issue concerning the creation of a new distribution system is to be investigated on the basis of Bengt Harne's proposal by a committee consisting of: Carl-Hakon Swenson, Melker Swenson, Jarl Jernunger (Bengt Harne), Martin Jarlstedt, and Nils-Erik Wirsäll.

Minutes of the managers' conference, May 5 1947.

The most straightforward outcome of the discussion is the formation of a committee which is to investigate "a new distribution system" for Hakonbolaget.¹ There is much more to learn from the discussion, though. First, there was an *issue*, that of "rendering our distribution apparatus more efficient." Then, said Herman Green, there was a specific *reason* for bringing this issue up – "our customer contact problem." From there on, i.e. when it came to what needed to be done, Green indicated that it was open ended, to be decided upon. "New and more rational methods must be investigated." In this sense, the committee was given the task of searching for the rational.

Hakon Swenson immediately fixed one such method as part and parcel of a solution to the issue, through – "a system of premiums to improve the fidelity of the customers." According to Swenson, this had "been long discussed" and he indicated two possible reasons for bringing it up again: a "trip to America", which he disqualified as a driving force; and "our improved accounts", to which he ascribed causality. This is at odds with the published histories of Hakonbolaget and ICA, which give the trip to the US a more prominent role. Admittedly, most of those texts were written by one of the travellers.²

¹ An aspect that struck me as odd is the short directive that the committee's investigation should be made "on the basis of Bengt Harne's proposal." The oddity is that Harne, one of Hakonbolaget's three retail advisers, doesn't appear to have contributed to the discussion. Adding further to the confusion is the fact that a formal proposal signed by Harne is attached to the minutes of the meeting. It proposes an experiment at the Köping office along lines similar to those discussed at the meeting, e.g., the introduction of written orders to render sales staff unnecessary. However, the proposal is dated a week *after* the meeting.

² For instance, Wirsäll (*Den omöjliga idén blev verklighet*, 1988, p.69) claims: "Two co-workers (Arne Lundgren and Nils-Erik Wirsäll) from Hakonbolaget were sent to the US in November 1946. They

Since Hakon Swenson suggested two possible reasons – although giving preference to one of them – I will examine both. First, in what way had Hakonbolaget's accounts improved during the past few years? The closing of the books for 1946 was also discussed at this meeting and the comments made in connection to this provide some insight:

The chief accountant [Stig Svensson] presented the operative results for 1946, which he considered to be very good on the whole. ... The gross profit has shown a pleasing increase, which indicates an increase in the sales of goods with high yield. ... The cost development is of a particularly even nature. Pleasing is the lower percent share of costs this year compared to 1945. Naturally, we must in this context not forget the effect of the growing turnover. ... The general impression is very good. If the hidden reserves were to be added to the figures in the annual report, the situation becomes splendid. ...

Minutes of the managers' conference, May 5 1947.

If we compare the accounts for 1946 and 1945, the following changes can be noted: i) the turnover grew by roughly 20%; ii) the gross profit grew from 7.47% to 7.56%; iii) the operating costs grew from 6.96% to 7.14% of the turnover; and iv) the share capital grew by 33.95%, while the debts to external creditors grew by 11.65%. While most figures do seem to indicate "improved accounts", as Hakon Swenson put it, operating costs do not.¹

How about the trip to America which Hakon Swenson considered important enough to specifically disqualify as a driving force? According to Wirsäll, one of the travellers, this trip was instrumental for the Hakon-deal. Many ideas were picked up by Arne Lundgren and him during the trip. Hakon Swenson summoned them upon their return and supported their ideas. However, most other company officials disapproved of the new ideas.²

The allegedly negative attitude towards the new ideas offers an alternative interpretation as to why Hakon Swenson explicitly disqualified the trip to the US as a reason for discussing the issue. It suggests that it might have been a question of presenting the issue in a politically correct way. All the local directors were present at this meeting and many

returned full of enthusiasm and ideas to renew the working methods. The by then 65 year-old managing director of Hakonbolaget, Hakon Swenson, saw a possibility to improve the content of the co-operation between purchasing centre and members. Two committees were formed to design an action program. ..."

¹ I have compared the figures for 1945 and 1946, this being what they discussed at the meeting. The turnover was MSEK 126.6 in 1946, and MSEK 105.4 in 1945. The gross profit was MSEK 7.9 in 1945 and MSEK 9.6 in 1946. The share capital grew from MSEK 9.5 in 1945 to MSEK 12.7 in 1946. Operating costs grew from MSEK 7.3 to MSEK 9.0. Debts to external creditors (mortgages, debts to suppliers and bank credits) grew from MSEK 6.2 to MSEK 6.9. (AB Hakon Swenson, Annual reports 1945 and 1946.)

It might seem strange not to use measures which are common in financial analyses today, such as Return on Investment or Solidity. However, there is no evidence that any such measures were used by the directors of Hakonbolaget when assessing the financial situation of the company. The methodological principles which I attempt to follow in my work, advises me not to impose such measures upon this story simply because they are believed to convey important information about companies today.

² "When we returned from the US, we were immediately sent for by Hakon Swenson. He was ill, but we were still to visit him in Saltsjöbaden the morning after we had returned. We told him of our ideas and he said: 'Go home and make up a plan!' The ideas appealed to him immediately. ... If he had not given us his support, it would have been impossible for us to implement it. Everybody within the organisation, particularly the local directors, was against it." (Interview with Nils-Erik Wirsäll, June 28, 1995.)

of them were, according to Wirsåll, outright opposed to the new ideas. Would it then be opportune to say that 'two young employees has just returned from the US with some great ideas on how your units can be made more efficient'? Better then, to argue that 'you have all done such a great job (our improved accounts) that we now are in a position which enables us to realise a long sought after change'. Among the participants, there were doubtless those who clung to Hakon's official version, while at least two, Wirsåll and Lundgren, would have seen it the other way. Anyway, the discussion took off.

Several possible elements in a solution to the problem were proposed by the participants. Some concerned particular details in Hakonbolaget's relationship with its customers, e.g., Elis Göteborg's suggestion to "abolish the transport charges." Eric Gotborn considered this marginal, arguing for "a change-over of the design of the distribution apparatus", which was admittedly more far-reaching than transport fees. Other suggestions appealed to a wider context still, for instance, Jarl Jernunger's claim that a change in the retailers' feelings towards Hakonbolaget was necessary in order to offset "the economic advantages offered [by our competitors] at the point of purchase."

Given the statement by Jernunger and the one by Green which follows, I take it that something is missing from the account. Green reminded the participants "that our intention is not to immediately change our sales apparatus." To me, this means that the sales apparatus was not to be changed *immediately*, but that it *was* to be changed. Thus, a second element seems to have joined the bonus system as part of the solution.

Carl-Hakon Swenson proposed "weeding out the lesser customers" as a possibility. This was resisted by Eric Lewén who believed that most customers could be made to act differently. Like Carl-Hakon, Nils-Erik Wirsåll widened the context as he objected to the narrow confinement of the issue to "the reduction of the sales apparatus" and asserted that it was necessary to include "warehouse costs, office costs, etc." in order to achieve what he obviously regarded as the purpose of it all – to "give the customer an economic advantage at the point of purchase." His comment also informs of the nature of the planned change in the sales apparatus – they were talking about "a reduction."

On May 5, 1947, a problem was on the agenda for the managers of Hakonbolaget – the customer contact problem. This problem was linked to the question of distribution efficiency. During the discussions that day, two measures were put up as partial answers to this question, and consequently, as partial solutions to Hakonbolaget's perceived customer contact problem: by introducing a system of premiums, the retailers' (purchasing) fidelity would improve; by reducing the sales apparatus, the company would cut costs.

In addition, a number of other possible measures were put forward, but the differing opinions voiced by the participants regarding these indicate that their connection to a future solution was more unstable at this point. More importantly, however, a means towards a solution had been created: a committee which was to investigate a new distribution system, and whose proposal was to be further discussed by the company-managers.

5.1. Working out a proposal for rationalisation

Three weeks later, at the annual meeting of Hakonbolaget, Hakon Swenson proposed that a retail committee also should be formed. On the agenda set for this meeting was a talk on the food distribution system in the US by Nils-Erik Wirsäll, based on his experiences during the study-trip he recently had returned from.¹ Here is his story:

15% of the total number of private food retailers account for more than 58% of the total food sales ... [among these] the individually most able and enterprising people are found. ... they have had the sense to follow along with the development and make use of the advances that have been reached in rivalry with competing business forms. ... they have sought to imitate some of the working methods of the multiple stores. Thus, they have joined together and formed special purchasing companies to render their work more efficient... it is precisely within the best group of retailers that the advantages of joint purchasing and joint advertising have been fully understood and exploited... [T]he working methods ... differ considerably compared to Swedish ones. The contact between the retailer and the purchasing centre is more firm in nature. There is no actual sales apparatus. Already at the outset, the ambition of the associated members was to work with lowest possible costs. Therefore, orders are made mainly in writing and only once a week for groceries, while fruit and vegetables can be purchased 2-3 times per week... This has led to considerable cost reductions, not only through simplified selling but also through less costly invoicing and better warehouse and transport organisation due to concentrated orders. ... To maintain contact with the members, inform them of novelties and give them general advice, etc., there are special contact-men... I question whether it will be possible for the individual retailer to effectively keep up within goods distribution in the future, if the retailers do not join together in counter measures aiming at rationalisation. ... the unexploited power reserves that exist within [the Swedish purchasing centres] are and will be needed, but they can be used only when every member fully understands to let the comforts of the moment yield to action in a longer time frame within the purchasing centre. One of the purchasing centres in California – Certified Grocers – with an annual turnover exceeding that of ICA, was working with a total cost of less than 2.5 % during 1946. This is an outstandingly low cost figure ... also under American conditions. This shows what individual retailers in co-operation can achieve, if the will and understanding exists for it.

Nils-Erik Wirsäll. Speech at annual meeting, May 27, 1947, p.2-6.

In short, Wirsäll argued that the best private retailers in the US had chosen to work in close co-operation with their purchasing centres, placing their orders in writing, receiving advice through contact-men, and also utilising joint advertising. Through this intimate co-operation considerable cost reductions had been achieved. If Swedish private retailers were to keep up with competition, they too would have to move in this direction.

After the talk, Hakon Swenson proposed that a committee of retailers should investigate how the co-operation between Hakonbolaget and its members could be made more efficient. The meeting supported the proposal and a retail committee was formed:

¹ Minutes of the managers' conference, May 5 1947.

[A] committee consisting of 7 retailers was appointed at the 1947 annual share holders meeting, with the task of investigating the conditions and submit a proposal for a more efficient co-operation between the purchasing centre and its members. The ambition for the committee's work should be to draw up the guidelines for a more active co-operative program, whereby a more rational and thus less costly distribution should be attained.

AB Hakon Swenson, Annual report 1947, p.21.

Besides the seven retailers, the two retail trustees (see Chapter 3) were to function as adjuncts to the committee. Nils-Erik Wirsäll, who had been appointed member of the first committee, was 'transferred' to the new retail committee, where he was to function as secretary. There is no detailed account of how the other members were chosen, but four of them were members of their respective local council of trustees.¹

By the end of May 1947, two 'efficiency committees' had thus been formed. One consisted of managers within Hakonbolaget and was known as the *salaried co-workers committee*, the other was the *retailer committee*. Largely, the two committees had been given the same task – that of investigating a new and more rational distribution system, particularly with respect to the retail-wholesale interaction.

Working out proposals

How did the committees carry out their task? Apparently, they worked in parallel for nearly a year. An official account claims that they set to work "with great intensity and purposefulness." To "collect experiences", committee-members visited Switzerland and Finland, where purchasing centres similar to Hakonbolaget operated. Their final proposals were to be presented in the spring of 1948. The intention was then to merge these into "a crystallised definite proposal for a program for increased efficiency" that was to be "treated by the management, the councils of trustees and the board, before being submitted to a future extra share holders meeting for a final decision."²

An account of the visit to Switzerland was given in ICA-Tidningen in April 1948:

During a couple of weeks we had the opportunity to study the Swiss food trade, both through direct contact with some 10 Swiss retailers and through thorough discussions and visits with the Swiss purchasing centre Usego.

ICA Tidningen, 1948:4, p.7-8.

During the committees' work, some issues surfaced which were referred back to the managers conference for comments. For instance, concerning the Hakon sign, i.e. the sign used to signify that a retailer was affiliated to Hakonbolaget.

¹ In retrospect, Wirsäll (*Blad ur Hakonbolagets historia*, 1967, p.248) has indicated that at least the chairman elect, Knut Sundelöf, had been suggested in advance by C-H Swenson, whom he knew to be a dynamic and inventive retailer. Sundelöf had had little contact with Hakonbolaget so far, but Hakon Swenson thought it was a good idea. Allegedly Sundelöf was not even asked in advance if he would join in or not.

² AB Hakon Swenson, Annual report 1947, p.21.

The Hakon sign. It was reported that one of the efficiency committees had wondered whether a contract should not be signed with the members concerning the Hakon-sign, which made it clear that these signs are the property of Hakonbolaget and that they therefore may be withdrawn in circumstances motivating this. It was decided to assign to the salaried co-worker committee to submit a proposal concerning such a contract.

Minutes of the managers' conference, Sept. 19, 1947.

In another case, the work of the committees affected the stance taken by the managers conference. At the December meeting, the managers discussed whether to compensate the salesmen for using their own automobiles instead of Hakonbolaget's, as hitherto.

The Managing Director [Hakon Swenson] asked whether this change-over is made at a convenient time considering the work of the efficiency committees. Carl-Hakon Swenson held it to be wise to wait with a definite decision on this matter until the two committees had submitted their report. ...

The Managing Director held it best to decide on the proposal when the two efficiency committees had submitted their report, hence no decision was taken.

Minutes of the managers' conference, Dec. 17, 1947.

During the managers' initial discussion (see p.181), a reduction of the sales apparatus was brought up. If the final proposal would include such a measure, then the problem of the salesmen's cars would be significantly reduced along with the number of salesmen.

I have not been able to locate any documents from the meetings of the two committees. On one occasion, Jarl Jernunger, a member of the co-worker committee reported on the formal aspects of the work: seven committee meetings had been held; the proposal had been discussed by the company board, at manager conferences, at office manager conferences; study-trips had been made to Finland and Switzerland; etc.¹

Two short, personal comments made by members of the retail committee give a flavour of their work and inform of how they themselves altered their views during the course of the work. They also indicate how important they perceived the work to be.

Mr Simon Andersson [retailer, Gävle] expressed his joy and gratitude for having been allowed to participate in the retailers efficiency committee. The committee meetings would be a memory for the rest of his life. They all had gone to work inspired to do something and to succeed. ... He had himself, initially, been sceptical as to whether the road chosen was the right one, whether the retailers really could gain economically through a rationalisation of the distribution. He had thought that we must come up with more radical suggestions, that we must add our own production if it was to give anything economically. His position towards the problem changed, though, as he was able to study the figures and see what Hakonbolaget's entire distribution apparatus cost.

Minutes of the Gävle group of councils, Sept. 28, 1948.

Andersson's story offers one view of 'the retail state of mind' at the time. He had doubted "whether the retailers really could gain economically through a rationalisation of the distri-

¹ Minutes of the Borlänge group councils of trustees, AB Hakon Swenson, Sept. 26, 1948.

bution.” He had held it necessary to control production to achieve economic benefits for the retailers. He went on to argue that his way of thinking changed during the committee work. In fact, he pointed at one specific factor which made him change his mind. “My position towards the problem changed... as I was able to look at the figures and see what the entire distribution apparatus of Hakonbolaget cost.” For Andersson, then, depicting Hakonbolaget in the form of cost figures had had considerable persuasive power.

The other retailer’s account stresses the importance of qualitative depictions.

-It was extremely interesting to participate in these investigations, which purport to reduce the costs of the purchasing centre. It has been a matter of honour that both committees ... have worked totally independent of each other. During the course of investigation, several examples have appeared which show that many customers have done nothing to contribute to the construction of Hakonbolaget, but simply have been free-riders. Hakonbolaget is in many cases being used inappropriately. One customer has stated: “I have no delivery boy and I have no car, but on Thursdays Hakons arrives and I then let them take care of transports to my customers.” Some customers have used the representatives to sum up the accounts for them. There are customers who buy the service goods from Hakonbolaget, whereas the goods which have better margins are purchased almost entirely from other wholesalers. This cannot be called purchasing fidelity. It is in any case hard to calculate the purchasing fidelity due to the considerable material which must be made available to the purchasing centre by the customers. The committee has had very much help from the study trips abroad made by accountant Wirsäll.

Martin Felldin. Minutes of the Uppsala group of councils, Sept. 23, 1948.

For Felldin, figures were less important. “It is in any case hard to calculate the purchasing fidelity...” Instead, a number of singular cases and the foreign experience of Wirsäll had been significant in shaping his views. His three examples of how Hakonbolaget was “used inappropriately” hint at the new ‘state of mind’ for which he argued. The first two examples concern the role of Hakonbolaget. To me, Felldin was saying ‘Hakonbolaget is the retailers’ *purchasing* centre and should not perform delivery or accounting services’.

Since some retailers asked for and received these services, there obviously existed alternative interpretations of the role of the purchasing centre. Interpretations that included the delivery of more services than Felldin’s did. Perhaps this is not so strange given that it was repeatedly stressed that Hakonbolaget wasn’t just another wholesaler, but the retailers’ own company. The accounting example is a case in point since Hakonbolaget in 1946 actually had started to offer such services to the associated retailers through a special subsidiary, the Hakon Retailers’ Accounting Centre.¹ To enjoy this service, though, the retailer had to become a customer of this subsidiary and pay the fees charged.

The third example of “inappropriate use” was different. It concerned the core of wholesale-retail interaction, viz. the selling/buying of goods. Felldin criticised “customers who buy the service goods from Hakonbolaget” but “goods which have better margins...

¹ AB Hakon Swenson, Annual Report 1947, p.19.

from other wholesalers.” By claiming that this was not “purchasing fidelity”, he renders a clear structure to the purchasing fidelity argument and negatively defines the concept. A critical reading suggests that “purchasing fidelity” was what the retailers displayed if they purchased goods from Hakonbolaget *despite* that lower prices were offered by others. A behaviour which in another context could just as well be termed non-economic.

What is missing in the quote above, but is present in several other accounts from the time, is time itself. Time seems to be central to the logic of purchasing fidelity. It changes the characteristics of purchasing from single events to an ongoing process. An alternative interpretation is thus possible: By sacrificing something now (not always being able to buy goods at the lowest price), the retailers will gain other things in the future (yearly bonuses, a more powerful purchasing organisation, a better capitalised company able to make the necessary investments in new technology to improve efficiency, etc.). This reasoning, I suppose, is also based on the insistence that Hakonbolaget should not be regarded as just another wholesaler, i.e. that the retailers ‘were doing it for themselves’.

In the next section, I will take a brief look at the two important sources of inspiration suggested by the two retailers. First, the figures representing Hakonbolaget and its operations. Second, Nils-Erik Wirsäll’s experience of American purchasing centres.

Quantitative representations

What kind of figures were the committees looking at? One of the tasks of Hakonbolaget’s Organisation Department was to perform time and motion studies at the warehouses.¹ The results from these studies indicate the kind of information available to the committees.² For instance, there were detailed studies of fine-goods dispatch, heavy-goods dispatch and goods reception. Besides accounting for the time spent on each activity, the material also suggests how to improve efficiency. For instance, reducing the total time spent on each order at the fine goods dispatch by eliminating split cases. Rather than improving how the activities were carried out, this would make one activity entirely superfluous.

However, the committees were also looking at figures representing the way in which the customers were ordering their goods. According to one account, investigations were made into how the company turnover was distributed. The total purchases made by every customer of the company in 1946 were compiled and the customers were split into two categories, based on the size of their annual purchases. The results from this investigation are depicted in Table 5-1, below. According to this material, a significant number (≈48%) of the customers were buying very little (for less than SEK 10,000 / year) from the company. As a whole, this group accounted for less than 9% of the total turnover.³

¹ AB Hakon Swenson, Annual report 1947, p.22.

² Undated letter (probably 1947-1949) to Nils-Erik Wirsäll from Lennart (Lennman) at AB Industrierån.

³ *Hakonsgiven, Noveas betänkande April 1952*, AB Hakon Swenson, 1952, p.1.

Table 5-1. The customers of Hakonbolaget classified according to annual purchases in 1946. Compiled from: *Hakongiven, Noveas betänkande April 1952*, AB Hakon Swenson, 1952, p.2.

Annual purchase per customer	Number of customers		Turnover	
	Number	% of total	MSEK	% of total
SEK 0-9,999	750 shareh	47.94	10.6	8.86
	2,429 others			
SEK 10,000 -	3,040 shareh	52.06	109.2	91.14
	413 others			
Total	3,790 shareh	100	119.8	100
	2,842 others			

Admittedly, the source of these figures is a retrospective report. However, there are other accounts indicating that these figures actually were used in the process:

Mr Östblom was surprised of the difference in the two groups in the statistics, which show that 3,179 customers, out of which 750 are shareholders, buy for less than SEK 10,000 / year and 3,453 customers, out of which 3,040 are shareholders, for more than SEK 10,000 / year.

Minutes of the Västerås council of trustees, Sept. 29, 1948.

These two short glances suggest that both internal and external aspects of Hakonbolaget's operations were given attention by the committees. Both the organisation of the warehouses and the structure and conduct of the customers were subject to investigations.

American influences

What about Nils-Erik Wirsäll's foreign experience? Above, I raised some doubts concerning Hakon Swenson's explicit disqualification of it as a reason for addressing the issue of distribution efficiency. Above, Martin Felldin also claimed that it was significant for the retail committee's work. During the trip, Wirsäll compiled notes and material about five American purchasing centres in a binder. Here are some notes he made:

Certified Grocers of California, LA – Account of the company and organisation

... Each week a price book is sent to the customers which they use to order their goods. Orders may be made twice a week if necessary. This procedure is not encouraged, though, rather they like to see orders made once a week. ... The company doesn't advertise for itself. Only a customer magazine is published. ... Each order has its number. This number corresponds to the location of the article in the warehouse, making it easier to carry out orders. Out in the field there are two men who appear to be retail advisers. ... The profit is distributed to the members based on their purchases. Surely, this is the model; to work slightly more on a business basis and reduce the idealistic a bit further.

Nils-Erik Wirsäll, American purchasing centres, 1947, p. 1:1.

According to Wirsäll, the retailers ordered goods with the help of a pricebook, sent out by Certified every week. A pricebook for Sept. 27, 1948, is included in the binder:

This is your **Price-Order Book**, and it is to be used as your **Price Book** until your new book is received, then send in as your **Order Book**. A new

Price Book will be sent with each delivery. It will be listed on your repack invoice and it should be checked in and given immediately to the person responsible for placing your order. ...

Orders must reach our office not later than 24 hours before 8 A.M. of your delivery day. Orders for Monday deliveries not later than 8:00 A.M. Friday.

The Price Order Book, Certified Grocers of Ca, Sept. 27, 1948.

From the instructions in the book, it seems that the retailer placed his order simply by sending in the whole price book. On the front page of the book the address to Certified is printed together with a designated place for a 12¢ stamp and three lines for sender.

Considerable similarities exist in Wirsäll's descriptions of the other American companies he visited. Primarily this concerns the way in which they handled the wholesale-retail interaction. Thus, the Frankford Grocery Company was said to base their yearly bonus on annual purchases; to have no sales-organisation; to use special order forms and a catalogue covering the assortment; to require weekly written orders; and to provide personal retail service.¹ Similarly, the National Retailer-Owned Grocers Association (NROG) in Chicago did not use salesmen but required written orders; made use of a fixed delivery schedule; based their bonus on annual purchases; and had retail advisers.² Finally, United Grocers San Francisco had no sales organisation; used weekly written orders; to some extent utilised fixed delivery routes; and based their annual bonus on yearly purchases.³ Wirsäll's notes seem to indicate an American 'purchasing centre model'. Indeed, this is suggested by Wirsäll himself in his final comment about the Certified Grocers of California (above): "surely, this is the model; to work slightly more on a business basis and reduce the idealistic a bit further."

The similarities between the accounts make it important to address Wirsäll's role as an informer. He had visited the US to study purchasing centres, not wholesale companies in general. Thus, his selection was biased from the start. All four companies described above were retail owned and in this sense similar to Hakonbolaget. The fifth company, Independent Grocers Alliance, Wirsäll called an "ASK-type" company.⁴

It turned out that they did not work according to exactly the same lines as we do. ... the organisation was completely different. IGA was only the head quarters which led and held together the other links. These were primarily independent wholesalers, which on the basis of the IGA company policy delivered good to independent retailers. All deliveries were made at prime cost.

By having everyone – wholesaler as well as retailer – to work independently without any integration they held that the effect would be greater than if the retailer had influence over the management of the purchasing centre. The

¹ Nils-Erik Wirsäll, *American purchasing centres*, 1947, p. II:1.

² Nils-Erik Wirsäll, *American purchasing centres*, 1947, p. III:1.

³ Nils-Erik Wirsäll, *American purchasing centres*, 1947, p. IV:1.

⁴ A.S.K. was a co-operative venture formed by Swedish grocery wholesalers in 1938, in order to secure the same terms and prices as did KF and to some extent ICA. See, e.g., *A.S.K. 25 År 1937-1962*, ASK, 1963; and Bengt Orre, *ASK en epok i svensk partihandel*, 1985.

profit and the economic yield was considered to be the strongest motive to achieve the highest economic pay-off.

... No bonus is paid at the end of the year. To cover current costs, 2% is charged and for fixed costs a falling scale has been drawn up. This is something that we definitely must get on to. ... A contact man visits the retailers once a week. The retailer can purchase only once a week. He orders by returning the order form which IGA previously sent him with the contact man.

Nils-Erik Wirsäll. American Purchasing Centres, V:1-2, 1947.

IGA could be termed the ugly duckling in this story. To be sure, there were similarities with the way in which the other companies handled wholesale-retail interaction. For instance, the use of printed order forms handed in weekly. The big difference concerned ownership and influence over the purchasing centre. IGA considered independence and economic incentives to be the *primum mobile* to achieve efficiency, whereas the other four held retail ownership and influence over wholesale operations to be very important. Wirsäll commented on this in his speech at the 1947 annual meeting:

At first, a relatively clear borderline could be seen between the two company types. ... Now, the only substantial difference between the two is the ownership. I shall stay with this fact for a moment, for it opens up a very important perspective. I am thinking about the capital issue within private trade. It is not enough to build a simplified wholesale trade, which solves the purchasing issue of the private trade for the day. If the competitive power is to be maintained, a constant capital formation is required for the future private trade. Since capital formation is strengthening the multiples bit by bit, it is absolutely necessary that we within private trade have the corresponding possibility to maintain continuity and striking power. Although one cannot yet put one of the above mentioned types of purchasing centres before the other, it is my firm conviction, that the retail-owned NROG type, which has aimed at precisely the capital issue, in the long run will be the most powerful.

I have not founded this assertion on the fact that our Swedish purchasing centres has capital formation for private trade as a corner stone. Each and every sound thinking human being must realise the properness of this principle, and it is therefore with joy I note the foresight of the management of the Swedish purchasing centres in this respect.

Nils-Erik Wirsäll. Speech at annual meeting, May 27, 1947, p.4-5.

“Each and every sound thinking human being must realise...” Obviously, then, Mr Grimes, head of the Independent Grocers Alliance, whom Wirsäll had met during his visit, and to whom he wrote back some years later, was not one of those.¹

Dear Mr Grimes!

Still I remember the very interesting days in 1947 together with you and your friends in IGA. My visit in your Co at your company gave had a remarkable great very importance influence for the development of our own us, when we returned to Sweden.

Sketched letter from Nils-Erik Wirsäll to Mr Grimes, IGA.

¹ I found this draft of the letter to Mr Grimes in the binder together with the material on IGA.

Wirsäll's recollections from his visit with IGA was not all that bad, after all. In his notes he also referred to their charging for costs as "something that we definitely must get on to." In the speech at the 1947 annual convention, however, no examples from IGA was given. Still, there is nothing incorrect about his presentation. For instance, he acknowledged that "one cannot yet put one of the above mentioned types of purchasing centres before the other." My impression is that Wirsäll, as the expert on American conditions, edited his account to fit into the general appeal for the purchasing centre idea that he was making in his speech. The account of IGA shows that there was less than complete uniformity in the way in which wholesale retail interaction was organised in the US.

Creating a single proposal

According to the official account, the two committees submitted their reports to the management in May 1948. As intended, the two reports which "essentially coincided" were first discussed internally and "after a certain work-over and adjusting together, a unified proposal could be submitted to the councils of trustees..."¹

After the work was completed, [the two efficiency committees] had each submitted a report to the managing director; these had resulted in the proposed plan for increased efficiency which now lay before us. This proposal was considered to contain a carrying line of thought. Perhaps one could say that it was a compromise between a Swiss and an American system.

Jarl Jernunger. Minutes of the Gävle group of councils, Sept. 28, 1948.

The merging of the two proposals into one and the subsequent implementation of this program was discussed by the managers' conference during a two-day meeting in mid-September, 1948. The following decisions were taken:

- 1) to approve, in principle, the submitted proposal for an idea-program, to be made subject to a review by the management with those who designed it being present;
- 2) to include a statement in the idea-program, that the co-operative program presupposes purchases also of service-goods;²
- 3) to strengthen the idea-program committee with Eric Gotborn;
- 4) not to distribute the idea-program in other areas than those nominated as trial districts;
- 5) to assign to the idea-committee to propose an information material for members other than those to whom the idea-program is initially addressed;
- 6) to submit the question of minimum requirements for membership to the share holders meeting;
- 7) to propose to the Board that the Hakon-bonus on producer orders should be taken out of the efficiency program until further notice;

¹ AB Hakon Swenson, Annual report 1948, p.18.

² The term "service goods" included sugar, flour, forage, tobacco and cured meats. "These goods are excluded because the margins are so small that they simply cannot bear such a strain. This is also why these goods are called service goods in the co-operative plan." (Nils-Erik Wirsäll, *Den nya Hakongiven*, 1949.)

- 8) not to introduce premiums on telephone orders;
- 9) to approve the remainder of the submitted proposal and present it to the councils of trustees and the extra share holders meeting, letting the management, in collaboration with the committees' working party, make the changes under way which might seem proper;
- 10) to discuss the efficiency program at meetings with the councils of trustees as early as [next] week... The necessary material will be compiled by the head office. Sufficient copies of the material will be sent to the offices for the chairmen and vice chairmen of the councils of trustees to study it in advance...

Summary of the directors' conference, Sept. 14 1948.

As is indicated by the final decision taken, things were moving ahead rather rapidly at this point. The changes decided on had to be put into effect within a week since the "efficiency program" then was to be discussed in the local councils of trustees.

The first decision was an acceptance in principle of the proposal submitted. The decision also distinguished between those who had designed the proposal and the proposal itself. That is, it turned the proposal into an entity with certain characteristics. For as the excerpt says, the proposal was now something that could "be made subject to a review." It existed, but its characteristics were not yet completely fixed.

Four decisions had the character of 'editing the text'. Added to the idea-program was a statement "that the co-operative program presupposes purchases also of service-goods" (decision No. 2). Subtracted was the introduction of "premiums on telephone orders" (decision No. 8). Suggested to be subtracted was "the Hakons-bonus on producer orders", concerning which a proposal was to be made to the Board that it "until further notice should be taken out of the efficiency program" (decision No. 7). Finally, editing the "minimum requirements for membership" was left to another body through the decision to submit the issue "to the share holders meeting" (decision No. 6). To me, these decisions clearly concern the interior of the newly distinguished entity which interchangeably was referred to as "the idea program", "the efficiency program" and "the proposal."¹

The remaining five decisions concern the relations between the proposal and other entities – who was to do what to/with the proposal from now on. First, Eric Gotborn, local director in Örebro, was to strengthen the "idea-program committee", thus gaining the right to participate in the finalisation of the proposal (decision No. 3). Second, a certain group of actors, viz. retailers "in other areas than those nominated as trial districts" were not to be given access to the new entity (decision No. 4). Rather, they were to be given "an information material" which the committee was to propose (decision No. 5).

The two final decisions (9 and 10) clearly concerned what future ordeals the new entity was to be subjected to. Thus, it was decided to "present it to the councils of trustees and the extra share holders meeting." Further the discussions in the local councils of trustees were set for the following week. The final decision further restricted the number

¹ The term "idea program" refers to one of the three parts of the Hakon-deal (see Exhibit 5-1).

of others who should be given access to the proposal in advance of those discussions, to the "chairmen and vice chairmen of the councils of trustees."

Thus, it appears that close to two years after Nils-Erik Wirsäll left for the US "to study", Hakonbolaget had created a proposal for the rationalisation of the distribution process which was considered ready for two important trials of strength: first a discussion within the councils of trustees¹, and second an extra annual meeting. What were the characteristics of this proposal, or rationalisation program?

Above (see excerpt on p.190), Jernunger described the final proposal as "a compromise between a Swiss and an American system." According to Wirsäll, it was the retail committee, backed up by Hakon Swenson, which in the end had its way as the two proposals were merged.² This is supported by the minutes from one of the council meetings.

Concerning the premiums, the two committees originally had diverging views. The retail committee argued for a sliding bonus-scale, while the salaried co-workers committee held this not to be entirely just, since a customer with a small business, which is faithful to the purchasing centre, never can reach the highest bonus-class. The salaried co-workers committee instead wanted to reward purchasing fidelity. They had now agreed to the sliding bonus scale which is presented in the proposal. If the support will be such, that it becomes possible to pay a Hakons premium, "the member's purchasing fidelity and wholehearted support for the purchasing centre" will primarily be considered.

Minutes of the Västerås group of councils, Sept. 29, 1948.

In this case, the system of rewarding the customer on the basis of his annual purchases, which Wirsäll had found to be frequently used in the US, was chosen. Obviously, this and other decisions had already been taken when the proposal was discussed at the managers' conference. At any rate, the final decision taken there was to submit the proposal to the local councils of trustees and to the extra annual meeting.

The contents of the proposal

Alas, I have not been able to locate any copy of the documents served to the members at the meetings of the councils of trustees (see decision No. 10, p.191). Instead, I have been forced to base my account of the proposal on the discussions at these meetings, and on one of the more tangible results of the process, the so called Hakon Member-book. I have summarised the contents of the latter in Exhibit 5-1. No changes are indicated to have been made in the proposal as a result of the discussions held in the councils of trustees,

¹ The councils of trustees had been introduced as local advisory bodies in 1937 (see Chapter 3). They were organised in parallel with the regional and affiliate offices of Hakonbolaget. Thus for each office, there was a council. The councils were then grouped together in the same way as the offices were, e.g., just as there was a Gävle regional office with affiliate offices in Bollnäs, Söderhamn and Hudiksvall, there was a Gävle group of councils, including the councils in Gävle, Bollnäs, Söderhamn and Hudiksvall.

² "The retail committee had its way on everything. Hakon Swenson supported us completely. The salaried co-workers didn't get anything through." (Notes from telephone interview with Nils-Erik Wirsäll, Oct. 9 1998.)

although, as is shown below, some were suggested.¹ The only changes that I have noted are those decided upon by the directors conference. So, what was in the proposal discussed at these meetings, seems to have been what was later presented in the Member-book.

An *idea-program* stated the purpose of the co-operation between the retailer and the purchasing centre, and the general means through which the goals should be reached. These included retail influence over the purchasing centre and capital formation to finance retail and wholesale development. A *co-operative* plan set the rules for "the practical co-operation between the purchasing centre and the members." Several restrictions were placed on the retailers' purchasing behaviour (primarily to order in writing), on how they promoted their stores, and on the delivery of goods. Hakonbolaget was to compensate the retailers for acting in accordance with the new deal through three new bonus-scales. Finally, the benefits of the new deal were tied to a new *membership institution*, which would be available to all retailers who fulfilled certain requirements.

One may of course ask to what extent the proposal actually represented something new. In 1946, Nils-Erik Wirsäll summarised the objectives of the purchasing centres in five points:² 1) The reduction of wholesale costs through joint purchasing. 2) More efficient transports, through fixed delivery routes. 3) Better care of goods. 4) Joint advertising and propaganda. 5) Capital formation for private retail trade. "All of this culminates in an ambition to achieve cheaper goods of sound quality for the customers of private retail trade." Comparing this with the idea-program suggests a close affinity. The first heading corresponds to the general idea which had been central to Hakonbolaget since the 1930s (see Chapter 3). The second heading in the idea-program, i.e. "Cheaper and better goods" corresponds to the first three points in the excerpt. Headings 4 and 5 in the idea-program correspond to points 5 and 4, above. The general formulation found in heading 6 is in line with previous policies. Only heading three in the idea-program appears to be new.

On the whole, it would appear that the novelty of the new deal was to be found in the co-operative plan, i.e. "the foundation for the practical co-operation between the purchasing centre and the members", and in the membership institution.

¹ The existing indications, reflections made with hindsight, are to the contrary. For instance, my notes from a telephone interview with Nils-Erik Wirsäll: (*Me*) *Were there any changes made to the proposal as a result of the discussions within the councils of trustees?* (Nils Erik Wirsäll) No, I don't think so, nothing essential. The reason why some of the councils were more negative I think was due to the local directors being opposed to it. (Notes from telephone interview with Nils-Erik Wirsäll, Oct. 9 1998.)

² Nils-Erik Wirsäll, *Varudistributionen och dess kostnader*, 1946a, p.47.

Exhibit 5-1. Contents of the Hakon-deal. (*Hakonbolaget - köpmännens inköpscentral, Medlemsbok* (Member-book), AB Hakon Swenson, 1948.

THE IDEA-PROGRAM

The members' co-operation within the purchasing centre purports to give

1. **Better insight into wholesale trade**
2. **Cheaper and better goods**
3. **Higher retail culture and better customer service**
4. **Stronger economic backbone**
5. **More efficient consumer guidance**
6. **A free and independent private trade**

THE CO-OPERATIVE PLAN

This co-operative plan constitutes the foundation for the practical co-operation between the purchasing centre and the members

The aim

The co-operative plan aims at reducing the costs of the flow of goods from the purchasing centre to the members. ...

A. The general purchasing rules The members' efforts

- a) The member orders his goods from the purchasing centre *in writing* on the basis of a loose-leaf goods catalogue. Contact men will visit the members 2-4 times per year.
- b) Delivery rules

OFFICE-COMMUNITY: Delivery is made twice a week according to a fixed system of routes. The orders should be submitted *no later than 9 a.m. the day before delivery*.

OTHER COMMUNITIES: A special fixed route-system is organised so that members receive deliveries with the purchasing centres lorries once a week as a rule. To simplify the office-, warehouse- and dispatch work of the purchasing centre, the orders should be submitted *no later than 9 a.m. the day before delivery*.

Whole cases are as a rule presumed for all deliveries.

- c) Payment of purchased goods
- d) An efficient utilisation of the joint advertising
- e) The Hakons sign

B. The grounds for premiums The purchasing centre's efforts

- a) Order-premium. An order premium of 1% on written orders is paid annually in the form of savings certificates.
- b) Member bonus. This is set on the basis of the total annual purchases of all goods, with the exception of service goods and according to a scale decided on annually by the board.
- c) Hakons premium will be paid if the support for the purchasing centre is such that financial means are created for this. This bonus will be based on the individual member's purchasing fidelity and wholehearted support for the purchasing centre.

Remember that Hakonbolaget is not just any wholesale company, but Your own purchasing centre, for whose future development also - and perhaps mainly - You are responsible!

MEMBERSHIP

Membership in Hakonbolaget is a benefit which calls for corresponding efforts on the part of the retailers.

How does one become member? [Membership is granted by] the council of trustees on the following grounds:

1. A member should be a grocery or rural retailer
2. A member should hold shares in Hakonbolaget
3. A member's minimum purchase should amount to at least SEK 5,000 per year.
4. A member should in writing declare himself willing to work according to the guidelines for co-operation drawn up in the idea-program and the co-operative plan

5.2. Mustering retail support for the proposal

At the directors' conference it was decided to hold council meetings during late September and early October 1948 (see p.190 and Table 5-2, p.213). Thus, seeking support for the proposal in the local councils of trustees appears to have been the final phase before submitting it to the extra annual meeting. Available documents indicate that one or two persons who had participated in creating the proposal accompanied it during the meetings.

Adviser Harne... stated that the head office had considered it valuable to have one or more members of the efficiency committees present at the meetings of the councils of trustees in order to answer the many questions which surely would be posed when discussing the co-operative plan. The chairman had participated in the retailer committee and adviser Harne in the salaried co-worker committee.

Minutes of the Västerås council of trustees, Sept. 29, 1948.

The local director turned in particular to Mr O.V. Montelius [retail committee member, Gagnef] and adviser Jernunger and expressed his joy over the fact that they had joined us so readily, to be of service in this great and important issue which is to be discussed today. ...

Minutes of the Borlänge council of trustees, Sept. 26, 1948.

This measure indicates that the proposal had not been completely emancipated. In anticipation of the trial of strength it was to be subjected to during the council meetings, the head office did not consider the proposal strong enough to stand on its own. It needed others who could speak on its behalf, who could "answer the many questions which surely would be posed when discussing the co-operative plan."

How was the proposal presented?

-The plan now presented is as good as it gets, and all the committee members approve of it.

Knut Sundelöf. Minutes of the Västgöta group of councils, Sept. 28, 1948.

Subtle or not, the chairman of the retail committee put the plan forward as the best of all possible plans. To further underscore its merits, "all the committee members" were said to support it. At another meeting, the proposal was linked to "reason" and to the "proper."

Mr Jernunger emphasised that the proposal hadn't been constructed to bind the retailers, everyone is still a free retailer, the only thing now binding is reason – the reason of the proper –.

Minutes of the Borlänge group of councils, Sept. 26, 1948.

In general, it seems that those who accompanied the proposal pointed at the reduction in distribution costs through altered purchasing habits as its central property.

Director [C-H] Swenson underscored that the crucial point of the sketched program, which only the retailers themselves could carry out, was a rationalisation of their purchasing.

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

The aim is to reduce the costs of the flow of goods from the purchasing centre to the members... That Hakonbolaget has managed to achieve such a large turn-over probably depends largely on the work of the company and the co-workers. In fact, Hakonbolaget has hitherto been regarded as a regular wholesale company by the majority of its members, and no difference has been made between Hakonbolaget and the wholesalers. It is this way of looking at things that must be changed. The members must be clear that it is their purchasing centre.

Minutes of the Västerås council of trustees, Sept. 29, 1948.

“The aim is to reduce the costs of the flow of goods from the purchasing centre to the members.” It is unlikely that this was a controversial ambition. The question is whether the means by which it was to be achieved were equally uncontroversial? At another meeting, Harne indicated such a means:

-It must be considered wrong that [the purchasing centre] is selling to its members at high cost instead of the members buying from the purchasing centre without any costs.

Bengt Harne. Minutes of the Ludvika council of trustees, Sept. 26, 1948.

Another account expanded on this by pointing at concentrated purchasing and a system of written orders as the means by which the cost reduction was to be achieved.

Local director Melker Swenson ... We cannot give any more bonus under the present system, since we also must think of consolidating the company. To be able to give more, we must lower our costs, primarily the wage costs..., and this could be achieved if we could convince our customers to concentrate their purchases and order their goods in writing and by mail.

Minutes of the Gävle group of councils, Sept. 28, 1948.

Further, yet another account argued, despite the fact that joint purchasing had been central to Hakonbolaget for many years, the retailers had not yet fully exploited its benefits. Rather, they had caused increased costs by not contributing wholeheartedly:

Mr Carl-Hakon Swenson ... Since the purchasing centre has to work for almost every order, one cannot talk of a wholehearted contribution on behalf of the retailers. The situation creates a need for more staff and increase costs for the retailers' own company. The savings which could be made amount to considerable sums, not to mention the time which is wasted unnecessarily by the retailers themselves. The salaried co-workers cannot make the improvements on their own. To reach full effect, the members must also do their part.

Minutes of the Västgöta group of councils, Sept. 29, 1948.

According to Carl-Hakon Swenson, the proposal offered to change this, i.e. it offered Hakonbolaget and the Hakon retailers “[t]o reach full effect.” To do this however, “the members must also do their part.” According to one of the members of the retail committee, O.V. Montelius from Gagnef, ‘doing their part’ was no problem.

-It is a question of building something new, which for us retailers doesn't have to be paid in money, we simply have to afford a little more work to change ourselves and alter our habits. We will now be given opportunity to decide whether we want in or not.

OV Montelius. Minutes of the Borlänge group of councils, Sept. 26, 1948.

"[W]e simply have to afford a little more work to change ourselves and alter our habits." That was all it took.

Two reasons for attending to costs were explicitly addressed: a perceived pressure from government and the need to increase the competitive power of the Hakon group.

Mr Valin [retailer from Tällberg]: -We are now being pressed from directions where we expected support, viz. the government, and we must now more than ever keep together, become united and strong to jointly fight for the free trade. We sin often enough in our daily deeds, for instance when we receive a visit from a travelling salesman. The visitor first has to wait for an hour, whereafter he possibly may receive a couple of lines, for we must save some deficiencies for the next representative, and this is repeated time after time. In these days, this system is completely reprehensible, we have now for 30 years seen how Hakonbolaget has grown and become a fine and forceful purchasing centre, but we retailers have yet not awakened and acted as we should do, namely by giving one hundred percent support to this our company, but now there has to be an end to our habitual behaviour. Here lies in front of us the report of the Efficiency committees, which I have studied and consider to be one of the greatest gifts we retailers have ever received, yes, which we hardly could have dreamt of, and on us a great responsibility now rests if we are to make use of and administer this gift in the right way. I now urge my colleagues to vividly partake in the coming discussion.

Minutes of the Borlänge group of councils, Sept. 26, 1948.

Valin's comment suggests that the public debate described in the previous chapter was indeed given attention within Hakonbolaget. In his opinion, improving the efficiency of distribution via the proposed program should be seen as part of the fight for free trade. This line of thought was expanded on by the president of the retail committee.

-The government has its attention on the conditions within goods distribution. Therefore, it would be fortunate if the trade itself, through wise measures, could reach an efficiency which took the wind out of the sails of the supporters of government regulation.

Knut Sundelöf. Minutes of the Västgöta group of councils, Sept. 29, 1948.

To keep from being subjected to regulations aiming at increased efficiency, Hakonbolaget should "through wise measures" attempt to improve efficiency on its own. The difference may be slight, but there certainly is one. Further, by using the regulatory threat as an argument in favour of the proposal, the proponents turned Government into an ally.

Improving the competitive strength was a second reason for attending to costs.

Accountant Wirsäll ... With the benefits, which are now being offered to the members, the private retail trade is given the ability to keep co-operative shops and other multiples at bay in the competition for consumers.

Minutes of the Uppsala group of councils, Sept. 23, 1948.

Mr Melker Swenson ... What we tried to do with this new system was to reach parity with KF and its relation to its [co-operative] societies.

Minutes of the Gävle group of councils, Sept. 28, 1948.

In this respect, the new plan was presented as a means through which the Hakon retailers could “keep co-operative shops and other multiples at bay” and through which the Hakon group as a whole could “reach parity with KF.” Once again, it would seem that politics makes strange bedfellows. For as the proponents spoke, the main competitors of the Hakon retailers were enrolled in favour of the proposal.

As a final aspect of how the new program was presented, consider the three excerpts below. The guests seem to have expressed themselves in very similar ways, so similar in fact, that they appear to have been co-ordinated in advance.

Mr Montelius: We should stop saying Hakon and ICA, now we should say “we.”

Minutes of the Borlänge group of councils, Sept. 26, 1948.

Mr Simon Andersson ... If we are to reach further, we must co-operate and devote ourselves to the co-operation with a vivid interest, we must all be taken by the feeling that here we have our own company, and if we took good care of it, we would help ourselves.

Minutes of the Gävle group of councils, Sept. 28, 1948.

Local Director K. Hagman pointed out that Hakonbolaget mustn't be considered a wholesaler, rather, the retailers should as the co-workers say “we.” This should as soon as possible be drummed into the conscience of our members.

Minutes of the Eskilstuna council of trustees, Oct. 3, 1948.

It is unlikely to have been a mere coincidence since the ‘we’-aspect of the proposal seems to have been important. The opening line in the Member-book reads “The common weal in the forefront...” and a few lines below it says “Idealistic co-operation – economic solidarity.” Taken together with the choice of such terms as “the idea-program” and “the Retailers’ own purchasing centre”, the co-operative ideological strain is prominent.

How did the retailers react to the proposal?

Having taken a brief look at the way in which the proposal was initially presented, I will move on to the ensuing discussions. How did the council members react to the proposal? What were their comments and suggestions? As it turned out, several issues were brought up at more than one meeting. I will examine six of these issues below. If the issue concerns a specific section of the proposal (as presented in the Member-book), I will start off with a short excerpt from the corresponding part of the Member-book.

Required Minimum Yearly Purchase

As a requirement for membership in the purchasing centre, the proposal stated that the retailers should purchase goods for at least SEK 5,000 per year from Hakonbolaget.

A member's minimum purchase from the purchasing centre should amount to at least SEK 5,000 per year.

Hakonbolaget - köpmännens inköpscentral (Memberbook), 1948, p.24.

The decision taken by the directors conference (see p.190) to submit this issue specifically to the annual meeting was not mentioned in the accounts of the council meetings. In fact, most council members seem to have been positive to the requirement.

Mr Sundberg [retailer] questioned if there was any point in keeping the "small buyers." The goods-shortage had allowed other wholesalers to establish. Wasn't it better to use these shortage goods to strengthen the contact with those customers who want to partake. A weeding out must take place...

Minutes of the Eskilstuna council of trustees, Oct. 3, 1948.

O.D. Fransson [retailer]: As the smallest purchasing group SEK 1-999 obviously causes the highest costs, this group ought to be removed surgically.

Minutes of the Ludvika council of trustees, Sept. 26, 1948.

Mr Olsson [retailer]: ... He also held that all the so called small buyers, who only buy branded goods, ought to be disconnected.

Minutes of the Eskilstuna council of trustees, Oct. 3, 1948.

Mr Hoffman [retailer, Uppsala]: ... "There cannot be any point in us keeping up relations with the small customers..."

Minutes of the Uppsala group of councils, Sept. 23, 1948.

Judging by the retailers' dismissive tone, none of them seems to have been prepared to allow the small customers to remain customers. Rather, they should be "weeded out", "removed surgically" or "disconnected."

In Södertälje and Västergötland, the figures concerning the purchasing habits of the customers led to specific proposals in opposite directions.

Mr Carlsson [retailer from Södertälje, former council member]: ... Further we ought to try to improve the purchasing fidelity of the lesser customers.

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

Mr Setterberg [retailer] ... The condition for association with the purchasing centre, SEK 5,000 in annual purchases, should be raised to SEK 10,000. Any shop with a *raison d'être* can surely reach this sum given current prices.

Minutes of the Västgöta group of councils, Sept. 29, 1948.

Where Carlsson wanted to help the lesser customers meet the requirements, Setterberg wanted to sharpen the requirements even further.

At the meeting in Borlänge, this issue was subject to a more "vivid discussion."

Concerning a member's minimum purchase, at least SEK 5,000 per year, Mr Montelius was convinced that also the smallest shops easily could reach this, if this did not become the case, the shop should immediately be cleared away.

Mr Montelius last statement caused a vivid discussion. Mr Balstadsveen and Mr K.V. Lundgren [retailers, Särna and Bäsna] held that "clearing the small shops away" was too strong, they wanted to recommend a smoother procedure. At this point, Mr Jernunger broke in as the true diplomat and straightened everything out: the words "clear away" are probably not the right words, and has never

been our intention, but we cannot, on the other hand, under the new system afford to serve customers who buy for less than SEK 5,000 per year.

Local director Bohman noted that the Borlänge office for many years had declined to take up the small shops, situated off the public roads, since we felt that this would not be profitable.

Minutes of the Borlänge group of councils, Sept. 26, 1948.

When presenting novelties, the choice of wording is important. When Jernunger broke in "as the true diplomat" he did nothing to change the effect of the rule. Or did he? He translated the rule from one allowing Hakonbolaget to "clear away" small shops into one of economic realities forcing Hakonbolaget to act. "We cannot ... afford to serve customers who buy for less than SEK 5,000 per year." So Hakonbolaget succumbed to the power of economic realities, reducing itself to a passive agent instead of an active one, (viciously) "clearing away" small shops. Bohman added reality to this by saying that the Borlänge office in fact had been working in this way for several years. The subject was closed.

What were the figures that convinced most participants to dismiss the small buyers?

Mr Östblom was surprised of the difference in the two groups in the statistics, which show that 3,179 customers, out of which 750 are shareholders, buy for less than SEK 10,000 per year and 3,453 customers, out of which 3,040 are shareholders, for more than SEK 10,000 per year. He wondered why so many are not share holders, and if this depends on difficulties to get shares.

Adviser Harne said that most of them belong to other trades. We have had difficulties with shares for some time, but at the present, it is possible to get them. That which surprised adviser Harne the most was that such a large number as 750 share holders belong to those whose yearly purchase fall short of SEK 10,000. According to the new proposal, those with annual purchases of goods which entitle to bonus below SEK 5,000, are not allowed to be members. They then do not receive any bonus nor the advantages which members receive.

Minutes of the Västerås council of trustees, Sept. 29, 1948.

First, it is worth noting that Harne attempted to direct attention away from the issue which Östblom had found interesting, that of the availability of shares, to that of the retailers' purchasing behaviour. The figures mentioned in the excerpt are the same as those found in Table 5-1, p.187. However, as indicated by Fransson's comment (above p.199) – "the smallest purchasing group SEK 1-999 obviously causes the highest costs" – figures concerning the additional costs caused by small customers also seem to have been presented.

Director Gotborn told that the studies which have been carried out have shown that "dash-orders" are pure losses. Also the Wholesale Research Institute has observed that orders below SEK 200 do not give any profit at all. The meaning of the proposal is that the members should concentrate their weekly orders, possibly to one order per week. To completely avoid dash-orders is impossible, but the purpose is to reduce them to a minimum. Taking stock is handled in a less satisfactory manner in many shops. The costs of course affect the wholesaler but in the second instance also the retailer, as ordering consumes much time from sales. Concentrated purchasing will benefit the retailer greatly.

Concerning the turnover per member the Örebro office has 3 customers and the Nora/Linde office has 7, which buy for less than SEK 1,000. Concerning

purchases under SEK 3,000 per year, the figures are 51 for Örebro and 8 for Nora/Linde, and for purchases under SEK 5,000 per year for Örebro 32 and for Nora/Linde 5. These are the customers who must decide: either increase their turnover or not be allowed to buy from Hakonbolaget in the future.

Minutes of the Örebro council of trustees, Sept. 27, 1948.

In the excerpt, the small customers were grouped together into three groups. In all, some 107 customers bought for less than SEK 5,000 in the Örebro district. Although the costs of handling these customers is not revealed, it is claimed that the Wholesale Research Institute had shown that orders below SEK 200 did “not give any profit at all.” Gotborn further argued that “the members should concentrate their weekly orders, if possible to one order per week.” Given the finding of the Wholesale Research Institute and the ambition to have weekly orders, the customers of Hakonbolaget would have to purchase goods for at least SEK 10,000 per year to be profitable (50 weeks x SEK 200).

The council members seem to have accepted the figures and the suggested actions. At least most of them. In some cases, the figures were actually put into question.

The credibility of figures

Andersson and Felldin assigned different weights to figures in their accounts of the committee work (see p.184). Among the council members, some true agnostics were found.

Mr Ragnar Larsson: ... He assumed that the cost estimates stood up, so that one can be sure to receive the premiums and the bonus. ...

Adviser Jarl Jernunger: ... Mr Larsson wondered whether the cost estimates were correct, so that one could be sure to receive the stated benefits, and to that he wanted to say that the proposal was not designed by the retailers alone, but that it also was based on calculations made by the company's co-workers who thought that we could handle it.

Minutes of the Gävle group of councils, Sept. 28, 1948.

Jernunger was saying something like: ‘Don’t worry, this is not just some wishful thinking on behalf of a group of retailers, several directors have also been involved in the calculations.’ This linked the credibility of the figures directly to that of the people presenting them. In this case, Jernunger interpreted Larsson’s comment, perhaps rightly, as having to do with whether or not the retailers really could expect to receive the advantages sketched in the proposal. The answer indicates how Jernunger ranked the retailers and the salaried co-workers in terms of their ability to handle figures.¹

Another, more frank question concerning the figures was asked in Borlänge.

Mr Johansson [retailer, Malung] put in the question whether it was possible to see any estimate over what would be saved on this change-over, so that the

¹ An alternative interpretation of Larsson’s question is that he actually wondered if there might be more to distribute than that which is indicated in the calculations. I.e. that he questioned precisely what Jernunger so readily used as an answer – the participation of the salaried co-workers in the calculations. Since no further comments are made on the subject, this interpretation remains a mere reflection on my behalf.

retailers were sure that it ended up in the right pockets, so that Hakonbolaget did not only pocket it. He had come to think of this, only as a way of gaining strong arguments against the competitors propaganda against Hakonbolaget.

Mr Jernunger was glad that such a question also came up. "We never think we can put forth a cost estimate like that for public discussion. We know, however, that when it comes to bonus entitlement it is constructed on a certain basis, and those goods, which entitle to bonus are clearly and well presented to everyone. Concerning "pockets" in this case, it is not director Hakon Swenson's, local director Bohman's or any other co-worker's. If there will be any further surplus, this will end up in your [pockets], the retailers', to be used for, among other things, new warehouse- and office-facilities, factories, etc. Mr Johansson thanked and was very satisfied with this explanation...

Minutes of the Borlänge group of councils, Sept. 26, 1948.

Although the question must be considered just at a time like this, it is almost as if Johansson was biting his tongue when asking. "He had come to think of this, only as a way of..." Is it only my imagination, or was there really a sigh of relief as he expressed his satisfaction with Jernunger's cordial reply? A reply which ran along the liturgical lines we saw above, i.e. "Hakonbolaget" should be considered as a synonym for "we."

The bonus system

For Hakonbolaget, a major consequence of the proposal would be paying bonus to its members according to a new bonus system. Three types of bonuses were suggested.

The grounds for premiums (the efforts of the purchasing centre)

a) Order premium. A 1% order premium is given on written orders of stock goods. This premium, calculated on the so called bonus goods, is paid annually in the form of a savings certificate or an industrial fund certificate.

b) Member bonus. In addition to the order premium a special member bonus is paid. This is set with reference to the total annual purchases of all goods except so called service goods... The member bonus ... is set annually by the company board and is for 1949 paid according to the following scale:

Yearly purchase in SEK	Bonus in %		
5,000– 14,999	1.00	60,000– 79,999	1.55
15,000– 24,999	1.20	80,000– 99,999	1.60
25,000– 34,999	1.30	100,000– 149,999	1.65
35,000– 44,999	1.40	150,000–	1.70
45,000– 59,999	1.50		

The member bonus is paid annually in the form of a savings certificate or an industrial fund certificate. The scale according to which the member bonus is calculated has been designed on the basis of thorough investigations of the purchasing centre's costs for orders of different size. Through this design the member bonus ought to be a spur for the members in concentrating their purchases to the purchasing centre.

c) Hakon premium. In addition to the member bonus a special Hakon premium is to be paid to the members, if the co-operation and the support becomes such, that economic possibilities for this is created. When paying this Hakon premium, attention will primarily be paid to the member's purchasing fidelity and wholehearted effort for the purchasing centre.

Hakonbolaget - köpmännens inköpscentral (Memberbook), 1948, p.21-22.

The available official comments indicate that these bonuses were regarded as important to sway the retailers in favour of the proposal. Thus, the first type of bonus, the order-premium, was to spur written ordering.

This order premium becomes a spur for the members to try the new written order procedure.

Nils-Erik Wirsäll, 1949, p.380-381.

The only criticism voiced concerning the order-premium was that the grounds for calculation also should include direct deliveries from manufacturers.

Mr Georg Hammar [retailer, Hudiksvall] held order premium to be warranted also for direct order deliveries.

Minutes of the Gävle group of councils, Sept. 26, 1948.

Mr Martén [retailer, Bispgården] wondered why the 1% -rebate is not paid on producer orders.

Mr Jernunger informed, that this had been subject to consideration within the committees. It had been considered just to only reward these orders through the increased bonus.

Minutes of the Sundsvall council of trustees, Sept. 29, 1948.

Jernunger informed that the issue had been discussed in the committees (and, as was shown above on p.190, at the meeting with the directors conference the week before). He did not, however, inform as to the reasons for the decision not to include producer orders in calculating the bonus. Instead, he simply said that it "had been considered just."

The Member-bonus was supposed to promote a rational purchasing behaviour.

The simplified organisation that an implementation of this co-operative plan means, evidently results in lowered costs. This would thus allow a reduction of prices. Instead of changing the present pricing policy, which means fully competitive prices, the increased surplus is paid back in the form of a bonus. This gives Hakonbolaget an opportunity to lead the relatively heterogeneous circle of members (the food retail trade) towards a more rational way of thinking.

Nils-Erik Wirsäll, 1949, p.381.

Here, Wirsäll suggests that lowered prices was an alternative to Member-bonus. The drawback of this solution was that it did not give Hakonbolaget "an opportunity to lead the relatively heterogeneous circle of members... towards a more rational way of thinking." Lower prices could be enjoyed by all customers. A bonus, on the other hand, could be directed towards customers who adopted "a more rational way of thinking."

The choice fell on a graded bonus-scale based on yearly purchases. If you purchased more, you received a higher bonus. In Uppsala, the scale was subject to discussion.

Mr Ählin held that the purchasing fidelity shall be rewarded in a way that will not benefit the large buyers to such an extent that their competitive power becomes too high in relation to the smaller shops. The speaker held the design of the scale to be good.

Minutes of the Uppsala group of councils, Sept. 23, 1948.

Although he accepted the proposed scale, Åhlin pointed at the competition between Hakon-retailers as an aspect which must be kept in mind. This line of thought was expanded on by Folke Holm, a retailer from Norrtälje.

Mr Holm asked how the graded bonus scale had been reached. “[I] suppose that the Hakon-premium is to be complementary to the graded scale so that a balance can be reached to give the small but faithful customer, justice.”

Accountant Wirsäll: “The graded scale has been chosen because the larger buyer incurs less costs for Hakonbolaget than does the lesser buyer. In practice, it is likely that most will be so high up on the bonus-scale, that the differences won’t be that big. In addition, the Hakon-premium will straighten out any occurring injustices.”

Mr Holm said that precisely this, that when the program has been introduced everyone must try to reach as high as possible on the bonus-scale in their own company, will become an extraordinary argument for all retailers to say no to other companies.

Minutes of the Uppsala group of councils, Sept. 23, 1948.

Justice, what might that be? Holm asked whether the graded scale was to be complemented “so that a balance can be reached to give the small but faithful customer, justice.” So justice for him entailed equal treatment based on the individual retailer’s ability. The graded bonus scale represented another type of justice, that which treats everyone as equal irrespective of ability. Holm saw positive effects of this scale too, particularly the incentive it gave for increased purchasing fidelity. Wirsäll de-emphasised the negative effect, but acknowledged that the third type of bonus was designed to compensate for this.

The member-stock is quite heterogeneous in terms of turnover-size. ... For the purchasing centre it is urgent that also a smaller shop, where the retailer places all his purchases with his purchasing centre, really is given a premium for this his purchasing fidelity. This has been solved so that a special Hakon-premium will be paid to those members whose purchasing fidelity and wholehearted support for the purchasing centre is complete. The individual’s performance is rewarded according to his factual possibilities.

Nils-Erik Wirsäll, 1949, p.381.

The heterogeneity of the members was a problem. Small shops would not be able to buy as much as large ones, even if the retailers did adopt “a more rational way of thinking.”

To eat the cake and have it

An interesting aspect of the proposed bonus system is the way in which the bonus was to be paid. The new system was described as a way for Hakonbolaget to “give more” (see p.196, above). However, in this case, “give” meant that the retailer’s bonus would remain with Hakonbolaget for some time while he would receive a savings certificate.

The system of savings certificates had been introduced in 1941 (see Chapter 3). By 1948 some MSEK 2.5 (close to 8% of the total liabilities) had been retained by Hakon-

bolaget through this system.¹ The practice of retaining the bonus-funds was thus not a novelty in itself. This is also indicated in Jernunger's response concerning "pocketing" (above, p.201), since according to him, the money would be used for "among other things, new warehouse- and office-facilities, factories, etc." I do not think that he expected the retailers to engage in these activities themselves, rather, it seems that it was understood that Hakonbolaget would do these things for them.

The proposal was arguing for reduced retail service in order to cut costs. These cuts would then enable Hakonbolaget to "give more" in the form of bonus, which the retailers did not receive in cash but in the form of interest bearing savings certificates. These funds were to be used to improve the distribution apparatus so that, in the end, even more could be given, which the retailers still did not receive....

Us and them

Another recurrent comment concerns the divide between us and them, between the enlightened and the doubting Thomases, between the elect and the mass.

-To us, who have heard all this, things stand clear and evident enough, but how will it be possible to make this clear to the large majority of retailers?

Mr Aronsson. Minutes of the Borlänge group of councils, Sept. 26, 1948.

Mr Norling [retailer, Södertälje] found the suggested program rich and was clear about the need to do something to achieve greater efficiency. On the major points, the council is likely to agree, but there are so many, many more who are not in to the same line of reasoning.

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

Mr Pettersson [retailer, Mörkö]... He had no doubts on his behalf, concerning written orders, as one receives a certain compensation for any inconvenience through the new bonus system. The question is whether we are all ready to take the step over to the new way of working. Mr Pettersson himself would be glad to work for this cause among colleagues...

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

Mr Kronvall thought that all those present would be able to handle ordering, but that it probably would require quite considerable benefits to make all members adopt written orders. ...

Mr Liljeqvist... wondered how the company planned to make all members adopt the proposal.

Adviser Hagne ... After the co-operative plan had been discussed at all councils of trustees, it would be presented to the members at the annual meeting, and according to what already is known, the proposal will be passed with great certainty. The customers will then be gathered for member-meetings, and then the representatives and also the office staff will visit the customers and ask them to sign a paper stating that they wish to become members. ...

Minutes of the Västerås group of councils, Sept. 29, 1948.

¹ These certificates are likely to have affected performance indicators such as return on own capital (since funds were amassed through debts to retailers). (AB Hakon Swenson, Annual reports 1941 and 1948.)

Obviously several council members were worried that the proposed new way of working, viz. the written orders, would not be accepted by the majority of the retailers. They themselves could realise its benefits, but could the others be made to grasp it? I do not know why this fear was so common. What made them believe that they would adopt the written order procedure more easily than the other retailers? If this change would render the retailers clear benefits, wouldn't all retailers be interested? In part, the comments suggest that this was an information problem. One retailer "wondered how the company planned to make all members adopt the proposal"; another asked how this could be made clear to "the large majority of retailers?"; a third volunteered "to work for this cause among the colleagues..." Another possible explanation would be that the retailers were projecting their own doubts concerning the proposal on to 'the others'.

Peer reflection by Claes-Fredrik Helgesson:

Yes, the above interpretations about what was uttered by members of the councils of trustees are reasonable. Yet, I find it fruitful to reflect further on these voices and in particular to whom we might consider them to belong. In the beginning of Chapter 3 an account is given of the emergence of the purchasing centres in the 1930s, of which one part was the reorganisation of Hakonbolaget into a retail co-operative. This transformation, it is noted there, hinged on a reconfiguration of the retailers. We also learned there that the local councils of trustees were formed in the late 1930s, serving in this transformation as a new communication channel between the purchasing centres and the retailers.

The attempt to make something called the Hakon-deal real, which is the main topic of this chapter, is again very much about a reconfiguration of the retailers and in particular their actions and roles in relation to Hakonbolaget. Indeed, it appears at times as an effort to turn Hakonbolaget into synonym for 'we' to the member-retailers. This makes the local councils of trustees interesting entities, since they themselves are devised as entities performing some sort of mediation between the retailers and the offices of Hakonbolaget. As such, the councils were conceived to perform as an intermediary body, representing the member-retailers in relation to the offices of Hakonbolaget, and conversely as representing these very offices in relation to other members-retailers.

Given this, what is captured in the above quotes is a frailty in the councils' conceived intermediary status. What is expressed according to this interpretation is a defection of these council retailers from performing as representatives of non-council retailers. 'As a retailer here at the council I can speak on these issues on behalf of myself and perhaps my colleagues here, but not on behalf of the greater collective of retailers outside the council.' In other words, they downplay the trial of strength at the council meetings as one encompassing absent retailers. In effect, the retailers at the councils presented on this point their council as being far from the representative they were devised to be.

Written orders and reduced contact

A central aspect of the proposal already touched upon was the introduction of written orders and the withdrawal of the sales-representatives.

The co-operative plan aims at reducing the costs of the flow of goods from the purchasing centre to the members. To do this, the present organisation and the current working methods of Hakonbolaget must change so that the wholehearted support of the members can be gained. Such a deeper co-operation will reduce both the sales-efforts of the purchasing centre and the retailers' work of purchasing. The purchasing centre can devote more time to purchasing and the retailers are given more time to sales-work. ...

The general purchasing rules (the members' efforts)

a) The member orders his goods from the purchasing centre in writing. The written order is made out by the member on the basis of a *catalogue* published by Hakonbolaget. ... besides the catalogue, direct contact between the purchasing centre and the members must always exist. Now and then the members must have live contact with their own company. To handle this, special contact-men will visit the members *two to four times per year*...

Hakonbolaget - köpmännens inköpscentral (Memberbook), 1948, p.16-17.

Although it is not said in plain writing, the introduction of written orders was intimately connected with a withdrawal of the company's salesmen. This was a measure which had been proposed back in 1946, but which at that time had been ruled out. The excerpt below indicates how the retailers viewed the issue at that time.

The possibility of rationalisation through a reduced number of visits by salesmen was not considered topical in Västergötland where the time between visits by representatives in general was 6 to 7 weeks.

Mr Setterberg [retailer, Vilske-Kleuva] maintained that it was important that the visits by salesmen were kept as before and possibly were made even more frequent. Other companies put in intensive personal work on the retailers and there is a risk that Hakonbolaget due to this will lose orders. In certain cases, it is of utmost importance that the representative can get in touch with the retailers to straighten out misunderstandings which occur, due to incorrect and malicious information being spread in certain quarters concerning the dispositions and actions of Hakonbolaget in different areas...

Mr Bilke [retailer, Skara] ... The time has not yet come to cease with the salesmen's visits... Hakonbolaget can however become more efficient. It is possible to sell more and it ought to be possible to handle the shortage of goods which exist within Hakonbolaget better. It might even be necessary to increase the density of the visits by salesmen to inform and influence.

Mr Pontén [retailer, Kavlås] ... Visits by well informed salesmen are needed.

Minutes of the Västgöta group of councils, Aug. 13, 1946.

It seems that the retailers regarded the salesmen's work as important. One reason expressed was the need "to straighten out misunderstandings" which occurred as a consequence of the spread of "incorrect information." Another reason concerned the need for sales activities in order not to lose orders to competitors.

As the new rationalisation program was presented in 1948, some retailers voiced similar concerns, e.g., that this would reduce their contact with Hakonbolaget.¹

¹ A similar concern was also voiced in Borlänge (Minutes of the Borlänge group, Sept. 26, 1948.)

Mr Ceder [retailer, Enköping] held that the travelling salesmen had quite an important task to fulfil, and thought that the turnover would decline if the salesmen's visits stopped. It is true, that there will be contact-men, but these will not visit so often. Mr Ceder suggested that Hakonbolaget should arrange a permanent exposition, perhaps with self service and that the members should have the same benefits on orders made there as on written orders.

Minutes of the Västerås group of councils, Sept. 29, 1948.

To reduce the risk of a declining turnover, Ceder proposed that Hakonbolaget should open something like a Cash&Carry warehouse. The proposal elicited no reaction. In Gävle, the issue was discussed at some length with retailers being both for and against.

Mr Georg Hammar [retailer, Hudiksvall] ... wondered if it wasn't wrong to do away with the travelling salesmen completely. There were certainly many new items that one wished to get demonstrated by salesmen... If they could concentrate on new and current items, then it would be swift, and they could do more. The usual things on the other hand, one could preferably order in writing.

Adviser Jarl Jernunger... concerning the existence or not of the travelling salesmen, one probably had to look at the issue from the economic point of view. What did one receive, and what did it cost. The change-over gave at least an additional million SEK in benefits, which must be taken through savings measures. Therefore, the travelling salesmen had to be done away with. In their place, we would have contact-men instead. ...

Mr Ragnar Larsson [retailer, Söderhamn] held that the new system would save time. Then, one also would have more time to handle the remittances. That KF was working with less costs was clear, since they neither had travelling salesmen nor any discussions concerning where to buy from. The new system was a step towards such a situation. ...

Mr Eric Blomberg [retailer, Gävle] wondered if it really was necessary to have travelling salesmen to know what goods to order. The housewives demanded goods, and it was up to the retailers to acquire them. Why did this have to be done through travelling salesmen? He had purchased goods on his own for many years without any salesmen stuffing him like you stuff a sausage. ...

Mr Ivan Svensson [retailer, Österfärnebo] didn't really agree that it was correct to do away with the travelling salesmen. The conditions were probably different in the countryside than in town. But if it was to be that way, that contact-men would replace travelling salesmen, he wanted to suggest that they would come at least six times a year. ...

Mr Karl Jansson [retailer, Runemo] held that one could manage very well without travelling salesmen, as it concerned saving money. The salesmen took up much valuable time...

Adviser Jernunger ... It was also pleasant to find that Hakonbolaget's travelling salesmen were so firmly rooted as they appeared to be. One could, however, not regard the revolutionary change which now was to be made, as an emotional issue but as a pure issue of calculation. The retail trade has difficulties today and we must save to help it. We have to seek comfort in the fact that we would see the best travelling salesmen there now was as contact-men.

Minutes of the Gävle group of councils, Sept. 28, 1948.

Hammar argued that it was important to keep a particular function which the travelling salesmen performed, that of introducing novelties. Jernunger replied by referring to costs, arguing that something had to be given up to get something in return, viz. bonus. The

cost aspect was also central to Larsson who held that the new system would save time and money. Blomberg, on the other hand, presented an alternative view to the problem: the housewives knew what they wanted and the retailers only had to listen to them. Thus, he held goods distribution to be customer driven (a pull system, to use the modern day marketing term) rather than supplier driven (a push system). This could have provided a strong argument for the proposed program: 'as retailers we should serve our customers to the best of our ability and not devote time to salesmen'. However, it was not used by the proponents. Instead, Jernunger linked the proposal to "calculation", that is, to rational behaviour, while the old system and its proponents were linked to "emotional" arguments.

Another argument against the proposed system of written orders was technical.

Mr Norling [retailer, Södertälje]... thought that the implementation of written orders would be especially difficult; it would be to reverse the development, when there is such a terrific means of communication as the telephone. ... Concerning the withdrawal of the salesmen he pointed out the great importance of personal contact. The competitors might be able to exploit the opportunity and sneak in if the personal contact with Hakonbolaget was weakened...

Mr Pettersson [retailer, Mörkö]... He found it unsuitable to completely cease salesmen's visits, as one needs to be informed about novelties, etc. ...

Director [C-H] Swenson said that the committees were well aware that the written orders were the main crux when implementing the co-operative plan, but they intended to start an extensive propaganda. At any rate, this contraption worked well at the Swiss company Usego.

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

Was the new proposal a step backwards, a rejection of modern efficient technologies? It appears that Norling was the only one who held this view. His comment elicited no reaction. Rather, Carl-Hakon Swenson pointed towards the need to make "extensive propaganda" and towards the fact that the system worked well in Switzerland.

Mr Brättemark [retailer, Jungskola] and Mr Carnegren [retailer, Tibro] both voiced concerns regarding the new system. The former was afraid that no notification of what could not be delivered would be given under the new system of written orders. The latter held that the purchasing centre would lose orders by withdrawing its travelling and telephone salesmen since other wholesalers kept their sales apparatus and in that way received orders from those who considered written orders cumbersome. To this Mr Sundelöf and Mr Dahlén replied that the ambition was to make the transition to the new system smooth, so that no inconveniences would appear. Enough staff would be kept to contact the customers concerning goods which could not be delivered and to influence those who had difficulties in coming to terms with the written orders. ...

Mr Sundelöf understood the hesitation shown towards the written orders, but they do give money and the intention is to give us a good and current catalogue to order from. If we are to compete with [the Consumer Co-operative] we must improve our purchasing habits. Those who cannot make the effort of writing [the order] can surely not be considered capable of serving the general public in an appropriate way. Let us handle purchasing in a way which enables us to show the government that there is no need for rationalisation here.

Minutes of the Västgöta group of councils, Sept. 29, 1948.

Time and time again, the proponents referred to the economic effects as the main reason for withdrawing the salesmen and for introducing written orders. This was a "revolutionary change" not to be regarded "as an emotional issue but as a pure issue of calculation." In the final excerpt, Sundelöf also brought in the pro-regulatory views of government and the competition from the Consumer Co-operation as motives for written orders.

Peer reflection by Per Andersson:

Some organisation/distribution problems seem to be eternal. As here, the ideas of, and worries about the replacement of social interaction ("travelling salesmen" and "telephone salesmen") for technology ("written orders", "telephones", etc.) in customer contacts. (By the way, what are the latter - "telephone salesmen" if not an example of the difficulties to separate man from the machine?) This episode seems to mirror the omnipresent worries and concerns seen today among practitioners and researchers: the problems of understanding if and how "Internet" and "e-whatever" technologies can or will replace, or radically alter, social interactions between and within organisations. This chapter seems to point to another perspective on this, the eternal "technology vs. social interaction problem". Judging from the narrative, there is an alternative view of this problem. Isn't it so that one could interpret the words of Lundström, Ceder, Hammar and others in this section, as a debate not about technology interfering with or replacing social interactions, but how technology, in whatever form (not only the "written order forms"), could, and perhaps should be, what hold the social and other forms of interactions together? On the surface, their debate seems to be anchored in the question if (technology can replace social interactions), but under the surface it seems to be more a question of how (technology and social interactions can be interconnected). Contemporary researchers' strong focus on the principles, the if question, seems to me, reading this part, to be a case of how an interesting point is missed. Judging from this particular part of the Hakon-deal, "technologies", "non-humans" and "artefacts" in distribution systems seem to be able not only to transform but to entail, to transfer (in time and space), and to link interactions. This view of the transformative power of technologies in marketing systems was probably not what Alderson and Cox (1948) was referring to in their classical work on technology and distribution. But, yes, this view works on me.

Timing

During at least four of the council meetings, a more general comment concerning the timing of the change was made.¹

Mr Georg Hammar [retailer, Hudiksvall] pointed to the effect which the present shortage of goods had on the concentration of purchases. Certain goods had been scarce, and what Hakonbolaget couldn't offer, one had to buy elsewhere. This condition had resulted in more easily available goods also following along when one had to turn to others for desirable goods. ...

¹ Minutes of the Eskilstuna council, Oct. 3, 1948; Minutes of the Gävle group, Sept. 26, 1948; Minutes of the Södertälje council, Sept. 27, 1948; Minutes of the Uppsala group, Sept. 23, 1948.

Mr Eric Blomberg [retailer, Gävle] wanted to point out that one could not expect to fully harvest the fruits of the new system, until the supply of goods was back to normal.

Minutes of the Gävle group of councils, Sept. 26, 1948.

The shortage of goods appears to have made it necessary for the retailers to buy from other suppliers. This was perceived as a problem by several retailers, since it made concentrated purchasing, which was central to the proposal, difficult. Only in one of the accounts, an answer to this critique can be found.

Mr Hoffman: "... The time chosen to implement the program is not very suitable due to the present shortage of goods. There are fears of not receiving notice of goods lacking. ...

Accountant Wirsäll: "We don't know when the troublesome shortage situation ends, and the situation we are in, requires us to rationalise our work now."

Minutes of the Uppsala group of councils, Sept. 23, 1948.

Wirsäll pointed out that the need for rationalisation was urgent, and that it was not possible to foresee when the conditions might improve. Thus, he seems to have argued, the present was just as good a time for the change as sometime in the future.

A single critic – the outcome of the meetings of the councils of trustees

One of the retailers, Georg Hammar from Hudiksvall, was particularly critical to the proposal. Above, he was arguing against the withdrawal of the salesmen (p.208). In addition, he also commented upon the general idea of increasing distribution efficiency through the kind of master-plan which the proposal represented:

Mr Georg Hammar: ... Hakonbolaget may well conjure up a grand co-operative plan, but the retailers must also think of serving their customers and comply with their wishes, with the goods they want.

Minutes of the Gävle group of councils, Sept. 26, 1948.

Irrespective of what Hakonbolaget thought, the retailer must satisfy his customers. And if this meant clashing with the ideas of Hakonbolaget, Hammar seems to argue, then the retailer must turn elsewhere. He also noted that the argument about the need to have small stocks did not mix well with the restriction of the number of orders to once a week. In the end, Hammar was the only council member who was not prepared to fully accept the ideas in the proposal. He specifically begged to differ on one point:

Mr Georg Hammar asked that it be noted in the minutes that he held order premium to be warranted also for direct order deliveries.

Minutes of the Gävle group of councils, Sept. 26, 1948.

Though some of the council members were hesitant and, as was shown above, even outright negative towards specific points, they all – except Hammar – agreed to approve of the proposal (see Table 5-2, below). The proposal had passed one test.

Table 5-2. Results of the discussions concerning the proposal to increase efficiency, i.e. the Hakon-deal, at the local councils of trustees. Sources: Minutes from local councils of trustees, Hakonbolaget, 1948.

Council	Date of meeting	Decision
Borlänge group	Sept. 26	... We thankfully support this new system and the Purchasing centre. Each and every one in his place will act for the company and the new system and we wish that it be implemented within our districts as soon as possible. ... TOGETHER WE CAN DO WHAT IS GREAT IF WE TOGETHER WANT WHAT IS GREAT
Gävle group	Sept. 28	... to approve the grounds for membership, although it was taken for granted that the local councils of trustees then presupposed that a member also should be associated with a retail organisation, to approve the co-operative plan of Hakonbolaget, although with the reservation of Georg Hammar, who held that order premium should be paid irrespective of whether it was a stock order or a direct order...
Eskilstuna group	Oct. 3	The council finally decided to make a statement that they thankfully accepted the present efficiency program.
Södertälje board	Sept. 27	... even though different opinions concerning some details had surfaced during the discussion, the attitude was largely positive towards the realisation of the efficiency program...
Uppsala	Sept. 23	... the council unanimously decided to approve of the implementation of the proposal
Västerås & Köping	Sept. 29	The council of trustees approved the program suggested by the efficiency committees in its entirety...
Västgöta group	Sept. 29	...decided unanimously: to approve of the proposal suggested by the efficiency committees to approve the implementation of the proposal at the Skövde office from Jan 1, 1949. to express the desirability of implementing the proposal at all the offices in the Västgöta group from Jan 1, 1949.
Ludvika group	Sept. 27	... the Council expressed a unanimous approval of the proposal.
Sundsvall	Sept. 29	... the Council decided unanimously to approve of its implementation at the office ...

But not only had the proposal stood up during this trial of strength, it had also gained strength. When presenting the proposal at the Västgöta meeting (see p.195), Knut Sundelöf described it as something "all the committee members approve of." After the meetings had been held, it had changed into something which 'all the committee members *and all the councils of trustees* approve of'. Quantitatively, some 113 retailers had formally been enrolled in support of the proposal in addition to the 16 committee-members.

Reducing the costs of distribution

The core rationalisation argument behind the proposal seems to have concerned the interaction between the purchasing centre and its members, the retailers. It concerned cutting costs and it concerned the way in which the retailers bought from the purchasing centre.

-It must be considered wrong that [the purchasing centre] is selling to its members at high cost instead of the members buying from the purchasing centre without any costs.

Bengt Harné. Minutes of the Ludvika council of trustees, Sept. 26, 1948.

Harne's argument ran something like this: the purchasing centre is currently *selling* to its members and performing this task generates costs; if the members would start *buying* from the purchasing centre, no costs would be generated (see also Figure 5-2).

Obviously, there is something strange about this. Judging by the contents of the proposal, the argument was linked to the reduced contact between buyer and seller. In the proposed system, this interaction was handled through fewer specific activities, i.e. no more travelling salesmen, no more telephone orders, deliveries once or twice a week etc. This could doubtlessly have reduced costs. Still, Harne clearly stated "without any costs." So, there might have been something more to this than less activity.

Let me say something about the new deal and the accounting practices in 1948. Hakonbolaget was said to be selling to the members at high cost. The proposed change-over from travelling salesmen and telephone orders to written orders was said to lead to cost reductions. For instance, Melker Swenson claimed that *wage costs* might be reduced (above, p.196). In the 1947 profit and loss statement, these ran to MSEK 6.4 or 55.5% of the gross revenue, by far the largest cost-position for the company. It is not unlikely that these costs would have been reduced by dispensing with the travelling salesmen.

There are two additional locations for cost reductions to turn up as a result of the suggested change. *Travelling costs*, which ran to MSEK 0.3 or 2.4% of the gross revenue in 1947, would decline if the contact-men who were to replace the salesmen, only would visit the members 3-4 times a year. *Marketing costs*, which ran to MSEK 0.5 or 4.3% of the gross revenue, would be another possible source of cost reduction. At any rate, it is clear that *selling* was associated with costs and that these costs could be cut.¹

I now turn to the accounting practices of the *retailers* in the 1940s. In connection to an introduction to budgeting, the following classification of retailers' costs was made.

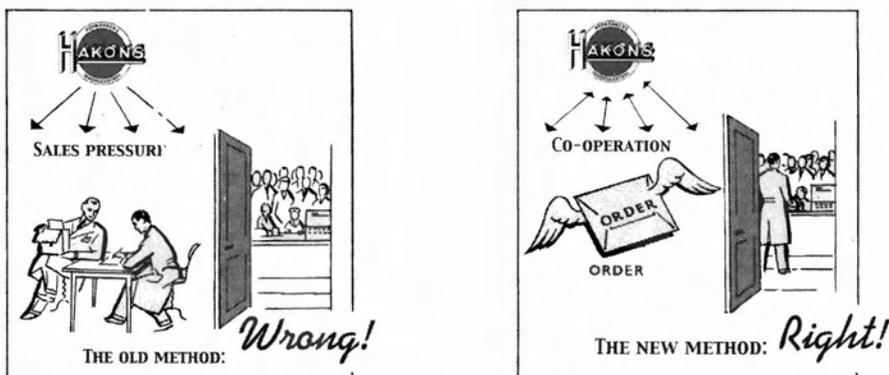


Figure 5-2. "Why a new distribution system – why the Hakon deal?" Source: *Hakongiven, en revolution inom svensk varudistribution*, information leaflet, AB Hakon Swenson, 1951, p.3.

¹ The figures are taken from AB Hakon Swenson, Annual report 1947.

Costs are a very important part of your budget. The point of departure for calculating them is of course last year's figures. In order for you to be able to calculate how they will develop during next year, you must divide them into groups. Otherwise you cannot get a proper overview of them. It is suitable to follow the grouping which is used in ICA's statistics book:

Employee wages	Telephone and postage
Rents	Lighting, heating, cleaning etc.
Insurances	Paper, bags and strings
Acquisitions and repairs	Transports to customers
Advertising (including signs)	Other costs

ICA Tidningen, 1943:8, p.4-5.

Since the excerpt is taken from ICA Tidningen, and since reference is made therein to yet another publication from the ICA-group, ICA's statistics book, it seems clear that the retail accounting practices at the time were not independent from the doings of Hakonbolaget and the central ICA-organisations. Admittedly, the above classification was made in 1943 and things might well have happened between 1943 and 1948. An analysis of some 40 retailers' annual reports for 1951, published in ICA Tidningen suggest that there were no significant changes in accounting practices during the period.¹ The concept of 'purchasing costs' obviously was not an established one. To be sure, the direct costs associated with purchasing would show up in accounts such as *Telephone and postage* and the general *Other costs* etc. While at the time the most common complaint voiced by the retailers regarding purchasing concerned the large amount of "valuable time" which had to be spent, there was no formal costing of that time.

Mr Sundelöf: ... By using written orders one can also achieve a more efficient re-ordering. Hence, both time and money is gained. ...

Minutes of the Västgöta group of councils, Sept. 29, 1948.

Mr Karl Jansson held that one very well could manage without the travelling salesmen, as it concerned saving money. The salesmen also took up much valuable time for the retailers...

Minutes of the Gävle group of councils, Sept. 28, 1948.

The question is where the values which Sundelöf and Jansson talked about would show up? Would it be possible to translate complaints concerning time into actual cost figures? Probably not, I would argue. There seems to have been no established system for calculating retail costs on the basis of activities at the time. Further, purchasing was a function which the owner / manager generally performed himself. And the manager's wage was not even considered a regular cost, but rather something which was taken out of the net revenue *after* the costs had been deduced. Thus, the task of calculation became even more difficult. To me, it seems that there was no established way of calculating purchasing

¹ The costs specified are: wages; rent; insurances; acquisitions and repairs; advertising and propaganda; telephone and postage; lighting, heating, cleaning, etc.; paper, bags and strings; transports (including car costs); and other costs. (ICA Tidningen, 1952:2, p.8.)

costs, i.e. the costs associated with the buying function. I would even argue, that since none of the actors seem to have known how to calculate them, purchasing costs, as such, simply did not exist at the time. Hence:

-It must be considered wrong that [the purchasing centre] is selling to its members at high cost instead of the members buying from the purchasing centre without any costs.

Bengt Harne. Minutes of the Ludvika council of trustees, Sept. 26, 1948.

The upshot of all this is that the proposed new system satisfied most parties involved, except perhaps the salesmen... The representatives of Hakonbolaget could hold on to their argument for cutting down on the sales-force, i.e. that considerable savings would be made since the retailers could purchase goods from the purchasing centre without any costs. So too, could the retailers who argued that purchasing indeed incurred costs for them, since by cutting down on salesmen, these costs would be reduced. Only to those who argued that the salesmen indeed contributed something, e.g., information on new products, did the proposed new system have clear drawbacks.

5.3. Gaining formal approval for the new model

There is no use in keeping up the suspense any longer, so let me start at the end.

The unanimous decision of the Hakons retailers: Massive rationalisation.

ICA Tidningen, 1948:11, p.8-9.

Perhaps the annual meeting really was rather unimportant, as indicated by Bengt Harne, two weeks before (see p.205). At the meeting with the Västerås council of trustees, Harne claimed that the proposal would be passed "with great certainty." Hence the annual meeting might have been a mere formality. The meeting at which the proposal thus was to be approved had been set to October 11, and some preparations had been made.

§ 4 Extra share holders meeting October 11

Proceedings start at 10.30. Talks will be given by Gunnar Sandberg concerning the conditions in America particularly on the activities of the purchasing centres, and by the managing director on the subject "Wishful thinking, habitual behaviour and realities concerning the rationalisation of distribution." Further, the chairmen of the rationalisation committees will present the committee proposals. A number of speakers in the discussion will be registered in advance. The definite program will be designed by the management. The number of participants ought to be limited to 500-550. ...

Summary of the directors' conference, Sept. 14 1948.

The excerpt indicates that efforts were spent on pre-organising the meeting, primarily, on designing the discussion which was to take place. Besides the usual addresses by the managing director and some invited guests, and the presentation of the proposals, "[a] number of speakers ... will be registered in advance." So, what transpired during this

“rainy and cold October Monday”? Since I have been unable to find the official protocol, I base my account on two articles, one from ICA Tidningen and one from a local daily.

Close to a thousand members had shown up for the Hakon retailers' annual meeting on October 11 1948. Such a massive support on this rainy and cold October Monday had a very special reason in the subject matter of the negotiations: the efficiency committees' proposal for an altered organisation of the purchasing centre.

ICA Tidningen, 1948:11, p.8.

A first observation is that the ambition to limit the number of participants to 500 or so (excerpt above), was abandoned somewhere along the way. As it turned out, nearly twice as many delegates were present; in itself perhaps an indication of the import of the event, but also something which created problems for the organisers.

The spacious hall could however not house all the participants and a large part of the audience had to be directed to the Excelsior hall, from where they could follow what was said at the presidium and at the rostrum via loudspeakers.

VLT, Tuesday, October 12, 1948.

After the chairman, Josef Lindqvist, had attended to the formal issues, Hakon Swenson entered upon the stage and delivered his introductory talk:

... Director Swenson specified the areas where much still remains to be gained and informed of the forms for this. ... he underlined the importance of rationalisation and efficiency measures... These measures had long been planned, but had not been possible to implement previously, due to the many obstacles created by the war. The speaker emphasised the importance of simplifying and reducing the costs of the purchasing centre's operations and its order and transport system through purchasing concentration and deeper co-operation. If the private retail trade only would utilise the resources given to it, stable and secure future conditions could be created. Director Swenson also gave an account of the internal rationalisation process which is under way within the purchasing centre and informed of the proposed program for achieving modern office and warehouse facilities, which amounts to more than MSEK 5.

VLT, Tuesday, October 12, 1948.

While maintaining that the measures now proposed had been planned for a long time, Hakon Swenson this time characterised the issue somewhat differently than at the directors conference in May 1947. Here, he argued that the war-time conditions, rather than the company's accounts, were the main reason for not moving in this direction previously. By stressing the need to simplify and reduce costs, particularly for orders and transports, he set the agenda for the day. He also underscored Hakonbolaget's activities to improve its internal efficiency. – *We are doing things too...* – After this stage-setter, his son, Carl-Hakon Swenson, presented the two committees' joint proposal.

-The proposal means a significant simplification of the distribution. One may ask if this is the right time for implementing such a change. To this one may perhaps answer no, with reference to the shortage of goods and the quotations, but unconditionally yes, since something has to be done to reduce costs. 85% of Hakonbolaget's shares are held by retailers and therefore a rationalisation is

of interest to the retailers themselves. The planned re-organisation will only concern the colonial goods departments at the offices. The system has been studied abroad, in Switzerland for instance, where it works splendidly, and I think that it ought to be possible to succeed here too. Hereby, considerable savings are gained, which will be enjoyed by the retailers in the form of bonus. According to the proposal, membership is required to have the right to purchase through the purchasing centre. The selling representatives will be replaced by contact-men who visit the retailers a few times a year. There will of course be reductions in the number of representatives and telephone salesmen, but we hope to be able to transfer them to the new departments which are to be opened. The proposal is based on a wholehearted co-operation and to be able to implement it, we must have the support of the members.

VLT, Tuesday, October 12, 1948.

The account of Carl-Hakon's presentation contains little news as to the content of the program or the reasons for its construction. Notably, though, he argued to deliver, in his first line, the simplification which his father had deemed so important in his talk. He then turned the issue of timing, which had been a recurrent theme during the meetings with the councils of trustees, only to close it just as quickly with reference to the same type of argument which had been used by Wirsäll during one such meeting (above, p.211) – the need to reduce costs. Next, he argued that this was important to the retailers due to their ownership interests. Just as at many of the council-meetings, he used the way in which these issues had been solved by the Swiss to justify the soundness of the proposal.

The next speaker was Knut Sundelöf, chairman of the retail committee, who argued that “the era of small, sporadic efforts is gone.”

-We stand at a cross-roads. One sign says “the wholesale company Hakon-bolaget” and on the other “the mid-Swedish retailers' purchasing centre.” I have met retailers in Switzerland who order 95% of their goods in writing from their purchasing centre and which have found the system excellent.

VLT, Tuesday, October 12, 1948.

Sundelöf had the advantage of being ‘one of us’, i.e. a retailer. He could speak of ‘us’ and ‘we’ without running the same risks as Carl-Hakon would. Sundelöf argued that the times were changing, and that the individualistic ideology prevalent within retail trade was an ideology of the past, having no place in “modern retail trade.” The important question, I suppose, is whether being ‘modern’ was something to which the retailers aspired.

When the proceedings resumed after lunch, another retail ally, Gunnar Sandberg from SSLF, gave a talk on “The distribution conditions in the US and Sweden.”

[The Chain-Store companies] have been able to reach very advantageous purchasing conditions... This tough competition [between the Chain-Store companies and the private retailers] within food trade has also forced particular measures in order to lower the costs of wholesaling for the private grocery and food retailers. ... How can lower costs be achieved, then? Well, to a large extent through personal visits from the purchasing centre being limited. Further, the number of deliveries from the wholesale warehouse has in many cases been limited to once a week, and then only whole cases are delivered.

VLT, Tuesday, October 12, 1948.

According to Sandberg, the lesson to be drawn from the development in the US was that when competition got tough, costs must be lowered. The way to go about this was to limit the activities performed by the wholesale company, viz. the number of visits to the retailers, the delivery frequency and the delivery of split cases. Low and behold! The program which lay before the delegates that day proposed that the retailers should order in writing, receive deliveries once or twice a week and order whole cases...

During the general debate which followed, a number of retail committee members promoted the ideas to the delegates. Several familiar arguments were used. Martin Felldin said that Government pressures was forcing Hakonbolaget to cut costs, since the Price-control Council based its pricing on the most rationalised companies' costs. Simon Andersson claimed that the proposal represented an opportunity to regain lost ground, which was a way of saying that it would raise the retailers' competitive power.¹

A more critical path was explored by Oscar Gustafsson, who blamed some of the retailers themselves, arguing as he did, that there were "free-riders" in their midst. "He likened Hakonbolaget by an express-train rushing forward and in which the passengers are Hakon retailers. But out of these, many are free-riders. They do not pay the ticket, but try to exploit all the benefits of the extraordinary train."²

Towards the end of the discussion, the idyllic past, the demanding present and the uncertain future was called upon in the final pleas. "The idyllic times are gone, when one had time to reason and drink coffee with the salesman." The retailers now had to plan their purchasing, argued Oskar Kihlgren.³ Finally, Hakon Swenson argued that a 10% growth in turnover would be needed annually and that capital formation was necessary to "create more secure conditions for the retail trade in the future."⁴ At the end of the day, the meeting came to a decision regarding the proposed program.

The final proposal ... was approved unanimously by the thousand-strong annual meeting...

ICA Tidningen, 1948:11, p.8.

The proposal had been formally approved. Some 18 months after Hakon Swenson allegedly had told Wirsäll and Lundgren to "Go home and make a plan!" (see note on p.180), the owners of Hakonbolaget had decided to rationalise distribution. Now it was necessary to move from decision to altered behaviour, to turn the plan into action.

¹ VLT, Tuesday, October 12, 1948.

² ICA Tidningen, 1948:11, p.8.

³ Interestingly when discussing the future of ICA's salesman during my interview with Kjell Gunnarsson in 1997, he used almost the exact same words as Oskar Kihlgren had 50 years previously: "I don't think there will be time for coffee-drinking anymore..." (Personal interview, May 29, 1997.)

⁴ VLT, Tuesday, October 12, 1948.

5.4. Implementing the new deal

So far, this chapter has dealt with the work put into creating the rationalisation proposal. How the idea was conceived; which the sources of inspiration were; how the final proposal was elaborated; and how support was sought for it internally, and among the owners of Hakonbolaget. The main elements of the adopted program, which can be seen as a temporary result of the work so far, were summarised in Exhibit 5-1, p.194.

Now, I turn to how the program was brought to bear within Hakonbolaget. That is, to the efforts made to turn the proposal into a reduced number of salesmen, a catalogue listing the assortment of goods offered by Hakonbolaget, written orders being sent in by the retailers to the district and affiliate offices, and so on. At this point, “the efficiency committees’ proposal” or “the idea-program” or “the co-operative plan” as it was called in the accounts above, became “the Hakon-deal”, or “the new deal.”

An overview of the implementation process

Despite the substantial efforts put into creating the plan, Nils-Erik Wirsäll in retrospect characterised the implementation as the greatest and hardest piece of work.¹ This part of the story starts immediately after the annual meeting, as the six trial offices (Karlstad, Kristinehamn, Köping, Skövde, Södertälje and Västerås) prepared for, and subsequently introduced the new system on Jan. 1, 1949.² According to Wirsäll, the trial offices were chosen partly on the basis of who the local director was, and partly so that they were representative of all offices.³ A message from the Head Office to the members of the councils of trustees, provides the contours of the implementation process:

According to the program approved at the Hakon retailers annual meeting on Oct. 11 1948, the new Hakon-deal should first be tried at six trial offices. It was then to be successively implemented at the remaining offices as the organisational arrangements were accomplished. As the tests at the trial offices have been successful, the new deal has, as is well known, gradually been implemented at the offices. On October 1, the Ludvika office will now change-over. The remaining offices, viz. the Borlänge group, the Gävle group, Sundsvall and Uppsala-Norrköping start to practice the new deal on January 1, 1950. Order-managers and contact-men from the latter offices have during the past week been given a 4-day course led by the head-office, to receive information and practice on the various problems which are connected to the new system.

¹ “The design of the Hakon-deal required much work, but the greatest and hardest part can without exaggeration be said to have been the work of informing and organising which had to be made during the implementation.” (Nils-Erik Wirsäll, *Blad ur...*, 1967, p.251.)

² AB Hakon Swenson, Annual report 1948, p.19.

³ “The six chosen offices were spread out geographically and both large, small and affiliate offices were represented. In addition we also tried to enrol the right local directors, i.e. those who we thought would succeed in implementing the change.” Interview with Nils-Erik Wirsäll, June 28, 1995.

The member-meetings will start soon, and the remaining preparations are being made, so that everything will be ready by the turn of the year.

Confidential message of the month, AB Hakon Swenson, Sept., 1949.

During 1949, then, the new system was also introduced at eleven additional offices and on Jan. 1, 1950, the remaining ten offices made the change-over (see Figure 5-1, p.177).

Less than complete order in the process of implementation

There is purity in the order of implementation described above. But orders are seldom pure. In the case of the Hakon-deal, it seems that at least one of its constituent parts, as described in the Member-book, was introduced retrospectively for 1948. The change concerned the form in which the annual bonus was to be paid. Originally, the savings certificates (introduced in 1941) had been redeemable after a shorter term of notice. As part of the new deal, though, the certificates had been given a fixed life of five years.

The Chairman [Hakon Swenson] informed about the form for remunerating the shareholder-bonus. The board had held that the principle which is set in the new co-operative plan, viz. to retain the bonus-amounts for five years, should be applied already at this point. For 1948, the bonus will thus be paid in the form of Hakon-retailers' savings certificates, which run with a fixed 4% interest and which are set for five years. This measure will probably meet with a certain amount of criticism, but if the members are given the right information about its meaning, any more noticeable irritation should not have to be feared. For it is a question of achieving a strong capital formation. ...

Josef Lindqvist [Chairman of the board] didn't think that any significant criticism would be heard against binding the savings certificate for five years...

Erik Gotborn [Local director, Örebro] asked whether it wouldn't be suitable to let the annual meeting decide concerning tying the amounts. To this, the Chairman retorted, that the members must have confidence in how the board handles such issues. It would be dangerous to let the annual meeting take such a thing under consideration, which could be subject to considerable discussion. Moreover, Stig Svensson pointed out, the unsuitability of such a course of action, since the tax authorities thereby would perceive the crediting of bonus as a profit-disposition.

Minutes of the directors' conference, Jan. 13-15, 1949.

The excerpt suggests that the issue was sensitive. To counteract "a certain amount of criticism", Hakon Swenson proposed that the retailers should be given "the right information." He firmly rejected Erik Gotborn's suggestion to let the annual meeting decide on the matter. This would be "dangerous", since it might lead "to considerable discussion." The members must have "confidence in how the board handles such issues."

To me, the stance taken implies that the issue was to be muffled. At least, the retailers were not to be given an opportunity to come together and discuss it. They were instead to be given 'the right information'. That is, information which supported the decision taken by the board. The principle of *divide et impera* was to be used.

It is hard to keep secrets, though, and to be sure, the news was soon literally picked up by the competitors. A representative of a competitor *stole* a sheet from a letter sent to a

retailer from the head office of Hakonbolaget informing of the decision. The management decided that the matter should be investigated by the chairman of the Gävle council of trustees, Eric Blomberg, and the local director at the Gävle office, Melker Svensson.

After a report from the Söderhamn office that "Message dated Jan. 31 1949 to the Councils of trustees" had gone astray, in the sense that the representative of Ludvig Ericsson & Co. in Gävle, Manne Johansson, had been in possession of such a message at a visit with the council member Carl Gustafsson ...

Mr Johansson ... entered into the office and while waiting to see Mr Gustafsson, noticed a letter in the corner flap of the desk pad, taken out the contents, which was "Message to the Councils of trustees" ... and read the same upon Mr Gustafsson's entrance into the office ... As Gustafsson returned out into the store, Johansson replaced three sheets of the "Message" in the envelope and kept the fourth. This sheet informed that the time for redemption of our savings certificates had been extended to five years. Not long after, a report came from our representative in the Hamrånge area, that the representative of Ludv. Ericsson & Co Ltd. had pointed out to the customers there that the bonus they were to be credited from Hakonbolaget, would come to "freeze in."

Report by E. Blomberg and M. Swenson, AB Hakon Swenson, Mar., 1949.

The incident prompted Hakon Swenson to write to the manager of the company, Consul Carl Norenberg, asking him to assist in finding out how the message had come into the hands of his employee. In reply, Norenberg apologised and made clear that his employee had been given a serious reprimand and that he had personally been present as the employee had asked Gustafsson for his forgiveness. In reply, Hakon Swenson wrote:

Your honoured [letter] dated March 15 gave me the greatest satisfaction... The sheet commandeered by Mr Johansson contained the account of the decision as to the form for Hakonbolaget's bonus-crediting. An unusually authorised decision, for that matter, as approximately 900 retailers approved of it at the latest annual meeting after thorough discussion of our "deal"-matters.

Letter from Hakon Swenson to consul Carl Norenberg, Apr. 9, 1949.

This episode is important in two respects. First, the way in which the decision to change the form of remuneration was taken, illustrates how Hakonbolaget was managed. Despite the grand talk of it being the retailers' own purchasing centre, and the formal influence the retailers had as share holders, the managers exerted considerable control over the agenda. The retailers were given decisive influence only over issues that the management saw fit.

Second, it illustrates the dependent character of information. The message sent to the councils of trustees is likely to have contained the "right information", which Hakon Swenson spoke of as important in order to keep the critics at bay. In the hands of the competitor's representative, however, this was quickly turned into the 'wrong information', i.e. that the bonus from Hakonbolaget would "freeze in." In his final letter to Norenberg, Hakon Swenson sent out more information, hoping, I suppose, to reduce the negative consequences of the first message. Whether or not he managed to produce the intended effect this time, I can't say.

The trial offices – Reasons and consequences of starting slow

According to the excerpt on p.219, the idea of first testing the new deal at six trial offices was part of the program approved of at the annual meeting. It has been suggested that by working under the auspices of an initial trial period, i.e. saying that the retailers would be given the opportunity to suggest changes, the management was able to lower the retailers' 'cost' of approving of the new deal.¹ Although the logic of the measure is easily grasped, there are circumstances which raise some doubts. For, rather than hesitation, the retailers displayed eagerness to start working in accordance with the new deal.

-I'm sorry that we Dalecarlians cannot participate in this from the start.

Mr Lundgren. Minutes of the Borlänge group of councils, Sept. 26, 1948.

Mr Setterberg ... Now, we must act quickly so that no one else comes first. The speaker wanted to apply the new proposal to the whole Västgöta group starting next year, in part to reach greater unity, in part to be able to better face the competition that could be expected from the Gothenburg wholesalers and others when the rationings ease up. ...

... the issue of timing the implementation of the new plan was touched upon. Most of the members pointed at the desirability of applying it simultaneously for the whole Västgöta group, starting Jan. 1, 1949. Mr Ehn found the deal so good that he would like to see that a start was made even earlier. ...

Minutes of the Västgöta group of councils, Sept. 29, 1948.

Still, since these comments were made by members of the councils of trustees, i.e. by core-members of the Hakon retailers, they do not necessarily reflect the position of the Hakon retailers in general.

At the time, in the midst of the action, one of the reasons for using trial offices was said to be the opportunity for learning that would be provided:

-The purpose is not to implement the program across our whole territory at once. We intend to test it at some trial offices during 1949 and on the basis of the experiences we gain, attempts will be made to implement the program at all our offices.

N-E Wirsäll. Minutes of the Uppsala group of councils, Sept. 23, 1948.

At the Västgöta meeting, the economic risks for the company and the need to prepare the organisation were put forward as reasons for a slow start:

After it had been made clear that consideration must be taken of the staff problem and the ever decreasing margins at which the purchasing centre had to work and also to the economic risk which an experiment such as this must always be associated with, the council of trustees unanimously decided ... to express the desirability of applying the proposal at all the offices within the Västgöta group starting Jan 1, 1949.

Minutes of the Västgöta group of councils, Sept. 29, 1948.

¹ According to Wirsäll (in hindsight), the notion of a number of trial offices was merely a way of preparing the ground. "We said that we were to try [written orders] at 6 offices, but it was never a trial! It was to be implemented all over. But by saying that it was a trial we were able to get the retailers to accept it since they were going to be able to give their opinion and make changes later on." (Notes from interview with Nils-Erik Wirsäll, Oct. 23, 1996.)

Within the Gävle group as well, the retailers were eager to move on. As reasons for moving ahead slowly, Melker Swenson, the local director in Gävle, referred both to learning and to the considerable preparations needed before launching the new deal.

Local director Melker Swenson: Mr Simon Andersson had wondered whether we could not already at this point go in for the new system also at the Gävle office, and to this he would like to say that it was not possible to manage this now. An extreme amount of work would be needed in order to change over to a completely new system. One also had to understand if the management wanted to see how it all worked before it moved on. One neither knew if it was possible to compare the Swedish situation with the Swiss or American, which had served as models for the new system. In these countries the retail trade was likely more pressed than in Sweden. Another aspect we must consider, were our co-workers, whom we valued greatly and could not fire just like that.

Minutes of the Gävle group of councils, Sept. 26, 1948.

Was it “possible to compare the Swedish situation with the Swiss or American, which had served as models for the new system”? In short, was it possible to translate the new deal from paper to altered ways of working? I think Melker Swenson’s comment is important, for it indicates that the “change-over” at the trial offices was another trial of strength for the proposal. A trial similar in kind to the committee-work, the directors conference meeting on September 14, 1948 (see p.190), the discussions during the meetings with the councils of trustees, and the annual meeting on October 11, 1948. It differed only in the sense that the objective of the previous trials had been to seek the consent of others, whereas the change-over at the trial offices sought their active participation.

In Sundsvall, too, learning was brought up as a reason for the use of trial offices:

Local director Westlund informed that the company had decided to go about this in the same manner as had been successfully applied on previous occasions – to find one’s bearings and try the problems at a few offices – and had designated three trial offices. In this case Sundsvall, Karlstad, and Skövde. The change-over at these office is set for the turn of the year and if the results are positive, a change-over all across the line will take place on Jan. 1, 1950.

Minutes of the Sundsvall council of trustees, Sept. 29, 1948.

The trial offices were a way “to find one’s bearings and try the problems.” This was in turn motivated by previous experience; they “had decided to go about this in the same manner as had been successfully applied on previous occasions.” Thus, Westlund argued that ‘in order to learn, we have learned to start out slow when making changes’.¹

As a summary, three reasons were given for starting on a limited scale: i) it was a way of reducing the retailers’ resistance; ii) it was necessitated by the preparations before launching the new deal; and iii) it allowed the company to learn from the results at the trial offices and hence reduce its risks. Support can be found for all three during the process.

¹ The observant reader will note that both the number and the names of the trial offices, differed from what local director Westlund was saying. Either he was ill informed or some last minute changes were made.

In addition, the subsequent events suggest that starting out slow might have negative consequences as well. In particular, it may offer competitors an opportunity to beat you to it.

Trials, simply trials

There is no indication of the continued implementation of the new deal ever being subject to discussion. This supports the idea that the trial offices were merely a way of reducing the stakes of the people whose support was sought. Still, the eagerness displayed in the councils of trustees (above) indicates that the retailers were anxious to get started. The initial results at the trial offices, primarily a higher than expected share of written orders,¹ also seem to reflect this eagerness. Indeed, to the extent that caution was advocated, it emanated from management, for instance, from Hakon Swenson:

The chairman pointed out that it would be valuable, from a certain perspective, to exploit the existing great interest for the new co-operative plan and already during 1949 try to implement it generally at all offices. But caution speaks for a slower pace of implementation. We must receive economic results at the trial offices before we can go in for implementation all across the line. What can be said at this moment is:

Nyköping will start to practise the new deal around April 1, in order for the Södertälje group to become uniform.

Lidköping and Falköping count on being able to introduce the plan around July 1, making the whole Lidköping group connected. At roughly the same time, the remaining affiliate offices under Karlstad ought to be ready for connection to the new deal. We also estimate that the Eskilstuna and Katrineholm offices will be able to practice the new plan at half-year.

Minutes of the managers' conference, Jan. 14, 1949.

While recognising certain benefits of moving along rapidly when interest for the new deal was high, Hakon Swenson wanted to see "economic results at the trial offices before we can go in for implementation all across the line." This indicates that he considered the trials to be 'for real'. On the other hand, he declared, almost in passing, a considerable speeding up of the implementation compared the original plan, adding eight new offices during the spring and summer of 1949. Thus, despite the initial comment, the implementation process seems to have been speeded up considerably.

Primarily though, the expansion concerned office groups within which at least one office already practised the new deal. For some retailers, this was not enough:

Mr Johansson in Malung held that it would be unfortunate, particularly in the Malung district, if it would be any longer than until no later than July 1, before one could go in for the blessings of the "new deal." ... the council then decided to submit a petition to the management, that the system of the "new deal" must be introduced, at least at the Malung office, starting July 1, 1949.

Minutes of the Mora-Malung council of trustees, Feb. 10, 1949.

¹ Minutes of the directors conference, Jan. 14, 1948.

Petition or not, the retailers in Malung had to wait until Jan. 1, 1950 for their “blessing.”

Preparing takes time

The second reason given for moving ahead slowly was the time needed for preparations. Several comments about the outcome of the trials concerned this. Offices that were next in line for implementation were urged to make the necessary preparations well in advance.

Those offices, which are in line to apply the new co-operative plan, should adjust their stocks to this end already at this point. With the use of the catalogue, those articles which are not to be carried in the future ought to be sorted out.

Minutes of the managers' conference, Jan. 14, 1949.

The necessary preparations concerned internal aspects, e.g., adjusting stock keeping to the new catalogue, but also certain aspects of the relation vis-à-vis the customers.

Lars Lewén particularly wanted to underscore the importance, for the offices which are about to change-over to the new deal, of making the same thorough preparations, which has been made at the present trial offices. The ground has to be well prepared by the organisation department and the retail advisers. Particularly the customer-meetings have great import, and it is obvious that those retailers who have not participated in these meetings have a hard time realising the meaning of the co-operative plan.

Minutes of the managers' conference, Jan. 14, 1949.

This indicates that management perceived a link between the necessary preparations and the feelings of the retailers concerning the new deal. The gradual implementation of the new deal gave management more time to inform the members of its benefits. The importance ascribed to informing the customers is also reflected in the preparations of printed matters which purported to increase the support for the new deal even further.

The chairman ... gave an account of the planned information and propaganda activities which will concern those retailers who at the trial offices have entered as members according to the new meaning of this concept. First, there will be a leaflet containing statements from five retailers at each of the six trial offices. The selection will be made so that it will not primarily be “the big guns” but representatives of the broad mass of members who will speak. This first leaflet will discuss the theme: the advantages of written orders.

Minutes of the managers' conference, Jan. 14, 1949.

Those retailers who had embraced the new deal and entered as members in the purchasing centre were to be informed of “the advantages of written orders.” The new deal required that the retailers changed their way of thinking. Both the above excerpts also indicate that the trials were a source of learning. Particularly, they provided input concerning *how* to inform the retailers and also *what* to inform them *of*. So, the organisation was learning by doing. Thus, I have reached the third reason given for using trial offices, i.e. learning.

Learning while changing over

Several indications support the idea of a learning process, in which the experiences, problems and future concerns regarding the new deal were transferred from the trial offices to the remaining offices. A first example concerns the retailers order behaviour:

-First, there are orders from customers which devote time to a thorough overview of their stocks with the catalogue at hand. Then there are orders from retailers who register their deficiencies in the old fashion, that is, look to see what is missing in their stocks. The third, final and at the same time worst type of orders can be called the desktop product, where the retailer in the last minute has written down, off the top of his head, what he thinks needs to be replenished. Out of the result so far Martin Jarlstedt classified 47% of the received orders as very good, 40% as normal orders of the same size as previous telephone orders, and 13% as unsatisfactory. ...

Martin Jarlstedt. Minutes of the managers' conference, Jan. 14, 1949.

Based on the written orders received, Jarlstedt discerned three types of retail purchasing behaviour: first, there were retailers who ordered goods in accordance with the spirit of the new deal; second, there were those who ordered goods by going through their stocks in the old way; third, there were those who simply scribbled down what they believed was missing, without checking their stocks. As a result, the new contact-men, who were responsible for handling member relationships, were given the task of actively promoting the use of the new catalogue when ordering, i.e. promoting type one behaviour.

9) The contact-men should influence the members to always use the catalogue when making their orders.

Minutes of the managers' conference, Jan. 14, 1949.

A second dimension where learning seems to have taken place concerns the internal activities and organisation at the offices.

Lars Lewén ... Since the present orders to a larger extent than previously concern whole cases, the clerks can reach better results than before. In some cases, though, it has turned out that the case size should be revised.

Minutes of the managers' conference, Jan. 14, 1949.

Trivial as it may seem, Lewén held case-size to be important enough to remark upon. The new deal presupposed orders of whole cases. It was thus important that they were sized correctly in order not to lose sales or cause unnecessary stock-increases for the retailers. Apparently, the trials had shown Lewén that some cases did not quite meet the mark. The whole case requirement also gave rise to another type of learning. Apparently, neither producers nor wholesalers usually included the original case-size in their price lists.¹

The new deal also required organisational changes, particularly concerning staff.

The chairman underscored that [the staff dispositions] must be handled so that the envisaged adjustment to a lower staff level and thereby the calculated cost

¹ "... the retail trade did not even know what constituted an original case. It was then not so easy to adjust the orders to them." (Gunnar Sandberg, *Detaljhandelns krav på förpackningsarna*, 1946b, p.149.)

reduction is achieved as soon as possible. In this respect, the system which was used by the Västerås office was recommended, namely to begin the adjustment of the sales apparatus concerning staff well in advance before the implementation of the new deal. The release of labour in the warehouses should be made while the demand for labour is still good.

Minutes of the managers' conference, Jan. 14, 1949.

A large group of salesmen had to be given other jobs or be fired. When handling this issue, the offices about to implement the new deal were recommended to copy the practice from the Västerås office of tending to these issues well in advance. Indeed, the offices in Västerås and Örebro were considered successful enough, and hence worth learning from, to serve as exemplary offices for the implementation of the new deal in general.

In this connection [whether to retain sales activities despite the intentions of the deal] Mr Chairman said that two exemplary offices were to be nominated for the purpose of reaching the most rationally designed organisation for the offices according to the spirit of new deal, viz. Västerås and Örebro.

Minutes of the directors' conference, June 28, 1949.

Another aspect of learning concerned how the process should be managed. At the first discussion of the on-going implementation, two decisions specifically concerned how to handle problems raised in the process:

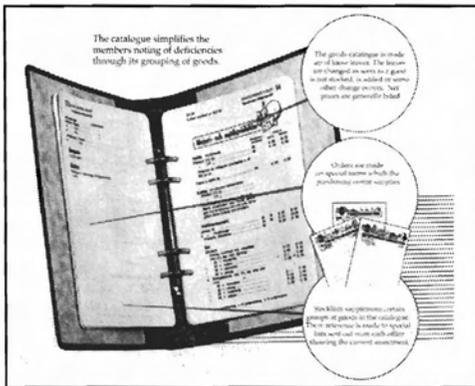


Figure 5-3. The goods catalogue. (*Hakongiven, en revolution inom svensk varudistribution*, AB Hakon Swenson, 1950.)

2) The daily problems that arise at the trial offices and at the offices next in line to implement the new deal, should be discussed in the future, as hitherto, with Carl-Hakon Swenson and Nils-Erik Wirsäll, and, when they concern the catalogue, Gunnar Sjöström. ...

13) A program council was appointed to discuss all issues concerning the design of the catalogue: Carl-Hakon Swenson, Nils-Erik Wirsäll, Lars Lewén, Gunnar Sjöström and one of the retail advisers as an adjunct member.

Minutes of the directors' conference, Jan. 14, 1949.

In addition, the Organisation Department and particularly its head, Nils-Erik Wirsäll, was given several tasks related to the implementation of the new deal:

5) It was assigned to Nils-Erik Wirsäll to investigate if the present price-book can be withdrawn so that the catalogue can be used also for pricing. ...

6) Every office, except Västerås, should present a personally tinted comment on the design and editing of the catalogue... to the management with copies to be handed to the Organisation Department, so that no time is lost. ...

15) It was assigned to Nils-Erik Wirsäll to produce an addition to "The members ask – We answer", concerning arguments in connection with discussions with members which serve to make them fully adapt to the system. ...

17) Any other measure purporting to achieve the sought after improvement of the work, should be tried by the Organisation Department.

Minutes of the directors' conference, Jan. 14, 1949.

Largely, it seems that the Organisation Department was made responsible for collecting, compiling and evaluating the experiences made under the new deal.

Some changes and modifications in the new deal were also suggested, e.g., including advertisements in the catalogue and reintroducing the free delivery month in the terms of payment. But Hakon Swenson stressed that no changes must be made at this point:

The chairman [Hakon Swenson] underscored that it is important that we do not forgo the rules which now has been set. In that case the whole system might come to rock to its foundations.

Minutes of the directors' conference, Jan. 14, 1949.

Many decisions seem to have been direct results of learning. Some clarified responsibilities and assigned tasks under the new deal, others underscored aspects that needed to be attended to, e.g., *the assortment* (maintaining its breadth when editing the catalogue, consulting the councils of trustees when including products and watching stock levels), *the behaviour of the customers* (have them order in writing and use the catalogue) and *the adjustments of costs* (make the necessary dispositions and utilise the staff efficiently).

Anticipating reactions from competitors

When making a change, starting out slowly may prove to have drawbacks, too. During the meetings of the councils of trustees, both members and local directors expressed fears about what the competition might do in reply to the new deal (see also excerpt on p.222).

Mr Carlsson [retailer, Borlänge] particularly underscored that if a competitor makes a countermove, it is important to remember, who first came up with this proposal, and it is obvious, that we gain in the long run by fully supporting Hakonbolaget, our own purchasing centre. ...

Local director Bohman: ...when we go in for the new system, all members must have stamina in order to resist the competitors attacks, for certainly they will consider it a suitable occasion to devote all their energies to securing orders through visits and telephone selling as we partly withdraw our salesmen.

Minutes of the Borlänge group of councils, Sept. 26, 1949.

To be sure, as word got around that Hakonbolaget was changing its operations, several wholesale companies reacted by constructing and introducing similar bonus-scales.

Director [Carl-Hakon] Swenson informed that the wholesale trade had had their eyes opened to the rationalisation of distribution and that they, as always, were fast on our heels concerning novelties. In connection to this he cited selected parts from a folder published by wholesalers in Värmland.

Minutes of the Södertälje council of trustees, Sept. 27, 1948.

The folder quoted from was “An important message which concerns all our customers” published by the ASK-wholesalers in Värmland-Dalsland in June 1948:

To achieve a more fair distribution of the amounts which are paid annually in refunds / dividends, [the ASK-wholesalers operating in the area] have agreed to distribute the bonus according to a progressive scale starting this year – that is, with a percent increase related to the customers yearly purchases. ... Despite the details not being fully worked out yet, we want to inform You of the change. Our salesmen will soon be in a position to inform You further.

Ett viktigt meddelande (An important message), ASK, June, 1948.

It certainly looks as if the ASK-wholesalers were able to introduce a new progressive bonus-scale before Hakonbolaget. However, they acknowledged that all the details of the new system had not been fully worked out in June 1948. In November, after the new deal had been passed at Hakonbolaget’s annual meeting, the ASK-wholesalers sent out more information about their bonus-scale. In Table 5-3, p.230, the two scales are compared.

Doubtless, someone was looking over the shoulder of someone else. The effect of this countermove is indicated by the comment below, made by a Hakon retailer from northern Dalarna, a district in which these wholesalers operated.

It would be unfortunate, particularly in Malung, if it would be any longer than July 1, before one could go in for the blessings of the “new deal.” He motivated this point of view by arguing that the competitors’ countermove of using graded bonuses lured many retailers into, at least temporarily, making some larger purchases from the competitors of the purchasing centre.

Minutes of the Mora-Malung council of trustees, Feb. 10, 1949.

The competitors’ activities seem to have been regarded as a real problem. Moreover, this problem was specifically linked to the slow pace of implementation. However, as we saw above, these fears on behalf of the retailers did not result in a speeding up of the implementation. Indeed, the competitors’ reactions were officially ignored by Hakonbolaget.¹ It is worth pointing out that the competitors probably expected Hakonbolaget to react. At least, a circular letter from the trade organisation for coffee-roasters suggests this:

From information received, trials with the order-system will most likely be made in Västerås, Eskilstuna, Borlänge, Ludvika and Kristinehamn, or in other words, in areas where private wholesalers already have launched various order-premium systems.

Circular letter, Sveriges Kafferosteriers Förbund, Dec. 1, 1948.

Here, then, an alternative reason for the choice of trial offices is offered. Since the list of offices only partially corresponds to the actual trial offices (Västerås and Kristinehamn, see p.219) some doubts can be raised as to the credibility of this explanation.

¹ In a letter to Bengt Lundegaard, director of ASK, Hakon Swenson claims to be totally uninterested in ASK’s doings. Hakonbolaget, he states, calmly proceeds on the path set out for it. See quote on p.247.

Table 5-3. The bonus-scales of Hakonbolaget and the ASK-wholesalers. Sources: Hakons Medlemsbok, Hakonbolaget, 1948, p.21; and Concerning the bonus issue, the ASK-wholesalers, Nov. 27, 1948.

	Hakons member-bonus	The ASK-wholesalers' bonus
Lower limit for bonus	SEK 5,000 annual purchase	SEK 5,000 annual purchase
The bonus-scale	Progressive, starting at 1% for annual purchases of SEK 5,000, ending at 1.7% for purchases above SEK 150,000	Progressive, starting at 1% for annual purchases of SEK 5,000, ending at 1.7 % for purchases above SEK 100,000
Goods excluded from bonus	Sugar, flour, forage, tobacco and cured meats (so called service goods).	Sugar, flour, forage, tobacco and margarine.

To conclude, it seems that by making their plans known, Hakonbolaget gave the competitors an opportunity to copy (?) their ideas. Further, as Hakonbolaget chose to start out slowly, the competitors could launch their scales first in some districts. Doubtless, this led to sales losses in certain areas. Still, the message from Hakon Swenson was clear: 'we have no reason to change our course of action due to what competitors do or say'.

Some concluding comments on the use of trial offices

I will end this section by relating back to the issue of how the new deal was implemented. I can now provide a partial answer concerning the use of trial offices. Three factors were suggested to have motivated this decision: first, that the idea of an initial trial period lowered the retailers' stakes when asked to lend support to the new deal, i.e. that the trial offices were a means to gain approval for the new deal; second, that the gradual implementation was necessitated by the considerable preparations needed at each office before making the change-over; and third, that the gradual implementation allowed the managers to make use of the experiences gained at the trial offices when preparing the change-over at the remaining offices, i.e. that the trial offices reduced the stakes for the company.

Even though there are indications which raise some doubts as to the *need* of 'sweetening the deal' for the retailers by lowering their stakes, i.e. the first factor, there is no reason to doubt that the decision to suggest a trial period still *was taken* in order to secure broad support for the new deal among the retailers. In the end, I can only call attention to the fact that the new deal was indeed unanimously approved at the extra annual meeting.

The other two arguments differ from the first in that they are based on assumptions regarding the implementation itself. They were used when seeking support for the new deal, e.g., by Melker Swenson and Wirsäll when commenting on how the new deal was to be implemented (p.222). The learning argument was even motivated by *à priori* experience. They were also manifest in the discussions concerning the outcome of the trials. There, attention *was* paid to preparations, e.g., starting in time and carefully planning the change-over. There, learning *did* take place as experiences gained at the trial office affected how the remaining offices prepared for and carried out the change-over. It is to these preparations that I now turn. What was done to successfully introduce the new deal?

Preparing for the change-over to the new deal

The time needed for the necessary preparations was one of the reasons given for starting out slow. The discussions during the trials also established a link between making preparations and gaining experience, in the sense that Hakonbolaget was learning about what preparations to make, and how important various preparations were for success. The next question is simply: How was Hakonbolaget preparing for the change-over?

First, the customers had to be informed. This was brought up by Lars Lewén (see excerpt on p.225), who stressed the importance of the customer-meetings to make the retailers realise the “meaning of the co-operative plan.” To improve the employees’ ability to handle questions from retailers, Wirsäll was given the task of producing a text with arguments in favour of the new deal (see decision No. 15 in the excerpt on p.228). These ‘questions and answers’ were included in an internal information material called “The new Hakon-deal”, together with general information on how to prepare for the new deal.

General Comments on Staff Functions under “The New Hakon-deal.”

In this compendium we will discuss some important issues related to the new Hakon-deal. We will also account in a special section for the preparations that must be met before the offices in question apply the new Hakon-deal.

Den nya Hakons-given, AB Hakon Swenson, Aug. 25, 1948.

The material was updated just in time for a 4-day course in September 1949, at which the order-managers and contact-men at the remaining 11 offices were trained in how the new deal worked and how they were expected to work under it.

Order-managers and contact-men from the latter offices have during the past week been given a 4-day course led by the head-office, to receive information and practise on various problems connected to the new system. The member-meetings will start soon, and the remaining preparations are being made so that everything will be ready by the turn of the year.

Confidential message of the month, AB Hakon Swenson, Sept., 1949.

The chapter concerning how offices should prepare themselves for the change-over was arranged in three sub-sections: how to prepare the members / customers; how to prepare internally at the office; and how to inform the producers. Below, I will look at each of these and add some short indications as to how the offices went about these preparations.

Informing the retailers

Above, the import of the member-meetings was underscored both in relation to the process of seeking support for the new deal and to its implementation. The internal information material prepared, provided clear instructions about the necessary arrangements.

Member-meetings are held according to the program that has been made up by our retail advisers in collaboration with the respective office management.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.45.

Parts of these meetings were pre-formatted in order to ensure uniformity. The members were gathered in groups of 20 to 30; one of the retail advisers led the meeting and briefed the members about the new deal; a still-movie called "Defekt" (Deficiency) was shown.¹

This still-movie tells of Stig Adolfsson, one of Hakonbolaget's contact-men, who visits Mr Anderson, a customer of Hakonbolaget, to "put him straight", viz. to inform him of the best way of ordering. Adolfsson was sent by his manager who had noticed that Andersson's orders were always incomplete and that he often phoned in, wanting to receive extra deliveries. Adolfsson explains to Andersson the principles of the system for noting deficiencies which Hakonbolaget recommends the retailers use as part of the new deal. One important aspect which is stressed during a visit in Andersson's store-rooms, is to use the catalogue when noting deficiencies. To avoid a lot of running around, the stores should also be arranged according to the same principles as the catalogue.²

The questions and answers prepared by Wirsäll taught the staff not only how to answer expected questions from customers in a uniform way, but also what the relevant questions were. The examples provided in Table 5-4, below, suggest that many of the issues that were raised during the discussions within the councils of trustees prior to the formal approval of the new deal, were given attention. Thus, there are questions concerning the bonus-scales, the written orders and reduced contact between Hakonbolaget and its members, the purchase of whole cases, the minimum annual purchase, etc.

After informing the retailers, the idea was to ask them whether or not they wanted to become members. However, due to the large number of applications expected to be submitted initially, the order of applying for, and approving membership was reversed:

The membership and the Member-books. As soon as member-meetings have been held, the "distribution" of Member-books can be started.

A meeting with the council of trustees is held. According to the Member-book (p.24), membership is granted by the respective council of trustees. The application should really first be submitted to the council, but during the change-over which is now being made, it is most practical to go over the current list of customers and select those customers who fulfil, or who can be expected to fulfil, the requirements for membership. This list is then submitted to the council of trustees for approval (= granting of membership).

The members-to-be are visited. The customers in question are visited by the local director, the order-manager and / or the contact-man, who once again go through the contents of the Member-book with the customer. If the customer accepts the requirements, he signs the application form. This is found on page 25 in the Member-book, but in addition one copy of the application should be signed for filing at the office. Note that the Member-book number should be noted in the designated place in the upper right hand corner of the form. The member's annual turnover is requested and the character of the shop is noted (grocery, grocery and milk, rural store, etc.).

¹ Nils-Erik Wirsäll, *Den enkla formen är vår väg*, 1953, p.347.

² This paragraph is based on the script for "Defekt", which was included in the information material sent to the offices before the change-over. *Den nya Hakons-given*, Hakonbolaget, 1949, pp.56-61.

Table 5-4. The members ask? We answer. Compiled from Den nya Hakons-given, Aug., 1949, p.63-84.

Question	Answer
8. Why are there two types of bonus – member bonus and Hakon-premium – in the co-operative plan? Should not one be enough?	The member bonus is based on a careful investigation of how orders of different size affect our costs. The graded scale is only a righteous remuneration for cost reductions for the purchasing centre that orders of different size give rise to. The Hakon-premium supplements the member bonus by further rewarding each member who makes a full-worthy purchasing effort
18. Isn't there a risk of losing the intimacy between the purchasing centre and its members with this system?	The larger economic advantages which the new co-operative plan offers, should be enough to <u>strengthen</u> the bonds between Hakonbolaget and its members. The representatives (contact-men) also uphold the personal contact within the colonial goods department and the travelling salesmen within the other departments. ...
21. Is it really rational to force the retail trade to purchase whole cases?	Buying whole cases means simplified handling and creates opportunities for better performance... If the purchases are made sensibly and the stock is regularly audited... purchases of whole cases do not have to increase stock-levels.
26. If the competitors offer the same benefits as the purchasing centre, is it then correct to have several suppliers?	If the idea behind the purchasing centre is understood, the answer to this question will be a resounding no . The intention is to give the private retail trade a real opportunity to successfully compete with the Consumer Co-operation and the multiples. Where would this opportunity end up if members were to purchase goods from private wholesalers as soon as they "bid lower" than the purchasing centre?
44. Hasn't the purchasing centre overrated the advantages which written orders bring?	In no way have we overrated the value of written orders. This system makes the retailer regularly check for stock deficiencies, producing a more up-to-date stock to the benefit of both the retailer and the consumers. In addition, taking stock on the basis of our catalogue leads to a better overview of <u>what</u> Hakonbolaget offers.
72. How does the purchasing centre go about adding new articles to avoid unnecessary and dangerous increases in the assortment?	Repeatedly, members are offered new products by the producers' salesmen. The temptation to test-buy is often great, but such purchases easily increase the members' stocks. We want to support the members in their ambition to carry only saleable goods. Thus, we will not take up every novelty for sale offered to us. We will do it only after having been convinced, in co-operation with representatives of the members, that it is a good and saleable article.

The actual granting of membership has already been made through the decision in the council of trustees to approve the list of those who should be offered membership. For practical reasons, the office should therefore arrange so that the chairman of the council has signed the Member-books in advance (membership granted...) These may then be left with the new member immediately... In the future (after the first large run-through in connection to the change-over) this schematic procedure must not be used, but applications for membership must be treated by the council of trustees according to the set way.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.45-46.

In accordance with this procedure, the Uppsala council was presented with a list of the retailers who were to be offered membership:

A list of the 526 retailers in Upland [the region] who were now to be offered membership was presented and approved by the council.

Minutes of the Uppsala council of trustees, Nov. 2, 1949.

In his report concerning the results of this procedure, the local director at the Eskilstuna district office noted that a few retailers had declined the offer to become members:

Local director Hagman accounted for the distribution of the Member-books and also informed of the customers who had not wanted membership. These were:

Firma Alfr. Bengtsson, Eskilstuna Firma Herman Persson, St. Sundby.
 - " - Palma Specerier - " - (tied to Rudhes) -"- Sven Svårdh, Gillberga.
 - " - Elna Sjöström - " - (will be sold)

Minutes of the Eskilstuna council of trustees, May 25, 1949.

After membership had been granted to the retailers, the instructions prescribed that the necessary material was to be sent to the members a week prior to the change-over:

Presenting the necessary forms. A week prior to the change-over to the new deal, the office in question should send the members

- a) a catalogue with directions, e.g., on delivery-days, latest time for handing in so-called route-orders and locations of any order mail-boxes. Prior to sending the catalogue, warehouse-lists and special leafs should be supplemented...
- b) 3 requisition pads, containing 2 * 25 pages
- c) 10 order envelopes, with the name and address of the respective office
- d) 1 pad "Requesting return"
- e) 1 binder for Hakon-information

Den nya Hakons-given, AB Hakon Swenson, 1949, p.45-46.

To simplify ordering, the offices were advised to put up special mailboxes for the urban retailers to leave their orders in. 'But don't forget to tell them where they are!' This measure aroused the attention of a local daily in Sundsvall, and director Anell was given the opportunity of promoting the new deal also to a wider audience.¹

Even the tiniest details were covered, e.g., the small sticker prepared to remind the member when his orders had to be sent in for delivery with the regular route-lorry:

Reminders about ordering days of the following design have been prepared

REQUISITIONS OF GOODS TO HAKONBOLAGET should be sent in no later than PURCHASING FIDELITY RENDERS INCREASED BENEFITS
--

The sticker is supposed to be placed on the members' phones just beneath the dial. The posting should be handled by the contact-men personally.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.45-46.

Finally, it was also recommended that the small customers who could not become members should be informed in writing of the change-over and its consequences for them.

¹ *Hakonbrevlåda god ersättning för försäljare* (Hakon-mailbox good substitute for salesmen), Nya Samhället, Jan. 19 1950.

Internal preparations at the offices

There was a straightforward general purpose for the internal preparations:

WE MUST PUSH FOR THE IDEA – NOT ONLY FOR THE GOODS.

Den nya Hakons-given, AB Hakon Swenson, Aug. 25, 1949.

Two main aspects should be attended to: first, the staff must be informed; second, the internal organisation had to be adapted to the new deal. In addition to this, as was noted above, the staff affected by the change-over also went through a central 4-day training course before the change-over was made. First of all, though, the office management had to be informed. The major tool for this seems to have been the internal information material which carefully outlined the necessary work:

The staff must be informed of the 'Hakon-deal' prior to the change-over. The article on the new Hakon-deal published in "Affärsekonomi" no. 8 and the brochure "Read your colleagues' interesting comments about Hakon's new deal" can be handed out for reading. In addition a staff-meeting should be held (to which both warehouse and office-staff are invited), arranged precisely as a member meeting. Contact our advisers and set a convenient time!

Our drivers should also be briefed, particularly about the delivery rules...

Den nya Hakons-given, AB Hakon Swenson, 1949, p.49.

Note that Wirsäll's article in Affärsekonomi, which was discussed in Chapter 4, was recommended as a suitable introductory text on the Hakon-deal also for internal use.

As an example of the meetings called for, all the salesmen and managers at the office in Sundsvall, one of the last offices to implement the new deal, met on Oct. 1, 1949.

As an introduction, local director Anell made an exposé over the reasons for all the old conceptions being turned topsy-turvy. Among other things, he said that the costs of the private wholesale trade are too high in relation to the Consumer Co-operation – a situation which has led the Trade labour association to petition for an overview of the entire private wholesale trade. The local director noted that Hakonbolaget had forestalled this investigation by launching a grand investigating apparatus whose aim was to reach a system which would lower the costs for the private wholesale trade. Thus, Nils-Erik Wirsäll has made study trips to America, Switzerland, Italy and Finland, during which he found the costs in these countries to be much lower than here. In America, some firms had costs of 2.5 % compared to 9% often found in Sweden...

The local director then pointed out that we must impress on the members that purchasing fidelity is the alpha and omega of "the new deal." If the members understand this, it will be a success, in the opposite case, the idea will miss its mark. At the same time, he reminded that we will be exposed to pressures and particularly pointed at the problem of rest-orders. It was emphasised, that we must be on tenterhooks and be self-attentive– keep our guard up.

Minutes of the salesmen's meeting, Sundsvall, Oct. 1, 1949.

"... the reasons for all the old conceptions being turned topsy-turvy." The phrase suggests that the new deal was held to include some strange changes. Anell then linked the program to the public debate and the Trade Labour Association's petition (Chapter 4),

claiming that Hakonbolaget had forestalled this investigation. Finally, he stressed that need for retail support and wholesale efforts – the Hakon-deal must be *made* successful.

Concerning preparations, the minutes from Sundsvall indicate that the information material compiled by Nils-Erik Wirsäll indeed was used:

Question: Can anybody receive a loan for rebuilding?

Answer: No, good personal qualifications, a certain amount of capital and good knowledge of the trade would constitute the preconditions.

The meeting was concluded with a recommendation from the local director to peruse “the new deal”, particularly the chapter “questions and answers.”

Minutes of the salesmen's meeting, Sundsvall, Oct. 1, 1949.

As the final line suggests, the office staff had also been given copies of the material.

The second part of the internal preparations concerned organisational changes. The offices were instructed to “exploit every opportunity to reduce costs” and start planning well in advance. To assist them in this, numerous specific instructions were spelled out:

Staff dispositions We ask the offices to plan for the staff dispositions necessitated when implementing the Hakon-deal, as soon as possible.

The office organisation

The new forms should carefully be shown to the concerned staff (with demonstrations). Check in time before January 1, that all forms are in stock.

a) The order department studies the received orders, complementing and adjusting if necessary.

b) Pre-pricing as hitherto ...

c) The order writers should primarily be told to note if it is a written order (order through: skro) or a telephone order (order through: nothing is noted).

d) The calculation department The calculation of the order-premium and its notation on each invoice specification, should carefully be gone through.

e) Bonus-calculations. Running notes are made as to the size of the order-premium on a summary sheet for each member. The amount on which the member-bonus and the Hakon-premium should be calculated is also noted.

f) The sales districts and the customer numbers. The division into different sales-districts used hitherto should not be necessary. It should be a relief in terms of accounting to abolish the division into districts. ...

The warehouse organisation.

a) Planning the routes. Changing over to one weekly route for rural areas and two for towns is bound to require changed routes for all offices. The final design of the route-plan can surely not be definitely set until “the new deal” has been tried for some time. It is important, though, to try to solve the route-problem already at this point, so that a minimum of changes are needed later...

b) Pre-weighing and re-packaging is done according to the packet instructions in the catalogue. Here, we ask you not to spend too much wrapping paper.

c) The warehouse staff is instructed to send 10 order envelopes and 1 order-pad when it says “order-pad” on top of the order form.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.49-52.

From the above it would seem that the planning of preparations was meticulous. The major change that the new deal brought about at the offices was the reduction in the sales staff. This and other staff changes were discussed at length in a separate section.

The main lines for staff dispositions which we will draw up, should be regarded as a guide for the offices. The individual needs of each office will be discussed orally (in person) with the respective manager. The major change concerns the sales departments (order dept.), thus we will mainly discuss problems and tasks related to the reorganisation of the order department here.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.30.

The new organisation at the order department was explained in detail, and the tasks of the order manager, telephone contact-man (rest-order caller) and the contact-man were listed:

The order manager has as his task

- 1) to supervise and be responsible for handling orders...;
- 2) to currently audit each member's turnover development...;
- 3) to closely co-operate with the contact-man on all relevant issues...; and
- 4) to act to stimulate the members in general... .

The rest-order caller's tasks are:

- 1) to quickly notify the members about any out-of-stock situations
- 2) to inform the purchasing manager of existing rest-orders and their size;
- 3) to consider that this work must not become routine...; and
- 4) to act to stimulate the members in general.

The contact-man is responsible for maintaining the direct personal contact with the members ... The tasks of the contact-man primarily include:

- 1) To convince members of the great significance of the purchasing centre... ;
- 2) To educate on issues concerning purchasing and sales... ;
- 3) To act to strengthen the bond between members and purchasing centre... ;
- 4) To supervise that the members correctly utilise the joint advertising... ;
- 5) To be the purchasing department's market researcher... ; and
- 6) To speak about and show the members new products.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.31-34.

Since the contact-man was to be the only one who had regular personal contact with the members, he was instructed to write a special report after each visit to a member:

The purpose of the report is to give the office management a clear view of the member and his way of fulfilling the requirements for membership. It is therefore essential that the contact-man writes his report so that this really is apparent from the report.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.31-34.

The level of detail of these instructions is truly impressive! Every aspect of the operations seem to have been included and designed to make up a whole which assured both an efficient work-organisation, and a level of information and control which far exceeded that at which work had been carried out hitherto.

Preparations vis-à-vis the suppliers

The preparations also included informing the suppliers. In this respect, Hakonbolaget decided to act locally to develop friendly relations with supplier representatives:

Mr Chairman [Hakon Swenson] pointed out that we need to reach an increased understanding for our new work among the producer representatives ... After

discussing the issue it was decided, that we should use suitable measures, and act to create a more friendly relationship with the producer representatives, leading to more solid co-operative conditions with the producers.

Minutes of the directors' conference, June 28, 1949.

There are no indications as to how this part of the work was carried out. The instructions were relatively clear, though:

Informing the producers It is very recommendable to brief the producer representatives about the contents of the Hakon-deal in time before the office changes over. This should be done in part by handing over brochures (the off-print "The new Hakon-deal" and the brochure "Read what your colleagues have to say"), and in part orally by the local director or office manager.

Den nya Hakons-given, AB Hakon Swenson, 1949, p.52.

Also in this respect, then, the preparations were thought out in advance.

Summary: Organising the change-over

The offices were instructed in detail about how to prepare for the change-over. A central concern was to inform various parties of the impending changes. Three groups were identified as important to approach: members, employees and suppliers. Most of the information given to these groups was pre-designed. Special brochures were printed. A still-movie, Defekt, was produced for the sake of informing the members. The Organisation Department and the retail advisers were to "prepare the ground." Pre-designed Questions and Answers gave the employees not only the answers, but also the questions. That is, they were told which were the relevant questions about the new deal. In all, considerable effort was spent on assuring that the right information was provided to the right people.

A goods catalogue, various forms, binders, envelopes, stickers, mailboxes – a large variety of material aids were designed to facilitate behaviour according to the new rules, both internally at the offices, and in the interaction with members. By specifying the tasks of three key-positions at the order department, scripts were provided for the activities that were to take place as a consequence of the interaction with the retailers. Did it work?

The outcome: Initial (official) success

There are official documents produced to inform external parties of the Hakon-deal. Then there are also internal documents, e.g., minutes from managers' conferences, meetings with salesmen and retailers, etc. The first official account of the new deal was an article published by Wirsäll in the spring of 1949. Concerning the outcome, the article claims:

"The new Hakon-deal" has now been in operation for four months. Concerning the results, it can be said that it has been fortunate. On average, 80% of the members have made their orders in writing. Some of the offices have been able to show as high a figure as 95%. The orders made have to an unexpected extent been of good quality and they have concerned the entire assortment. The

members have themselves expressed their great satisfaction with the new system. They have primarily said that the new order-procedure helps them:
to plan their work better
to devote more time to the important sales work and to direct customer contact
and to increase the economic viability of their business.

Nils-Erik Wirsäll, 1949, p.398.

Here, the benefits for the retailers are underscored while no effects for Hakonbolaget, besides the high frequency of written orders, are mentioned. A possible reason for this was that the unanticipated support for the new deal actually created problems for Hakonbolaget. At least, this was suggested during the first internal discussion of the implementation in mid-January 1949, only a couple of weeks after the trials had begun:

Carl-Hakon Swenson ... stressed that no far-reaching overview of the subject could be made after only 14 days of operations according to these principles. But so much can be asserted, that the start has been good. The members can and want to leave their orders in writing. This has been fully proven. It was also pleasing to note that the members to such a large extent have gone over the catalogue completely when noting their deficiencies. Four to five full order lists were thus common and the maximum so far was nine pages. ...

The chairman pointed out that the development in one respect had thrown off our calculations made up in advance. We had then calculated that 30 to 40% of the members would order in writing. Hereby, the adaptation to the higher cost which the order premium causes, could have been made gradually. It was now extremely important to immediately lower the costs, so that the premiums would not become too much of a burden for the economy of the operations. This situation must however not only be greeted with complaints, but we have to bear the higher load temporarily, and aim at speeding up our dispositions to adjust costs. ...

Minutes of the managers' conference, Jan. 14, 1949.

The remarks convey an initial feeling of success. But they also suggest that things might be moving along a little too well. The retailers showed such support for the new deal that problems were created at the offices. To bear the higher-than-expected cost of the written order premium, Hakon Swenson held it to be "extremely important to immediately lower the costs" and urged the trial offices to speed up "dispositions to adjust costs."

Hakon Swenson restated the initial feeling of success throughout 1949, claiming that the new deal had been accepted, that the written ordering was greater than expected, and that the turnover on colonial goods at "the deal-offices" had been maintained.¹ The heads of the trial offices, too, were largely content with the initial results. Many retailers were indeed placing their orders in writing, thus keeping up the sales figures.

Hugo Stålarv informed that the judgement from many quarters was favourable, but that there were retailers who had not yet had time to open the package with the catalogue. There were even members of the council of trustees who had not yet sent in a written order.

¹ E.g., Minutes of the managers' conference, AB Hakon Swenson, June 28 1949, and Oct. 17 1949.

Martin Jarlstedt could inform that the results had been a pleasant surprise in Karlstad. So far, the share of written orders had on average been 70%, while the rest had been registered over the telephone. Those retailers who have not yet started to write, blame the rush in connection to making the inventories and the holidays, which have torn the weeks apart. ...

Minutes of the managers' conference, Jan. 14, 1949.

Compared to the estimated 30-40% written orders referred to by Hakon Swenson (see excerpt on p.239), Jarlstedt reported 70% for the Karlstad office – roughly twice as much. He also noted a problem – only half of the written orders had been made up according to the intentions of the new deal. The remaining half, although *received* in writing, were *made up* according to the old ways. According to Jarlstedt, these retailers did not fully utilise the advantages of the new deal (nor were their orders as large as the ones sent in by retailers who had made “a thorough overview of their stocks with the catalogue at hand”).

In the annual report for 1948, published in the spring of 1949, a brief comment was made about the implementation at the trial offices: “the start has been successful and that the co-operative plan has been embraced with great interest by the members.”¹

In the official communication to the members of the councils of trustees, too, the successful start of the new deal was restated.

What is pleasing with the figures for the first six months is that the deal-offices have stood up well. ... there is a real increase on the colonial goods assortment of roughly SEK 110,000 for the deal-offices. As you know, some grocery sales to lesser businesses and to customers who display less purchasing fidelity have been lost in accordance with the SEK 5,000-rule. We thus have reason to be pleased with the start of Hakon's new deal.

Confidential message of the month, AB Hakon Swenson, Sept., 1949.

Despite the general feeling of success, problems were not lacking. One area where the introduction of the new deal stirred up some commotion was in the relation to two external groups: the suppliers and the competitors.

Reactions from suppliers and competitors

As the implementation of the new deal started, two external groups reacted. First, some suppliers made clear that they were not completely satisfied with its contents and launched an alternative system. Second, some competitors reacted both to the contents of the new deal, and to not having been informed of it. To remedy this, these competitors saw to it that they were informed.

¹ AB Hakon Swenson, Annual report 1948, p.19.

The chocolate manufacturers

For Hakonbolaget, the relations vis-à-vis the chocolate manufacturers had been problematic for several years. Particularly, the relation towards Mazetti (a major supplier) was far from satisfactory.¹ In January 1949, Harald Mörck was reported to have discussed the situation with Mazetti's sales director. Further, Hakon Swenson had spoken to Marabou (another major supplier). Despite promises of improvements, the managers doubted the sincerity of these. At that point, a second tier-supplier had also been contacted:

Carl-Hakon Swenson... We have established a new good relation to Göta, whose capacity is enough as a second tier supplier since they have guaranteed us a production value of SEK 600,000.

After this, it was decided that the further discussion of this matter should await the gaining of greater experience concerning the relation to Göta. We should have the relation to Mazetti under careful surveillance and discuss the matter again through Harald Mörck after a three-month trial period.

Minutes of the managers' conference, Jan. 13-15, 1949, p.14.

Just as the managers anticipated, it seems that the relations to the chocolate manufacturers worsened rather than improved. A major reason for this seems to have been "director Karl-Erik Gillberg's measures to counteract the purchasing centre."²

Gillberg, who was a prominent participant in the public debate on the rationalisation of distribution (Chapter 4), was also involved in practical attempts at rationalisation. As the director of Kelifa (the trade organisation for chemical and food producers), he promoted a new system for calculating margins. In the autumn of 1949, the six major chocolate manufacturers decided to adopt this new bonus system vis-à-vis the purchasing centres in reaction to the Hakon-deal (I don't know whether it also applied to other wholesalers).

The new system drastically lowered the margins for orders placed directly with the manufacturers but debited through the purchasing centres. Hakon Swenson forcefully attacked the system in a circular letter to Hakonbolaget's customers in November 1949.

Dubious rationalisation

You probably all know that 6 large chocolate manufacturers have now presented their new deal. It has in no way been unknown to us that Kelifa has been working on a system, which in its effects would limit the functions of the wholesale trade. The concerned chocolate manufacturers have, as you know, during the war and also before, more or less refused to meet our members' demand for invoicing of direct deliveries via their purchasing centre. This has taken place while we know that the manufacturers' relation to the co-operative societies and [KF] has been wholly different.

¹ Despite discussions with Mazetti's sales director, a "clear averseness" was said to characterise its stance towards Hakonbolaget in January 1947. In the autumn of 1947, the relation with Marabou was also strained due to a situation involving its sister company, Findus. Hakonbolaget had bought "wagon-loads" of cucumber from another supplier. This had stirred up the feelings of the managers at Findus. Minutes of the managers' conference, Jan. 27-29, 1947, p.17; and Sept. 19-21, 1947.

² Minutes of the directors conference, June 28, 1949.

Table 5-5. "This is what the calculations for the deal-offices look like." (*Skall gillbergssystemet eller köpmännens ekonomiska organisationslinje segra?*, Circular letter, AB Hakon Swenson, Nov. 18 1949.)

Direct delivery - debiting through the Purchasing centre		the	Delivery from the Purchasing centre's stock	
Wholesale margin on e.g., a SEK 200 order	4.2%		Average wholesale margin	11.6%
Cash rebate	2.0%		Cash rebate	<u>2.0%</u> 13.6%
Del credere	<u>2.0%</u>	8.2%		
Less:			Less:	
Rebate to retailer	4.2%		Retail rebate <i>irrespective of quantity</i>	4.0%
Cash rebate	3.0%		Cash rebate	3.0%
Order premium	1.0%		Order premium	1.0%
Average member bonus	<u>1.4%</u>	<u>9.6%</u>	Average member bonus	<u>1.4%</u> <u>9.4%</u>
Loss to the purchasing centre		1.4%	Gross margin	4.2%
Business costs		<u>5.0%</u>	Business costs	<u>5.0%</u>
Total loss		6.4%	Total loss	0.8%

After the manufacturers decided on their new system, a greater willingness to comply to wishes for invoicing via the purchasing centre has been observed. Why the sudden compliance? The explanation is: The purchasing centre's wholesale rebate has previously been 10.5% irrespective of whether delivery has been made to our warehouse or directly to our members with invoicing via us, but today our rebate for delivery to our warehouse is 11.8% if we buy for at least SEK 2,000 at a time. At direct delivery from factory to member with invoicing via the purchasing centre, we enjoy only 2%. Simultaneously with this change of rebates, the factories have also cut their cash rebate to 1%.

Circular letter, AB Hakon Swenson, Nov. 18, 1949.

The new system appears to have been a move in the direction that several commentators, among those Gillberg himself, had argued was necessary for a rationalisation of distribution to take place (see Chapter 4). That is, towards 'pay for performance'. Indeed, Gillberg had used this very situation as an example of unsatisfactory conditions in one of his talks. Wholesalers, he said, often received the same compensation when standing *del credere* as when they actually delivered the goods, in this way being compensated for costs without having had them!¹

It is impossible to establish if the margins were called for. The manufacturers claimed they were; Hakonbolaget claimed they were not. In their counter argumentation, Hakonbolaget presented calculations of the net margin for these products when delivered directly by the manufacturer or by Hakonbolaget (see Table 5-5). Besides showing the strange way of calculating profits under the RPM-system (at least to the 'MBA-me'), there is an oddity in the figures. This concerns the Business costs, which supposedly reflect Hakonbolaget's costs for executing an order. These are identical, 5%, irrespective of whether the goods are delivered directly from the manufacturer or via Hakonbolaget.

¹ Karl-Erik Gillberg, *Synpunkter på industriens varudistribution*, 1946a, p.15.

I don't think it is too much of an overstatement to say that the manufacturers are unlikely to have calculated with Hakonbolaget having no extra costs for physical handling and storage of goods or for the execution of orders! Or put another way, that Hakonbolaget had organised physical distribution so efficiently that the only costs it incurred concerned invoicing (which was its only task in the direct delivery case).

Obviously I am being facetious. The margins chosen by the manufacturers indicate that they held physical handling of goods to represent some 9.8 percentage points of the wholesale costs. Probably, this was on the high side, and a certain share of this reduction should more aptly be labelled a "wholesale disincentive." On the other hand, the estimates made by the purchasing centre appear to be off by at least as much in the other direction.

Instead of attempting to solve the conflict through negotiations, as suggested in January 1949, it seems that Harald Mörck chose another path. In the spring of 1950, he brought the chocolate issue before a general assembly of the councils of trustees:

Within the chocolate and sweets industry there are certain possibilities for the purchasing centre to have its own production. [Harald Mörck] ended his account by asking: "Should we start to produce more and should we start to produce chocolates?" The meeting unanimously accepted this stance.

Minutes of the general council of trustees, Västerås, Apr. 26, 1950.

The council of trustees supported the idea of engaging in production of chocolates. Six weeks later, Mörck informed the managers of Hakonbolaget of an acquisition:

The Chairman [Harald Mörck] informed that ICA had acquired the majority of the shares in AB Svea Choklad in Norrköping. The factory will be modernised, and ICA will spend much effort on making it really excellent. This is our response to the six major chocolate manufacturers, the speaker said. These have now requested a discussion of the situation in the chocolate conflict.

Minutes of managers' conference, June 1-2, 1950, p.24.

So ICA had acquired their own chocolate factory: Svea. This raises some doubts as to whether there ever was a supplier called Göta, as suggested in the quote from January 1949, above. Rather, it would seem that the issue was considered sensitive enough to warrant the use of an alias.¹ The acquisition of Svea was explicitly said to be a response to "six major chocolate manufacturers", and allegedly, it had led them to initiate talks. The members of the councils of trustees were informed of the acquisition in October.²

Improved bargaining position and joint efforts

The new deal did not only lead to conflicts with suppliers. Some were allegedly anxious to establish good relations with Hakonbolaget:

¹ Why so? The company Göta is very apocryphal. It is only mentioned this one time and the sole information is "Göta", no location, no organisational form, etc. A year later, Svea Chocolates was acquired by ICA. Since Svea and Göta both refer to regions in Sweden, I have interpreted Göta as an alias for Svea.

² Issues for the October meetings with the councils of trustees, AB Hakon Swenson, 1950.

§10 Our relations to the suppliers

The Managing Director gave a short account and among other things said that many suppliers, so to say, stand in line to be included in the catalogue. The respect for the purchasing centre is pleasingly growing, and would be even more pronounced, if the support from the members would be more homogenous.

On the whole, our relations to the suppliers are very good and as representative examples the Wasa-group, Philips and Sunlight can be mentioned. The co-operation with Kumla Fruktindustri has developed very satisfactorily and we have observed that the creation of this business has been a price-reducing factor within this special area. Margarinbolaget [the Margarine company] and Jästförsäljningsbolaget [the Yeast sales company] are two other companies which have shown very clear proof of increased willingness to co-operate.

Minutes of the general council of trustees, Västerås, Apr. 26, 1950.

The suppliers were "standing in line" to be listed in the catalogue. Given the high percentage of orders which were made in writing from the very start of the Hakon-deal, this is not surprising. From the excerpt it is also clear that the chocolate industry was not the only one in which the purchasing centres were investing in production facilities of their own. In particular, the creation of Kumla Fruktindustri was cited as a success-story with clear effects on the price level for the products concerned (fruit preserves).

One of the positive relations hinted at in the excerpt was that towards Philips. A special agreement in line with the ideas of the new deal had been reached concerning their light-bulbs. The contents of the agreement were then spread to the members in a series of joint advertisements which claimed to be "in line with the aims of ICA and the Hakon-deal" in ICA Tidningen during 1951.¹ These borrowed their form (questions and answers) from the internal information material for the Hakon-deal:

The ICA-retailer asks

A rationalisation of the retail trade is a general ambition and particularly ICA and the Hakon-deal is working along these lines. How can this be applied to the sales of bulbs?

Yes Philips, that is all very well. But surely I cannot carry only *one* brand of bulbs?

– Philips answers

Philips suggests an assortment that allows You to reduce the number of different bulb-types which You carry in Your shop from the usual 40 à 50 to 10 à 12 – without having to bargain with the customers need for the most common and suitable types of bulbs for a household.

Theoretically all brands of bulbs are equal according to set norms. Philips bulbs have during thorough neutral tests shown to considerably exceed these manufacturing norms. Simplify your stock-keeping - carry only Philips!

ICA Tidningen, 1951:6, p.27.

The arguments used in the advertisement do follow the ideas which have been presented as part of the Hakon-deal, i.e. they underscore the importance of reducing the stocks and simplifying ordering. They are new only in the sense that they come from a producer.

¹ ICA Tidningen, 1951:5, p.43.

The competitors want information, too.

The competitors quickly reacted to Hakonbolaget's efforts in the case of the replicated (?) bonus-scales (see above p.228). In addition, they reacted against not having been informed of the contents of the new deal, or of the doings of Hakonbolaget in general, by seeing to it that they were. This type of reaction aroused considerable indignation within Hakonbolaget. One example was discussed above in relation to the 'unpure' implementation of the new bonus-form (see p.220). It seems that the private wholesalers, of whom many were members of ASK, quickly received any information sent from Hakonbolaget.

During the last few years we have at several occasions observed the ever-increasing efforts of our competitors to gain access to our circular letters and messages. In this, our competitors have in several cases received considerable assistance from our own members, who readily have handed over the material they have received from the purchasing centre.

Issues for the next council meeting, AB Hakon Swenson, summer, 1949.

The most important event in this respect concerned the new Member-book.

The next printed matter will be one with the motto: "the competitors speak." In this connection the treason against the purchasing centre which has been committed by those retailers who have provided Member-books and catalogues to our competitors, will be dealt with.

Minutes of the directors' conference, Jan. 14, 1949.

The competitors had copies of the Member-book, and this meant that someone was guilty of "treason against the purchasing centre" – harsh words indeed. The words also indicate the import attached to the material and immaterial resources of the new deal; to supply competitors with information about the new deal was considered to be treason. These events led Hakon Swenson to exchange thoughts on business morals and, to some extent, on the new bonus-system with Bengt Lundegaard, the head of ASK.

When You declared that You, as well as Your wholesalers, already had our Member-book in Your hands, signed for by the members, which everyone knew to be a private matter for each retailer between him and his purchasing centre, this seemed deplorable enough. We understand that the pressure from the private wholesalers vis-à-vis the retailers to lure such a "classified" document from them has been considerable. Moral laxity over the years must account for your allowing ends to justify means in appropriating something that should be of no concern of yours, namely a Member-book relating to a new system. Since I understand the disgrace You must feel on your own behalf, as well as on behalf of Your wholesale partners, by virtue of occupying yourself with such traffic, we offer to send such material to you directly – at your request - so that you should not need to take part in such shallowness, something which is not a wholesome thing for the trade to have adopted.

Letter from Hakon Swenson to Bengt Lundegaard, Feb. 26, 1949.

Obviously Hakon Swenson was irritated, or angry... Why? The competitors had been informed of the contents of the new deal... So what? My account of the annual meeting at which the Hakon-deal was approved, was largely based on an article published in a local daily. Thus, the fact that the competitors knew could in itself not account for his anger.

To an extent, the letter indicates that it was a matter of principle. But it was also a matter of what was represented by that which the competitors had gained access to. They had the Member-book, which was "a private matter for each retailer between him and his purchasing centre." It was the embodiment of the new deal. It had been given to the retailers only after they had become members in the purchasing centre, i.e. after they had agreed to work according to the new deal. Thus, it must have been handed to the competitors by retailers who were to make up the backbone of the Hakons-group. This interpretation is strengthened by Hakon's comment "that the pressure from the private wholesalers vis-à-vis the retailers to lure from them also such a 'classified' document has been considerable..." For Hakon, the only explanation seems to be that some retailers, who were weak in faith, succumbed to the pressure exerted by the wholesalers.

In reply, Lundegaard openly admitted that he tried to inform himself of the doings of Hakonbolaget. Then he struck at that, which I suggested to have been the reason for Hakon Swenson's anger, viz. the nature of the retailers.

I received Your Member-book unasked, not from one but from several quarters. I am unable to judge, to which extent my members or their salesmen have asked the retailers for it. We both know Swedish retailers enough to know that some of them very well might have taken the initiative. I gather that it is Harald or Arvid who have mentioned to you that I have the book. ...

Letter from Bengt Lundegaard to Hakon Swenson, Feb. 28, 1949.

Lundegaard's reply was hardly what Hakon Swenson wanted to hear. On top of it all, he was audacious enough to call two of Hakon's closest co-workers by their Christian names, indicating that he was on friendly terms with them. He even offered to trade information with Hakonbolaget on a more regular basis (pointing out that what he would learn could affect the editorials in *Fri Köpenskap*, the trade magazine published by ASK).

Lundegaard continued by making a short review of the contents of the Member-book, rating its bonus-system below the competing system discussed above (p.230):

If I, unsolicited, was to say something about that which I suppose triggered Your letter, viz. that which lies behind Your Member-book, it would be the following. I have never believed in the flat bonus system which You previously applied and which now curiously, EOL seems to have adopted in a modified form. It does not make the retailers assist to a sufficient extent in the indispensable rationalisation. In principle, I therefore support Your new system or one of those similar systems, which Berggrens in Halmstad, Per Svensson in Kristinehamn, etc. have presented, Berggrens for that matter, I suppose, first in this country. Experience will show which is the superior one. For my part I am inclined to give the Berggren system precedence for now... At the same time it is clear, that if You can implement that part of Your system which is called written orders, You will thereby gain advantage.

Letter from Bengt Lundegaard to Hakon Swenson, Feb. 28, 1949.

Hakon's reply was no less irritated than his first letter:

It may be of interest in this connection to remind You of a statement You made to one of my friends, whom You gladly informed of another goal being reached

in the following way: 'So, now I and all ASK-wholesalers in Your area have Hakonbolaget's Member-book!' 'Well, what do You say about such a situation?' asked our man. 'Well, I think it is a pity that we have such retailers', was Your reply. I now ask You, since You clearly react against the dishonesty and immorality of the actions that have caused this correspondence: Would You and all your men within ASK not hold it to be more correct to repel the retailers' actions, which actually contribute to lowering the business morals?...

Concerning the various bonus- and possible other systems, which after ASK's yearlong investigation have now come or are intended to come to the benefit of the retail trade, I am impolite enough to say that it is not very important to us, what ASK think of the system that we have been able to present and have received approval of in a forum decisive for us, after very thorough investigations together with elected representatives of the retail trade. Neither have we, due to the same cause, any reason to reflect over the measures now being taken by the ASK-wholesalers to follow or to "move first." We calmly proceed on our way along the lines once set, although war and other circumstances have prohibited us from moving on from a "flat" bonus to a more spacious one many years ago...

Letter from Hakon Swenson to Bengt Lundegaard, Apr. 9, 1949.

Hakon Swenson wanted a clear rejection of the practice of receiving documents concerning a competitor. Hakonbolaget, he said, had no interest in the doings of ASK, be it their circular letters or the bonus-scales of their associated wholesalers. Lundegaard replied in a much less critical tone, suggesting that their views were similar, but finding it difficult to express himself on paper without the risk of misunderstanding. For this reason, he wanted to meet in person to "tell You what I really think and how these matters are handled."¹

Lundegaard's attempted reconciliation was however not accepted by Hakon Swenson, who clung to his initial position:

In reply to Your last letter I must say to You, that our opinions still are very far apart concerning the issue, on which we have had such an illuminating correspondence. I do not at all think we could sort it out by discussing it in person. ... We therefore put the issue aside, and You may continue to seize as many circular letters as possible, if this still is of interest to You. You may continue - unasked - to receive from the various quarters, where ... a cultivated disloyalty is desirable to keep alive, all the confidential matters, which are bound by secrecy and thoughtful handling. ...

Letter from Hakon Swenson to Bengt Lundegaard, Apr. 29, 1949.

Isn't this conversation rather silly? The wordings are formal and at times unfamiliar. Why would anyone spend the time and effort on such a futile attempt to seek formal restitution. The only explanation I can think of is that we are facing a clash between generations and that our impression of the correspondence also is greatly influenced by the tone of our times. Although an entrepreneur who had worked tirelessly to bring the purchasing issue to a solution over more than thirty years, Hakon Swenson was a representative of the old school in 1949. In the same way that reference to 'common sense' probably would mean

¹ Letter from Bengt Lundegaard to Hakon Swenson, April 23, 1949.

entirely different things in 1919 and 1949, the views of the two letter writers are likely to be far apart concerning the issues at hand. They come from different places, act in different settings, with different and conflicting objectives.

On the basis of the events and the ensuing correspondence, an issue was prepared for the meetings of Hakonbolaget's councils of trustees in the autumn of 1949.

Such a confidential matter as the Member-book was almost immediately handed over to various ASK wholesalers, and to ASK's managing director Bengt Lundegaard, Gothenburg 'in numerous copies' according to himself. Mr Lundegaard has with delight shown his Member-book to a leading ICA co-worker. To another co-worker Mr Lundegaard has commented his having a Member-book by saying that 'almost every ASK wholesaler has such Member-books'.

We had not thought this to be possible. A repetition must be prevented. We must create a reaction against the unsoundness of such a development.

Issues for the next council meeting, AB Hakon Swenson, summer, 1949.

A proclamation was prepared centrally and sent out along with the documents. The councils were asked to sign, or author their own version, and send it to the retailers in the area.

We have made up a suggestion for such a document or call. We ask You to study this document and in the case You find the content to be so formulated that it coincides with your opinion, sign it. If You would like to make a change, You may of course reformulate the document according to Your own wishes.

Declaration The events, which have occurred lately, when Member-books by some members have been handed over to competing companies, are actions which we with indignation and utmost strength react against. ...

Issues for the next council meeting, AB Hakon Swenson, summer, 1949.

In general, all the councils expressed their disliking of the events.¹

Competition in public

Besides the more operative countermoves, the competitors also paid attention to the new deal in principle. This was hinted at by Bengt Lundegaard, above. "I could not promise not to let that, which I in this way learned, affect in particular the editorials in *Fri Köpenskap*." The bonus issue was treated in a series of editorials in the ASK magazine *Fri Köpenskap* (Free Trade) during the period 1947 to 1949.²

Without explicit reference to Hakonbolaget, it seems clear that the editorials serve to discredit the Hakon-deal. Three editorials were published in the end of 1948, only weeks after the Hakon-deal had been approved. More or less, these all criticise the new system, arguing that it isn't new and that it contains a measure of bondage on behalf of the retail-

¹ The central proclamation was at least used by the councils in Sundsvall and Borlänge. (Proclamation signed by the council members in Sundsvall; Minutes of the council of trustees in Borlänge, Feb. 1949.)

² The following editorials were filed in scrap-books at Hakonbolaget: *Bonusproblemets kärnpunkt* (The core of the bonus issue) Oct. 16, 1947; *Kedjan och länkarna* (The chain and the links) Nov. 18, 1948; *Stordrift utan tvång* (Large scale operations without force) Nov. 25, 1948; *Kapitalbildning* (Capital

ers. In May 1949, a more explicit critique of the new system is made. First the written order procedure is said to simply shift work from the wholesaler to the retailer. Second, it is argued that the retailer should be allowed to enjoy the benefits of his more rational purchasing, that is, his bonus. Any system which denies the retailers this, is faulty.

But the competitors were not the only one's to argue for their case in public. As the account in Chapter 4 suggested, Nils-Erik Wirsäll actively promoted the Hakon-deal as a "comprehensive rationalisation program" in his articles in *Affärsekonomi* during 1949 and 1950. The design of the bonus-system was one of the issues he addressed:

Competing companies have designed bonus-systems that are based entirely on the size of each individual order, with reference to the costs these bring about for the company... Hakonbolaget has with its bonus-system wanted to tread another path. ... *The retailer never has to think about reaching a certain peak-turnover each week, but for him it is best to purchase the goods that really are needed in the shop. He is never forced to overload his stocks. A concentration of purchasing anyway brings maximum bonus to him at the end of the year.*

Nils-Erik Wirsäll, 1949, p.381.

The arguments provided by Wirsäll suggest a conflict between two basic types of bonus-systems. Both allegedly purporting to rationalise distribution. One by promoting larger purchases on behalf of the retailers. The other by promoting purchasing fidelity.

Promoting larger purchases seems perfectly logical given the wide acceptance of the idea that small orders caused high costs for wholesalers. Promoting purchasing fidelity has a less clear connection to the high costs of small orders. However, since Hakon-deal also included weekly deliveries, it immediately placed a lower limit on order-size.¹

It seems that the editorials in *Fri Köpenskap* deny that this was what the conflict was about. Rather, they fully support this part of the system. Above, private wholesalers were also said to offer this type of bonus. The critique is instead directed towards those parts of the Hakon-deal that the private wholesalers' systems did not contain, that is, written orders and savings certificates. Still, a comment by a council member in *Mora-Malung* above (p.229) suggests that private wholesalers were promoting large purchases.

Concluding remarks concerning the external problems

The Hakon-deal appears to have had both positive and negative effects on supplier relations. Some suppliers clearly saw the new deal, and being listed in the goods-catalogue, as an opportunity to improve their position vis-à-vis the retailers associated with Hakon-

formation), Dec. 2, 1948; *Patentlösningar undanbedjas* (No patent solutions, please) May 5, 1949; and *Bondförnuft i bonusfrågan* (Common sense in the bonus issue), Aug. 4, 1949.

¹ Since the minimum yearly purchases required for membership was SEK 5,000, each of the 50 weekly orders that could be placed per year had to be roughly 100 SEK. With the graded bonus-scale, there was an incentive to increase this sum as far as SEK 150,000 per year, or roughly SEK 3,000 per average order. In addition, Hakonbolaget argued that their scale promoted a more sound purchasing policy on behalf of the retailers by allowing the members to add up their purchases for the year.

bolaget. In response to the chocolate manufacturers' alternative bonus scale, Hakonbolaget tried to amass the support of the retailers by asking them to order all their chocolates and sweets with delivery from the district and affiliate offices. In addition to this measure, which had the drawback of relying completely on the benevolence of the retailers, Hakonbolaget sought to improve their position by finding an alternative supplier over which it had more control. This led to ICA's acquisition of Svea Choklad. Indirectly, then, the Hakon-deal contributed to a more active role of ICA in manufacturing.

Concerning the reactions from the competitors, Hakon Swenson tried in vain to get formal restitution. In addition, the councils of trustees were engaged to speak against these practices to the retailers in their districts. As for the issue underlying the immoral actions on behalf of the competitors, the competition between two alternative systems for wholesale-retail interaction, the two sides also argued for their cases in public.

Summary: the implementation of the Hakon deal

This section has served to describe the efforts made to turn the rationalisation program from an approved proposal to changed practice in the interaction between Hakonbolaget and its customers. First, six offices were nominated as trial offices, and changed-over to the new system on January 1 1949. During 1949, an additional eleven offices made the change. Finally, on January 1 1950, the remaining ten offices made the change.

Careful preparations for the change-over was made centrally. Three specific roles were constructed as part of the new system, those of the order manager, the contact-man and the telephone contact-man (or rest-order caller) and the tasks of each were specified. The information which was to be given to employees, members and suppliers, was centrally prepared to ensure uniformity. Special training courses were arranged for the staff. Information meetings were held both for employees and customers (during the latter, a centrally employed retail adviser also participated). The managers at the offices exchanged experiences during the managers' conferences. The experiences gained at the trial offices were also used to adjust the centrally prepared descriptions and preparation manual.

Besides the reactions from suppliers and competitors, which to some extent maybe should be expected when a change-over of this kind is made, the general impression of the implementation is one of success. The retailers did order in writing. The sales at the trial offices did stand up well in comparison with the remaining offices.

With growing practical experience of the new deal, however, problems started to appear. In particular, three issues were given a lot of attention during the process of implementing the new deal: i) the increased centralisation resulting from the new deal; ii) the problem of not using active sales measures; and iii) the principles for membership in the purchasing centre. The next section accounts for how these issues were dealt with.

5.5. Difficulties of turning principles to practice

So far, this chapter has dealt with the efforts spent on constructing, seeking support for, and implementing the Hakon-deal. Mainly, it has been a story of how Hakonbolaget's managers went about this, although selected Hakon-retailers and employees at the district and affiliate offices were involved as well. In the remainder of the chapter, I look at how the new way of working fed back issues to the managers, and how they dealt with these.

Specifically, I look at three 'internal' issues that were discussed after the new deal had been launched: the centralisation of decision-making; the use of active sales measures; and the requirements for membership. The first issue, centralisation, arose as a reaction to some of the measures discussed in the previous section, i.e. the meticulous planning of the change-over. The latter two were connected to central principles of the new deal. Principles that proved very difficult to turn into practice. Indeed, the fact that these issues were attended to, suggests that the implementation of the Hakon-deal was far from over with the change-over of the final ten offices on Jan. 1 1950. Rather, it was a gradual process still very much alive in mid-1952 as a thorough review of the Hakon-deal was made.

Does the new deal necessitate centralised decision-making?

This issue surfaced some five months after the trial offices had changed over. It concerned the right to make decisions at the district office level. To understand its significance, it is necessary to look at how decision-making was organised within Hakonbolaget prior to the Hakon-deal. A good opportunity was offered at a managers' conference in 1947:

When speedy decisions are needed due to the limited time a lot is available to the head-office, can the head-office then decide on quantities for the offices?

In the discussion, Elis Götberg emphasised that if decisions must be made during the same day that the offer is made, the offices will of course accept the decision made by the head-office. But if the head-office is given, for example, three days, before having to decide, the wishes of the offices should be asked for, along with a request for immediate replies.

Melker Swenson wished that the position of the offices nearby should always be obtained, and Eric Gotborn underscored the import of purchasing counsel on behalf of the head office.

The managing director emphasised that Hakonbolaget had lost considerable sales through its democratic system during the time when the import was free. Eol had doubtlessly made great strides by their offices being allotted quantities after decisions centrally at the head office. This is why Eol's import quotas are much greater than ours in some cases. But our principle should however be the most correct in the long run, namely that the offices should partake and decide on every purchase, whereby their interest is kept more alive. ...

Concerning these issues, it was decided that: ...

centrally decided upon purchases can be made in some cases, namely when this is necessary due to there not being enough time to ask the offices for answers. In such cases, a few offices should be asked for their position, though.

Minutes of the managers' conference, Sept. 18-20, 1947.

Obviously, at this point, there was no question that the local offices should have some say in purchasing decisions. Rather the opposite actually – should the head office be allowed to act on their behalf or not? The decision taken implies that it could, in exceptional cases. Hakon Swenson recognised some drawbacks with Hakonbolaget's "democratic system", but still asserted that decentralised decision-making was correct in the long run.

Given this, it is not surprising that some local directors reacted against a growing central influence over their operations during the implementation of the new deal. When the issue first surfaced, Hakon Swenson appears to have held prevention before cure:

It is wrong to believe that the new deal reduces the responsibilities of the respective office management. Rather, a high degree of exploitation of the personal resources are required. The continuation however, requires emphasis on the personal-human and not on aspects directly related to sales. The leaders' tasks thus become more interesting than before and highly accentuate the importance of the respective managers being able to arouse enthusiasm in and stimulate their co-workers. Concerning the order managers, their task is not so much to survey the orders we receive, but those we do not receive. The office managers must, apart from their strictly administrative tasks within purchasing, warehousing and as the deputy local director, alertly strive to win the members over as working parts in this great construction work.

Thus the new deal does not mean a change-over to central control, but, on the contrary, poses the highest of demands on the local directors concerning intensive work of a stimulating, constructive and managing nature, where it primarily is a question of promoting our ideas in intimate and model co-operation. But there exists a limit in the sense that the individual initiatives must not lead to separate actions, but must be brought to the head office for central treatment and uniform application all across the line.

Minutes of the directors' conference, June 28, 1949.

Hakon Swenson firmly denied that "the new deal reduces the responsibilities of the respective office's management" and also pointed at new and challenging tasks. Still, his claim that "the new deal does not mean a change-over to central control" clearly clashed with his demand that "individual initiatives... must be brought to the head office for central treatment and uniform application all across the line." At the next meeting, he addressed the issue again (I know the quote is lengthy, but bear with me):

The chairman reminded that the system of central control is not popular in the debate concerning the design of public administration. Also, certain doubts have been voiced within our group concerning increased central control. It is therefore correct to devote some attention to central control as a problem and to its meaning and purpose. Within Hakonbolaget, a dynamic force has developed the company. It has therefore been necessary to achieve an inner organisational firmness. This has not led to any risk for excesses, however, for with the right to discuss freely which exists within this group; it has always been possible to have a faulty development criticised and corrected.

The reaction against central control – to the extent that one can talk of any great differences in opinion on this – seems to have surfaced in connection to the implementation of the new deal and the system practised in this connection of giving clear directions from the head office on every current issue. This has only purported to create the greatest possible firmness and uniformity ...

The chairman continued by giving examples of what we had gained by central handling and overview and pointed primarily to the business department, through the activities of which the efficiency had been greatly expanded, very considerable economic advantages had been gained, and the risks had been significantly reduced. ...

Central control also purports to relieve the local office-management of much of their work-load. The managers can thereby locate their work, so to speak, on a higher plane: managing the offices' development and handling our perhaps most important task, viz. the contact with the member as a human being.

As examples of relief measures ... the chairman mentioned the activities of the organisation department, the propaganda, the accounting centre, the staff training, the business transfers, the covering of new housing areas and managing certain businesses which are wholly or partially administered by ICA.

As a summary, the chairman pointed out that through central control, in the form we practise it, possibilities are created for greater operational results. It does not purport to suffocate individual initiatives, but to co-ordinate these into a joint power source.

Lars Lewén declared that previously he had been doubtful as to the suitability of practising central control in its present form, but that it had now become clear to him that this actually was a precondition for carrying the new deal to the success we aim for. A relief of the work load, for instance through support concerning new establishments, allows the local directors to spend time on their most important task – to act among the members.

Hugo Stålarw expressed some doubts concerning the possibility of centrally handling new establishments, which gave the chairman reason to point out how we ought to influence the local authorities to provide the same room to the Hakons-retailers as to KF, for which the best result can be reached through uniform argumentation.

Finally, the chairman declared his deep personal satisfaction with and joy over the core troop that the company has in its directors, who with model spirit of self-sacrifice and through friendly co-operation had achieved results that had brought the company to its present positions... Central control should thus not be a killing hand but a stimulus to increased achievements in friendly, comradely and close personal co-operation between the active forces at the head office and the various district and affiliate offices. So perceived and so exerted it will become a strength and not a source of irritation.

Minutes of the directors' conference, Oct. 17, 1949.

Some concluding remark! In June, there was disagreement as to whether there was any increased central control at all, while in October, all parties seem to have agreed that there was. At that point, the main controversy seems to have concerned the reasons for and consequences of increased central control. Comparing Hakon Swenson's statements, he seems to have been better prepared this time. He acknowledged increased central control during the change-over to the new deal. But, at the same time, he also provide a solid (?) argument for this: it had been necessary to assure the success of the Hakon-deal. Further, he spoke of "relief measures" rather than centralisation, and provided some examples of measures that had allowed the local office managers to work "on a higher plane." The subsequent comment made by local director Lars Lewén, strongly resembles a religious testimony – 'Previously I lived in sin, but now I have seen the light.'

The only objection, voiced by Hugo Stålarw, concerns new retail establishments. To this Hakon Swenson retorts by pointing at the big picture – Hakonbolaget's general position vis-à-vis authorities – which he successfully argues cannot be handled locally.

In the end, despite any objections, Hakon Swenson establishes the principle of increased central control as “a stimulus to increased achievements in friendly, comradely and close personal co-operation between the active forces at the head office and the various district and affiliate offices.”

The core of this issue is agency. Who has it? Who is to have it in the future? Why? The new deal apparently led to a loss of agency on behalf of the local offices, particularly concerning sales. A number of issues were now handled centrally that hitherto had been handled at the local offices. Hakon Swenson argued that this should be seen in the light of a gradually increasing number of responsibilities for the local directors, and, in response to this, an ambition on behalf of the head office to relieve them of some of these. He also pointed at the obvious success with which several central functions had carried out their new tasks. At one point, he used the new deal itself as an example of the success of central management. Further, relations to local authorities also had to be handled in a uniform manner. On the other hand, he also indicated important new areas for the local directors, e.g., establishing and maintaining good relations with the members. Lars Lewén contributed by arguing that the new deal required central control. In all, a number of aspects favouring central control were added to the evaluation of its merits. The only aspect added in favour of decentralised control, that of handling new establishments, was turned upside down by Hakon Swenson through a further expansion of the issue.

At the office managers' conference in February, the issue was once again brought up, this time in connection to the completion of a central price-list.

Arne Lundgren said that the price-book that had been made out on the basis of the catalogue had received much criticism. He now wanted to hear what those present thought of such a price-book. Should it be edited locally or centrally?

Elof Lindén, Erik Lundgren and Petrus Bäckström held that the editing ought to be made locally bearing in mind the various factors which affected the prices.

Erik Lundgren wanted to suggest, however, that a central price-book was kept at the HO, with information on the pure net-prices for each good purchased from different suppliers. This would be particularly valuable both when making purchases and when pricing the stocks.

Valdemar Eriksson held that it should be possible to centrally edit the price-book for all offices, although it had to be more complete than the first edition.

Arne Lundgren pointed out that central editing of the price-book ought to be of value, since considerable work thereby would be saved for the offices. For certain goods, though, prices could not be quoted due to differences in freight etc. He suggested that a committee be appointed to investigate more closely, in co-operation with the HO, the advantages and disadvantages of such a price-book. He held that producing a suitable one was primarily a matter of editing.

The Chairman [C-H Swenson] held that one should be able to produce a central price-book, since one had managed to create a common catalogue for all the

members of the company. One ought to try for another year and for this purpose appoint a committee in line with Arne Lundgren's proposal.

It was decided to appoint a committee, consisting of Elof Lindén, Petrus Bäckström, Valdemar Eriksson, Gösta Medin and Erik Lundgren, to work out a proposal in co-operation with HO, for a joint price-book for the entire company. Moreover, a central net-price list should be put together at the head office.

Minutes of the office managers' conference, Feb. 19-21, 1950.

The outcome of the discussion, a committee which was to work out a proposal for a joint price-list together with the head office, suggests that centralisation was gaining ground.

To sell or not to sell...

This issue concerned what was held to be the very foundation of the new deal, viz. the introduction of written orders and the reduction of the sales apparatus with its resulting reduced contact between the purchasing centre and its members. It was also an issue which had been brought up already during the discussions prior to the approval of the Hakondeal. Particularly, it had been considered problematic in relation to the introduction of new articles. This was held to require sales measures or, as they were called, *acquisitions*.¹

Round 1: Uphold the law (of the new deal)

The issue resurfaced during the implementation of the new deal. At the managers' conference in June 1949, Hakon Swenson worried about the contact-men becoming salesmen.

-The tasks of the contact-men must not slip into the area of sales. Instead, the contact-men should ... act to convince the retailers of the need for co-operation, clarify the meaning of the system, give impulses concerning the purchasing centre's own brands, etc. The *leitmotif* in the contact-man's work is thus to increase the spread of knowledge concerning the law of the new deal.

Hakon Swenson. Minutes of the managers' conference, June 28, 1949.

Here, Hakon Swenson gives the rules of the new deal the status of "law." Rather than engaging in sales activities, the new contact-men should teach this law to the members.

-Our ceaseless ambition must be to exploit the retailers' urge to co-operate. If You do not succeed in implementing this, we will not reach what we strive for... There are many who want to preserve old conditions within trade, but we have undertaken to act as innovators, and we must pass the test and complete this endeavour. We thus have a task before us to, little by little, reshape the way of thinking within trade. We are not doing this if we continue to acquire.

Hakon Swenson. Minutes of the managers' conference, June 28, 1949.

The joint task of the managers of Hakonbolaget, Hakon Swenson claimed, was to "reshape the way of thinking within trade." And this did not permit selling. In response to

¹ The term *acquisitions* is a relatively strange one, given that they were talking about sales. My interpretation is that it refers to the work of *acquiring orders*.

this, Melker Swenson argued that it was necessary to do both, that is, in effect, to take up acquisitioning under certain circumstances:

Melker Swenson pointed out that this question had been discussed thoroughly already within the salaried co-workers committee. [He] wanted to solve the issue not by choosing either / or but by choosing both. The special competitive conditions in Gävle necessitated watching, e.g., the sugar- and flour-orders... further the sales of branded goods must be watched. It is thus not a question of spoiling the new deal, rather it must be adapted to the circumstances. It is not enough only to maintain the turnover, but a large increase must be achieved, or else the purchasing issue will not be solved. ... One must guard against considerable sales losses with negative consequences to the economic yield.

Melker Swenson. Minutes of the managers' conference, June 28, 1949.

Obviously, there were reasons for selling too. Melker Swenson claimed that local competitive conditions necessitated selling to prevent "considerable sales losses", and hence to safeguard the profitability of the company. To him, selling would not spoil the new deal. Rather, it was simply an adaptation to the circumstances. But Hakon Swenson persisted:

-The question thus becomes: shall we maintain acquisitions, which may shatter the inner core of the Hakon-deal, or shall we, in its spirit, reshape ourselves into an organisation which provides the members the largest possible benefits and in that way secure our turnover? ...

Hakon Swenson. Minutes of the managers' conference, June 28, 1949.

There were other ways to safeguard the turnover, Hakon Swenson claimed, and these should be tried before resuming active sales which could "shatter the inner core of the Hakon-deal." – 'Gentlemen, choose sides...' – Eric Lewén did:

-If one looks only at the business aspect of things, adherence to Melker Swenson's line is self-evident, but since it is a matter of building up the purchasing centre, there is no alternative but to strictly follow the new deal. One should however not limit the number of contact-men too much... This would allow for a more efficient surveillance and also some sales activities for delivery of, e.g., dried fruits and in connection with the introduction of new articles. ... we must not waver in our faith and not change our set rules.

Eric Lewén. Minutes of the managers' conference, June 28, 1949.

Eric Lewén disqualified Melker Swenson's proposal since it only concerned "the business aspect of things" while the issue at hand was much broader – "building up the purchasing centre." Still, he managed to advocate a solution remarkably similar to Swenson's, arguing for the need of "some sales activities for delivery of, e.g., dried fruits and in connection to the introduction of new articles." He then concluded by reverting back to his initial argument stating that "we must not waver in our faith and not change our set rules."

Hugo Stålarw maintained that in order not to fall behind concerning the introduction of novelties a certain amount of telephone information might become necessary. But when it concerns the great lines we must succeed. We must fight and win, for there is no return. ...

Bengt Harné declared that the main thing is not to sell first but to sell last. That is, to limit ourselves to the true novelties and to have the orders on these in the future. By only including the useful novelties, we may in the future

become a kind of test-institute, for the producers will be anxious to have their goods spread by being included in our catalogue. ...

Minutes of the directors' conference, June 28, 1949.

The managers' ambivalence is displayed also by Hugo Stålarw, who distinguished between circumstances "concerning the introduction of novelties" and the "great lines." Only Bengt Harne seems to have unconditionally accepted the new deal. Being a retail adviser, he was also the only one not directly affected by any incurred sales losses. For the local directors were evaluated on the basis of the economic performance of their offices.¹

In the end, four men were appointed to work out a proposal for handling the introduction of new articles. Carl-Hakon Swenson and Nils-Erik Wirsäll represented the head office, Eric Gotborn and Lars Lewén the local offices.² Swenson, Wirsäll and Gotborn had all been involved in designing the new deal. Lewén was the local director in Västerås, one of the trial offices for the new deal. If Wirsäll was correct in stating that offices where the local directors were positive towards the new deal were chosen as trial offices (see note on p.219), the committee is likely to have been pro-deal rather than pro-sales.

Round 2: A policy of caution

The appointed committee presented its proposal at the meeting in October:

Carl-Hakon Swenson accounted for the committee results. ... a recommendation to show greater caution than hitherto concerning the selection of novelties. Propaganda should be made among the members in the same direction: Do not jump on every suggestion made by the competitors, the valuable and proven novelties will always be supplied by the purchasing centre. One may say – travestying a known motto: To sell first is great – to sell last is greater. ...

Minutes of the directors' conference, Oct. 17, 1949.

The main suggestion seems to have been to reduce the problem by reducing its cause. That is, by being cautious when introducing novelties, the need for sales activities would also drop, and the problem of keeping to the spirit of the new deal would be reduced. This strategy, however, presupposed that the members were convinced of the merits of not taking up every new product which is being introduced. Else, considerable sales losses may be incurred. The following discussion ensued:

Lars Lewén pointed out the value of orally contacting the members in certain critical goods-situations ... not only to collect the orders but to inform the members in a matter-of-fact manner and often to still those who are up in arms. Letting the contact-men take care of this task would be to split their activities up and hurt their great task: to speak of our ideas.

The chairman wondered whether one shouldn't let the retail trade continue their purchasing policy concerning new articles for a while yet, without our

¹ This principle was explicitly laid down by Hakon Swenson during a discussion of the offices costs in 1947: "These figures are also to a high degree the local directors and office managers concern, as they constitute a grading of their work." Minutes of the managers' conference, May 5-6, 1947, p.1.

² Minutes of the managers' conference, June 28, 1949, p.4.

influence in a sound and sensible direction. Thereby we will have valuable propaganda material in our hands and the retail trade will in time learn to realise that their present system of falling for siren calls is too dear.

Bengt Harne sided with the committee. No new articles should be taken up for sale, that haven't been tried by some knowledgeable members. He particularly warned against telephone contacts. ... At the meetings, the impression is that our idea is more easily understood now than before, which is a hopeful sign.

The chairman pointed out that we must look at the situation realistically, namely that we have a long way to go before we can enjoy support from the retail trade to the extent that we are entitled to. "The significance of competition" is still cherished too much. We must therefore continue forward by the use of propaganda. The time has therefore not yet come to ask the retail trade to "choose sides." The issue today is rather: "Can we stop all active sales measures and let go of the market which we have among butcher shops, bakeries, industries, etc. and wait for our members increased support to give us full compensation for that which we voluntarily let go of?" ...

Nils-Erik Wirsäll pointed out that it would be wrong not to try the way envisaged by the committee before adding more staff to acquisitions. It has been shown that the results are better at those offices where a radical road has been chosen, rather than where hesitance has been shown. ...

It was decided to continue along the guidelines drawn up concerning the new articles, until further notice. The problem will be addressed again after the turn of the year – if necessary.

Minutes of the directors' conference, Oct. 17, 1949.

On one point there seems to be complete unity: the contact-men were not to be burdened with sales tasks; their task being "to speak of our ideas." Concerning the need to contact the members per se, there was less than unity. Some, e.g., Lars Lewén, argued that situations may arise when there was a "value of orally contacting the members... to inform... and often to still those who are up in arms." Others, e.g., Bengt Harne, argued for acting strictly by the (Member) book, and "particularly warned against telephone contacts."

Hakon Swenson was arguing for a rather staunch position vis-à-vis the retailers: "let the retail trade continue their purchasing policy concerning new articles for a while further, without our influence in a sound and sensible direction." The question to answer was then "[c]an we stop all active sales measures... and wait for our members increased support to give us full compensation for that which we voluntarily let go of?"

To this, Wirsäll replied that "it would be wrong not to try the way envisaged by the committee before adding more staff to acquisitions." In the end, the decision was to continue along the lines drawn up in the proposal, and thus not revert to active selling.

The caution suggested to be shown concerning the introduction of new articles also seems to have become more or less an established principle by 1950. It was observed that "the most important thing is to receive the after-orders." Indeed, Harne's idea that Hakonbolaget should become a "test-institute" seemed to be gaining ground.¹

¹ Minutes of the office managers' conference, Feb. 19-21, 1950.

As a further consequence, the policy of caution concerning the assortment limited the freedom of action of the individual offices with respect to what products to carry.

As a summary, the Chairman pointed out that we must be firm in our decision only to purchase goods which are found in the catalogue. If the goods are not found in the catalogue, and are considered worth taking up, the respective office should turn to the HO, which should decide on the proposal.

Minutes of the office managers' conference, Feb. 19-21, 1950.

Thus, there is a link between the sales issue and the principle of centralised decision-making which was being established concurrently (see p.251). The principle of caution concerning the introduction of new products was tied to central decision-making. A first step in this direction was taken through a joint overview of the assortment at the meeting.¹

Round 3: Too much rice and not enough sales

At this point, then, the scales seemed to be in favour of not selling. However, less than a month later, the issue was once again discussed as the local directors met with the directors at the head office. This time, the issue was brought up by Harald Mörck in connection to a discussion of "Our economic direction" and in particular the decreased turnover reported for 1949 and the ambition to reach MSEK 175 in turnover during 1950:

The Chairman pointed out that the results for the past year had not been completely favourable. ... Without departing from the principle of "the new deal", which is correct, we must perhaps discuss some telephone-sales of goods that are hard to sell, and which burden our stocks, e.g., rice. Such a sales method should only be used to balance the stocks.

Minutes of the local directors' conference, March 13, 1950, p.1.

Obviously things were not altogether good. This time, the need for sales measures was not due to any provincial circumstance perceived by the local directors. This time, it was in the light of a decreasing turnover for the entire company – something that had not occurred since the 1920s. As the possibility of sales measures now were hinted at from the head office, they were soon asked for:

Permission was sought to swiftly work upon the members to clear these goods without breaking the new deal. It was suggested that the head office centrally should decide when a situation was at hand, that called for such a working up. Carl-Hakon Swenson pointed out that the strength of the new deal was proven by the competitors speaking about us. According to the plan for the new deal, one should in one way or the other act when there is a risk of a good deteriorating. Telephone sales would however be a sign of weakness and make certain members more half-hearted in their co-operation than at present... Not all rest-order callers (telephone contact-men) have fully understood their task... Nils-Erik Wirsåll held a departure from the chosen road to be unfortunate, since the new deal had been practised for such a short time. To some extent, these problems are due to an erroneous purchasing policy on behalf of the of-

¹ "A total overview of the catalogue was made in order to get a clear picture of the changes which could be regarded as necessary." Minutes of the office managers' conference, Feb. 19-21, 1950.

fices. If we start with telephone sales, this could lead to less written order being handed in. ... If a telephone sale is to be made by the rest-order caller or the order manager, this must not be a regular sale, but one should in a diplomatic way point out the members' responsibility. We must not let go of the line, for in the long run, we might then lose more than we temporarily gain.

Minutes of the local directors' conference, March 13, 1950, p.3-4.

In reply to the request, two of the advocates of the new deal, rushed to its defence. Carl-Hakon by claiming that the new deal already stated that situations such as this should be acted upon, although not necessarily through telephone sales. Nils-Erik by blaming the offices for allowing the situation to arise in the first place, and by suggesting that the consequence of telephone sales could be a drop in the number of written orders.

Lars Lewén maintained that telephone sales was unsuitable, and that other paths should be explored for clearing these difficult goods. Maybe one could sell them to government of municipal institutions, or through agents. Advertising could also be used to move the goods...

The chairman mentioned that concerning the rice, the measures proposed by Lars Lewén had already been tried.

Minutes of the local directors' conference, March 13, 1950, p.4.

Sorry, we've already tried that. Lars Lewén had no success in his attempt to explore other paths. Another suggestion made during the discussion, to lower the price, fared no better. This time, the injustice of such a measure towards the faithful customers that already had bought rice, was considered to be prohibitive.¹

An even more outspoken suggestion was made by Elis Götberg from Skövde:

Elis Götberg suggested that the offices themselves should be allowed to decide on proper measures in case goods became immobile and led to loss-risks. He held that the offices could be given a certain measure of freedom in this respect, without breaking the new deal apart. He thought that the full implementation of the new deal would have to take longer than we initially had in mind.

Carl-Hakon Swenson stated that it was dangerous if the offices departed from the agreed lines on their own, for thereby the head office would not be given the correct impression about the real situation.

Minutes of the local directors' conference, March 13, 1950, p.4.

Here, two principles were at stake in a single proposal. Not only should the offices be allowed to sell, but they should also decide for themselves. Thus, the principle of centralised decision-making was questioned. Rather than denying the local competence for this, Carl-Hakon argued that it would make the world less intelligible at the head office.

Finally, a decision was reached:

It was decided to grant, in exceptional situations, the use of telephone contactmen for the purpose of acquisitions. This must not become common, but must only occur under special conditions and in consultation with the head office. We should maintain the principle of the new deal and this telephone acquisition may therefore not be carried out as a regular sale, but one should more diplo-

¹ Minutes of the local directors' conference, March 13, 1950, p.4.

matically remind the customers of the goods concerned, and where it is considered correct, point out to them their responsibility for our stock-keeping.

Minutes of the local directors' conference, March 13, 1950, p.4.

Thus, a load of rice and a drop in turnover (which was actually explained as unrelated to the new deal) tilted the scales slightly in favour of sales. At least when it came to slow-moving items. Provided that the sale was made more "diplomatically" than a regular sale and provided that some red tape was adhered to. Did it produce the desired result?

Round 4: Rice aside, consistency is needed

No, it didn't... Not even for the rice that prompted its formulation did the modified rule prove satisfactory:

Melker Swenson ... held one problem to be that they had not yet succeeded in clearing away the rice which had become immobile in stock, and which one with the old sales-system surely could have sold. He maintained that there must be some possibility to actively work to clear lots of this kind. In this respect, he primarily wanted to bet on the possibility of telephone influence. ...

Nils-Erik Wirsäll also thought that, concerning slow-moving goods, there must be possibilities of influencing the customers through the order managers, but this must be done in close contact with the head office.

Minutes of the managers' conference, June 1-2, 1950, p.8.

At this point, even a dyed-in-the-wool deal-proponent such as Nils-Erik Wirsäll, could no longer defend a strict non-sales policy. But just as Wirsäll seemed to give in, the discussion turned away from this issue, and attention was directed towards the customers for the remainder of the discussion. In the end, Harald Mörck gained support for a more consistent attitude towards the members:

In conclusion, the Chairman maintained that one must proceed with firmness while using a certain measure of flexibility. To the extent that the members do not follow the guidelines, one must in a suitable way of convincing them of what they stand to lose by this and gradually seek to weed out those that cannot be straightened out.

Minutes of the managers' conference, June 1-2, 1950, p.9.

This statement gave a foretaste of what was to come. For in September, a decisively more strict line was advocated:

It has become clear, that "camouflaged sales" are made at several offices, the chairman said. In some cases this has been considered necessary, but from now on we have to focus on being more consistent in our conformity to the new deal. It was decided that no form of "camouflaged sales" must be used from now on.

Minutes of the managers' conference, Sept. 8, 1950, p.7.

Now, then, sales would definitely be out of the question. Or?

While a more strict policy on sales was laid down, the slow-moving item problem seems to have been pried loose and considered in isolation. Here other rules applied:

Several of the participants accounted for the situation at their respective offices and it was generally held that vigorous efforts must be made to eliminate these strains. The 0-shelf system had not turned out well and many members deliberately avoid this shelf during visits at the warehouse. ...

It was decided that the problem with slow-moving items should be dealt with at all offices immediately, and that those measures which are regarded to be most suitable considering the current situation should be taken.

Minutes of the managers' conference, Sept. 8, 1950, p.8.

The unsuccessful 0-shelf was an attempt to highlight the slow-moving goods at the warehouse. This having failed, it seems that the offices were given complete freedom to handle the particular problem of slow moving items, also by way of active sales.

Round 5: Let's investigate!

A year later, it was time for yet another go at the same old problem:

Various speakers put forward their opinions, to some extent slightly critical towards certain details in our present system within the frame of the Hakon-deal. Several speakers thus wanted to see increased possibilities to face a strengthened competition from the private wholesalers. Some noted a certain stiff-leggedness concerning the handling of new products. The carrying line in the discussion was that Hakonbolaget should seek its way towards possibilities for improved striking power, in connection to which the need for a more forceful manifestation of support from the members was underlined.

Minutes of the local directors' conference, Dec. 6-7, 1951, p.1.

At this point, then, it seems as if a more general appeal for changes in the rules of the Hakon-deal was made. Still, this was denied by the critics:

No one wished to alter the main principle of the Hakon-deal. On the contrary, it was noted that the Hakon-deal had brought such extremely valuable results in terms of cost-reductions, turnover figures, possibilities for propaganda, clearing up of stocks, etc. that the line in this respect was clear. However several speakers sought a softening of certain principles. The Hakon-deal must not, as one speaker put it, be considered complete, it must not be a taboo subject. We need to seek our way towards a form of work, that gives us a better share in profitable goods and hinders private wholesalers from gaining increased success in our shadow. From some quarters figures were presented confirming that the members' support was not good enough throughout. Västerås, for instance, presented 52 rural retail customers that had decreased this year, something that was not thought to be explained by decreasing turnovers only. Borlänge had observed a decreased number of written order-lines. ... Eric Gotborn held that the contact-men should travel faster and find time to visit eight members each day, for whom they should demonstrate new products and speak of goods, but discontinue the ideological discussions. Lars Lewén held this to be wrong. The contact-men more than ever need to be "preachers."

Minutes of the local directors' conference, Dec. 6-7, 1951, p.2.

The anonymous speaker who likened the Hakon-deal and the rules stipulated within it as something which "must not be taboo", gives air to conflict that can be traced back to the

very first discussion concerning this issue when Hakon Swenson asserted the law-like status of the new deal (see above, p.255) – the conflict between principles and practice.

From Karlstad, a request for permission to start sales of dry fish at the turn of the year, was put forward in the ground that “we want our market back.” Nils-Erik Wirsäll maintained that we should be clear about not having reached an ideal state so far, and we must be alive to the changes which can be regarded as purposeful. But we must not view things that as soon as we face difficulties, we should return to the old ways. We shall continue to seek our way along new paths and use the supply of striking power we possess. ...

6. Concerning the working methods of the contact-men, the appointed committee should perform an investigation and present proposals. The conference unanimously held that a renewal of the present system was necessary.

Minutes of the local directors' conference, Dec. 6-7, 1951, p.2.

The committee mentioned in the quote, had been appointed by the managing director after the managers' conference in October. Its task had originally been to make a general overview of the Hakon-deal and the working methods spelled out as part of it. Instead of allowing the offices to adapt in practice to perceived local circumstances, then, central management had decided to review the principles.

Thus, to sell or not to sell, with all its consequences for the work of the order mangers, contact-men and telephone contact-men (rest-order callers) became subject to investigations along with all other aspects of the Hakon-deal. So far, we have seen that although the issue first seemed to be resolved with the policy of caution, suggested towards the end of 1949, it was repeatedly reconsidered as local and central managers ran into trouble. During this period, the scales tilted towards sales on some occasions and towards a more strict adherence to the new deal on others.

The results of the commissioned investigation, and the decisions it led to, constitutes the ‘final chapter’ on the sales issue, at least for this thesis. But since the work of the committee also had bearing on a third issue which was subject to some discussion during the implementation of the new deal, viz. the rules for membership, I will back up and follow how this controversy developed before addressing the committee-report.

The principles of membership and their enforcement

The third issue, which was discussed at some length in connection to the implementation of the new deal, concerned the principles for membership in the purchasing centre. The requirements for membership had been clearly stipulated in the Member-book:

[Membership is granted by] the council of trustees on the following grounds:

1. A member should be a grocery or rural retailer
2. A member should be a share holder in Hakonbolaget
3. A member's minimum purchase from the purchasing centre should amount to at least SEK 5,000 per year.

4. A member should, in writing, declare himself willing to work according to the guidelines for co-operation drawn up in the idea-program and the co-operative plan.

Retailers from other lines of trade (than grocery and rural retailing) can also become members according to separate conditions.

Hakonbolaget - köpmännens inköpscentral (Memberbook), 1948, p.24.

Compared to what previously had been required of 'members' in the purchasing centre, i.e. that they be shareholders in the company, the new requirements were expected to lead to a more homogenous group of members. The fourth requirement also ensured that only retailers who accepted the new deal would be granted membership. During the discussions prior to the approval of the new deal, the councils of trustees in general expressed their liking of the new requirements, although some fears were voiced concerning the smaller retailers. On the whole, there was nothing which indicated that this should become a matter of controversy during the implementation of the new deal. It did though.

Round 1: Different interpretations

At the directors' conference in June 1949, the principles for membership were held to be important enough to address as a separate issue. Hakon Swenson started by noting that the rule concerning membership for retailers from other lines of trade had been interpreted differently by the local councils of trustees. "The ensuing discussion was animated."

Eric Gotborn held that only true grocery and rural retailers should be granted membership. Shareholders in other trades may keep the shareholder bonus.

Martin Jarlstedt asked whether we can afford to do without, for instance, the better fruit shops as customers. ... retailers within other trades hold considerable blocks of shares. ... also retailers in other lines of trade should be allowed to become members, but not display the signs in their shop-windows.

Melker Swenson held that we must be able to sell to these businesses in order to keep our size. The owners would not understand the splitting of categories.

Carl-Hakon Swenson sided with Eric Gotborn. Only grocery retailers refrain from sales service, thus it is correct that they receive special compensation. Sales to other lines of trade demand a sales apparatus. Nils-Erik Wirsäll concurred in this and also pointed at the import of a stable ground and clear lines.

Hereafter, some of the offices presented the composition of their customer-stock, from which it was evident that hitherto companies in other lines of trade had been granted membership only on rare occasions.

Lars Lewén suggested that the issue should be presented to the councils of trustees for a statement.

Eric Hagman pointed out that the meat retailers have their own purchasing organisation, which they are trying to make more efficient. If we are to keep selling to the meat shops, special arrangements may be motivated.

Bengt Harné did not want to approve of an exclusive line, but held that the option should be kept open to let retailers from other lines of trade in under special conditions.

Concerning the granting of membership it was then unanimously decided that:

- 1) The Hakons sign is reserved exclusively for grocery and rural retail trade.

2) Certain mistakes have been made when granting membership. No changes are to be made in this respect, but what been done is to be regarded as definite.

3) The question of principles for membership is referred to the councils of trustees for comments, with a thorough account of [this] discussion and for the various views which may be put on the problem. The issue is then to be referred back to the directors conference for renewed consideration. (At the conducted test vote, 15 out of the 44 participants voted to allow fruit shops as members, though only with a strict sorting of the selection. Concerning meat shops, the figures were 22 for and the same number against.)

Minutes of the directors' conference, June 28, 1949.

What can be made of this discussion? In terms of outcomes, three decisions were taken. First, it was established that the grocery and rural retailers were to be given special treatment, only these shops were to be allowed to display the Hakon sign. Second, responsibility for any decisions taken so far was assumed by the company. That is, those who had been granted membership would not risk losing it again as a consequence of the attempt to find a clear principle to adhere to, irrespective of the grounds on which they had been granted membership. Finally, the managers made use of the established governance system of the company by referring the issue back to the councils of trustees for comments.

The general discussion implies that the issue really concerned the final sentence in the rules for membership, i.e. whether retailers from other lines of trade (than grocery and rural retailing) should be able to become members. According to Hakon Swenson, the issue had surfaced due to different interpretations of the rule. The whole purpose of the ensuing discussion seems to have been to find a line which could be accepted by the local directors and which could be applied uniformly at all offices. As I see it, the end result of such a successful re-formulation of the principles of membership would, in the long run, be increased homogeneity of the member stock.

Here, as in the discussions about sales measures above, the main argument for a more heterogeneous member stock seems to have been keeping the sales up. By excluding some retailers considerable sales losses could result. The most radical line, e.g., to grant membership exclusively to grocery and rural retailers, was advocated by Eric Gotborn, Carl-Hakon Swenson and Nils-Erik Wirsäll. They argued that since only the grocery retailers refrained from sales service, they should receive special compensation.

The other speakers were less inclined to such a staunch position. Melker Swenson was outright opposed to excluding some lines of trade, arguing that "we must be able to sell to these businesses in order to keep our size", thus repeating the argument he used to motivate active sales (see p.256). Martin Jarlstedt, Erik Hagman and Bengt Harné proposed various intermediate solutions, such as granting membership to other retailers but excluding them from the joint propaganda, or simply to "keep the option ... open." The conducted test vote indicated that the two camps were of roughly the same size.

Round 2: What do you think?

In time for the September meetings of the councils of trustees, the prescribed material was sent out to the members so that they could prepare for the discussion. The material included a short comment on the present requirements for grocery and rural retailers.

Conditions for the grocery and rural retail trade ... In this respect, the guide lines are clear enough that no discussion about the principles needs to arise.

Issues for the councils of trustees' September-meetings, AB Hakon Swenson, Sept. 16, 1949.

As an introduction, the discussion at the directors' conference was briefly accounted for.

The conditions for membership when applicants belong to other lines of trade.

The Member-book contains the following passage: "A retailer from another line of trade (than the grocery or rural retail trade) may also become a member under certain conditions." These certain conditions have hitherto been interpreted differently. To establish uniform regulations the issue was discussed during the latest directors conference.

Issues for the councils of trustees' September-meetings, AB Hakon Swenson, Sept. 16, 1949.

Five statements from the discussion above were then summarised, viz. the ones by Eric Gotborn, Martin Jarlstedt, Melker Swenson, Carl-Hakon Swenson and Eric Hagman.¹ In my view, a fairly representative selection. The councils were then asked to consider the issue and present its views on which principles to apply when granting membership "to retailers and companies from other lines of trade than the grocery and rural retail trade."

What is discussed is only in what cases representatives of other lines of trade should be allowed to enjoy the greater benefits which the new Hakon-deal grants to true members.

Issues for the councils of trustees' September-meetings, AB Hakon Swenson, Sept. 16, 1949.

How was the issue received by the councils of trustees? What were their suggestions? The opinions expressed by 15 councils were summarised at the head office as a basis for further discussions. Four of the councils came to the conclusion that membership should be reserved exclusively for grocery and rural retailers. As a contrast, four other councils were of the opinion that membership should be granted to retailers from other lines of trade as well. In between these poles apart, the remaining councils neither wanted to reserve membership exclusively to grocery and rural retailers, nor wanted to be very liberal in granting membership. These councils argued either for particular caution concerning applicants from other lines of trade, or for modifying the principles for membership.²

The stances taken by the councils were in some cases heavily influenced by the situation within their respective districts, i.e. by the existing customer structure.

¹ Issues for the councils of trustees' September meetings, AB Hakon Swenson, Sept. 16, 1949.

² Issues for the March / April meetings of the councils of trustees, AB Hakon Swenson, Mar. 24, 1950.

The issue was vividly discussed and out of the discussion came a wish that, since the Eskilstuna office had large customers among both paint shops, fruit shops and bakeries, these should be allowed as members on certain conditions. Concerning meat shops it was, as far as we are concerned, not of immediate interest, as we do not have any larger customers in this group.

Minutes of the Eskilstuna council of trustees, Oct. 3, 1949.

Once again, then, local differences prevented a more uniform stance. No clear line could be discerned from the comments made by the councils of trustees. The initial discussion showed that the managers' opinions also differed considerably. What were they to do?

Round 3: Opposing solutions

At the directors' conference in October proposals abounded. Most significantly, Hakon Swenson argued for a second form of co-operation for retailers from other lines of trade.

The Chairman [Hakon Swenson] suggested that the issue should be referred back to the councils of trustees along with an account of the various opinions which had been expressed. At the same time, the Chairman suggested that an investigation should be made concerning the bases for constituting a special form of co-operation for retailers from other lines of trade.

Eric Gotborn was hesitant towards establishing a mid-form. We ought to be able to have relations to retailers in these lines of trade – even to a higher extent – within the scope of the premiums which the old share holder bonus give.

The Chairman replied that the purpose was to provide the retailers in these lines of trade with a stimulus towards a more cost reducing co-operation too...

Carl-Hakon Swenson found it hard to reach any further form of premiums, for towards other lines of trade we must keep our sales organisation. ... At the renewed discussion within the councils of trustees, the rapporteur should emphasise that the stability of our system requires that membership is limited to the grocery and rural retail trade and that the issue of participation from retailers in other lines of trade must stand back until we are better equipped ... to handle a possible co-operative organisation for other lines of trade.

Minutes of the directors' conference, Oct. 17, 1949.

Contrary to his father, Carl-Hakon was arguing for granting membership exclusively to grocery and rural retailers. However, Hakon Swenson did not agree. As a matter of fact, his opinion seems to have been diametrically opposed to that of his son:

The chairman pointed out that the purpose of the new discussion in the councils of trustees would be to present the different opinions about this issue. If we demand a new penetration of the problem all councils of trustees will realise the extent of the question. Also those, who now are in favour of a restrictive application of the rules for membership, will listen to our opinion. This opinion contains possibilities of developing Hakonbolaget into an organisation for rationalised purchasing also for some other lines of trade without thereby limiting the possibilities of serving the grocery and rural retail trades. On the contrary, our resources can thereby be expanded and strengthened...

Both Elis Göteborg and Josef Lindqvist held that a recommendation to the councils of trustees along the lines sketched by the chairman, would be favourably received and gain understanding also among those who wanted to limit our efforts to rationalise trade to the grocery and rural retail trade.

The chairman stressed that the operative results were more favourable in the textile trade than in the grocery trade. We ought thus also for economic reasons safeguard our relations and improve our contact with the textile retailers. Nils-Erik Wirsäll advocated caution before we had "digested" the new deal at all offices.

Carl-Hakon Swenson wondered if it was possible to reach retailers in other lines of trade with a rationalisation offensive since the sales apparatus must work for these firms' purchases.

Minutes of the directors' conference, Oct. 18, 1949.

Carl-Hakon Swenson argued that "the stability of our system requires that membership is limited to the grocery and rural retail trade." On the other hand, Hakon Swenson argued that "also those, who now are in favour of a restrictive application of the rules for membership, will listen to our opinion." In his opinion, "this opinion contains possibilities of developing Hakonbolaget into an organisation for rationalised purchasing also for certain other lines of trade without thereby limiting the possibilities of serving the grocery and rural retail trades." Thus, not only did he disagree with his son, but he also held his view to be shared by the entire group, despite obvious proof to the contrary!

For the first time, reasons for discussing the issue that go beyond mere principles are supplied. Hakon Swenson linked the issue to the creation of special goods and textiles departments at a number of district offices during the late 1940s. These departments were to improve service to the rural retail trade, which carried a wide assortment of goods.¹

But the new departments also widened the capabilities of Hakonbolaget and made it possible to serve other lines of trade. Why not expand into lines of trade where there was demand for the goods offered by the new departments? Hakon Swenson pointed out that the operative results were "were more favourable in the textile trade than in the grocery trade" and held that Hakonbolaget should "for economic reasons safeguard our relations and improve our contact with the textile retailers."

The discussion went on a while longer, with more people declaring their views and choosing sides. No new arguments were introduced and in the end, father and son made something of a rapprochement.

Carl-Hakon Swenson: Can we get these firms to fulfil the membership obligations? We should not cut the relation to them, but exclude them from membership.

The Chairman: My proposal did not concern the membership but an investigation concerning the possibilities of reaching a co-operation in a certain form, primarily with the textile retail trade, something which spokesmen for that trade warmly try to attain. To turn down such proposals ... would undoubtedly be to lose a chance of making Hakonbolaget a more powerful instrument also for the rural retail trade as regards the textile assortment.

Minutes of the directors' conference, Oct. 18, 1949.

¹ AB Hakon Swenson, Annual report 1950.

So, Hakon Swenson was not proposing to grant membership to the textile retailers. Rather, he was anxious not to spoil a business opportunity. However, this was precisely what he had asked the local directors to do, when urging them not to revert back to the use of sales measures to keep up their turnover. Perhaps this was different...

It was then unanimously decided:

to inform the councils of trustees of the consideration of the issue along the lines of the proposal made by the chairman.

to postpone the issue on possible membership for meat, paint, and fruit retailers

to express interest in the creation of a co-operative form for the textile retail trade according to a principle which should be further elaborated by the Management after internal talks.

Minutes of the directors' conference, Oct. 18, 1949.

The issue was once again referred back to the councils of trustees. This time, they were asked to give their opinion on Hakon Swenson's proposal. This proposal seems to have led to a re-focusing of the issue, reflected in the other two decisions. Retailers from lines of trade which seem to have been close to the grocery and rural retail trade, in the sense that they too sold foodstuffs, were sent off into the periphery, while the textile retail trade was brought to the centre of attention. Further, the talk of creating a co-operative form for the textile trade, indicates that the membership institution, as presented in the Hakons deal, for the time being was to be exclusively reserved for the grocery and rural retailers.

Round 4: Deciding how to decide

At their next meeting, the directors fixed the course towards a final decision.

The idea was to call a general meeting with the councils of trustees, where the issue would be further considered. This would also provide the members of the councils of trustees with an opportunity to see how difficult it is to make a decision which satisfies the opinions of everyone on an issue of this character. ... it was decided to refer the issue concerning the principles for membership to a joint meeting with the councils of trustees. Thereafter, the issue is brought before the board for a definite decision.

Minutes of the directors' conference, Dec. 17, 1949.

As it turned out, the issue was first discussed within the individual councils of trustees and then again at a joint meeting were once again sketched in a message to the members of the councils of trustees, this time along with a brief summary of the decisions each of the 15 councils had reached during the previous consideration of the problem.

Round 5: Trying to decide

At the joint meeting, the issue was introduced by Nils-Erik Wirsäll, who first summarised the opinions voiced in the discussions so far, noting the diverging views expressed both by managers and council members. He then went on to present his views:

One reason for seriously discussing a change in our position is the creation of our textile and special goods departments. Representatives of these lines of trade have naturally not refrained from observing how the economic co-operation of the grocery and rural retail trades has grown stronger and that the benefits have increased through the Hakon-deal. To this, we might perhaps add that some of us see increased opportunities to raise the yield of our company through a stronger support from other lines of trade. But surely, such an opinion cannot be taken seriously, for if we are unable to operate the purchasing centre to economic satisfaction with the grocery and rural retail trade as the main partner, there must be something wrong with our organisation. Besides, how should the other lines of trade in the long run regard the fact that they are helping the grocery and rural retail trade to better conditions?

N-E Wirsäll. Minutes of the general council of trustees, April 26, 1950.

The line of reasoning of Hakon Swenson during the meeting in December, viz. that the new departments made an expansion into, e.g., the textile trade profitable, was disqualified by Wirsäll, who argued that "such an opinion cannot be taken seriously, for if we are unable to operate the purchasing centre to economic satisfaction with the grocery and rural retail trade as the main partner, there must be something wrong with our organisation." It seems that he considered it more appropriate to divest rather than to expand the new departments, if they could not be used rationally for serving the grocery and rural retail trade. Finally, he brought up the issue of 'reversed free-riding', i.e. if the retailers from other lines of trade were brought in because they were more profitable, how would they react when realising that they were subsidising the grocery retailers? Wirsäll concluded by summarising his views into three suggestions:

1. Membership is a benefit which should be reserved for the grocery and rural retailers. Is there not a risk that widening membership to other lines of trade will lead to difficulties concerning delimiting between different lines of trade?
 2. The success and soundness must be built on the efforts of the associated grocery and rural retailers. Doesn't the grocery and rural retail trade possess such inherent strengths that their representatives can create a sound purchasing company? Shouldn't sharpened requirements for membership be brought up on the agenda? Higher minimum purchases, greater solidarity etc.
 3. If other lines of trade want to purchase from Hakonbolaget, surely they can be allowed to do that as hitherto, without being granted true membership? The grocery and rural retailers must be the solid ground on which we are to build.
- The discussion following accountant Wirsäll's presentation became very vivid: Director Hakon Swenson ... suggested that it was probable that other lines of trade would solve their purchasing issue by forming their own economic purchasing organisations. Hakons new deal had become a signal for rearmament, the effects of which we perhaps yet cannot completely discern. Representatives of other lines of trade have, through their actions, shown an interest in an expanded co-operation. Is it then correct to shut the door and make our institution exclusive? Mustn't we even now plan for a future that surely will offer severe strains? Surely, it is possible to create sections for other lines of trade within the frame of Hakonbolaget and thus further support private trade in its economic ambitions for concentrated purchasing and striking power...

Director Harald Mörck underscored accountant Wirsäll's declaration of clear lines in the layout of the purchasing centre's operations. There are factors that speak in favour of both accountant Wirsäll's and Director Hakon Swenson's proposals. Hakonbolaget is a bulwark for private retail trade and it is only natural that we must be open for the development. However, are we prepared to take position on this utterly important issue today?

Minutes of the general council of trustees, Västerås, April 26, 1950.

Hakon Swenson retorted by rhetorically asking if it was right to shut the door in front of retailers from other lines of trade who were interested "in an expanded co-operation." In what must be regarded as an attempt to solve a deadlock, Harald Mörck found "factors that speak in the favour of both ... proposals" and proposed to postpone the decision.

The comments made by the participating retailers made it clear that their views were just as divergent as the directors'. Some advocated an exclusive line while others argued for a policy of 'open doors'. A third group argued that the issue perhaps had not arisen had only the existing members shown greater purchasing fidelity.

Knut Sundelöf, Skövde, called for greater support for the purchasing centre. If purchasing concentration was a reality, perhaps we wouldn't have had to discuss this problem. ...

Director Hakon Swenson made the concluding comment and noted that under no conditions could there be talk of limiting the service given to the grocery and rural retail trade. Director Swenson further proposed that the whole problem in the future should be discussed by a committee composed of the chairmen of the councils of trustees and the board. We must look 10 or maybe 20 years forward in time, continued Director Swenson, in order to be able to take the necessary measures at the right time. We must however not do anything which may hurt the positions we have already reached.

It was decided that tobacconists, bakeries, cafés and other lines of trade which may be brought to this category, should not be granted membership.

It was decided that the chairmen of the councils and the board, jointly, in time for the next meeting of the councils of trustees, should present a final proposal for solving the issue "the principles of membership."

Minutes of the general council of trustees, Västerås, April 26, 1950.

As a consequence of the discussion, the issue was narrowed down by the exclusion of "tobacconists, bakeries, cafés and other lines of trade which may be brought to this category." Regarding the textile retail trade, which Hakon Swenson spoke so warmly of, yet another committee was to work the issue over before a final decision was to be taken.

No final decision seems to have been reached during 1950. The local councils of trustees seem to have continued as before, deciding whether or not to grant membership in each particular case.¹ With caution concerning those from other trades, yes, but without a firm principle to guide them. The proposed expansion into the textile retail trade apparently came to nought. Indeed, the idea seems to have vanished from the agenda as its

¹ This is indicated in several minutes of meeting from the local council of trustees, e.g., Karlstad, Aug. 28, 1950; Västerås, Oct. 24, 1950; and Södertälje, Oct. 18, 1951.

most urgent advocate, Hakon Swenson, withdrew from being an active manager.¹ Instead, another problem concerning membership was brought forward, viz. that many of those that already had been granted membership did not fulfil the requirements.

Round 6: Rephrasing the issue

At the managers' conference in June, the problems associated with the Hakon-deal were reviewed in connection to the so-called 175 million campaign, i.e. the ambition to reach a turnover of MSEK 175 during 1950. Nils-Erik Wirsäll had prepared a memo on how to realise this ambition. In connection to this, the new managing director, Harald Mörck, emphasised the import of placing increased demands on the customers:

The regular written ordering is to improve the finances. The more telephone orders, the worse finances we get. We must teach the members to order in writing, and we cannot continue to phone members who do not order in writing. If they do not improve, we should consider dismissing them from the co-operation. In Västerås two members have already been excluded. We must set examples, and if the members don't act as agreed, we must not be too tolerant... Lars Lewén emphasised that non-members are a strain since they buy for less than before but have not become fewer. In his view, they should be completely disconnected. He also pointed out that a buyer did not fulfil the member requirements just by reaching the lower limit for purchases, SEK 5,000 per year, but we should also require that he makes his main purchases with us... Carl-Hakon Swenson mentioned, that Usego in Switzerland had increased their requirements on the members, e.g., through higher required purchasing sum... Martin Jarlstedt put the question as to what position to assume vis-à-vis customers who buy relatively much textile and special goods but are not faithful to us on groceries. Nils-Erik Wirsäll stressed that if we cannot reach the cost reductions we calculated with initially, then this is likely to depend on not having cut down on the number of customers to any significant degree. He held that we should try to do away with members who mainly bought textile and special goods. The best thing would be to disconnect non-members entirely. Elis Göteborg emphasised that one should also try to disconnect the customers who only buy our branded goods. According to the Member-book, membership requires that the customer also buys our so-called service goods.

Minutes of the managers' conference, June 1-2, 1950, pp.7-9.

At this point the main issue concerning membership seems to be the performance of those who already have membership, rather than who to grant it to. Indeed, Wirsäll was able to

¹ Hakon Swenson was formally replaced by Harald Mörck as Managing Director at the annual meeting in May 1949. He remained as chairman of the managers' conference throughout 1949. In an emotional speech at the managers' conference in June 1950, he informed that he had announced to the board that he no longer wanted to participate in the work due to reasons concerning the relation between ICA (Hakonbolaget) and SSLF (The Swedish association of food and rural retailers). "I resign as a reaction to a system within trade, which is irresponsible. ... From July the 1st, I will leave all companies within our Group. Director Mörck has now pressured me to remain with my name on the board of AB Hakon Swenson, but I will not participate at its meetings." Hakon Swenson's name remained on the board until 1953. (Minutes of the managers' conference, AB Hakon Swenson, June 1-2, 1950.)

suggest disconnecting customers buying mainly textile and special goods, a ‘hot’ topic only a few weeks ago, seemingly without any opposition.

There seems to have been two major problems with the purchasing habits of members as well as non-members. First, they didn’t order in writing to the extent that they should. Second, they didn’t order enough to reach the minimum requirements for membership (or customership, for that matter). The possibility of placing increased demands on members and customers in this respect, was also brought up. For instance, that members should have Hakonbolaget as their main supplier, and that they should buy their service-goods from Hakonbolaget.

Round 7: Disconnect the lesser customers!

The stricter stance that was suggested in June, and which concerned the sales issue as well (see p.261), was further pronounced by Harald Mörck at the meeting in September:

The Member-book must to a higher extent than previously be the norm for our actions. One of the absolute requirements that we should place on members and non-members is that the sum of yearly purchases amounts to at least SEK 5,000. We have within the management of the company seen it fit to go in for a tight rein policy from the turn of the year. It is possible that we temporarily may incur some turnover losses by moving ahead along a more radical line. These circumstances must not detain us from following the principles which in the end must be the right ones. Flexibility should continue to be a mark in our policy, but adaptation must not take place at the cost of efficiency.

Minutes of the managers’ conference, Sept. 8, 1950, pp.1.

Here, then, there is a clear policy-recommendation made by central management – adaptation is secondary to efficiency. Nils-Erik Wirsäll then argued that this strict policy vis-à-vis the customers was necessary to ensure efficiency and yield:

The work-load at the order departments has been quite severe. In an analysis of the situation it has been shown that there have been many incoming telephone orders at these departments. Further, it has become clear that the non-members have caused us much trouble. Have we really done what we can, to weed out these free-riders? At some offices, the number with a purchasing sum less than SEK 5,000 a year has been shown to increase. This carries increased cost- and work-load with it. It is of utmost importance that we are strict on the SEK 5,000 -principle for members as well as non-members. By showing firmness in this respect, we get more time to devote to the real member-circle. A firmer ground is also created for a better gross-yield from the operations. We must now seriously consider the question of excluding members and customers who fall below SEK 5,000 in their purchases. ...

N-E Wirsäll. Minutes of the managers’ conference, Sept. 8, 1950, p.2.

Here, figures were allegedly available from the order-departments showing that telephone orders were problematic. Some advantages of a more strict policy towards the lesser customers are also listed: more time for “the real member-circle” and better yield. Now, the local directors were asked to supply figures concerning their lesser members and customers in order to estimate the size of the group that was suggested should be excluded:

All local directors presented sales-figures for their office-groups, concerning sales to lesser members and non-members. This showed that approx. 2,500 members and non-members (with a total purchasing sum of no more than MSEK 5/year) do not reach the stipulated purchasing sum, SEK 5,000/year.

Mr Jarlstedt and Mr Götberg expressed fears that the development of the textile and special goods departments could be negatively affected by clinging too drastically to the SEK 5,000-principle.

Mr Chairman pointed out that no senseless arrangements must naturally be made and that the views put forward from Karlstad and Lidköping to some extent had to be taken into account, so that for the special stores there would be a certain introduction time of 1/2 - 1 year. ...

Decision to limit the customer-clientele.

After several of the participants had expressed their sympathy for the discussed proposal of increased firmness towards the member-circle, it was un-animously decided that the new guide lines should be implemented starting Jan. 1 1951. members and non-members, which have not reached a purchasing sum of SEK 5,000 during 1950, shall be disconnected.

In certain cases – if we hold that the person concerned can become a good customer – the first six months of 1951 can however constitute a so-called qualification half-year. If it has proven impossible for the concerned customers or members to reach the stipulated purchasing sum, they shall definitely be discarded from the customer or member register.

Minutes of the managers' conference, Sept. 8, 1950, pp.2-3.

Finally then, a firm adherence to the principle seems to have been established. The rough estimate made on the basis of the local directors' figures, suggests that the whole problem concerned a group of customers that accounted for approximately 3% of the turnover. Not a very big problem, one would think.

Still, Harald Mörck immediately adapted the new stricter policy to the comments made by Jarlstedt and Götberg, despite his clear initial message that the more rigid stance should apply irrespective of whether it led to temporary sales losses. It thus seems that his principle position did not fare very well in practice, at least not on this occasion. What remains to be seen is whether it stood up at the turn of the year, or slightly thereafter...

Well, it didn't. The sought after change did not materialise. Indeed, by the end of 1951, the situation was almost identical to that suggested during the meeting (see Table 5-8, p.278). What is more, by then the board had declared a different opinion:

The selection of customers. The Chairman observed that the board wanted to assume a very cautious stance on revoking membership. It is likely that an increase in the minimum amount will prove to be correct. We are not yet ready to decide on this.

Minutes of the managers' conference, Dec. 6-7, 1951, p.3.

Instead of realising the change, the entire new deal was made subject to an investigation by a committee appointed by the managing director in the autumn of 1951. It is to the committee's report and the changes it gave rise to, that I now turn for my final chapter on the sales and membership issues (and on the Hakon-deal).

Reviewing and revising the Hakon-deal: The Novea report

We know that two issues were repeatedly brought up during the first two years that the Hakon-deal was being practised, those concerning active sales measures and requirements for membership. Both these issues displayed a remarkable tendency to elude solution. Principle stances were declared unanimously, on several occasions, but no changes appear to have taken place in practice. Nearly three years after the first offices had changed-over to the new deal, during the autumn of 1951, a committee was appointed to evaluate the program and suggest changes which could improve its effects.

The committee's task has been to carry out a general overview of the Hakon-deal and the operating guidelines which are drawn up within this. The committee has further been given the task of investigating the extent to which improvements and simplifications are possible in order to further increase the effect and striking power of our operations.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.1.

The Novea committee was made up of Nils-Erik Wirsäll, Oscar Kihlgren (retailer and board-member), Valdemar Eriksson, Eric Gotborn and Arne Lundgren.¹ Besides the five regular members, an additional group of five was called in for the final meeting of the committee.² The committee report was presented on April 17, 1952.

Figures at last

The first part of the report focuses on customer structure and evaluates the situation at the end of 1951 compared to the situation in 1946, the year for which figures had been assembled as the new deal was being constructed (see above, p.187).

An explicit objective when launching the Hakon-deal was to limit the number of small customers, the "free riders", as they were called. Had this objective materialised?

When the Hakon-deal was implemented, one of our slogans was to bring down the number of small customers who "free ride", as far as possible. Surely, we have all been convinced that we have been successful in this structural change of our customers.

In order to have clear facts on the situation today, the committee has made a corresponding study for 1951. This shows that the number of customers buying for less than SEK 10,000 this year represented 40% of the customers and accounted for 4% of the turnover, or in other words that 2,784 customers bought for MSEK 8.2. Customers with annual purchases exceeding SEK 10,000 represented 60% of the customers and 95.65% of the total turnover.

We can thus note a slight improvement, but still, we could reduce the number of customers by 2,784 and only lose MSEK 8.2 in turnover. Of this amount 311 members account for MSEK 1.9 and 2,473 other customers for MSEK 6.3

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.1-2.

¹ The committee was called Novea after the first letters in the five members' Christian names.

² These were the retailers Olle Lindberg, Strömsholm, and Knut Sundelöf, Skövde, the local directors Martin Jarlstedt, Karlstad and Lars Lewén, Västerås, and the office manager Sven Dahlén from Skövde.

Table 5-6. The distribution of Hakonbolaget's customers according to the size of their annual purchases. Source: *Hakonsgiven, Noveas betänkande, April 1952*, AB Hakon Swenson, 1952, p.2.

Annual purchase per customer	Number of customers			
	1946		1951	
	Number	% of total	Number	% of total
SEK 0-9,999	750 shareh	47.94	311 members	40.07
	2,429 others		2,473 others	
SEK 10,000 -	3,040 shareh	52.06	3,705 members	59.93
	413 others		457 others	
Total	3,790 shareh	100	4,016 members	100
	2,842 others		2,930 others	

This account of the Hakon-deal suggests that, despite the general feeling of success at the time (see p.238), the customer structure had not changed dramatically. Not even the decision taken in September 1950, to "reduce the customer-clientele", had apparently led to any significant change. The committee noted "a slight improvement" but observed that the company still served many small customers. Two tables (Table 5-6 and Table 5-7) were used to summarise the situation before and after the implementation of the new deal.

According to Table 5-6, the small customers as a group had decreased both in absolute and relative numbers. The number of customers buying for less than SEK 10,000 per year had dropped by 12% from 3,179 to 2,784. As a group, the small customers represented some 40% of the total number of customers, compared to 48% in 1946.

Table 5-7, above, shows that the share of the total turnover emanating from small customers had decreased considerably between 1946 and 1951. In fact, in 1951 their share of the total turnover was less than half of what it had been in 1946. Thus, the 2,800 customers accounted for less than 5% of the total turnover in 1951.

A closer look at the situation in 1951 was also offered (replicated in Table 5-8, p.278). This shows that there were 1,976 *non-members* purchasing for less than SEK 5,000 per year. In addition, 98 *members* also fell below SEK 5,000 per year. If the rules of the new deal were to apply, these should then have had their memberships revoked.

Suggestions concerning customers and members

The committee was critical towards the situation concerning *non-members*...

A closer look shows that several of them belong to the categories industries, municipal institutions, special shops within textile, iron and household utensils, etc. [There are] several accounts which we rightly should have divested, or account holders with whom we should not have established contact.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.4.

... and recommended that a clearing up among these customers was needed:

Table 5-7. The share of Hakonbolaget's turnover emanating from large and small customers. Source: *Hakonsgiven, Noveas betänkande, April 1952, Hakonbolaget, 1952, p.2.*

Annual purchase per customer	1946		1951	
	MSEK	% of total	MSEK	% of total
SEK 0-9,999	10.6	8.86	1.9 members 6.3 others	4.35
SEK 10,000 -	109.2	91.14	167.8 members 11.8 others	95.65
Total	119.8	100	169.7 members 18.1 others	100

Considering that we still have as many as 2,930 non-members out of which the majority purchases for less than SEK 5,000 per year, we strongly stress the import of a continued clearing of our customer ledger. We ask the Management to direct an appeal to each office to go over the customer ledger anew and to take the measures necessary to reduce the number of "free-riders."

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.10.

They also suggested that *members* who did not meet the requirements should be dropped:

A decision to exclude a member is made by the board based on the recommendations of the councils of trustees. If a member's annual purchases falls below SEK 5,000, however, he automatically loses his membership...

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.6.

The committee assumed a rather dismissive stance towards those who did not fulfil the requirements. Despite the fact that 311 members purchased for less than SEK 10,000 / year (see Table 5-8), the committee wanted to raise the requirement for bonus to SEK 15,000.

We motivate this with reference to the depreciation of money value which has led to us no longer making the savings that the member bonus is based on...

Members that do not reach annual purchases of SEK 15,000 of bonus-goods, thus miss out on member-bonus, but they are accredited order-premium on written orders (if their purchases have amounted to at least SEK 5,000). ...

In connection to the change of the bonus-scale, paragraph four, p.21 in the Member-book should be given the following wording: "The member-bonus is set by the company board annually." This change in the text gives the board greater freedom to change the size of the member-bonus.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.9.

The reason for raising the requirements was the depreciation of the crown. Available figures for the development of consumer prices in Sweden suggest that the value of the crown decreased by 22% (for food stuffs, 23%) between 1948 and 1952.¹ This is a very moderate decrease compared to the suggested 200% increase in purchasing requirement.

But were these the figures that the committee used? In the annual report for 1950, an alternative outlook was presented.

¹ Based on the Consumer Price Index (*Statistical Abstract of Sweden 1955, 1955*).

Table 5-8. "The distribution of the turnover on groups of different size 1951." Compiled from *Hakongiven, Noveas betänkande, April 1952*, AB Hakon Swenson, 1952, p.3.

Size	Non Members				Members				Total			
	Number		Purchases		Number		Purchases		Number		Purchases	
	No.	%	MSEK	%	No.	%	MSEK	%	No.	%	MSEK	%
-.999	1111	16.0	0.3	0.2	11	0.2	0.0	0.0	1122	16.2	0.4	0.2
1-2.999	529	7.6	1.0	0.5	44	0.6	0.1	0.1	573	8.2	1.1	0.6
3-4.999	336	4.8	1.3	0.7	43	0.6	0.2	0.1	379	5.5	1.5	0.8
5-9.999	497	7.2	3.6	1.9	213	3.1	1.6	0.9	710	10.2	5.2	2.8
10-19.999	306	4.4	4.3	2.3	775	11.2	12.0	6.4	1081	15.6	16.3	8.7
20-29.999	65	0.9	1.5	0.8	752	10.8	18.7	10.0	817	11.8	20.2	10.8
30-49.999	58	0.8	2.2	1.2	1105	15.9	42.9	22.8	1163	16.7	45.0	24.0
50-99.999	11	0.2	0.8	0.4	834	12.0	56.9	30.3	845	12.2	57.6	30.7
100-149.999	12	0.2	1.5	0.8	160	2.3	18.7	9.9	172	2.5	20.2	10.8
150-199.999	2	0.0	0.4	0.2	41	0.6	7.0	3.7	43	0.6	7.4	3.9
200-	3	0.0	1.1	0.6	38	0.5	11.8	6.3	41	0.6	12.9	6.9
Sum	2930	42.2	18.0	9.6	4016	57.8	169.7	90.4	6946	100	187.8	100

By the end of the year, our domestic economy was also exposed to the strains which the removal of the wage freeze and subsidies produced. While there previously were reasons to calculate that the effect of this would be moderate, these factors have unfortunately, in combination with the wave of international price increases, come to result in a depreciation of the money value, of worrying proportions. The so called "one-time inflation" calculated by the government has thus been given an unanticipated magnitude. Grounded reasons for worry and concern for our money value exist, particularly as the psychological effect of the price-increases has now become inflationary in itself.

AB Hakon Swenson, Annual report 1950, p.4.

At the time, then, Hakonbolaget found reasons to be worried about the inflationary tendencies. In the 1951 annual report, it was noted that the value of the crown had decreased by 20% during the year. Further, despite the fact that figures were lacking, wholesale prices were said to have increased considerably during the first quarter of 1951.¹ Thus, the outlook seems to have been one of concern for the depreciating value of the crown.

The committee also proposed a change concerning the Hakons premium, i.e. the premium which had been designed to reward the retailers relative to their ability.

The idea behind the Hakon-premium is completely correct, but when we seek to find a fair and manageable distribution of the Hakon-premium, we face seemingly insurmountable difficulties. Since we obviously cannot find the fair distribution-principle, we hold it to be most correct that we clearly say so to the members. We propose to omit [that which concerns the Hakon-premium].

Hakongiven, Noveas betänkande (The Novea report), April, 1952, p.9.

¹ AB Hakon Swenson, Annual report, 1951, p.3-4.

The “completely correct idea” underlying the Hakon-premium had to surrender to the practical difficulties of calculation. As was noted by Felldin already in his account of the committee work which led to the Hakon-deal: “It is in any case hard to calculate the purchasing fidelity due to the considerable material which must be made available to the purchasing centre by the customers.” (see p.185, above).

The committee also suggested a new principle stance on the issue of granting membership to other lines of trade:

Membership is granted by our councils of trustees. An exception to this main rule is the possible granting of membership to representatives of other lines of trade than the grocery and rural retail trades. In such cases, the board decides on the matter. ...

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.6-7.

Thus, it should still be possible to grant membership to members of other lines of trade; the door was left open, or at least ajar...

We do not however, want to recommend that we, by a radical change in our Member-book, completely close the door to membership to representatives of other lines of trade. We are thinking of the new ways which may open in the future, if the retail trade develops towards a greater degree of scramble merchandising, grocery shops grow from milk shops with a limited assortment, etc. We should in these cases be able to discuss a possible membership.

Since such applications concern issues of profound principle importance, we definitely consider that such membership may only be granted by the Board.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.6-7.

The suggestion is similar to that made by the proponents of the new deal during the discussions in 1949 and 1950, i.e. to grant membership exclusively to the grocery and rural retail trade. However, despite its strict appearance, the new rule is actually more lenient than the ones discussed previously. Successively during those discussions, the number of trades from which retailers could be granted membership was narrowed down by excluding tobacconists, bakeries, cafés, etc. In fact, the only issue that remained to be settled from the time that the discussions stopped in April 1950, was whether or not to offer a special type of membership to the textile retailers. Two years later, the possibility of granting membership to retailers from a number of trades is hinted at. Why the change?

A possible explanation lies in how a decision to grant membership to representatives from other retail trades was to be taken. First, the committee recognised a possible future development of Swedish retail trade which changed the grounds for such decisions, i.e. the emergence of *scramble merchandising* was held to endanger the competitive power of the Hakon group. Once this possibility was taken into account, a strict rule must have seemed decisively less attractive. Second, decisions to grant membership to retailers representing other lines of trade was suggested to be taken exclusively by the Board of Hakonbolaget. Through this measure, the risk of radically increasing the heterogeneity of the members is likely to have been reduced.

Table 5-9. "Results from the NOVEA survey to the councils of trustees, Feb. 22 1952." Source: *Hakongiven, Noveas betänkande, April 1952*, AB Hakon Swenson, April 17, 1952.

Are you satisfied with the contact-man's work so far?		Should we keep the contact-man position in the future?		How have the telephone contact-men performed their task?		Should the telephone contact men work differently in the future?		Are you satisfied with our news service and information		Should we take up small regular member-meetings?		Should our drivers have a news bag with them?	
Yes	No	Yes	No	Good	Bad	Yes	No	Yes	No	Yes	No	Yes	No
67	37	70	29	89	20	31	56	84	31	97	16	51	68
No clear opinion		Don't know		No clear opinion		Don't know		No clear opinion		Don't know		No clear opinion	
24		29		19		41		13		15		9	

The sales-issue:

To address the sales and customer contact issue, the committee made a survey among the members of the councils of trustees. The results are summarised in Table 5-9. In addition, excerpts from the replies were compiled in an appendix to the report. The committee summarised the expressed views in the following way:

... the replies from the councils of trustees give voice to a great satisfaction with the Hakon-deal and the way in which we work.

But critical views have not been lacking either, and they all point in a certain direction. Thus, it is held that we have not been fast enough with information concerning price changes, newly arrived goods and new products.

Hakongiven, Noveas betänkande (The Novea report), April, 1952, p.5.

In addition to the retailers' views on the work of Hakonbolaget, the committee also studied the work of the telephone contact-men. This function was recurrently brought up during the sales discussions, either as a possibility for sales activities (see p.259-260), or as a problematic aspect of the new deal (see p.261). A selected group of retailers was asked to evaluate their weekly telephone conversation with the telephone contact-men at their respective office. The committee summarised the findings as follows:

All expressed their satisfaction with the co-operation with these co-workers. All the accounts did however have one weakness in common, and that was that the telephone contact-men are rest-order callers to too high an extent, that is, they focus on notifying about stock-outs instead of starting with the positive side and notify about new products, price changes, etc.

Hakongiven, Noveas betänkande (The Novea report), April, 1952, p.5.

These findings led the committee to suggest the following changes to improve Hakonbolaget's information service in general, and concerning new products in particular.

IV. Renewal and design of the news and information service

Our ambition should be that the members also in this respect are fully satisfied with their purchasing centre.

a) The oral information... the design sketched from the start has led to the telephone contact-men having concentrated too much on informing about out-of-stock items. We therefore suggest,

that our telephone contact-men ... are given renewed training by the head office ... During this training we should particularly direct the thinking of the telephone contact-men towards the task of bringing in a larger number of order-rows from each member...

that we henceforth should devote greater care to the selection of telephone contact-men, so that we get a more qualified group...

The telephone contact-men, new articles and "risky" goods in stock

For the purpose of meeting an almost general wish among our councils of trustees that the purchasing centre should show greater activity regarding information on new articles, we suggest certain re-dispositions in the tasks of the telephone contact-men. We thus suggest:

that the telephone contact-men during their so-called rest-order calls speak to our members about new items or goods that have become available again.

At these calls, order-premium is paid on the orders noted for these items.

that the telephone contact-men may act in the same way concerning items whose large stocks at hand weigh us, and where the goods may bring losses by pilferage et cetera if we do not sell them quickly

but that the number of goods should be limited to no more than 2 to 3, and

that the business manager at the head office should always be asked about the choice of goods, before the work starts.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.12.

Already at the outset, there is a change in tone compared to previous discussions, where the ambition was to reshape the retailers' way of thinking. For instance, Carl-Hakon proposed that "propaganda should be made among the members" so that they would "not jump on every suggestion made by the competitors." Indeed, Hakon Swenson argued (see p.257) that it might be wise to "let the retail trade continue their purchasing policy concerning new articles for a while yet" to make them "realise that their present system of falling for siren calls is too dear."

Based on the committee's investigations, and given that the Hakon-deal actually had been practised at all offices for more than two years, the "ambition should be that the members... are fully satisfied with their purchasing centre." So, instead of the staunch line argued for in 1949, where the opinions of the members were to be changed rather than adhered to, the NOVEA committee displayed a willingness to comply to the wishes of the customers. This change of principle resulted in a series of proposals which ran counter to the policy decided upon in 1950.

Most importantly, it was now considered acceptable to let the telephone contact-men engage in sales activities, albeit to a limited extent. Indeed, they not only could, but should *concentrate* on "the task of bringing in a larger number of order-rows from each member." During their calls, they were further to inform the members of new products and any orders taken were to be rewarded with the order-premium which initially had been designed to provide the retailers with an incentive for making written orders.

The link between sales and the centralised decision-making which was provided by the policy of caution concerning novelties, was retained also as the principal position now changed on the matter. Specifically, it was prescribed “that the business manager at the head office should always be asked about the choice of goods, before the work starts.”

The change was motivated with reference to “an almost general wish among our councils of trustees that the purchasing centre should show greater activity regarding information on new articles.” Several quotes concerning the need to improve service in this respect were included in the appendix to the report.

To ensure success, the existing contact-men and telephone contact-men were to receive training and the ones to be were to be more carefully selected. A specific reason for training the contact-men, whose task it was to visit the members and “preach” for the importance of concentrated written purchasing from their own purchasing centre, was the suggestion that they should arrange small-scale member-meetings in their districts.

... this increases the requirements on our contact-men. We suggest that those who are considered fit to lead the member-meetings, during a week this spring or summer, are educated in meeting practices, psychologically trained, tuned up on basic accounting issues, learn to read simple balance sheets, etc.

In connection to this, we suggest that those contact-men who are seen fit for the new task and who pass the education, are promoted to advisers.

Hakonsgiven, Noveas betänkande (The Novea report), April, 1952, p.16.

From contact-man to retail adviser in one-week, psychologically trained and all...

How was the NOVEA report received by the managers?

At the managers' conference in May 1952, the NOVEA report was discussed. Nils-Erik Wirsäll, who had been secretary to the committee, introduced the issue. He focused primarily on the suggested change in the requirements for membership and argued that it was correct to require small stores to highly concentrate their purchasing to receive bonus. The proposed new lower limit for member-bonus met some resistance however:

Elis Götberg held the leap from the previous SEK 5,000 to SEK 15,000 to be considerable... Within the Lidköping group, we had during the past year over SEK 1 million in total sales to members whose annual purchases did not reach SEK 15,000. When the budget was discussed some time ago in Lidköping, it was noted that we must increase the turnover by 15% to cover the costs this year. It then becomes questionable whether we can afford to refrain from this considerable turnover. The speaker asked whether these rules instead should not apply only to new members, but suggested that the limit should be set at SEK 10,000 instead of SEK 15,000. At the same time, the minimum figure for membership should also be raised to the same amount, SEK 10,000. ...

The Managing Director emphasised that concentration of purchases is necessary on behalf of the members. It is important that we distinguish between small customers and small buyers. We must also keep in mind that SEK 10,000 as a minimum purchasing requirement when we started the new deal, very well corresponds to SEK 15,000 today.

Nils-Erik Wirsäll underscored that the intention is not to throw the small retailers away. But what is important in this respect is that the performance of these doesn't motivate member-bonus... performance is what has to be rewarded...

Eric Lewén expressed his satisfaction with the report presented by the committee, but claimed that the conditions in the districts of Västergötland and Uppland were somewhat different than elsewhere. There, more attention had to be paid to the small retailers and their purchasing possibilities. The speaker approved of Göteborg's proposal of SEK 10,000 as a lower limit for purchases.

Minutes of the managers' conference, May 19-20, 1952, p.3-4.

The local director in Lidköping, Elis Götberg, started by proposing an alternative figure. He also pointed at the situation in his district as a reason for this lower figure. He claimed that he would lose all customers who did not fulfil the new requirement and consequently, also his sales to them. By lowering the figure to 10,000 this problem was supposedly lessened. The local director in Uppsala, Eric Lewén, sided with Götberg and argued that the local conditions in their districts made it necessary to tend to the smaller retailers.

In defence of the proposed higher limit, Harald Mörck argued that the whole point was to require purchasing concentration. Small customers (those who buy little from Hakonbolaget), should be distinguished from small retailers (those who run small operations). He also brought up the inflation-argument by claiming that SEK 10,000 in 1948, corresponded to 15,000 in 1952. Wirsäll added to this by asserting that the performance of the retailers is what is to be rewarded.

The chairman of the board, Josef Lindqvist, then proposed an alternative way of handling the border-line cases:

Josef L. Lindqvist held that there were certain geographical areas where it could be difficult to make annual purchases of SEK 15,000. The speaker questioned whether in special cases one could proceed by way of exemption, and suggested that the board should be able to approve of such an exemption.

Sven Dahlén had made a study that showed that there were 48 members in Skövde who did not reach SEK 15,000 in annual purchases in 1951. Out of these, there were 31 who could but did not want to buy more, 12 who we can bring up to over SEK 15,000 without difficulties, and finally 5, who can't reach this figure. The speaker held that the latter 5 should be given exemption.

The Managing director underscored that the Member-book is our constitution in these matters. In this, it says that the board sets the bonus-scale for one year at a time. We cannot in any way hold it to be unnatural that the requirements on the members are sharpened somewhat.

Martin Jarlstedt mentioned that there were 10 retailers in the Karlstad-district who would not reach SEK 15,000 in annual purchases. This did of course not mean that they had to be lost as customers. The speaker disapproved of the proposed exemption-possibility. We should in every way strive for clear lines in our work. As a compromise, he was willing to accept SEK 12,000 as a minimum figure for purchases.

Minutes of the managers' conference, May 19-20, 1952, p.4.

Lindqvist's proposal to allow the board to decide on exemptions was supported by Dahlén, who referred to members who wanted to, but could not reach the new higher figure. Harald Mörck resisted this by referring to the "constitution", that is the Member-book. Martin Jarlstedt provided a counter-argument against Elis Götberg's initial claim, arguing that members who did not reach the higher figure would not necessarily be lost. He also argued against an exemption-solution by claiming that there was a need for clear rules. This, I suppose, ought to have been clear to most participants given their repeated discussions about this and other aspects of the new deal since its conception.

The scant number of customers that were discussed seems to imply that the problem was relatively slight. Five customers here, ten customers there. What about all those customers that *did* fulfil the new requirements already at this point?

Oscar Kihlgren underscored that today the working methods and efficiency of trade is attended to by many. We are not alone, within the purchasing centre, to show consideration for the least competitive retailers. The same line of thought can also be found within the retailers' trade organisations. [He] further mentioned that the committee had made the reflection that we would get a wonderful purchasing centre from the upper half of the present members. Do we really help the small retailers by showing this great concern? We must remember that we also have a responsibility towards the public, and this responsibility amounts to supplying the goods as cheaply as possible.

Minutes of the managers' conference, May 19-20, 1952, p.5.

Aha! Some *were* less inclined to let a few small customers set the standard for the purchasing centre. "...we would get a wonderful purchasing centre from the upper half of the present members." From Table 5-8, above, we can see what this purchasing centre would have looked like: 2,200 members (with annual purchases above SEK 30,000), MSEK 136 in turnover, i.e. average annual purchases of roughly SEK 62,000 / member.

But this static image was not what the committee envisaged from the new requirement. This became clear as the economic consequences of their proposal was questioned:

Stig Svensson asked whether the committee had calculated how much bonus we would save through the new delimitation. ...

Nils-Erik Wirsäll informed that the committee had counted on growing turnover-figures and hence also increased bonus-payments.

Minutes of the managers' conference, May 19-20, 1952, p.5.

To me, this short excerpt brings forth a major difference between the proponents and the opponents. They simply saw things differently. Stig Svensson, although not an outright critic, quickly linked the stricter requirements for bonus to savings on behalf of the purchasing centre. After all, fewer members would meet the conditions, wouldn't they? No, not at all, said Wirsäll. The new scale will spur retailers to increase their purchasing. The turnover will *grow*. The stricter requirements will lead to *more* bonus rather than less.

As the discussion continued more speakers sided with either of the three proposals made so far, that is: i) Novea's proposal to set the lower limit at SEK 15,000 (6 open

supporters); ii) Götberg's proposal to set the lower limit at SEK 10,000 (4 supporters); and iii) Lindqvist's proposal to allow exemptions (2 supporters). Three speakers were also prepared to move in Jarlstedt's direction and accept SEK 12,000 as a compromise.¹

Towards the end of the discussion, it was suggested that the new scale should apply from January 1 1953, rather than retrospectively for 1952. Mainly, this was motivated by the need to inform the members of the change. Then, a decision was taken:

The report of the NOVEA committee was approved of in principle. Further the new bonus-scale was approved, but it was recommended that the scale should not apply before Jan. 1 1953.

Minutes of the managers' conference, May 19-20, 1952, p.6.

After this principle stance had been taken, the details of the report were scrutinised and some changes were made. The entire sections containing the proposals concerning membership and bonus-scales were approved without any modification. So was also the proposal to continue the clearing up of the customer-ledger.²

The sales issue, and the proposals made concerning this, were not brought up during the initial discussion. Neither during the detailed inspection were they subject to much discussion. The entire proposal concerning the "oral information" (see above, p.280) was approved, except the suggestion concerning the use of telephone contact-men for sales efforts, "that the business manager at the head office should always be asked about the choice of goods, before the work starts." This rule was further sharpened so that the business manager always should "approve of" rather than be "asked about" the choice of goods for these activities. Thus centralised decision-making was explicitly inscribed as part of the new rules concerning sales measures.³

Arne Lundgren was given the task of designing in detail how the telephone contact-men were to be used for sales efforts. Finally, the proposed training of both the contact-men and the telephone contact-men was to be started "as soon as possible."

Summary concerning the NOVEA report

The NOVEA committee made an attempt to come to grips with some of the problems that had surfaced since the Hakon-deal was first introduced. By performing investigations concerning the purchasing habits of members and non-members, they were able to show the magnitude of the small-customer problem, or as they seem to have argued, the insignificance of it. According to the figures they produced, there were 98 members and 1976 non-members that did not fulfil the requirements for member- or customership, i.e. who bought for less than SEK 5,000 annually. Together, these groups accounted for 1.5% of the turnover... Clear them away!

¹ Minutes of the managers' conference, May 19-20, 1952, p.4-6.

² Minutes of the managers' conference, May 19-20, 1952, p.6-7.

The proposal to raise the minimum requirements for member-bonus would affect some more members, but not that many. The figures produced suggest that 310 members bought for less than SEK 10,000 and an additional 775 who bought for SEK 10-20,000.

For the sales-issue, too, an investigation was made to find out what the members actually thought of the purchasing centre. This investigation was performed among the councils of trustees – hardly a cross-section of the members in general. Still, the committee found the investigation to show that there was a specific aspect of how the offices were working, that the retailers found less satisfying, viz. the way in which they were informed about new products, items in stock, etc.

This prompted the committee to suggest that the telephone contact-men should be used to handle this information service, and that telephone orders taken in connection to this should be considered as written orders, i.e. render the retailer order-premium. To ensure a satisfactory handling of this partly new task (for the telephone salesmen *had* been used for this, at least at some offices and on some occasions), the telephone salesmen were to receive training and “coaching” from the head office.

For the record, the committee proposals were approved by the management and introduced in the autumn of 1952 under the theme “We add on to the Hakon-deal.”¹

Outcomes of the new deal

What outcomes did Hakonbolaget recognise from implementing the Hakon-deal? Besides the recurrent themes discussed above, attention was also paid to the turnover development of the company, and the assortment carried at the offices.

Company turnover

The Hakon-deal entailed a change in growth strategy for Hakonbolaget. Previously (see Chapter 3), growth had largely been achieved through geographical expansion and a growing number of customers. The primary means for this had been to acquire local wholesalers. With the introduction of the Hakon-deal, customer quantity became less important, or even problematic, whereas customer quality, i.e. the size of their purchases, became a central concern. This was explicitly stated in connection with the new deal:

It is a desirable benefit to be granted membership. We shall therefore not recruit members by “pressing” them to join us. We should work towards they themselves learning to realise the value of membership in the purchasing centre and send in their applications to the local council of trustees.

Den nya Hakons-given, AB Hakon Swenson, Aug., 1949.

³ Minutes of the managers' conference, May 19-20, 1952, p.8.

¹ Nils-Erik Wirsäll, *Vi bygger vidare på Hakonsgiven*, Hakoniten (Internal publication), 1952:8-9, p.6-7.

Table 5-10. Turnover development of Hakonbolaget 1947-1952. Sources: AB Hakon Swenson, Annual reports, 1947-1952.

Year	Turnover (MSEK)	Change (MSEK)	Change (%)
1947	141.770	+15.171	+12.0
1948	146.342	+4.572	+3.2
1949	144.808	-1.534	-1.0
1950	172.138	+27.330	+18.9
1951	196.375	+24.237	+14.1
1952	234.443	+38.068	+19.4

How then did this change in growth strategy affect the turnover of the company? Table 5-10, above, summarises the development from 1947 to 1952. The figures indicate that the turnover *decreased* during the change-over to the new deal. For 1949, the first year during which the new deal was practised, the turnover of Hakonbolaget dropped by 1.0%. This might not seem like very much, but given that the company had experienced a constant turnover growth since 1930, it is likely to have been considered serious at the time. However, the comments made concerning the results were largely positive.

If one limits the analysis of the present development to the results in figures only, this thus implies some decline. A closer study of the achieved turnover-volume taking into account various factors which affect it, however provide reason for satisfaction.

AB Hakon Swenson, Annual report 1949.

The question to ask is whether the drop in turnover emanated from the offices at which the new deal had been implemented or if it reflected a general tendency at all the offices. The figures presented to the members of the councils of trustees during 1949, point towards the "deal-offices" upholding their positions.

What is pleasing with the development for the first six months is that the deal-offices have stood up well. For if one disregards the textile-trade, which, as is known, is not included in the new co-operative plan concerning written orders, and takes the loss of cured meats into account, a real increase of approximately SEK 110,000 appears for the deal-offices on colonial goods. As is known, some sales to lesser businesses and less loyal customers has been lost due to the so called SEK 5,000-rule. We have consequently reason to be satisfied with the start of Hakon's new deal.

Confidential message of the month, AB Hakon Swenson, Sept., 1949.

The figures in the annual reports for 1948 and 1949, reproduced in Table 5-11, convey another image. From this it seems that the results at the deal-offices were mixed. As a group they performed 'under par', mainly due to the large sales loss incurred at the Västerås office. Despite this, the comments made concerning the new deal were positive.

Table 5-11. The turnover development of the deal-offices 1948-49. Sources: AB Hakon Swenson, Annual report 1948 and 1949.

Office	Turnover		Change	
	1948	1949	in MSEK	in %
Karlstad	6.337	6.316	-0.021	-0.3
Kristinehamn	3.189	3.340	+0.151	+4.7
Köping	3.494	3.551	+0.057	+1.6
Skövde	5.766	5.677	-0.089	-1.5
Södertälje	6.414	6.259	-0.155	-2.4
Västerås	13.402	12.538	-0.864	-6.9
Sum total	38.602	37.681	-0.921	-2.4

In practice, the Hakon-deal has thus passed the test with flying colours. In terms of turnover, the deal-offices have kept up very well in comparison with the other offices.

AB Hakon Swenson, Annual report 1949.

Was this only an attempt to gloss over a rather shaky start, or were there actually reasons pointing in this direction? It seems that the positive attitude mainly was due to the identification of the textile goods departments as the major cause of the total sales loss.

Company sales within the textile assortment have thus dropped by MSEK 2.3, which means that the other departments together have yielded a turnover increase of approximately SEK 800,000. Since the Hakon-deal so far only has concerned the colonial goods assortment, the annual result thus means a clear success for the reform that has been implemented during the year.

AB Hakon Swenson, Annual report 1949.

Textile goods accounted for more than the total sales loss. Textile goods were not included in the new deal; colonial goods were. And together with the remaining departments, the latter *increased* its sales. Thus, the Hakon-deal was a success.

For the record, it should be noted that Hakonbolaget managed to reverse the trend in 1950, when the new deal was applied at all the offices. For this year, an 18.9% turnover growth was reported. In 1951 the turnover growth continued, and along with it the yield. In a comment to the figures for that year Stig Svensson noted:

In the annual report we noted that the financial results were fully satisfactory. In this connection the great significance of the Hakon-deal for the development was also pointed out. We have never before made up a balance sheet like this. ... The previous, wishfully set goal of a profit of 3% of the turnover was reached this year.

Stig Svensson. Minutes of the managers' conference, May 19, 1952.

What was "the great significance of the Hakon-deal" for this turnover growth? A possible explanation is purchasing fidelity. The Hakon-deal explicitly purported to increase the members purchasing fidelity or purchasing concentration. Was this ambition realised?

The figures presented by NOVEA (see the tables above), allow for a rough calculation. The turnover growth between 1946 and 1951 was 20% in stable prices.¹ During the same period, the number of customers grew by 5%. Thus, it would seem that the turnover grew more as an effect of the existing customers purchasing more goods from the company, than as a consequence of a growing number of customers. The available figures concerning customers purchasing for more than, or less than SEK 10,000 also indicate that the larger customers as a group, grew in importance.

This, however, cannot be taken as proof of growing purchasing fidelity on behalf of the members. Since no figures are available concerning their total purchases, or their turnover, there is no way to say whether their larger purchases reflected growing businesses or a relatively larger share of goods being bought from Hakonbolaget. Figures presented in ICA Tidningen in 1951 and 1952 indicate that the ICA retailers' purchases from the purchasing centres constituted a relatively stable share of their turnover.²

At the level of the individual members, there were those who increased their purchasing fidelity significantly. One of them was Sven Ingarv in Sättrabrunn:

Sven Ingarv i Sättrabrunn held that a concentration of the purchases to Hakonbolaget brought with it significant advantages. At the present my purchasing figure with the purchasing centre is 32% and I intend to investigate the chances for further concentration.

Minutes of the general council of trustees, Västerås, Apr. 26, 1950.

Ingarv seems to have found several opportunities for increased concentration, for his purchases from Hakonbolaget as a percentage of his total purchases grew from the 32% he claimed in April 1950, to 41.64% for the whole of 1950. An increase by 30%.³

On the whole then, there are indications of Hakonbolaget enjoying increased support from its associated retailers, in the form of growing annual purchases.

Changes in the assortment

Although it was touched upon during the discussions concerning sales activities for new articles, comments concerning the assortment were relatively scarce in the discussions which took place during the construction and implementation of the new deal. In his official account, however, Wirsäll brought up assortment changes as a major effect.

One of the problems we relatively quickly ran into, concerned the contents of the catalogue. Even though we previously had worked to achieve roughly the same composition of stocks at our 27 offices, we had not been able to escape quite considerable differences. As the catalogue now was to be edited centrally,

¹ Adjusted for changes in the Consumer Price Index (*Statistical Abstract of Sweden 1955, 1955*).

² ICA Tidningen estimated the purchasing fidelity of the Consumer Co-operation and the ICA retailers as their respective wholesale turnovers in percent of their estimated retail turnovers. In 1951 and 1952, this figure was said to be 22% for the ICA group. ICA Tidningen, 1951:10, p.10; and 1952:10, p.8.

³ Figures on the purchases of five retailers for 1950, document found among Nils-Erik Wirsäll's material deposited at the Foundation for Distribution Research at the Stockholm School of Economics.

we must change over to a more uniform mode. The question was then: how many articles should we have in our catalogue? And which articles?

Nils-Erik Wirsäll, 1950, p.1165.

During the process of assembling the catalogue, a reduction from 4,000 to 2,500 articles was achieved. Obviously, then, the Hakon-deal had considerable effects on the assortment of Hakonbolaget.

The assortment in the catalogue is more limited than before, but the standardisation has not been exaggerated. It has not been taken further that a member can follow our recommendation without running the risk of approaching the standardised assortment of Konsum. We have in our catalogue only wanted to escape such absurdities, which hitherto has been common, e.g., that 9 different types of soft whey cheese has been carried in stock. We hold that we can settle for 3 just as well, etc.

Den nya Hakons-given, AB Hakon Swenson, Aug., 1949.

The main reason for reducing the assortment at wholesale level was said to be "to escape absurdities" such as carrying a large number of different "soft whey cheeses." Further, the purpose was not to make the assortment more rigid in its composition.

The purpose is not to fix the contents of the catalogue. It will, through the care of the business department, constantly be kept alive, so that adequate attention is paid continuously to changes in taste, etc.

Den nya Hakons-given, AB Hakon Swenson, Aug., 1949.

Not rigid, but centralised. In addition to the reduced number of articles, then, the right to make decisions concerning the contents of the catalogue and hence the assortment offered by the offices, was centralised. To this end, a special editing council was created in January 1949, to handle questions concerning the contents of the catalogue (see p.227 above).

The introduction of the catalogue also affected the way in which the warehouses were organised, to a certain extent, at least.

The composition of our warehouses is based on our catalogue. For some types of goods, such variations exist in the composition, that information on this cannot be distributed centrally. The members will instead have their catalogues supplemented locally through the offices which duplicate stock-lists...

Den nya Hakons-given, AB Hakon Swenson, Aug., 1949.

The central aspect of both the reduction of the assortment, the centralisation of decision-making, and the reorganisation of the warehouses seems to have been the creation of the catalogue. This, in turn, was said to be necessitated by the written order procedure.

The written order is made out on the basis of a catalogue, which lists the whole assortment within the colonial goods department.

Nils-Erik Wirsäll, 1949, p.380.

The catalogue also had consequences for the way in which the retailers organised their stocks. This was due to the use of a new organisation principle for the catalogue. Instead of being arranged alphabetically, the goods were brought together on the basis of their relation "from a sales and usage-perspective." As an example, bread, flour, macaroni and

cereal flakes were to be found under the heading “Cereal products.” This organising principle had allegedly been chosen since “well-arranged” shops were observed to organise the goods in this way. Further, the retailers were also advised to organise their stocks according to this principle.¹

Hakonbolaget’s retail advisers also point out the benefits of practising the same placement of goods, if possible, also in the stocks. This information task is carried out with the firm conviction that well cared stocks render members improved economy and competitive power.

Nils-Erik Wirsäll, 1949, p.380.

In this way, the introduction of the catalogue affected not only the assortment carried by Hakonbolaget and its future development, but also the way in which the district and affiliate offices and the members were organising their operations.

There was a slight problem however— the roughly 1,500 articles which were left out of the catalogue. To some extent customers who were used to ordering them would perhaps continue to do so, and thus gradually relieve the district and affiliate offices of their stocks of these goods. But in some cases, this ‘automatic clearing’ did not materialise, and special arrangements were made for clearance sales.²

But since these goods were not included in the catalogue, who would order them?

Making things even worse, the introduction of the new deal had removed the only real possibility of getting rid of the goods, that is, the use of active sales measures. At least in principle. As I noted above, the clearing of these articles was one of the motives used by local directors who wanted to resume “acquisitioning” (see p.259).

When all offices had changed-over to the new deal, the office managers at the district and affiliate offices were instructed to take care of these goods.

Sales of non-catalogue goods

The Chairman pointed out that we must try to get rid of the goods, that are still stocked but which are not in the catalogue, as soon as possible. Each office group should appoint a man, who visits the members to sell these goods. ...

Large sums are at stake, and it is extremely important that they are salvaged.

Minutes of the office managers’ conference, Feb. 19-21, 1950, p.22.

Maybe due to the “large sums at stake”, a departure from the Hakon-deal was explicitly called for to take care of the non-catalogue-goods-problem.

Another problem that gradually emerged concerning the assortment, was the conflicting claims placed on it for the sake of customer satisfaction and cost-efficiency. On the one hand, local requirements led the offices to ask for new articles to be included in the catalogue, and consequently to a growing total number of articles in the catalogue. On the other hand, collectively, this behaviour created stock-keeping problems for the offices, since the customers expected these to carry the goods included in the catalogue:

¹ Nils-Erik Wirsäll, *Den nya...*, 1949.

Mr Chairman mentioned that the number of articles in the goods catalogue now is approx. 2,700. However, it has turned out that the number of articles at the offices varies considerably. Also on this account, it is necessary to achieve a certain measure of consistency in the arrangements. The goods catalogue should be the norm for stock-keeping.

Nils-Erik Wirsäll held that something had to be done to limit the assortment. Since Jan. 1 1949, there has been a net increase of 22% in the number of articles in the catalogue.

Arne Lundgren indicated some of the difficulties that exist when it comes to keeping the number of articles within a certain frame. Due to provincial requirements, the catalogue assortment is not satisfactory for all parts of our territory.

Lars Lewén pointed out the difficulties arising in connection to the members requiring the offices to stock all articles which are found in the catalogue. The speaker suggested that those goods which can be labelled provincial, or for some other reason can be expected to have a market only in certain parts of our territory, should be given a special label. It should then be made clear to the members that these articles are not stocked at all offices.

Decision: Only the assortment in the goods catalogue in stock.

... after a lengthy discussion, it was decided that new articles from now on cannot be taken up without the head office's knowledge. The so called provincial requirements should be discussed with the business department at the head office before any arrangements are met for procurements.

It was further decided that those goods, which are labelled provincial, from now on should be given a special sign in the catalogue. The members should be notified of this arrangement in "Hakons information."

Minutes of the managers' conference, Sept. 8, 1950, pp.3-4.

Lars Lewén's ingenious solution immediately gained the managers' liking. By the simple introduction of a label, a new category of goods was created – provincial goods. Through this measure the offices could continue to yield to local requirements, while not having to face the aggregate consequence of this behaviour.

True, the possibilities of maintaining a provincially tainted assortment was also checked by the decision that all such matters should be discussed with the head office before actions could be undertaken. In all, it would seem that the centralised decision-making concerning the goods catalogue had not been fully satisfactory up to this point.

Largely, this was due to a loophole which all along had been available for the offices – the use of locally composed stock-lists (see quote on p.290). With the decision taken in September 1950, this loophole was to be plugged tight by extending the concern of the business department to include all goods carried at the offices.

Summary: Consequences of the Hakon-deal

Even if the intentions expressed by the proponents of the new deal did not always seem to materialise, their efforts had considerable import on both wholesale-retail interaction and

² Minutes of the managers conference, Oct. 17-18, 1949, p.7.

internal operations. The issues brought up by the local directors indicate that they found the new system somewhat strange, at least in parts. The old conceptions had been turned “topsy-turvy”, as one director put it.

A central consequence, and one which does not appear in any of the documents, is the integration of wholesale and retail operations that the new deal seems to have contributed to. Not only did the new deal contribute to a closer (or at least richer) association between Hakonbolaget and the retailers, it also seems to have increased knowledge concerning this association. The Novea report even offered the managers a view of how the aggregate of all associations had developed from the time prior to the new deal. This material was then used to generate suggestions for further improvements.

The former wholesale company Hakonbolaget, which had been turned into a purchasing centre already in the 1930s, was now accompanied by its retail counterpart, the Hakon-member, formerly known as a customer to some, a retailer to others, and an associated retailer to yet others. The account shows that this reconfiguration was not without problems. Indeed, at the time of Novea’s investigation, some of the new members had yet to act as members, and some of the district and affiliate offices had yet to treat them as such. Moreover, some offices also needed to start treating the non-members properly, viz. not at all.

5.6. ...and the process of construction went on

The story told in this chapter has been one of attempts to rationalise food distribution. The account has shown the amount of work put into the realisation of these attempts. It has shown how difficult it may prove to turn principles into practice. It has accounted for the attempts to solve these problems that cropped up along the way.

The final part of the story indicates that although the Hakon-deal had lost some of its heat, it was still far from stable. The work of constructing it went on. Largely, the issues around which this work revolved were the same as at the outset. That is, it concerned the purchasing behaviour of the retailers and the sales efforts of Hakonbolaget, the introduction of new articles, the bonus scales, etc.

Concerning membership, the NOVEA report led to a new principle stance. From January 1, 1953, the requirement for membership bonus was to be SEK 15,000. Further, the membership requirement of SEK 5,000, was to be strictly applied. In December, Carl-Hakon Swenson summarised what needed to be done about the customer structure:

All in all there are now 70 members that the offices wish to weed out. The matter was discussed at the board meeting this week. The issue will be discussed again after the pronouncements of the councils of trustees are at hand. It was emphasised that it unfortunately wasn’t possible to avoid a certain irritation as we decline further deliveries on account of too low annual purchases. It is therefore important that we engage in an illuminating discussion

against our critics and emphasise that our measure is necessary for the purpose of cost-reductions, and that it coincides with the ambitions on behalf of Government to rationalise trade.

C-H Swenson. Minutes of the directors' conference, Dec. 11, 1952.

But wait a minute! Didn't the new principle stance clearly state that if a member fell below SEK 5,000 in annual purchases, he would lose his membership? Yes, this was clearly stated in the approved proposal made by the NOVEA committee (see above, p.277). Despite this, the issue is suggested to be dealt with by both the board (twice) and the councils of trustees. In addition, a new ally had been brought in – government.

So was the sought after change realised this time? I don't know. My account ends here. (All right. No. It was re-addressed in 1954, and a 'soft approach' was assumed.)

Chapter 6

Wholesale rationalisation

The last two chapters have shown that costs of goods distribution were a problem that concerned a variety of actors. It was the subject of a public debate involving politicians, academics, labour and business representatives. It was at the heart of Hakonbolaget's efforts to rationalise the interaction with its associated retailers through the Hakon-deal.

Whereas the Hakon-deal purported to *do away with* one of the alleged causes of the high costs of distribution – the small orders – by increasing the purchasing fidelity of its associated retailers, the present chapter is concerned with efforts made to reduce the costs incurred in *filling* the obtained orders, i.e. to improve internal efficiency. Largely, it concerns the *technical* rationalisation repeatedly referred to in Chapter 4.

The three sections of the chapter deal in turn with: the efforts of the Organisation Department to rationalise warehouse-operations; how the Hakon-deal was made part of the internal rationalisation process; and the joint construction of a new type of warehouse and a 'scientific' model of the warehouse as a tool for wholesale operations.

Point of entry: the high (and growing) costs of wholesale operations
Hakonbolaget claimed that it was attending to the rationalisation of "internal operations" in parallel with its efforts to rationalise wholesale-retail interaction: "internal operations have been subjected to careful analysis in order to achieve simplified working methods and more cost saving forms in relation to both office- and warehouse-work."¹ So, cost-efficient operations were a concern for Hakonbolaget in the mid-1940s. But why?

¹ See Hakon Swenson's comment in section 5.3, and AB Hakon Swenson, Annual report 1947, p.22.

During 1947, at least three specific reasons for attending to the operational costs were discussed within Hakonbolaget: competition, 'illumination' and wage costs. First of all, competition was perceived to be intensifying:

The Managing Director [Hakon Swenson]... It is also evident that the private wholesalers try to enter into the competition more forcefully than hitherto and that they do not hesitate to take costly far reaching measures.

Elis Götberg wanted to refer to the words 'quotas' and 'sneak-rebates' in describing the competitors' possibilities of success.

The Managing Director pointed out that, through single-mindedly working towards reducing costs, we would reach a point where we can maintain such prices that we would be completely untouched by the competitors' attempts to gain increased market shares through sneak rebates. But as with the introduction of the 3% cash-rebate, this measure requires time for preparation.

Minutes of the directors' conference, Jan. 27-29, 1947.

How could Hakonbolaget withstand the competitors' "sneak rebates"? By offering goods at low prices. How could they offer low prices? By reducing costs. Obviously, then, perceived competitive pressure was a motive for cost reduction and increased efficiency.

A second reason for focusing on costs seems to be that for the first time the area had been 'lit up' by figures showing the gross profits, costs and net profits of the offices:

[Hakon Swenson] pointed out that the cost figures are not only a company concern. They are also to a high degree a concern for the local directors and office managers, as these figures constitute the marking of their work. It is thus most important that the local directors carefully go over and discuss the summaries which will be sent to them. Our organisation department will ... investigate the differences in respect to costs, etc. and seek to help the offices to reach a development to the better where this is required.

The head accountant commented on the development of the raw net profits, and reminded that *this was the first time that we had been able to produce really comparable figures* by valuing the stocks against acquisition prices. A detailed inspection of the net profits of the offices seems to indicate a situation whereby the best net-profits have been achieved by the offices that display the greatest cost reduction.

Minutes of the directors' conference, May. 5-6, 1947. Italics added.

Based on these figures (which I have been unable to trace) the head accountant concluded that offices which had reduced their costs the most, also had achieved the highest net profit. Available evidence thus suggested that cost reduction was a royal road to high net profits. Further, Hakon Swenson indicated that operative costs was a major tool for evaluating a local director's performance and asked them to study the figures closely.

A third reason was growing wage costs, an issue which the management of Hakonbolaget considered as becoming increasingly problematic during the spring of 1947:

The warehouse staff, Götberg informed that he had been called upon by a deputation of warehouse workers who asked for an increase in wages beyond what was stipulated in the agreement. They based this on a similar agreement between Riksst and their workers who will receive a SEK 200 bonus at a time the company finds desirable.

When a vote was conducted among the participants at the managers' conference in regard to their position in principle about improving the wages of the warehouse staff beyond the agreement, the majority favoured such a move.

Eric Gotborn, however, held that we should not pay such bonuses in general, but that the managers should decide on the basis of individual performance.

Elis Götberg reacted strongly against this position. Organised warehouse staff cannot be differentially treated.

Nils-Erik Wirsäll and Herman Green pointed out the difficulties in creating a fair basis for the bonuses. We must aim for the piece-wage principles.

To investigate this problem, complex in its entirety, a committee was created (called the staff committee) consisting of Herman Green, Lars Lewén, Gösta Anell and Nils-Erik Wirsäll.

Minutes of the managers' conference, May 5-6, 1947.

Wage costs were apparently a major concern. Piece-wages were suggested as a solution. But to realise such a system, detailed knowledge of operations was needed. It was to this end, some experts claimed, that time and motion studies purported.¹

Unsuccessful national negotiations between labour unions and employers in the spring of 1947 further underscored the wage problem.² A public mediation committee was formed which presented its final proposal at the end of the summer. The proposal was discussed by the managers in September 1947 and was said to "result in a direct expenditure of SEK 400,000 for the company, to which should be added the indirect effects this would have in the form of wage increases for the office staff." In reaction to this anticipated growth in costs, the managers concluded that increased revenues were needed. To this end, a proposal should be made to the Price Control Council (a government body responsible for the wartime price control which still was in effect). As a second way to safeguard continued profitability, the managers concluded that "it was of utmost import that every part of the company carries out its function as efficiently as possible."³

To summarise, at least three reasons for attending to costs were brought up during 1947: increased competition, available figures and growing wages. This led to calls for increased efficiency. However, an important means for this was still checked...

¹ B. Tesch and C. Weman, *Tekniska studier i lager- och expeditjonsarbete* (Technical studies in warehouse and dispatch work), 1946.

² Minutes of the directors' conference, AB Hakon Swenson, Sept. 19, 1947.

³ The 1947 annual report claimed that the proposed wage increases ranged from SEK 10-16 per week and employee. It also stated that the new agreement became effective on October 1, 1947. Given that Hakonbolaget employed 569 warehouse workers and drivers, the estimated cost of accepting the proposal, SEK 400,000, seems credible. A rough estimate suggest that the proposal would cost Hakonbolaget SEK 384,644, a 7% growth in total wage cost (569 (employees) * 52 (weeks) * 13 (≈ median wage increase)).

Available figures suggest that the growth in wage costs was much higher. In 1946 total wage costs ran to MSEK 5.4, in 1947, MSEK 6.4 (+18.5%) and in 1948, MSEK 7.1 (+10.9%). This was partly due to a growing number of employees. From 1202 in January 1946, to 1313 at the end of the year, and to 1422 at the end of 1947, and then down to 1299 at the end of 1948. The average wage per employee was: 1946, SEK 4,126; 1947, SEK 4,688 (+13.6%); 1948, SEK 5,212 (+11.1%). (Minutes of the directors' conference, AB Hakon Swenson, Sept. 19, 1947; AB Hakon Swenson, Annual reports 1945-1948.)

Lasting construction regulations hinder rationalisation

In Chapter 3, construction regulations were said to constitute an important check on the realisation of Hakonbolaget's post-war construction plans. A similar claim was made by Ulla Lindström in 1952 (see Chapter 4). This suggests that the situation remained equally problematic, or even deteriorated, during the early 1950s. This is supported by Hakonbolaget's repeated declarations during the 1940s and early 1950s as to the negative effect of these regulations on the rationalisation of wholesale operations. Cost reductions were held to be important, but the major solution – the construction of new facilities – could not be used – “the construction regulation throws a spanner into our works.”¹

What did Hakonbolaget then do instead? Some sources indicate re-evaluation:

The compulsive pause ... is utilised for investigations based on the experiences and findings made during the last few years, particularly in the US, concerning the most suitable types of buildings for the operations of the purchasing centre. These studies purport to achieve further economised operations and higher work-effect in the future office- and warehouse-facilities...

The Organisation Department has spent much time on the construction technical planning for the future Hakonshus... The warehouse organisation at different offices has been subject to investigations, the working methods have been studied and possible improvements have been devised.

AB Hakon Swenson, Annual report 1948, p.21.

The plans that couldn't be realised were scrutinised for their consequences in terms of work-efficiency and costs. The organisation of work at the warehouses was studied. In short, (the management of) Hakonbolaget was looking for better ways of doing things.

6.1. ... with the ambition of improving performance in general - the Organisation Department

The final quote above suggested that the internal operations were subject to investigations and that the *Organisation Department* was involved in these efforts. This department had been formed in 1946 “with the ambition of improving performance in general”:

This department's task is to design simplified and improved working methods, carry out time and motion studies, submit proposals for the use of new mechanical aids, assist in drawing up plans for new constructions, overhauling warehouse- and shipping-technology, etc., with the ambition of improving performance in general.

AB Hakon Swenson, Annual report 1946, p.20.

Nils-Erik Wirsäll was appointed head of the new department. In this way, he came to be involved in most efforts at rationalisation within Hakonbolaget. In this section I will look at some of these efforts, but first I will look at a few ideas on which they rested.

¹ Statements to this effect can be found each year 1945-1951. (AB Hakon Swenson, Annual Report 1945, p.16; 1947, p.21; 1948, p.21; 1949, p.22; 1950, p.21; quote from Sundsvallstidningen, Sept. 3, 1951.)

Initial ideas on wholesale rationalisation

One of the first things Wirsäll did as head of the Organisation Department was to visit the US together with Arne Lundgren from the Business Department. In Chapter 5, this trip was said to have had some import on the Hakon-deal. Officially, their task was to study “various organisation issues.”¹ Wirsäll’s account of his visit with Certified Grocers of California indicates that this included warehouse organisation:

Mr. Stewart studied our brochure and was astonished by the fact that we still built warehouses of several storeys. Here, they have completely abolished the multiple storey system, which raises the cost of dispatching. Everyone has built or is building new one-storey warehouses and have discarded their old ones. This is done in order to lower the highest cost figure.

Nils-Erik Wirsäll. *American Purchasing centres*, I:1, 1947.

Here, then, is a definite choice concerning the design of warehouses – one or several storeys? Wirsäll is likely to have received more information about this from the experts on wholesale rationalisation who he also met with during the trip, e.g., George Ramlose.²

Back in Sweden, Wirsäll brought the possibilities of wholesale rationalisation into the on-going public debate through four articles published in *Affärsökonomi* during 1947. He argued that considerable improvements could be achieved by sensibly organising work and facilities. Below, I will take a look at the ideas he presented in these articles.

*Designing the warehouse building*³

Besides noting the potential for improved efficiency through a more rational organisation, Wirsäll started by laying down a central principle for rationalising wholesale operations:

The point of departure when erecting a new warehouse ought to be the work organisation that will be applied. One should ... make clear how the work is to be carried out, what the division of labour will be like, and how the goods are to be placed. A suitable facility is then built based on this. ... Full efficiency is only reached by applying the method: *first the organisation, then the house*.

Nils-Erik Wirsäll, 1947a, p.939. Italics added.

Concerning the building, Wirsäll argued that the central question was whether to have one or several storeys. He claimed that while the latter was considered superior in Sweden, the former had already become the norm in the US (as indicated by Mr Stewart, above):

[In the US] one-storey warehouses are definitely promoted, as these allow a completely revolutionising mechanisation of warehouse work through use of pallets and fork-lifts. Time-consuming transports between storeys are avoided. By choosing a ceiling height which allows placing three pallets on top of one another, the spreading out of the goods across a too large space is also counter-

¹ AB Hakon Swenson, Annual report 1946, p.22.

² George Ramlose published several books and articles on wholesale rationalisation during the 1940’s and 1950’s. In a letter to Wirsäll dated July 21, 1954, he acknowledges that they met during Wirsäll’s trip to the US in 1946-1947 saying “it hardly seems like seven years since you were here”.

³ Based on Nils-Erik Wirsäll, *Planering av ett nytt lagerhus...*, 1947a.

acted. The work-distance is shortened. The possibilities of achieving a work-flow are also greater in a one-storey house than in a multiple storey building.

Nils-Erik Wirsäll, 1947a, pp.939-940.

Still, in Sweden, many doubted that all these advantages could be gained from a one storey building. Prior to his trip, Wirsäll himself had expressed some doubts:

The categorical proposition about the superiority of the one storey warehouse surely does not hold in practice, among other things due to the land being so costly that an efficient utilisation of the expensive land requires a warehouse in several storeys. In modern warehouses, one has also almost completely neutralised the above mentioned drawbacks of warehouses in several storeys (waiting time for elevators, etc.) through arranging slides, escalators, etc.

Nils-Erik Wirsäll, 1945, p.349.

In 1947, he acknowledged that the availability of land was often used as an argument against one-storey warehouses. However, he argued that the warehouse did not have to be located centrally to be efficient. This would increase the availability of land at low cost. A potential drawback was the reduced advertising effect of the warehouse:

Sometimes, a centrally located building is ascribed such a good-will creating effect, that this determines the location of the building.

Nils-Erik Wirsäll, 1947a, p.940.

Indeed, Hakonbolaget had made such claims about its facilities only two years earlier:

The office and warehouse in Örebro is one of the finest of its kind in the country, and with its dominating location a visible and well-known feature in town.

I samarbetets tecken, AB Hakon Swenson, 1945.

Returning to the one storey buildings, the cost for heating was higher than for traditional ones. Further, the structure of Swedish grocery retailing was also said to render difficult a full utilisation of the advantages of one-storey buildings: many small customers produced many small orders and the dispatch of small quantities led to broken lots. Neither were pre-packaged goods as common as in the US. Swedish grocery wholesalers also had wider assortments, requiring several separate departments at the warehouse.

Wirsäll concluded that no general recommendation could be made as to warehouse design. However, he did envisage that one-storey buildings soon would become more common in Sweden. He based this on the growing need for efficient staff-utilisation. One-storey buildings enhanced these possibilities by allowing for mechanisation.

Organising warehouse work¹

How was the work to be organised? In general, the internal transports should be short and should not intersect. To achieve this, goods reception and shipment areas should be located on opposite sides of the house with the goods flowing between them. Preferably,

¹ Ibid.

there should be separate loading platforms for railway and lorry deliveries. The shipment hall should be large enough to allow the goods to be placed separately for each lorry.

The most common form of dispatch organisation was the *radiated dispatch* (Figure 6-1a); the clerk brought the goods to a centrally located counter for wrapping, packing, etc. But this solution became less appropriate as the size of the operations increased. For large operations a *streamlined dispatch* was recommended instead (see Figure 6-1b):

A flowing work process, where one lets the counter (which then consists of a cart or a conveyor belt) move along the storage spaces for the goods.

Nils-Erik Wirsääll, 1947a, p.940.

To make full use of this system, the goods must appear in the same sequence on the orders as in the warehouse. Due to the difficulties of achieving this, a combination of the two systems was recommended. In a multiple storey building, a streamlined organisation could be set up for a certain type of good on each storey. Irrespective of the system used, Wirsääll recommended two separate stores for each good – a dispatch store and a reserve store in an adjacent main storage area. The latter should contain pallets of unbroken lots from which a suitable amount of each good was brought to the dispatch area each week.

Where should the goods be placed?

More important than the separation of dispatch and main storage was where to place the goods. To this end, Wirsääll favoured a scheme developed by William Meserole, an American specialist in warehouse planning (see Figure 6-2). In addition to *turnover rate* and *weight*, which were commonly used at the time, Meserole suggested that attention should be paid to the *size of the goods* and the *number of items* in each group of goods.

Groups of goods with a high *turnover rate* (many dispatches) should be placed near the shipment area. Those containing a large *number of items* could be placed farther away (more storage space and fewer visits to each location). Goods of high *weight* or great *size* should be placed near the shipment area (clerks and carts had limited loading capacity). These four factors were combined into a two-dimensional space where the lower left-hand to upper right-hand diagonal represented an imaginary dispatch aisle (Figure 6-2).

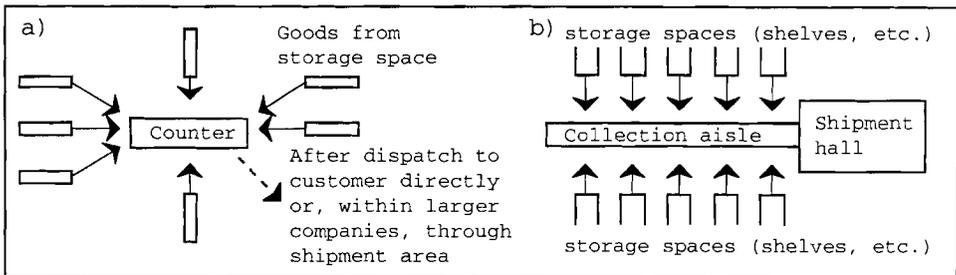


Figure 6-1. Radiated vs. streamlined dispatch. Source: Nils-Erik Wirsääll, *Planering av ett nytt lagerhus* (Planning a new warehouse), 1947a.

The intersection reached by first ascribing values to a good for each factor and then connecting by lines the opposite values in the two-dimensional space (turnover rate – weight, size – no. of items), would suggest a location for the good. In principle, at least:

If the goods ... are placed according to the results [of this] theoretical discussion, these ought to receive such placement that they can be dispatched with the least possible effort and at the lowest cost. Prior to applying the results in practice, it is very important to weigh these purely scientific results against one's own experience and judgement.

Nils-Erik Wirsåll, 1947b, p.1084.

Such weighing could concern seasonality and other characteristics of the good (storage temperature, smell, etc.). Finally, after having decided on where to locate a certain group of goods, the internal order within the group should be decided upon. In this work, a simple arrangement according to turnover rate was held to be sufficient.¹

The order routine

To utilise the advantages of placing the goods as described above, it was important that they appeared in the same sequence on the order form as in the warehouse. Three methods were suggested that could produce this: using punch cards to sort the orders, using pre-printed order-forms, or sorting when filling out the orders (at the warehouse).

To Wirsåll, the order structure in grocery wholesaling was a major problem. Partly due to the wholesalers being afraid and/or unable to rationalise sales work, retailers ordered too often and too little. Until this had changed, he suggested a separate fine goods dispatch area for broken lots and small articles (stored on shelves). In this way, some of the benefits of streamlined dispatch and 'scientific' goods-placement could still be had.²

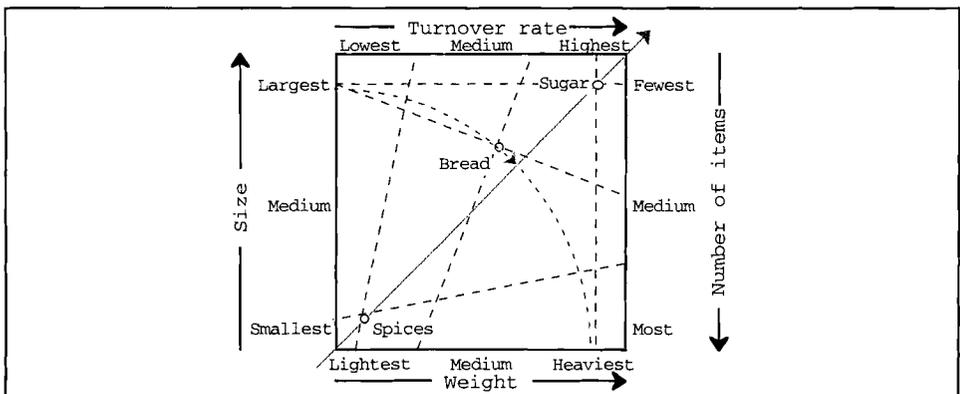


Figure 6-2. Meserole's scheme for placing goods in the warehouse. The diagonal represents an imaginary dispatch aisle leading to the shipment hall. (Nils-Erik Wirsåll, *Varornas placering...*, 1947b, p.1084.)

¹ Nils-Erik Wirsåll, *Varornas placering i lagret - Orderrutinen - Utlastningsorganisationen*, 1947b, p.1084.

² *Ibid.*, p.1099.

Single vs. multiple storeys revisited

In the final articles, Wirsåll addressed the design of the building, making use of some of the material he had collected during his trip to the US. Thus, he discussed a modern *one-storey warehouse* that had been designed by George Ramlose (see Figure 6-3):

In the US, this warehouse is perceived to be one of the most modern and most efficiently working within the grocery trade.

Nils-Erik Wirsåll, 1947c, p.1176.

Wirsåll held the rectangular shape to be appropriate for large warehouses as it reduced transport distances, e.g., from goods reception to reserve stores and on to the dispatch area. Since Swedish warehouses were on average much smaller than US ones, Wirsåll argued that a square shape allowing for expansion in two directions was more appropriate.

Placing the cold stores along a central aisle working as a temperature lock, directly connected to the loading dock and the shipment area, allowed for swift reception and shipment. Placing the offices above the fruit & vegetable stores kept construction costs down since only 2 feet had to be added to the total height of the building.¹

It proved more difficult to find a good example of an efficiently working *multiple storey warehouse*, despite it being the most common type of warehouse by far:

During my travels in the US, I could not find a first-rate multiple storey warehouse ... I will therefore discuss a proposal for such an ideal solution for a multiple storey building designed by the engineer W.H. Meserole ...

Nils-Erik Wirsåll, 1947d, p.1312.

Meserole's ideal warehouse is shown in Figure 6-4, p.304. Compared to a one-storey warehouse it offered a better utilisation of the land, lower heating costs, and the possibility of a central location with increased advertising value as a side-effect.

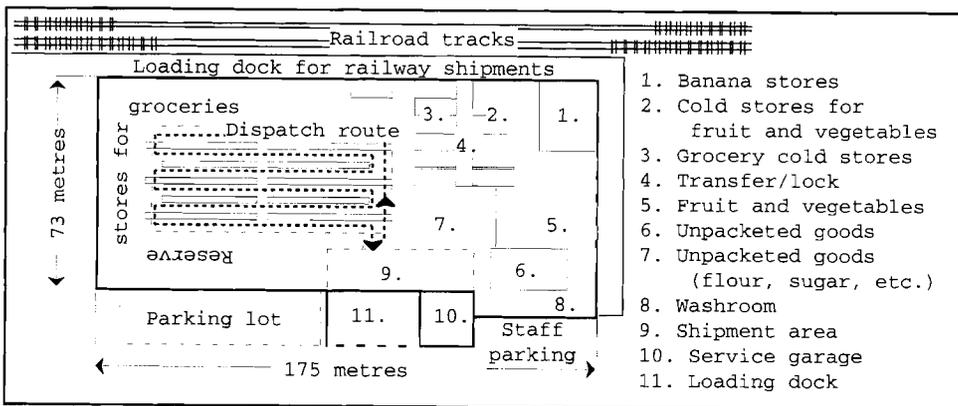


Figure 6-3. A one-storey warehouse for grocery wholesaling designed by George Ramlose. Source: Nils-Erik Wirsåll, *Amerikansk lösning av enplansmagasin*, 1947c, p.1176.

¹ Nils-Erik Wirsåll, *Amerikansk lösning av enplansmagasin* (American one-storey solution), 1947c.

The ambition when constructing this building has been to reduce the costs of operations... by being relatively generous with goods storage space. ... the storage or facility costs are relatively slight compared to the operating costs.

Nils-Erik Wirsåll, 1947d, p.1312.

Meserole proposed a continuous dispatch route along the outer walls and a slightly sloping floor to avoid elevator transports downwards (Figure 6-4). To increase dispatch capacity, he placed pallets and shelves on both sides of the aisle. He pointed out that the goods had to appear in the same sequence on the order form and in the dispatch route.

The reserve stores were placed around the elevator shaft in the centre of the building. Goods were brought up from the reception area to these stores, and then moved to the dispatch stores as they were needed (see Figure 6-4b). By separating the dispatch route from the reserve stores, collisions between functions could be avoided. At ground level, there were two platforms for goods reception: one for railway wagons and one for lorries. Immediately adjacent to these, and to the elevator shaft, were large storage areas.¹

Practical rationalisation²

Despite the large potential for improving performance offered by the construction of new warehouses, Wirsåll claimed that this was not very practicable in Sweden at the time:

[M]ost wholesale companies already have multiple storey buildings that still can be regarded as being of good quality. ... Even if an investigation of the economic consequences of this would suggest that a new building was better, this cannot be realised due to the current construction difficulties, etc. ...

Nils-Erik Wirsåll, 1947d, p.1313.

So, how could operations within existing facilities be rationalised? Based on his own experience from Hakonbolaget, Wirsåll said that one first had to find those "sources of error" that were to be "surgically removed" from the organisation. To do this, it was necessary to perform *time and motion studies* of the working methods.

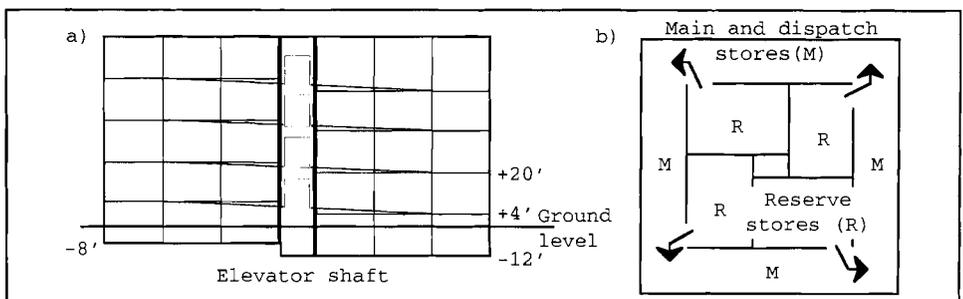


Figure 6-4. Meserole's ideal multiple storey warehouse. a) A cross-section of the building. b) An overview of the planning of a storey. (Nils-Erik Wirsåll, *En god flerplanslösning*, 1947d, pp.1312-1313.)

¹ Nils-Erik Wirsåll, *En god flerplanslösning* (A good multiple storey solution), 1947d, p.1312.

² *Ibid.*, p.1314.

During this work, it was important to maintain good relations with the work force:

When I have been involved in organising similar studies, we have always assembled the staff concerned, a few days prior to the start of the study. During this meeting we have jointly, around a set coffee table, overviewed the guide lines for the study, and discussed some general problems in connection to it.

Nils-Erik Wirsåll, 1947d, p.1313.

This kind of 'rapport' was also needed during the study. Indeed, Wirsåll considered this capability to be more important than the technical qualifications of the time and motion study man. The best solution was to have a team consisting of a technically competent person and a person familiar with the conditions within wholesale trade. After preparing by breaking down the tasks into a set of main phases, the real work-study could start:

These are performed simply by following a worker and noting the time for completing the various tasks. One must remember to make note of how he performs the different tasks. We are not dealing with any uniform work here, but the variations might be considerable. Sound judgement is therefore of greatest import when identifying the work phases and timing them.

Nils-Erik Wirsåll, 1947d, pp.1313-1314.

For the result of these studies to be as useful as possible, a relatively thorough study was needed. Ideally, but seldom possible in practice, all workers at a certain department should be investigated simultaneously, so that no aspects of the work were lost due to other workers assuming tasks that were normally performed by the worker under study.

A central part of the studies was the timing of performed tasks...

As for the timing itself, this does not have to be performed with the same precision as in industrial studies. It can be considered enough if the time is read off within five hundredths of a second. After all, the studies primarily are to constitute the basis for the creation of better and more efficient working methods. Not until this is completed can timing begin for a possible piece-wage system, and then the exactitude of the timing will play a greater part.

Nils-Erik Wirsåll, 1947d, p.1314.

Here then, some leniency was allowed... Five hundredths of a second! First, sound judgement was needed to handle qualitative variations in task performance, and then this performance was to be timed within hundredths of a second.¹ This seems a bit inconsistent...

Having performed the timing, the total times for each task should be summed up and the tasks that required most time should be scrutinised for potential simplifications.

Naturally, one mustn't forget the smaller and less time-consuming tasks. It may be possible to completely eliminate some of these; if so, this must be done.

Nils-Erik Wirsåll, 1947d, p.1314.

"...if so, this must be done." It seems that the time and motion study technique was regarded as also providing a set of compelling rules on how to use the results.² A major

¹ Possibly, this is a print error. Results from time studies in Örebro in 1952 were reported in hundredths of a *minute*, as was the results of the time studies that Industribyrån made at Hakonbolaget in the 1940s.

aspect of this 'methodological imperative' seems to have been "attacking the sick parts." And, as far as grocery wholesaling was concerned, some parts were always sick...

Without hesitation, I venture that there are always reasons for attacking:

- | | |
|--------------------------------|------------------------------|
| 1) The order routine... | 3) The placement of goods... |
| 2) The organisation of work... | 4) The facilities... |

Nils-Erik Wirsäll, 1947d, p.1314, 1327.

Wirsäll concluded by giving some advice on how to rationalise these areas. He repeated Meserole's claim (see p.304) that the order routine could be improved by arranging order forms and goods stores in the same sequence. As for the work organisation, new and detailed descriptions of each task should be devised based on the time-study results. The results would also allow calculation of the costs for dispatching goods. Calculations that could be used as a basis for reorganising the stores to reduce operating costs. Finally, he claimed that small changes in the planning of the building could lead to considerable improvements, despite the fact that it was not designed for an efficient work-flow.

Summary: ideas on warehouse rationalisation in 1947

These articles provide an overview of Wirsäll's ideas on wholesale rationalisation. They combine concrete solutions from the US with proposals made by American experts, and suggest time and motion studies as an overall diagnostic tool. Many ideas had the character of principles, at times they were even referred to as scientific theories.

The design of the warehouse is an interesting case. Since a "first-rate" multiple storey warehouse was hard to find, Wirsäll made use of an ideal solution proposed by an expert. To my knowledge, this solution was never realised. Whether it would have been as efficient as a one-storey warehouse, we will never know. Unless, of course, the issue of warehouse design will be re-opened in the light of, say, extreme costs for land.

On several occasions, principles clashed with factual conditions, e.g., the current construction regulations in Sweden. The order structure within wholesaling was another practical problem (see p.302). First, small orders were a major check on rationalisation. Second, the orders and the location of goods in the warehouse had to be aligned. As Chapter 5 indicated, Hakonbolaget was attending to the first of these problems at the time.

To a lesser extent, the ideas put forward were also based on personal experience. Particularly, this seems to have been the case with the time and motion study technique. How had Wirsäll made use of these methods in his work for Hakonbolaget?

Investigating internal operations through time and motion studies

The new Organisation Department set out to investigate how work was organised within Hakonbolaget. Since construction regulations hindered a rationalisation through building

² Similar ideas were suggested by Pär Gierow, *Metod-studium av transporter*, 1948, pp.17x-17x.

new and more appropriate facilities, improved internal efficiency would have to be attained within available facilities, by devising more efficient working methods. According to some contemporary commentators, this was not a major problem:

Rationalisation is a long term problem – it is seldom a question of implementing any revolutionary measures.

B. Tesch and C. Weman, 1946, p.8. Underlined by N-E Wirsäll.

The excerpt is from Nils-Erik Wirsäll's copy of a book on *time and motion studies* as a means for rationalising wholesale trade. To rationalise operations, the authors claimed, a thorough study of the *order routine* within the company was needed.¹ Further, the general ambition for all such efforts should always be to achieve *a smooth flow of activities*.²

The authors identified five phases in the time and motion study: 1) Collecting information about the work; 2) Investigating the workplace; 3) Investigating the working method; 4) Timing the work; and 5) Calculating and setting the piece-time. The first three phases constituted the *motion study*, the final two the *time study*.³ In a marginal note, Wirsäll expressed a different opinion concerning the use of *time studies*:

There is no mention of combining time and motion studies at the first overview of the warehouse operations. Time studies need not only aim at piece work. They help you to get acquainted with a piece of work quickly and well.

N-E Wirsäll. Hand-written note in B. Tesch and C. Weman, 1946.

The type of study suggested by Wirsäll would seem to be what the Organisation Department subsequently performed at five of Hakonbolaget's offices during the period 1946-1949. Practical assistance during these investigations was given by AB Industribyrå.⁴

Time and motion studies of the warehouse operations

A letter from AB Industribyrå summarised the results of the studies (see Table 6-1). Five activities were identified and measured for goods dispatch: paperwork, moving, picking, weighing and wrapping (for heavy goods the two final activities were elevation and unloading). What conclusions were drawn from the resulting material?

Concerning the fine goods dispatch, the following comment was made:

How can the time per orderline be reduced? As usual, one's thoughts turn towards the longest activity-times. Picking and wrapping can be reduced by eliminating the dispatch of split cases. In this way, weighing automatically

¹ B. Tesch and C. Weman, *Tekniska studier...*, 1946, p.11.

² *Ibid.*, p.23. The passage marked by Wirsäll.

³ *Ibid.*, p.52.

⁴ AB Industribyrå assisted with studies in Örebro, Sundsvall, Eskilstuna, Ludvika and Uppsala. According to Tesch and Weman (*Tekniska studier...*, 1948, p.9), it was one of very few Swedish organisations that could offer qualified assistance in this type of investigation. As for the time when these studies were carried out, the letter from Industribyrå is undated, but it is entered in the binder as "Results from investigations carried out 1946-1949". The september 1948 issue of *Knäckta Nötter*, an internal publication, contains a summary of the figures presented in Table 6-1, which are said to concern the situation in 1947.

disappears. Under the condition that the worker only dispatches on one storey, we will probably not be able to reduce the time for moving to any significant extent by changing how the goods are placed. The foremen ought to have quite thorough knowledge about the frequency of the various goods and therefore have them placed well. Some other method must then be used, for instance writing out the orders in the same sequence as the goods are placed.

Undated (1947?) letter from AB Industribyrån to Nils-Erik Wirsåll.



Figure 6-5. Rationalisation measure I: the root vegetable crate. *Knäckta Nötter*, #5, Aug. 1949.

As the comment suggests, the general issue was to shorten the time spent on each orderline. The major recommendations were to co-ordinate orders and stores (which Wirsåll also suggested in his articles) and dispatch whole cases.

The time for picking depends on the extent to which whole and split units exist. ... Spik's root vegetable crate ought to be a way of reducing this time.

Undated (1947?) letter from AB Industribyrån to Nils-Erik Wirsåll.

Here an alternative solution is suggested - Spik's root vegetable crate. Figure 6-5 shows two such crates in the dispatch area. Their open construction and removable bars were said to vouch for flexibility and a swift dispatch.¹

The time studies were used to identify improvements as well as differences between offices. For instance, at the fruit & vegetable dispatch in Örebro, paperwork was found to take more than twice as long as elsewhere. The reason was said to be unnecessary sorting of the orders.² Similar observations were made at other offices, e.g., the heavy goods collection was fast in Uppsala due to good order and open transport ways, whereas paperwork for heavy goods was fast in Örebro due to the heavy goods copy, a procedure where the heavy goods were taken down on a separate list prior to the dispatch.

The final area studied was the reception of wagon loads. Four activities were identified and studied: loading, moving, elevating, and unloading the pallet. This time, the results were used to set up a formula for calculating the reception time per load.³ For instance, the measurements performed suggested that loading a 50-kilo bag of potatoes on to the pallet required 0.17 minutes while unloading it required 0.10 minutes.

¹ Nils Spikh was an engineer employed at the Organisation Department and a co-editor for *Knäckta Nötter*. (*Knäckta Nötter*, AB Hakon Swenson, #5, Aug. 1949, p.10-11.)

² Undated (1947?) letter from Lennart (Lennman) at AB Industribyrån to Nils-Erik Wirsåll.

³ "The following formula can be put up for calculating reception time with 2 men and a pallet ... $X = a/b [b(l+u) + 0.057 d + 0.77 + 0.30 (e-1)]$ where X = reception time in min.; a = the no. of units; b = the no. of units loaded on one pallet; l and u = time for loading a unit on (l) and off (u) the pallet; d = the distance in one direction; e = the no. of storeys for elevation." (ibid.)

Table 6-1. Dispatching goods at the Hakons offices. Results of time and motion studies. Source: undated letter (1947?) from Industribyrån AB to N-E Wirsäll.

Fine goods dispatch	Paperwork	Moving	Picking	Weighing	Wrapping
Average time / line (in minutes)	.29	.32	.36	.04	.35
Share of total time / line (%)	21.3	23.5	26.5	2.9	25.8
Fruit & vegetable dispatch	Paperwork	Moving	Picking	Weighing	Wrapping
Average time / line (in minutes)	.30	.37	.52	.28	.28
Share of total time / line (in %)	17.1	21.2	29.7	16.0	16.0
Heavy goods dispatch	Paperwork	Moving	Picking	Elevation	Unloading
Average time / unit (in minutes)	.13	.28	.20	.11	.13
Share of total time / unit (in %)	15.3	32.9	23.5	13.0	15.3

These figures led the expert at Industribyrån to conclude that with some additional studies of particular activities, there would be a sound basis for improving operations:

If the figures presented here are supplemented with figures for receiving unit-goods and unpacking, we may after a one or two-day visit at a district office and, on the basis of statistics for the office in question, we can quite well estimate the level of activity and suggest adequate improvements, thanks to our experience of the work in a grocery goods warehouse.

Undated (1947?) letter from AB Industribyrån to Nils-Erik Wirsäll.

The excerpt indicates that by the end of the 1940s, the necessary knowledge for improving efficiency was held to be available, thanks to the time and motion studies performed. The question, then, is to what use this knowledge was put within Hakonbolaget?

Devising and disseminating best practice

In 1948, two years after the Organisation Department had been formed, it published the first issue of a small leaflet called *Knäckta Nötter* (Cracked Nuts). The purpose was to spread the knowledge gained through the investigations. To assure the quality of its contents, an editorial board consisting of warehouse managers was formed.¹

For two years, our organisation-studies have been pursued. The results can be characterised as good. Unfortunately, the experience we have acquired from the studies have largely not been spread to others than those directly affected by the studies. This is a shortcoming, that we now want to remedy through continuously giving all offices notice of new views, ideas and advances...

Knäckta Nötter, AB Hakon Swenson, #1, August 1949.

The local character of the investigations was seen as a drawback – the findings ought to be spread throughout the organisation. *Knäckta Nötter* was to remedy this. (It could be that Industribyrån's letter with their conclusions also was part of this ambition.)

¹ AB Hakon Swenson, Annual report 1948, p.21, and *Knäckta Nötter*, AB Hakon Swenson #1, Aug. 1948. The members of the editorial board (Karl Enwall, Lennart Jansson, Werner Mattsson, Isac Wesslén and Carl Wikman) allegedly had long practical experience and also represented offices of different size.

Eight issues of *Knäckta Nötter* were published at irregular intervals from August 1948 to December 1951.¹ The first five were devoted to a thorough description of the warehouse organisation. To further spread the message, the Organisation Department also arranged a one-week course for salaried warehouse employees. This was held in Uppsala in September 1948 with 16 participants receiving diplomas. During the course, the participants were taught how an efficient warehouse should be organised on the basis of the Organisation Department's normative warehouse organisation for Hakonbolaget. The same information was also supplied in the September issue of *Knäckta Nötter*.²

An overview of the normative warehouse organisation in 1948

In September, 1948, the editorial board for *Knäckta Nötter* met to discuss the contents of the issues to come. They decided to first make a survey of the warehouse-organisation "to determine which at the present could be regarded as being the most 'tip-top'."³ They also decided to distribute the publication to the foremen in connection with study-evenings that all warehouse managers should arrange. A normative description of how work was to be organised at the warehouses was thus to be created for the first time.

How, then, was a 'tip-top' warehouse organised in 1948? A first general principle was said to be the division of labour. Without it, there would be low staff-utilisation. There were several reasons for this: first, the assortment was said to be so comprehensive that it was difficult to master it all; second, the transfer time between tasks would be unduly high if the staff could not be kept in limited sections; third, it would be much harder for the warehouse managers to supervise and determine the efficiency of the work.⁴

As a guide for a sound division of labour, four main tasks were identified: i) dispatching fine goods (and fruits); ii) handling heavy goods; iii) shipment; and iv) goods reception.⁵ A good warehouse organisation should as a rule be built on these tasks...⁶ If the division of labour could be carried out to the full extent, co-ordination of the various tasks was suggested to be handled along the lines of Figure 6-6.

¹ I don't know whether publication continued after 1951. In some passages in issues 7 and 8, contents of future issues are indicated, but I have not been able to locate these.

² How do I know? First, the course was said to include 10 hours on warehouse organisation. Second, in the far back of a photograph taken at the course, there is a large scale version of the scheme depicted in figure 6-6, indicating that it had been used during the course.

³ *Knäckta Nötter*, AB Hakon Swenson, #2, September 1948.

⁴ *Ibid.*, p.3.

⁵ What were *fine* and *heavy* goods? "The whole cartons, which do not need any particular attention such as packaging etc. we usually call *heavy goods*. All articles which are sold in split up cartons and therefore must be packaged, we have called *fine goods*." (*Ibid.*)

⁶ However, it was recognised that the division of labour was contingent on office size. It could be performed either *between* individuals (in large offices) or *'within'* individuals (in small offices). If made *'within'*, the tasks were to be executed sequentially. (*Ibid.*)

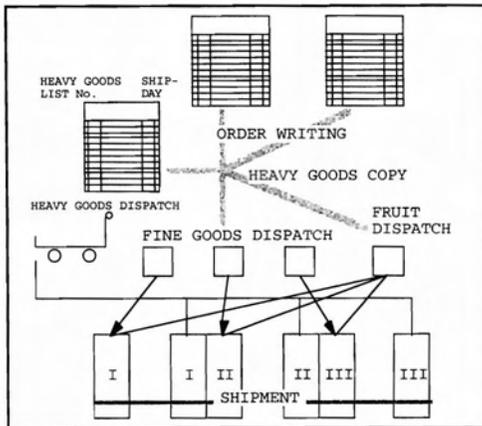


Figure 6-6. "The figure illustrates the execution of an order. The interaction between the departments is clearly seen. The fine goods dispatch is marked by squares that represent routes. The numerals in the shipment area also represent routes... each shipment team has its own aisle." Source: Knäckta Nötter, #2, Sept. 1949, p.5.

In the shipment hall all goods are placed route-wise... The heavy goods are transported down... during the course of the day while the fine goods arrive at the shipment hall only on the very same morning as the goods are to be shipped, or immediately before work stops the night before the shipment day.

Knäckta Nötter, AB Hakon Swenson, #2, Sept. 1949, p.4.

Organising warehouse work along these lines (Figure 6-6) would improve performance: "The perfect interplay between the departments results in shipment on record time."

Besides achieving an efficient interplay between the various tasks, each individual task could be improved in itself. The next four issues of Knäckta Nötter were devoted to a detailed look at each task, with suggestions as to ways of improving efficiency.

The input – customer orders

The work at the warehouse depended on orders from customers. But these came in irregularly during the course of the day and throughout the week (see Figure 6-7). Allegedly, the daily irregularities were partly caused by salesmen promising rapid delivery in order to satisfy the customers. Such orders arrived at the warehouse late in the day, making it hard for the warehouse staff to dispatch them on time for shipment. They also made it difficult to organise work along fixed lines. And fixed lines were central to rationalisation based on time and motion studies. Thus, something had to be done about such orders.¹

¹ Knäckta Nötter, AB Hakon Swenson, #3, Nov. 1948.

As a first measure, the telephone salesmen were instructed to call the customers two days rather than one day prior to a scheduled delivery (this was before the new deal when calls were still made). It was alleged that this significantly reduced the late order problem.

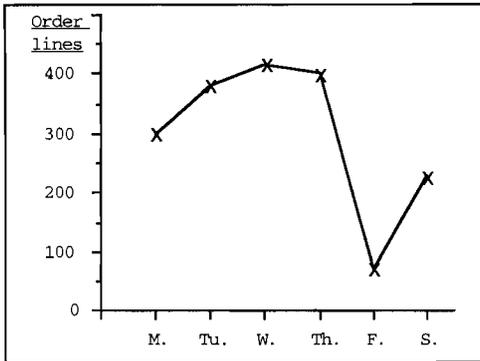


Figure 6-7. "This curve shows the number of orderlines for fine goods across the weekdays at one of our offices... over several weeks." Source: Knäckta Nötter, #3, Nov. 1948, p.15.

The introduction of the Hakon-deal was expected to further reduce this problem by stipulating that orders should be placed no later than in the morning the day before delivery. This would reduce idle time at the warehouse. Encouraging the office staff to deliver orders to the warehouse in this way was held to facilitate a future change-over to the new deal.

Since the offices usually were staffed to handle peaks, the variation over the week led to significant idle time. What would be the effect of the orders coming in regularly?

Based on the results presented in Figure 6-7, the Organisation Department estimated the work-force needed *if* these orders had been *evenly* distributed throughout the week:

We did this in the following way. The number of orderlines we knew. On the basis of our studies we also knew the time needed to dispatch a single orderline. This time had been established by careful studies over a couple of days. The studies covered a large number of orderlines. To this time, which a clerk had achieved at a very regular work pace, we had also added 20 minutes per day for personal breaks. The time we used for calculations was thus no exaggerated ideal time, but a time that any good worker could attain easily.

By multiplying this time with the number of orderlines we could calculate the total time needed to dispatch the goods in question. This showed that 1 1/4 man, which in practice means 2 men, could have handled all the dispatch work. In addition, these men would have had enough time over to handle restocking ... In reality, however, 4 men were employed in this fine goods dispatch area.

Knäckta Nötter, AB Hakon Swenson, #3, Nov. 1948, pp.15-16.

This estimate indicated that the office could reduce costs by SEK 12,000 / year (the wage costs for two clerks). If the situation was representative for all offices, an even order inflow could produce savings of roughly SEK 250,000 / year. The Gävle office was used to lend further credibility to the savings potential. Its warehouse was split up into 10 different locations and its fine goods dispatch area was "record small."

Despite this, the Gävle office reports a warehouse wage cost of 1.13% of the turnover. This is strong and testifies to a really good management. If this cost figure applied to our company on average – which ought not to be impossible given what was said about the warehouse conditions in Gävle – it would mean a reduction of our warehouse wages by approx. SEK 225,000 per year.

Knäckta Nötter, AB Hakon Swenson, #3, Nov. 1948, p.16-17.

An even distribution of orders thus offered a big saving potential.¹ Hence, the managers should give it high priority. Who would be the first to achieve costs lower than Gävle?

The organisation of the fine goods dispatch

The performed time and motion studies provided direct input to the normative model for fine goods dispatch. This was characterised in terms of the division of labour used for the studies (picking, moving, wrapping, paperwork and weighing) and the results of the studies (see Table 6-1, p.309) were said to indicate a less than satisfactory situation:

All of us probably sense that the picking function should dominate. The fact that the 'advantage' is so small is surprising. From this we can conclude that the organisation of work which we have used hitherto is not fully satisfactory.

Knäckta Nötter, AB Hakon Swenson, #2, Sept. 1949, p.5.

Picking should dominate the work. To some extent, picking seems to have been regarded as the essence of fine goods dispatch. In terms of the scheme in Figure 6-6, this is not hard to see. The order constitutes the input and the output is a collection of goods ready to be shipped. In between, this collection of goods is to be assembled.

How shall we increase the goods picked per clerk? Quite simply by reducing the walking distances for the clerks, by reducing the time needed to sort out and study the orders, by simplifying wrapping and by pre-weighing...

One need not follow a clerk for long before one finds that the cure for the long walking distances is a concentration of the fine goods to one storey.

Knäckta Nötter, AB Hakon Swenson, #2, Sept. 1949, p.6.

By concentrating the fine goods dispatch to one storey, the total walking distance for the clerks could be reduced significantly. It seems, however, that whereas this idea was accepted in principle by most, it was considered difficult to implement in practice.

Everyone can reduce the walking distances.... The statement is often admitted to be accurate, but no change is made with reference to available space being too small. However, our experiences show that if thorough attention is given to this issue, most of our offices can significantly reduce movements through a simple re-disposition of the fine goods.

Knäckta Nötter, AB Hakon Swenson, #2, Sept. 1949, p.6.

Table 6-2 shows some measures suggested for increasing the relative share of picking in the fine goods department. Did the search for improved efficiency lead to trifles? Building a can-cart! What could possibly be achieved through such a measure? Efficiency?

The can-cart idea came from Uppsala. Cans were normally stored in the basement of the warehouse. Instead of organising a separate dispatch, the Uppsala office had designed a can-cart on which the most frequently ordered cans were placed (Figure 6-8). The cart was placed centrally in the fine-goods dispatch area.

¹ Together with the turnover for 1947, the quoted figures allow an approximation of the actual warehouse wage cost. With MSEK 142 in turnover, a 1.13% warehouse wage cost would amount to MSEK 1.6. If this represented a SEK 225 000 reduction, the actual cost was MSEK 1.825 or 1.29% of the turnover.

Table 6-2. Improving efficiency at the fine goods dispatch. (Knäckta Nötter, #2, Sept. 1948, pp.5-10.)

Measure	Effect
Build a can-cart.	Reduces movement
Place the goods according to their turnover rate	Reduces movement
Organise the replenishment of the shelves	Makes dispatching run more smoothly
Don't tidy all day!	Leaves more time for other tasks
Don't sort the orders unnecessarily!	Saves time.
Wrap quickly and well!	Time and material is saved.
Weigh in advance!	Reduces total time for weighing, as well as erroneous weights

Allegedly, the cart reduced the time spent on moving. In fact, the can-cart idea featured in several subsequent issues of *Knäckta Nötter* and various improved models were shown.

Another suggestion was to pre-weigh loose goods. The office in Skövde was reported to pre-weigh at least an entire original case or bag each time. Suitable package sizes had been set jointly by the local sales department and the warehouse management.¹

Dispatching fine goods required many material aids. Besides the can-cart, the most important ones were: the general layout of the room, the counter, the shelves, the baskets used by the clerks, shelf-carts or -pallets for transports to the shipping area and good lighting. Detailed recommendations on design were provided, sometimes in the form of blueprints. Further, different aids were required depending on the work-organisation. E.g., by pre-weighing unpacketed goods, the bins under the counter became superfluous.

The Heavy Goods Dispatch

The heavy goods dispatch was the second major task at the warehouse. It concerned all goods that were delivered in unbroken original cases (or bags), e.g., flour, sugar, hard bread, and detergents. The first issue concerned what 'data' to base the dispatch on.



Figure 6-8. Rationalisation measure II. "The can-cart in Uppsala. Simple, nice, and efficient!" Source: *Knäckta Nötter*, #2, Sept. 1948, p.8.

¹ *Knäckta Nötter*, AB Hakon Swenson, #2, Sept. 1948, p.10.

Since urban and rural orders were likely to be shipped at different points in time, it was considered impracticable to use a single list for all heavy goods. By using separate lists and not executing the dispatch of the rural routes until the afternoon before shipment, the chances of 'full lists' and more efficient dispatch were said to be improved.

When collecting the heavy goods, these should be marked according to route and placed in the corresponding shipment area. The photos below suggest that this was not always carried out. A bit of editing has transformed the clerk in Figure 6-10 a) into a role-model concerning how to mark heavy goods, whereas the editing has been left out in b).

After the heavy goods had been collected and placed in the shipment area and notes of any items going out-of-stock had been made on a noteboard in the shipment area, the heavy goods dispatch was completed. What remained was to prepare shipment.

The shipment of goods from the warehouse

With the exception of the office in Sundsvall, Hakonbolaget carried out all deliveries with its own lorries. This was said to make efficient utilisation of the lorries important. The time required for loading the lorries should be as short as possible. To this end, a separate area should be marked out for each delivery route in the shipment hall (see Figure 6-11). After bringing the goods for a route together in this area, loading could start.

The Organisation Department claimed that their "thorough investigations" indicated that three men should load each lorry. One should check the goods against the orders, a second should move the goods onto the lorry, and a third, the driver, should stow the goods. To facilitate delivery, the driver should mark the goods with the retailers' customer number. The driver would now be ready to drive off and make his deliveries.

Delivering goods to the retailers - the transport organisation

Hakonbolaget used fixed delivery routes. This meant that every retail customer 'belonged to' a certain route, and that deliveries along this route were made only on set days.



Figure 6-10. Making role-models. Left: "The heavy goods dispatcher at work. Note how he has marked the different items with numbers corresponding to [route]." Right: "Detail of the heavy goods dispatchers plateau-cart. Note the practical 'desk' for the heavy goods list..." (Knäckta Nötter, #3, Nov. 1948, p.6-7.)

This part of operations was also subject to time and motion studies. In all, 58 delivery routes were studied during the period June 1947 to March 1950.¹

Every phase of the work is noted, starting with the time at which the lorry is driven to the loading platform, continuing with loading, the departure from the warehouse, the drive to the customer, off-loading, control, securing the tarpaulin, etc. Notes are simultaneously made for each customer concerning the number of parcels and the distribution of these on different storage rooms, the weight of the delivered goods and any customer service deliveries...

Knäckta Nötter, AB Hakon Swenson, #6, May 1950, p.3.

A normative transport organisation was suggested on the basis of these studies. The first phase was *planning the transports*. The amount of goods that was to be transported had to be estimated and distributed as evenly as possible on routes across the days of the week.

Here, the uneven workload was held to be particularly problematic and a major obstacle towards greater warehouse and transport efficiency (see Figure 6-12). Handling the peaks through over-time or temporary staff (case b) would lead to high costs and low precision. Adjusting to the peaks (case c) would result in considerable idle time. An even distribution of orders and transports could lead to annual savings of SEK 15-20,000 on warehouse work and SEK 15,000 on transports at an average sized office.² But here, the conflict between efficiency and customer service was clearly expressed:

Haven't we all submitted too easily to the members' wishes for order concentration to the middle of the week? In an effectively working purchasing company the members surely ought to be able to – and in many cases probably do – submit to facts which lead to improved yield (which increases their bonus).

Knäckta Nötter, AB Hakon Swenson, #6, May 1950, p.6-7.

This excerpt explicitly questions the 'customer is king'-thinking put forward so often as instrumental to market success. Instead of listening to customers and taking in what they say, it suggests that one must educate them into the company's ways. In a sense then, it is a 'customer is student'-thinking. (A central theme also in the previous chapter.)

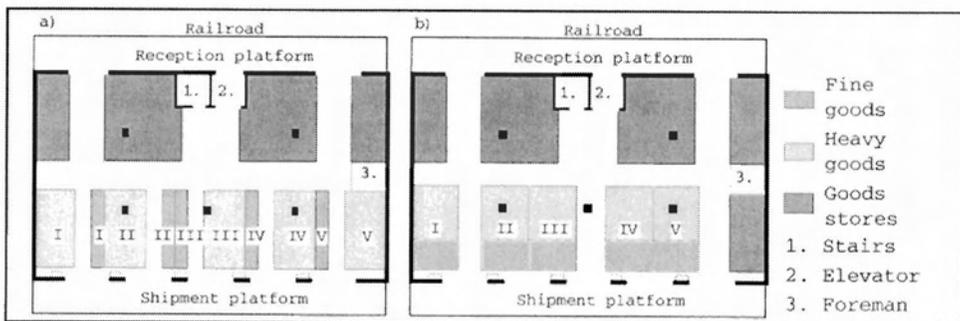


Figure 6-11. Two shipment organisations. "In a) there is one aisle per team; in b) two teams share each aisle..." Source: Knäckta Nötter, #3, Nov. 1948, pp.10-11.

¹ Knäckta Nötter, AB Hakon Swenson, #6, Apr. 1950, p.3.

² Ibid., pp.5-6.

Peer reflection by Claes-Fredrik Helgesson:

Well, the excerpt above talks about members, not customers. It is perhaps didactic to translate the excerpt into a vernacular of market interaction as is you do just below the excerpt. Yet, I think this suppresses an important point that actually links the present chapter to the previous one. The excerpt's talk of members asserts, in my view, that the recently reconfigured retailers ought, when truly submitting to their new identity, to behave in a way supporting reconfigured wholesaling operations. It represents thus one, out of numerous instances, where the enlarged 'we', so painstakingly attempted in the Hakon-deal, is linked to attempts to reconfigure the operations of wholesaling in the name of rationalisation. Simultaneously then, the excerpt represents also an instance illustrating that any precariousness in the reconfiguration of retailers into members also makes the reconfiguration of wholesale operations a more precarious endeavour.

OK, fine. I will try to be more cautious in this respect, as I go along.

Several alternative solutions were suggested to increase transport efficiency and reduce the uneven work-load. Deliveries could be made on Saturdays. Certain heavy goods could be delivered directly from the manufacturer. The retailers should be encouraged (e.g., through the Hakon-deal) to reduce stocks and instead order more frequently (and evenly). To handle peaks, independent contractors should be used for transports as long as these costs did not exceed buying an additional vehicle (allegedly SEK 10-12,000). The need to continuously overview and adjust the delivery routes and to inform the customers members of such changes, was underscored. Simultaneous delivery on geographically adjacent routes would allow combination of routes on slow days. Finally, the routes should be co-ordinated with lunch-breaks at the stores to avoid unnecessary stops.¹

Deciding on the most suitable type of vehicle was also part of transport planning. Three issues should be considered: diesel or gasoline, loading capacity, and body design. Open lorries (on which the goods were covered by tarpaulins) were most common.

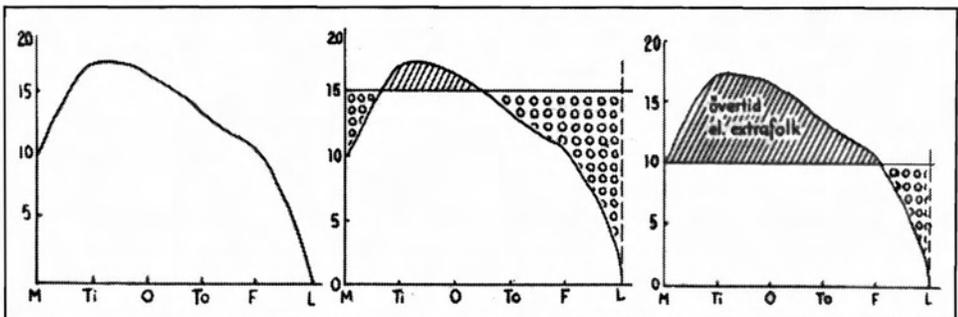


Figure 6-12. The effect of an uneven workload on transports: if staff is adjusted to peaks, considerable idle time results, if adjusted to average load, overtime is necessary. (Knäckta Nötter, #6, May 1950, p.5.)

¹ Ibid., pp.3-11.

Table 6-3. Results of time study on the effect of the body-design on loading times. Loading times per customer in minutes. Source: Knäckta Nötter, #7, June 1950, p.12.

Route	Closed body	Covered body	Open body
A	0.33	1.44	5.40
B	0.38	1.73	4.25
Average	0.35	1.58	4.82

To find out whether the design of the body affected loading times, time studies were performed on three body types: open-body, covered body and closed body. The results of the study are displayed in Table 6-3. The conclusion drawn was to abandon the old type of lorry in favour of either covered bodies or closed bodies.¹

The second phase, after planning the routes, was *preparing for delivery*. As a general rule, preparations should allow deliveries to start as early as possible in the morning. How this work should preferably be organised was described above (p.316).

The third phase was *delivering the goods*. This work was said to consist of eight activities: i) driving (40-42%); ii) off-loading goods (25-27%); iii) loading goods at the warehouse (10-12%); iv) breaks (5%); v) customer service (3-4%); vi) tying and untying the tarpaulin (3-4%); vii) handling returns (2%); and viii) diverse activities (3-5%). To reduce delivery-time, the goods should be unloaded at a single point at the retail outlets. If these had loading platforms, delivery-time could be further reduced.

By the time that the organisation department spelled out this normative model for the organisation of transports, the Hakon-deal had been implemented at all offices. The rules stipulated therein could thus be used as motives for certain organisational solutions:

It is our duty to implement the rules of the Member-book in this respect (p.19 line 3): "The undertakings of the purchasing centre do not include unpacking or placing goods in different storage facilities. Similar and fair delivery conditions will hereby apply to all members."

Knäckta Nötter, AB Hakon Swenson, #6, May 1950, p.13.

The *customer* service deliveries should stop immediately, for, as Claes-Fredrik Helgesson pointed out above, the retailers were now *members*. These deliveries meant that the driver and lorry from Hakonbolaget also delivered goods *from* the store to *its* customers after making deliveries *to* the store. When presenting the Hakon-deal, a member of the retail committee used this practice as an example of inappropriate use of the purchasing centre (Chapter 5). The excerpt suggests that some still used Hakonbolaget inappropriately.

The fourth phase was *how to make use of the excess time* available after deliveries had been made. A sensible use of this time was considered to be important:

¹ *Knäckta Nötter*, AB Hakon Swenson, #6, Apr. 1950, pp.10-11, and #7, June 1950, p.12.

There is nothing more dangerous than if the drivers come to view the warehouse management as unable to check on their efficiency and to utilise their services in work other than their regular route transport work...

Knäckta Nötter, AB Hakon Swenson, #6, May 1950, p.15.

It was suggested that the drivers could collect goods, help out with the dispatch work, load goods on one lorry for delivery the following day, and service their lorries.

A final aspect of the transport organisation was *control*. First, the managers should accompany the drivers regularly to observe malconditions, e.g., unsuitable loading platforms at the retail stores. Second, they should order and use the *nomogram* designed by the Organisation Department.¹ (Maybe due to less orders than desired, the nomogram was supplied in a later issue, see Figure 6-13.) This device, which was intended for control rather than planning, allowed the managers to estimate the time for a given route and evaluate the driver's performance. Third, they should have the drivers make up daily driving reports, stating the amount of goods delivered from, and brought to the warehouse. Fourth, monthly meetings should be held with the drivers to make use of their experience.

Receiving goods at the warehouse

At the other end of the warehouse, so to speak, goods had to be brought in. This activity constituted a relatively small part of the entire work at the warehouse and there was a suggestion that this might also have led to it being relatively neglected by the managers.

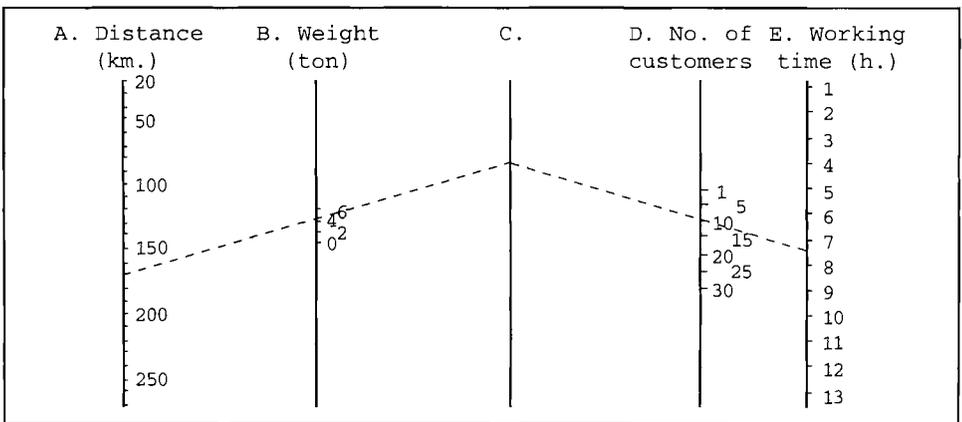


Figure 6-13. "A nomogram for rural deliveries. Example of using the nomogram: A delivery is to be made on a route of 170 km, with 4 tons of goods to 10 customers. How long should it take? On scale A, the driving distance is marked (170 km) and on scale B the weight of the goods (4 tons). Guided by these points, a line is drawn until it crosses line C. Then a mark is made on scale D at 10 corresponding to the number of customers visited. The points on C and D are connected with a line drawn to scale E, where the estimated driving time can be read, in this case 7.5 hours." Source: Knäckta Nötter, #8, Dec. 1951, p.23.

¹ Using nomograms was advocated by Gösta Persson (*Arbetsstudier vid interna transporter* (Work-studies of internal transports), 1948, p.33) in an article that Wirsäll stored in his binder on rationalisation issues.

Table 6-4. Goods reception. Results of time and motion studies. Source: Knäckta Nötter #4, March 1949.

Method / Good	Cream (crates)	Flour (boxes)	Fodder (bags)
1. Single man (loads, transports, stows)	0.318 min./crate	n.a.	n.a.
2. 1 loader and 2 transporters	0.483 min./crate	n.a.	n.a.
3. 1 loader, 2 transporters, 1 stower	n.a.	0.407 min./box	n.a.
4. 1 loader and 3 transporters / stowers	n.a.	0.300 min./box	n.a.
5. 3 transporters and 2 stowers	n.a.	n.a.	1.10 min./bag
6. 1 loader, 1 transporter, and 2 stowers,	n.a.	n.a.	1.21 min./bag
7. 1 loader, 2 transporters, 1 stower	n.a.	n.a.	0.757 min./bag

First, permanent transport aisles and storage locations should be devised and marked out. Offices that had done this had improved order and space-utilisation. When expecting large shipments, the warehouse manager should plan where to store the goods and see to it that enough room was available on arrival. The goods should always be placed in the right location directly; moving them later meant expensive duplication of work. The staff should also deliver old shipments before new ones for a correct turnover of stocks.

These instructions concerned heavy goods, which were usually received in wagon loads. The fine goods needed to be treated differently since they had to be unpacked and shelved in the fine goods dispatch area. A special room and desk should be reserved for this. Rather than keeping all goods stacked on the shelves, to the detriment of dispatch work, separate stores for unbroken cases of fine goods were recommended.

The normative model emphasised that the reception of goods had to be overseen and scrutinised just as any other activity at the warehouse. Rather than reorganising the work completely, some minor changes might be enough. One such measure was to give the staff proper instructions as to how they should carry out their work.

As a general rule, it was recommended that the staff participating in goods reception should handle the goods all the way from the lorry or wagon to the storage location, rather than dividing the work into sub-phases. The results of time and motion studies of three specific cases of goods reception were presented to illustrate how the work could be organised (see Table 6-4). The major problem with a division of the work into sub-phases was to adjust the number of men on each task so that no waiting time occurred.

Summary of the normative warehouse organisation anno 1948-1950

I started this section by asking how the Organisation Department went about its task – that of improving performance in general. It seems that much of its efforts were put into devising a normative warehouse organisation. The time and motion studies were central to this work. First, the Organisation Department was shown the ropes while conducting the studies; the studies generated descriptions of the work. Second, the results allowed the department to back up statements concerning best practice with actual figures.

Concerning the content of the normative model, the work at the warehouse was divided into seven distinct but highly related activities: order handling; fine goods dispatch; fruit & vegetable dispatch; heavy goods dispatch; shipment; delivery (transports); and goods reception. The most "tip-top" organisation for each of these activities was then carefully described along with suggestions concerning how to improve performance.

Having devised this normative model, the Organisation Department faced another challenge. How could the warehouse managers and their staff be persuaded to play along and implement the model?

Efforts to realise the warehouse organisation

Besides presenting the normative model, the Organisation Department was eager to show that its efforts led to real changes at the warehouses. *Knäckta Nötter* presented individual foremen and managers who had devised new measures and highlighted the efforts of both the Organisation Department and the editorial board. Attempts were also made to show that the publication was a source of inspiration to warehouse managers and foremen.

From what one reads in *Knäckta Nötter*, the chairman of the editorial board, Carl Wikman, Västerås, and the warehouse manager in Örebro, Folke Öhrn, were particularly active. In March 1949, Wirsäll reported on a discussion between Wikman, Öhrn and his two foremen. Allegedly, the men from Örebro decided to switch from copying the heavy goods to using heavy goods lists as a result of the discussion. Another topic attended to was the benefits of pre-weighing loose goods, in particular, the associated problem of weight losses. Wikman and Öhrn decided to perform some tests on this. In the next issue of *Knäckta Nötter*, a few results were presented which indicated that storing pre-weighed goods in paper-bags led to significant weight losses over the course of three weeks. A specially coated paper bag reduced the loss, but was considered too expensive. Instead, the recommendation was to pre-weigh goods for a week at a time.¹

In another issue, Folke Öhrn found favour with the editorial board for designing a new can-cart based on the Uppsala model (see p.313). Similarly, he simplified 'Putte', a small push cart for fine goods dispatch designed in Södertälje. This cart allowed the clerks to bring two crates along when collecting goods. The use of such carts, Öhrn argued, would make counters superfluous in the future. Particularly as the new deal would lead to more dispatches of whole cases and thus less wrapping and less need for a counter. The idea was applauded in *Knäckta Nötter* and hopes of seeing it realised were expressed.²

¹ *Knäckta Nötter*, AB Hakon Swenson, #5, August 1949, p.17-18.

² "Putte" was presented in *Knäckta Nötter*, # 4, March 1949. Öhrn's improved version and his ideas on its consequences on the organisation of the fine goods dispatch, in *Knäckta Nötter*, #5, August 1949, p.10.

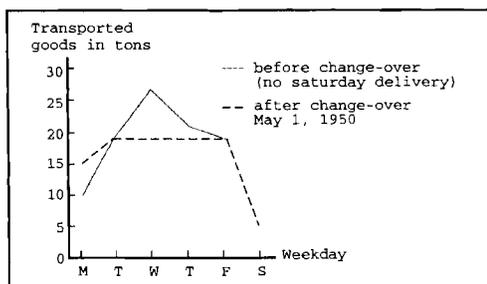


Figure 6-14. The work-load for rural deliveries at the Västerås office before and after the change-over. Source: Knäckta Nötter, #7, June 1950.

Other offices were also shown to make efforts to improve the efficiency of operations. In Gävle, with the construction of the new warehouse put off (see Chapter 3) and a “record small” fine goods dispatch area (see p.312), an expansion was reported to have been made in the summer of 1949. The new dispatch area was equipped with counters that had been built along the lines suggested in a previous issue of Knäckta Nötter.

An ‘independent’ indication of the efforts spent by the Organisation Department having effect at office level is provided from Sundsvall:

[Gösta Anell] announced the idea for the future, that the dispatch-clerk is equipped with a cart and collects goods in numerical order, but emphasised that there are difficulties in organising the stores in this way at present.

Minutes of the salesmen’s meeting, Sundsvall, Oct. 1, 1949.

Although it does not amount to much, the excerpt shows that the ideas found in Knäckta Nötter were being discussed, at least at that office on that one occasion. A similar indication concerns route-planning, an idea applied at the office in Ludvika in 1948:

Alex Larsson informed that our discontinuation of a run on each of the routes to Grangårde and Grängesberg had allowed a reduction in our warehouse staff. The costs could be brought down further if we could have the orders from the customers at an earlier stage and thus not have to cope with the peaks in the work which exists at present.

Minutes of the Ludvika council of trustees, Sept. 27, 1948.

This remark was made in connection with the presentation of the Hakon deal, and served to underscore that the new way of ordering would lead to further cost reductions. In addition, it suggests that the link between an even work-load and cost reductions, which was stressed in Knäckta Nötter in 1950, was known and also dealt with in 1948.

Despite the efforts made to show how improvements were being made at the office level, the photographs used in Knäckta Nötter also show (silently) how a central principle in the normative model was breached at almost every office. The normative model claimed that counters in the fine goods dispatch area should always be placed centrally.

In June 1950, Knäckta Nötter reproduced a second discussion between Wikman and Öhrn. This time, the topic was Wikman’s effort to rationalise transports. He had achieved a much more even workload across the week by re-scheduling delivery routes. The chart in Figure 6-14 was said to depict this. Allegedly, the change had allowed Wikman to sell off one lorry and he was now about to sell a second one.

It is definitely wrong to place the counter at one end of the dispatch room.

Knäckta Nötter, AB Hakon Swenson, #2, Sept. 1948, p.11.

Still, this was how all counters were placed, even at the offices where the fine goods dispatch had recently been reorganised (e.g., Borlänge, Gävle, Lidköping and Västerås).

Efforts by others

Efforts were shown to be made by others as well. For instance, AB Eol, one of the other purchasing centres, had built a new facility in Borås which the editorial board visited in March 1950. Allegedly, the planning of this facility was based on the work organisation. This organisation, in turn, was based on three principles: 1) Handling within the warehouse should combine unit loads and fork-lift trucks, thus making normative the pallet for the width of the warehouse building, and the unit load for the ceiling height in the stores; 2) Although the work organisation "indicated a decisive advantage for a one-storey building", the availability of land necessitated a 4 storey design. 3) Labour costs were to be reduced by creating fixed work spaces for all employees.¹

Although there were some features of the new warehouse the visitors liked, the resulting article in *Knäckta Nötter* was only moderately positive. In particular, the use of pallets and fork-lifts, although inspiring, were seen as problematic:

We sense that we are not yet ready for a change-over to fork-lift trucks. Our members' stores and businesses are too small and we work with broken cases to too great an extent to reach the advantages that such an organisation really can provide. In addition, our offices are probably slightly too small if one compares with the Americans' very effective one-storey warehouses.

Knäckta Nötter, AB Hakon Swenson, #7, June 1950, pp.8-9.

Despite the half-hearted review, the visit in Borås prompted Folke Öhrn to write to the managing director, Harald Mörck, in time for the local directors' conference on March 13:

In connection with the Chairman reading a letter sent to him by Folke Öhrn, the warehouse manager in Örebro, concerning the visit at Eol in Borås, Nils-Erik Wirsäll maintained that the costs in Borås surely were no less than before, but that the new organisation could handle a much larger turnover than the present one. ... The visitors had concluded that Hakonbolaget's working method was no worse than that practised in Borås at the present turnover. The Borås-method would probably be good at very large offices. The greatest profit lies in goods reception where the pallet-system can be best utilised.

Minutes of the local directors' conference, March 13, 1950.

We remain ignorant as to the content of Folke Öhrn's letter, but not of Wirsäll's views which tally with the article in *Knäckta Nötter*. The lack of alternative interpretations suggest that his view either passed uncontested or was endorsed as the official one.

¹ *Knäckta Nötter*, AB Hakon Swenson, #7, June 1950, p.6.

External influence was also provided by the Finnish purchasing centre Kesko O/Y, which Wirsäll had visited during the autumn of 1949 (Kesko was also one of the companies that the committees designing the Hakon-deal had visited in 1948, see Chapter 5). One of the practices that Wirsäll found interesting was the use of storage accounting.

We have often discussed the possibilities of storage accounting at home, but our discussions have always failed owing to it requiring too much staff and that one still would not be able to get an efficient storage accounting. I could now see with my own eyes that the storage accounting worked well.

Knäckta Nötter, AB Hakon Swenson, #7, June 1950, p.13.

This issue had previously been discussed in Knäckta Nötter, and the Organisation Department was said to have made certain investigations concerning its practicability. The main problem was perceived to be the cost of realising such an accounting system.¹

The managers' efforts to realise a more even work-load

The Organisation Department was given support by the new Managing Director, Harald Mörck, who contributed with a 'guest editorial' in Knäckta Nötter in August 1949. In June 1950, the retiring Hakon Swenson contributed with a second editorial.

For several years the cost increases have been such that it is a compelling necessity, particularly within goods distribution, to find ways of designing the most rational and efficient distribution apparatus. If this goal cannot be reached within private trade, the goods distribution within private trade runs the risk of being set aside by the development.

It has been with the greatest joy and satisfaction that I have followed all the measures and initiatives which have been taken by the Organisation Department to improve efficiency and rationalise our distribution work.

Knäckta Nötter, AB Hakon Swenson, #7, June 1950, pp.1-2.

Hakon Swenson linked the work of the Organisation Department and the warehouse managers to the ongoing debate about distribution costs and the need for rationalisation. By attempting to rationalise operations, they were doing private trade as a whole a favour.

The costs of operations and the internal efficiency were also discussed among the managers. In February 1950, the introduction of some form of stock-accounting was discussed in order to improve the planning of purchasing at the offices and avoid both out-of-stock items and growing stocks under the new deal.² A few weeks later, transport costs was added as a second important area to attend to. On this matter, the local directors unanimously decided to take heed of what the Organisation Department had to say:

We must now save as much as possible on transports, for these costs are as high as those for stock-keeping. In the next issue of "Knäckta Nötter" this problem is addressed seriously... It would lead to significant savings, if a more even work-load throughout the week-days could be achieved. ... It was decided

¹ *Knäckta Nötter*, AB Hakon Swenson, #6, Aug 1949, p.9.

² Minutes of the office managers' conference, AB Hakon Swenson, Feb. 19-21, 1950.

that all present should attend to the problem which will be discussed in the next issue of "Knäckta Nötter."

Minutes of the local directors' conference, March 13, 1950.

The directors also indicated that they appreciated the Organisation Department's efforts:

The local directors generally expressed that they were very happy for the assistance they could get from the Organisation Department when it came to rationalising the work.

Minutes of the local directors' conference, March 13, 1950.

At least, then, the office managers were ready to pay lip-service to these efforts.

Another measure discussed in this connection was the introduction of short term reports at all offices three times a year. At the time, short term reports were only prepared for selected offices. But the results were held to be of such importance to the managers that reports should be made up for all offices. In June 1950, the short term reports relating to the offices in Ludvika and Sundsvall were discussed at the managers' conference:

The figures obtained show a brighter trend than had been expected. [Stig Svensson] pointed out that we had enjoyed a quite favourable turnover growth during the first quarter, which of course has affected the result in the right direction. The gross profit percentages has been kept at a higher level than expected... The costs have become better through the good turnover development.

Minutes of the managers' conference, June 1-2, 1950.

Increased sales had put the costs in a brighter light. Clearly then, it was the costs relative to the turnover that were studied. Later, during the same meeting, the issue of further organisational simplifications was discussed in the light of these figures.

Nils-Erik Wirsäll introduced the issue and pointed out that the short term reports show that the gross-profit has gone up and that the costs have gone down. Our costs are still too high, however, and we must therefore achieve a cost reduction. I want to make certain suggestions in this respect: ...

The load on our dispatch and transport apparatus is currently very uneven across the days of the week. ... The office in Västerås has been successful in levelling out the load by performing deliveries on Fridays and Saturdays, thereby allowing for a saving of two cars and the corresponding staff. This more even load does not only affect the warehouse and transport apparatus but also the office. It allows a better adjustment of the staff, since one adjusts the staff to the peaks at an uneven load. ... Each office should address this problem and try to achieve a levelling of the load across the days of the week. This is sometimes resisted by the members. In Västerås it has worked well, among other things due to a good personal effort put in by the warehouse manager.

Minutes of the managers' conference, June 1-2, 1950.

The excerpt suggests that figures indicating improved gross-profits and lower costs of operations had been produced. Still, costs had to be reduced further. Besides the workload problem, Wirsäll proposed further education of the staff, the introduction of common payment conditions, and a simplified accounting of the members' purchases. This was expected to simplify administrative work to the extent that office managers would have

time to actively manage the work. This had worked well at the warehouses, where the managers had been relieved of all tasks but the management of operations.

Wirsäll's proposal to achieve a more even work-load gained the managers' support:

The chairman pointed out that the suggestions and directions given in Knäckta Nötter should be followed, but that it must be made clear that these can be introduced only in co-operation with the customers. In connection to these organisational issues, he mentioned that an investigation of the organisation at head office would be carried out to achieve the greatest possible efficiency there.

It was decided to try to carry out the program for levelling the work-load across the days of the week suggested in Knäckta Nötter, to which the Organisation Department was to contribute with advice and assistance.

Minutes of the managers' conference, June 1-2, 1950.

The issue was addressed yet again at the local directors' conference in September:

The delivery routes and the work-load This is an important issue. Several offices, e.g., Västerås, have come very far in sorting out this problem. Each office should ... set about achieving an even work-load (= a correct balance of the transport plan).

Minutes of the managers' conference, Sept. 8, 1950.

It seems that the issue of cost reductions was given high priority by Hakonbolaget. Particularly, the idea that a more even work-load would lead to such cost-reductions seems to have been espoused by the managers. Still, there are few signs of success in the available documents. Rather, there are repeated calls for additional efforts:

Then the development of the costs and issues related to this were discussed. ... Nils-Erik Wirsäll claimed that we are well on the road to achieving a levelling of the costs between the offices. Still, much remains before a uniform adaptation of costs to a lower level is achieved ... much can be done to increase efficiency, both concerning warehouse and office work. At the recent conference for warehouse managers, valuable views had been put forward... But considerable savings can also be made among the members, as well as on the assortment. In the last respect, the split cases remain a problem.

Minutes of the local directors' conference, Dec. 6-7, 1951.

Similarly, the results of the time and motion studies made so far, although considered to be of value, were held to be under-utilised.

The time and motions studies have rendered important results. They should therefore continue, although partially in another form. A co-operation with Industribyrån is being considered. ... The valuable material, which is gradually collected and published in "Knäckta Nötter" should be put to better use than hitherto. Each department manager should be made interested in a careful study, working things out with the staff concerned.

Minutes of the local directors' conference, Dec. 6-7, 1951.

Additional efforts again! The findings from the time and motion studies - the reason for publishing Knäckta Nötter in the first place - should be put to better use.

A second look at the normative model

In the final (?) issue of *Knäckta Nötter* (December 1951), the normative warehouse organisation was reviewed in the light of the above-mentioned conference held with all the warehouse managers at the district and affiliate offices of Hakonbolaget in October. At this conference, the participants first discussed the tasks of the warehouse manager in groups and then jointly discussed the matter.¹ The conclusion drawn was that the primary task of the warehouse manager concerned the work organisation at the warehouse:

The warehouse manager should create a correct and efficient work organisation...
Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.2.

Such a “correct and efficient work organisation” was said to comprise: i) handling orders; ii) dispatching fine goods; iii) dispatching heavy goods; iv) shipping goods; v) transporting goods from the warehouse to the members; and vi) receiving shipments at the warehouse. This is almost identical to the basic structure of the normative model. Had there been any changes in the way these activities were to be carried out?

First, when *handling orders*, there was a need to edit them before dispatching. In particular, the amount ordered of a good must be checked against the goods catalogue. To adjust case sizes, it was suggested that the catalogue should be reviewed centrally once or twice a year. Editing also included making notes of items out-of-stock. To speed up this process, it was suggested that the “deficiency-man”, i.e. the man responsible for replenishing stocks, should partake in the editing between 8 and 9 a.m. Special attention was also given to sorting, which was held to consume much time. Here, a minimum of activity was promoted. No sorting was to take place until the order had been dispatched. Then, it was to be placed in a compartment corresponding to delivery route. When all orders had been dispatched, the foreman should sort the orders according to the delivery sequence. Finally, to improve interaction between office and warehouse, it was suggested that the main orders should be at the warehouse no later than 11 a.m. The so called “after-orders”, replacement goods that members had ordered over the phone upon being notified of a stock-out, should in any circumstances be at the warehouse at 4 p.m.²

The second activity was *dispatching fine goods*. Here, a new principle was emerging which meant that the staff were made less specialised. Clerks who were “used for dispatching fine goods” should also dispatch heavy goods. Further, a new way of organising the fine goods dispatch was presented – the so called floating work-process:

Floating work-process is the newest working method. It has successfully been tried in Uppsala. It means that the clerk is aided by a so called Putte-cart, on which there is room for two goods-baskets. The clerk walks along the different

¹ These were: create a sound work organisation, employ the right staff, lead the staff to good performance, be well acquainted with the tasks; watch over stocks and equipment, and contribute to good co-operation between the departments. (*Knäckta Nötter*, AB Hakon Swenson, #8, Dec. 1951, p.2-3.)

² *Knäckta Nötter*, AB Hakon Swenson, #8, Dec. 1951, pp.3-4.

shelves in a certain set route. As the goods are collected from the shelves, the items are stowed in the goods-basket so that no further stowing is needed. Major time-savings! ... The consequences of the floating work-process are that the regular dispatch-counters disappear and are replaced by a couple of small tables (these are used when packing bus-orders, railway packets, etc.) and that the use of goods-baskets becomes more advantageous than boxes, etc.

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.8.

This new organisation appears to be a realisation of the ideas that Folke Öhrn put forward in 1949 (see p.322). The re-organisation of the fine goods dispatch in Uppsala had been jointly planned by the Organisation Department and the warehouse manager in Uppsala.¹ Apparently it provided an opportunity of trying to do away with the fixed counters.

A second issue concerning the fine goods dispatch was that of unbroken cases:

We all know that this is not possible to 100% but we can dispatch in original cases more than hitherto. Why do some offices split, e.g., Radion, Omo or Persil or soap in dozens or packs of ten?

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.9.

Since some goods could not be dispatched in original cases, re-packeting was needed:

Should these be re-packeted by us in advance, or should they be collected and placed in the goods-basket during the dispatch?

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.9.

Whereas pre-weighing and -packeting was considered most efficient for unpacketed goods, the use of a can-cart was considered to allow for a more rapid dispatch of cans.

The third activity was the *heavy goods dispatch*. Here, the recommendations made in 1948 were referred to as "working well." The need to update the heavy goods lists to really reflect the warehouse organisation was stressed. A slight modification concerned how to place the heavy goods in the shipment hall. With few routes, the goods should be sorted by goods category, but with many routes, they should be sorted by route.

The fourth activity was *shipment*. Here, the results of time and motion studies in Örebro had increased knowledge as to the best organisation. The Örebro study had started with transports from the fine goods dispatch to the shipment area (see Table 6-5). The second part of the study concerned shipment proper. Three different methods were used to load two lorries with 156 units of fine and heavy goods weighing roughly 4,000 kg (see Figure 6-15). On the basis of the results, method B was recommended, despite C being slightly faster. The study had been made without using shelf-carts for the fine goods. But, since shelf-carts had considerable advantages both for transporting and loading goods, these were recommended. With shelf-carts, the fine goods would automatically be sorted per customer and thus reduce the relative benefit of method C.

¹ The Organisation Department's participation is hinted at in another part of the issue: "When planning the new dispatch in Uppsala, we made investigations concerning the most suitable lighting..."

Table 6-5. Internal transport of goods. Result of time study in Örebro. (Knäckta Nötter, #8, Dec. 1951.)

Task	Method	Time / unit
Transport from fine goods dispatch to shipment hall	a) the goods basket is moved from the push-cart to a shelf-cart, when full (has room for 9 baskets) the shelf-cart is elevated to the ground level and placed in the shipment area to await shipment.	0.287 min.
	b) the goods basket is moved from the push-cart to a plateau-cart (with room for 4 baskets) which is elevated to ground level and moved to the shipment area where the goods-baskets are unloaded.	0.451 min.
	c) the goods basket is unloaded from the push-cart, loaded on a barrow (with room for 2 baskets) which is elevated ground level and pushed to the shipment area where the goods is unloaded.	0.703 min.

The fifth activity, *delivery to customers*, should preferably be distributed evenly across the week. To achieve such an even work-load, intimate co-operation between the warehouse and the order department was required. The amount of over-time put in by the drivers should be reduced. By loading the lorries the day before delivery, the drivers could start early enough to complete their deliveries and return before the end of the day.

All warehouse managers had agreed that it was desirable to introduce weekly deliveries also for urban members. Hitherto, these had received deliveries twice a week.

It is actually not the members who have the least space who utilise the two deliveries, but those who do not handle their re-stocking. Thereby, the original reason for double-deliveries in office municipalities or towns is forfeited.

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.19.

Thus, rather than being a service to members working under problematic conditions, the double delivery policy had become a loop-hole for those who were not doing their job. In the light of this, it seems that the members were no longer thought to deserve the service.

Summary: a stable but not static model

The overview of the warehouse organisation indicates that the normative model was changing in a piecemeal fashion. An effort made here, a time study made there – both the daily warehouse work and the Organisation Department's efforts contributed to this.

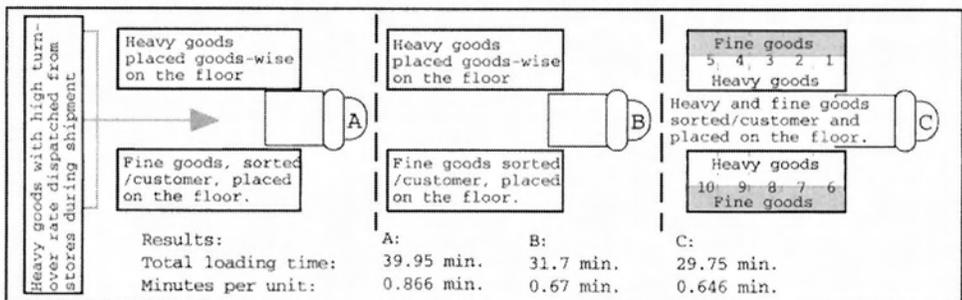


Figure 6-15. Three alternative ways of organising shipment. Source: Knäckta Nötter, #8, Dec 1951, p.17.

The most significant change seems to be the new way of organising the fine goods dispatch. Through a series of minor changes, there had been a drift towards a new type of organisation, one that had been realised for the first time in Uppsala in 1951.

A second point to stress about this overview is the repetition of problems. The problem of an uneven work-load at the warehouse was repeated, as were the problems of the uneven distribution of orders, the tendency of the sales department to take up orders at too late a stage in the day, and the need to plan delivery routes to even out the work-load. The ambition to increase the dispatch of unbroken cases, and in other cases pre-weigh and package, was also repeated. No doubt, efforts had been made to come to terms with these problems – at least by some. Similarly, improvements were likely to have been achieved as well – at least by some. In a sense then, these problems were ‘good problems’ since they were conducive to continuous improvements, if only by ever so little.

Summary and reflections: rationalising operations

The Organisation Department appears to have set about its task with great fervour. Nothing seems to have been left to chance. The tiniest detail was scrutinised for potential efficiency increases. Figures were produced. Different working methods were compared. Winners were picked. As a whole, the efforts during the period 1947-1951 created something of a portable warehouse at work. A series of charts and tables that could be brought along to show those concerned what they were doing, or what they should be doing...

To what extent did the office managers play along? Did they realise the normative model? To be honest, I don't know. The available sources have me groping in the dark for traces of the local warehouse managers re-organising their operations. Two indications of ideas being picked up at an office are the discussion of the floating work process in Sundsvall and the remark concerning the cancellation of two delivery-runs at the office in Ludvika (p.323). On one occasion the managers also decided to attend to what the Organisation Department would say (p.326).

The only major change noted in the normative model was the introduction of the floating work process. This came about through a series of transformations. First, the office in Södertälje devised a small push-cart, ‘Putte’, which the clerks could bring with them when collecting goods. Second, Folke Öhrn improved ‘Putte’ and in trying it out, came to the conclusion that it ought to be possible to do away with the dispatch counters. Third, the Organisation Department and the warehouse management in Uppsala used this idea when introducing the floating work-process for fine goods dispatch in Uppsala.

Throughout this process, Putte changed as well. In Södertälje it was a simple push-cart for two goods baskets. Folke Öhrn suggested that it could become a mobile dispatch centre by combining it with an order-pad. Finally, this function was built into Putte as the Organisation Department decided to manufacture it centrally. (See Figure 6-16, below.)

The idea of a floating work-process was suggested by Wirsäll in his articles on wholesale rationalisation (p.301). Some even suggested that it was at the heart of rationalisation based on time and motion studies.¹ Notwithstanding the fact that it had been suggested before: for Hakonbolaget, it was realised through the re-organisation in Uppsala.

Even if the issues of Knäckta Nötter do tell of rationalisations, there is no outright image of success. Rather, there are repeated calls for further improvements. Thus, despite that some improvements were recognised, the results of the time and motion studies were held to be under-utilised and the need to make additional efforts to lower costs was underscored (see above p.327).

The account so far has indicated that the Organisation Department on various occasions made use of the Hakon-deal in its efforts to rationalise warehouse work. In some cases, the deal was said to provide new conditions for warehouse work, at other times, it was used to motivate changes. In the next section, I will take a look at how the Hakon-deal was made part of the rationalisation of internal operations.

6.2. The new deal and wholesale rationalisation

The normative model for wholesale operations was presented bit by bit from September 1948 to May 1950. By the time it had been completely spelled out, Hakonbolaget had not only approved of, but also implemented the Hakon-deal at all offices. Changes brought about by the new deal were hinted at on several occasions above. This section focuses on these links between the Hakon-deal and wholesale rationalisation.



Figure 6-16. Putte x 3. From push-cart to rolling dispatch centre. a) The original Putte b) Folke Öhrm's improved Putte with an order-pad on top of the upper basket c) The Organisation Department's Putte with an integrated order-pad/handle. (Knäckta Nötter, # 4, March 1949; # 5, Aug. 1949; and # 8, Dec. 1951.

¹ This was argued by Tesch and Weman (*Tekniska studier...*, 1948, p.16.) "The effect of this *traffic regulation* within the company [from startpoint to the end point at the loading platform] is a smooth flow of events, an even work load, fewer sources of irritation, tempo work, the possibility of piece wages, etc. The system of multiple occupations with all its running and time losses is counteracted. The staff get fixed tasks – and (is) are really comfortable with a good order. For the management of the company, this traffic regulation means that the company becomes more of a self-perpetuating clockwork."

First, the implementation of the Hakon-deal affected wholesale operations by altering the 'interface' between wholesaling and retailing. Both the input from the members and the output from the warehouse changed. Second, the Hakon-deal also triggered a 'structural change' in the wholesale operations of Hakonbolaget: in connection to the implementation of the new deal, the affiliate office in Kopperberg was closed.

The Hakon-deal and wholesale operations

The Hakon-deal was said to promote rational warehouse operations in three ways. First, it would reduce the uneven work-load by requiring the members to place their orders in the morning the day before delivery and by reducing the number of deliveries. Second, the new goods catalogue led to changes in the stock-keeping at the offices, with consequences both for the organisation of purchasing and for profitability. Third, the rule that preferably whole cases should be dispatched also triggered changes in the organisation.

The order-structure and the organisation of transports

The customer orders, the very reason for the activities at the warehouse, were held to be a major problem both when designing the Hakon-deal and when devising the normative organisation. The accounts in Chapters 4 and 5 suggest that it was widely agreed that the size of the orders was important – larger orders would allow more efficient handling.

Another problem with the customer orders was the uneven order inflow over the course of the day and across weekdays (see Figure 6-7, above p. 312). This was said to be connected to a conflict between the sales staff, who wanted to satisfy the customers, and the warehouse staff, who wanted their work to run smoothly. By promising delivery of late orders, the salesmen made it hard for the warehouse staff to dispatch on time.

The Hakon-deal was expected to alleviate this problem in two ways. Firstly, by making the members purchase their goods in a way that distributed the amount of goods evenly over time (see p.319). Secondly, by reducing the selling efforts and stipulating that orders should be placed in writing and arrive no later than 9 a.m. the day before delivery. Thus the problem of late orders would be reduced. The Organisation Department encouraged the offices to introduce these rules in advance to facilitate the formal change-over, thus using an expected future situation as a motive for bringing that situation about. This indicates that the new deal *was* to be implemented and thus supports the interpretation of the trial offices as a gradual implementation rather than as trials.

Another expected consequence of the new deal was reduced costs for deliveries through the reduction or discontinuation of some services that hitherto had been provided by the drivers and lorries. First, the members were to help out with goods reception at the store to a greater extent than hitherto. Second, the drivers were not to perform deliveries for the members. For these effects to be realised, however, the drivers must alter *their*

behaviour. The warehouse managers were also informed of their "duty" to realise the intentions of the Hakon-deal in this respect (see p.319).

The number of deliveries were also to be reduced. The Hakon-deal stipulated that the rural members should receive deliveries once a week, while the urban members were to receive deliveries twice a week. In connection with the preparation for the new deal, it was noted that this would require a re-organisation of the delivery routes.

The extra service to be provided to the urban members – deliveries twice a week – was questioned by the warehouse managers after the deal had been tried out for some time (above, p.330). In fact, some suggestions on the subject had already been made by members of the councils of trustees during the process of seeking support for the new deal.¹ Doubtless, this reduction in service would allow further cost reductions. In this case, it seems to have been the warehouse managers who, in their ambition to rationalise operations, sought to alter the new deal, rather than the new deal altering wholesaling.

As a consequence of the reduced service that the new deal entailed, the delivery routes had to be changed. The excerpt from a meeting in Ludvika (above, p.323), suggests that this was nothing new. Attempts had been made to reduce costs by altering the delivery routes and reducing the frequency of deliveries before the new deal was presented. Still, this time, such efforts were required from all offices:

The warehouse organisation.

a) Planning the routes. Changing over to one weekly route for the rural areas and two for the towns is bound to require changed routes for all offices. The final design of the route-plan can surely not be definitely set until "the new deal" has been tried for some time. It is important, though, to try to already solve the route-problem at this point, so that minimal changes are needed later. The difficulty lies in having an even load during the days of the week.

Den nya Hakons-given, Internal material, AB Hakon Swenson, 1949, p.51.

The expectation that "the final design of the route-plan can surely not be definitely set until 'the new deal' has been tried for some time" proved to be correct. In April 1950, the steadily growing transport costs was brought up in Knäckta Nötter:

We now ask You to scrutinise your transport organisation anew, on the basis of the contents of this issue of [Knäckta Nötter]: Are the transport-routes planned correctly, are the vehicles utilised well? Etc.

Knäckta Nötter, AB Hakon Swenson, #6, April 1950, p.1.

This appeal, directed to the warehouse managers, indicates that additional efforts were required concerning transports as well.

A final way in which the new deal affected the work-load was through the abolishment of the "free delivery month." Under this term of payment, customers had contribut-

¹ "Mr Norling... held one delivery a week to be enough also for the office communities." (Minutes of the Södertälje group councils, AB Hakon Swenson, Sept. 27, 1948). Similar ideas were put forward in the Borlänge group of councils (Sept. 26, 1948) and in the Västgöta group of councils (Sept. 29, 1948).

ed to the uneven workload by ordering large amounts during the first days of the month to extend their credit.¹ Members should instead order when they needed the goods.

Purchasing, stock-levels and the interaction between office and warehouse

The Hakon-deal stipulated that active sales of groceries were to be discontinued. The account given in Chapter 5 showed that this was far from easy to achieve. Throughout the implementation process and during the first part of the 1950s, this issue was subject to repeated discussions among Hakonbolaget's local directors and central managers.

A second change prompted by the Hakon-deal concerned the office organisation. With the introduction of the new deal, the order managers became responsible for upholding contacts between the office functions (purchasing and sales) and the warehouse. A major part of this responsibility concerned the stock-levels at the warehouse.

An intimate co-operation between the warehouse and the office... is necessary both with respect to the handling of orders and the planning of warehouse work and with respect to a correct balance of the purchases. ... the order manager is responsible for maintaining a continuous contact with the warehouse and seeing to it that the order-flow is correct... Concerning purchasing the co-operation between the warehouse and the office cannot be overemphasised.

Knäckta Nötter, AB Hakon Swenson, #5, Aug. 1949, p.8

As a result of implementing the new deal, the stock levels at the warehouses grew. To an extent this was intentional. When the members started to order in writing, they would not receive the immediate feedback on items out-of-stock that customers had when ordering by phone. This was brought up as a potential problem by the retailers prior to the new deal. Thus, during the preparations before changing over, the need to reduce the number of remaining orders was underscored. One way of doing this was to increase the stocks. After some time, though, the growing stock-levels was perceived to be a problem:

Nils-Erik Wirsäll said that stock accounting had been discussed thoroughly, but that doubts had been raised as to whether it could be put to good use on colonial goods. A purchasing card would be a first step and would not require as much work. ... Since some offices claimed that it would be difficult to take stock three times a year, [he] informed that it was absolutely necessary for the management to receive information about the results more frequently than once a year. We must instead try to simplify the work of taking stock ...

The managing director pointed out the import of increasing the efficiency on all hands ... When introducing the new deal, it had been important to have as few out-of-stock situations as possible, which caused a slightly larger stock of some goods than hitherto. The profitability is now lower than before and we must therefore utilise all possibilities of a surplus. We must stop at nothing, when it comes to improving efficiency. He suggested that we should agree on the introduction of a purchasing card. ... It was decided to produce and use purchasing cards for the colonial goods departments.

Minutes from the office managers' conference, Feb. 19-20, 1950.

¹ *Knäckta Nötter*, AB Hakon Swenson, #6, April 1950, p.7-8.

To achieve better control over purchasing at the offices, the introduction of a purchasing card for each good was suggested. Most office managers were positive to the idea, and suggested that ordering points and turnover rate for the respective article should be noted on these cards as well.¹ Still, the stock-out problem worsened during 1950 and the central management made repeated appeals for closer attention to stock-keeping and purchasing.²

Whole cases

This issue was first discussed by the management in connection with a decision taken by SV, the purchasing centre operating in Stockholm, to do away with split cases in 1947:

The Managing Director informed that the Board of SV had decided to avoid split cases, and that the motive for this was to reduce the temptation for theft. In addition, it had been pointed out that handling split cases is very costly. ...

That Hakonbolaget should follow suit, was held to be a too rigorous measure. It was decided, however, that the offices should appeal to the members to buy whole cases through the representatives and telephone salesmen. An appeal to the sales staff to act in this direction will be sent from the head office...

Minutes of the directors' conference, Hakonbolaget, Sept. 20 1947.

The idea was subsequently picked up by the rationalisation committees and included in the delivery rules stipulated in the Hakon-deal:

Whole cases are as a rule presumed for all deliveries. The purchasing centre will gradually re-package the manufacturer-cases that do not suit the needs of the great majority of members.

Hakonbolaget - köpmännens inköpscentral, AB Hakon Swenson, 1948, p.19.

In the instruction material for the offices that were changing over, it was clearly stated that the orders should be edited so that the amounts ordered were consistent with the package sizes specified in the catalogue.³ The novelty was also discussed in Knäckta Nötter:

Dispatch whole cases!

Through the creation of our goods catalogue, our sales have been directed towards only dispatching unbroken cases. ... The offices should thus start such a re-packing as soon as possible since only the package sizes specified in the goods catalogue have to be supplied.

Knäckta Nötter, AB Hakon Swenson, #5, Aug. 1949, p.16-17.

The excerpt indicates that this was a reduction in service – “only the package sizes specified in the goods catalogue have to be supplied.” Apparently, the issue revolved around the conflict between rational operations and the member's needs / wishes. This was explicitly touched upon during a discussion at the Sundsvall office prior to the change-over:

According to Mr Axelsson, the customer will buy elsewhere as a result of our having too large packages and he illustrated this with a case “from the field.”

¹ Minutes from the office managers' conference, AB Hakon Swenson, Feb. 19-20, 1950.

² Minutes of the managers' conference, AB Hakon Swenson, June 1-2, 1950, p.7.

³ *Den nya Hakongiven*, Internal material, AB Hakon Swenson, August 1949.

Mr Sven Andersson said that there is a certain opposition within the ranks and referred to the retail advisers' advice to the retailers to buy often and little... To finish off the discussion on split cases, the salesmen were recommended to study the catalogue and put forward any views on the packeting issue.

Minutes of the salesmen's meeting, Sundsvall, Oct. 1, 1949.

I have been unable to ascertain whether the salesmen in Sundsvall ever put forward any views on the issue. What I do know is that the managers discussed it in September 1950:

Order-editing and the packages found in the catalogue

Nothing significant has yet been done about this. Our ambition should be to have the members buy whole cases. In any case, the order-department must do their utmost during the editing of the orders to ensure that the packages listed in the goods catalogue are used.

Minutes of the managers' conference Sept. 8, 1950. p.9.

The catalogue specified what the minimum order of each good was, that is, it listed the minimum number of cans, packages or bags, that had to be ordered. Judging from the excerpt, these amounts were not always adhered to when dispatching the orders.

As was noted above (p.329), there was a general agreement that *all* original cases could not be used. However, a photograph in the December 1951-issue of *Knäckta Nötter*, from one of the larger warehouses showed how *all* original cases of detergent and soap had been *broken*, and that was clearly not the intention. This rather dented the claim that "our sales have been directed towards only dispatching unbroken cases" (see excerpt from *Knäckta Nötter* above, p.336).

Can we not have enough stamina to make pictures like these but a memory of bygone times?

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.9.

Summary

The conflict between additional sales and efficient operations is a recurrent theme concerning the Hakon-deal and the rationalisation of internal operations. By seizing on opportunities for extra sales, the sales staff not only threatened to weaken the Hakon-deal but also reduced the possibilities of work at the warehouse being conducted rationally. This basic conflict concerned late orders, stock-levels and split cases alike.

The stock-level problem is interesting since increased stocks actually seem to have been endorsed as a way of improving the ability to meet the written orders. This meant that an additional cost was accepted to ensure success. But it appears that this was not enough. Remaining orders were still held to be a significant problem as the new deal was implemented. In terms of costs, however, the increased stock-levels did have a noticeable effect. Increasingly this was seen as a problem and it gave rise to various efforts to come to terms with purchasing and stocks at the warehouses. Here as well, then, the Hakon-deal triggered efforts to further rationalise wholesale operations.

Another way of rationalising– closing the Kopparberg office

In my account of Hakonbolaget's expansion (Chapter 3), I noted that the Board in 1945 decided not to expand the territory further.¹ In practice, the expansion of the office-net ended with the establishment of the affiliate office in Mora in 1947.² Two years later, Hakonbolaget encountered a new aspect of goods distribution – the closure of offices. The demise of the affiliate office in Kopparberg was noted in the 1949 annual report:

During 1949, a reduction in the number of affiliate offices has been made with the closing of the office in Kopparberg as from Oct. 1 for the purpose of rationalisation. In that connection, the members in the concerned area have been guaranteed a service from the offices in Nora and Ludvika which will be considerably better than any service that Kopparberg could provide, with its small premises and restricted assortment, due to its limited sales territory.

AB Hakon Swenson, Annual report 1949, p.19-20.

“For the purpose of rationalisation”, then, the Kopparberg office was closed. How did the closure rationalise operations? How was this rationalisation linked to the other efforts made by Hakonbolaget at the time? In the following I will first look at the way in which the decision was formed and how support was sought for it within the organisation.

Rationalisation breeds rationalisation

The idea to close the Kopparberg office originated within the Organisation Department and was connected to the implementation of the Hakon-deal.³ Here, then, rationalisation of wholesale-retail interaction bred rationalisation of wholesale operations as well.

When organising the changeover to the “new deal” for the Ludvika group, the idea to close the office in Kopparberg has come to our mind.

Nils-Erik Wirsäll, 'Report from a visit at the office in Ludvika, March 11, 1949', March 12, 1949.

This led to Wirsäll visiting the office in Ludvika (to which Kopparberg was affiliated):

On March 11 we visited the office in Ludvika to explore the possibilities of such an organisational change. The result of our investigation is a firm recommendation to close the Kopparberg office.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

In a four page document, drawn up the day after his visit, Wirsäll spelled out the arguments for closure and the practical measures which needed to be taken to carry it out. The following circumstances were put forward by Wirsäll as reasons for closing the office:

1) Implementing the Co-operative plan's transport instructions... renders a rational utilisation of both lorry and staff in Kopparberg impossible.

¹ AB Hakon Swenson, Minutes from Board meeting, April 1945.

² AB Hakon Swenson, Annual report 1947.

³ Unless other sources are indicated, the source for this section is: N-E Wirsäll, 'Report from a visit at the office in Ludvika, March 11, 1949', AB Hakon Swenson, March 12, 1949.

- 2) The written order system, which purports to have the members order all goods from the catalogue, involves absolute requirements on full assortment of all goods listed. The effect of fulfilling these requirements would be a significant increase in stocks...
- 3) Dividing the Kopparberg district between the towns of Nora and Ludvika would only insignificantly increase their respective routes (only approximately 15 km).
- 4) Both Ludvika and Nora stand to reach such a size through the expansion of their districts that their performance in terms of storage and service (first rate staff) will increase and the members will receive better service.
- 5) The economic viability of the offices in Nora and Ludvika is improved.
- 6) Our company's costs are reduced by Kopparberg's, amounting to 55,000 /year, to which reduced storage risks and a released lorry are to be added.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

Implementing the new deal in Kopparberg would result in increased costs and a sub-optimal use of resources – hardly the result sought after when implementing a rationalisation program. If, on the other hand, the customers were divided up between the offices in Nora and Ludvika, these offices would improve their performance and gain economic viability. For Hakonbolaget, total costs would also decrease by SEK 55,000 / year.

These are compelling arguments, it would seem, for a closure. At least Wirsäll seems to have thought so, for he moved on to discuss practicalities: How should the customers be divided between the offices in Nora and Ludvika? What was to be done about the staff in Kopparberg? What should be done about the facilities?

First, the customers in the Kopparberg district should be redistributed:

The customers in Guldsmedshyttan, Rällså, Storå, Stråssa and Vasselhyttan are transferred to the Nora-office, while the remaining customers are added to the Ludvika-office. The Nora-office is thereby given 19 customers, who in 1948 purchased for SEK 560,000, while the addition to Ludvika is SEK 828,000 distributed among 37 customers whose annual purchases exceed SEK 2,000. The office in Ludvika can handle these turnover increases with the present work-force, while Nora needs to increase the warehouse staff by one man.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

56 customers were discussed by Wirsäll – those whose annual purchases exceeded SEK 2,000.¹ The only change required to handle the redistribution of customers was the addition of a warehouse clerk in Nora. There is no indication that the extra costs for this man had been deducted from the total savings that was indicated for Hakonbolaget above.

Out of the 8 employees in Kopparberg, the office manager and the salesman were to be transferred to new functions. The remaining six were to be given notice.

Concerning Henning Olsson and Gustav Blomberg there is no other alternative than to give them notice. However their age will probably make it hard for them to find new employment – particularly as their health is not first rate.

¹ Given that the total sales at the Kopparberg office in 1948 were MSEK 1.386, these 56 must for all practical purposes have been all customers. (AB Hakon Swenson, Annual report 1948.)

Olsson also has 31 years of service. We have wanted to mention these circumstances as they matter when evaluating the notices in question.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

So there was room for at least some basic social concern in the midst of the sometimes harsh logic of rationalisation. Somewhat ironically, though, the warehouse facilities were to be kept on for a while, thus receiving the most considerate treatment:

The main warehouse facilities should not be released immediately. The contract ought to run for the time being in order to prevent any competitors from taking possession of them.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

Apparently, the risk of some competitor employing the staff under notice was less serious than if the facilities would be employed. There is no indication that the costs for maintaining the warehouse facilities were included in Wirsäll's calculations.

One of the most striking features of this document is its expeditious tone. Although purporting to be a mere proposal, there are no 'ifs and buts' in the text. Rather there is one set of statements presented as factual, the reasons for recommending closure, and another set presented as if predestined to become fact in the near future, the practicalities.

When the board has taken a principle position to our proposal, a Meeting with the council of trustees and a member meeting should be held with the members in Kopparberg to discuss and explain the change. These meetings should be held as soon as possible.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

"When the board has...", "These meetings should be held..." No 'ifs and buts.' There seems to be no question whatsoever that the office in Kopparberg will be closed. In a document drawn up the day after the visit... A visit, *nota bene*, not at the office to be closed, but in Ludvika, one of the offices gaining "economic viability" from the closure.

Wirsäll also discussed how the office in Ludvika was to be re-organised in connection with the closure and change-over. He proposed the following organisation:

Local Director	Alex. Larson
Office and order-manager	Nore Ericsson
Fruit salesman and assistant in order issues	Birger Jansson (transferred from Kopparberg)
Rest-order caller & special-goods man	Rune Bjuråker
Contact-man	shared with Nora or Borlänge or both.

Nils-Erik Wirsäll, 'Report from...', March 12, 1949.

This new organisation meant that three employees were given notice, one was sent on early retirement and one was either transferred back to the office in Nyköping or given a job as a contact-man. In addition, Wirsäll claimed that there was a need to replace the warehouse manager, who he considered unfit for the job. In connection with that replacement being found, it was suggested that the office clerk at the warehouse be given notice. It finally transpired that two of the six lorries could be divested when changing-over.

The proposal was sent to the three top executives of Hakonbolaget, and to the director of the Ludvika office. Confident of his influential position, Nils-Erik Wirsäll sealed the fate of the Kopparberg office at a stroke of the pen. Or did he?

Seeking support for closure from the council of trustees

On May 4, 1949, the suggested meetings were held in Kopparberg. Obviously, by then, the board had approved of the proposal. First, the local council of trustees met.

The chairman [Retailer Olle Eriksson, Ludvika] wished everyone welcome and expressed great joy over the fact that director Swenson, local director Gotborn and consultant Harne was able to attend this meeting.

Local director Larson turned especially to the two new members of the council of trustees, Mr Eve Larsson in Grängesberg and Mr Fred Johansson in Kopparberg and wished them welcome...

Minutes from the Kopparberg council of trustees, May 4, 1949.

At this point, the participants had yet to find out the reason for the prominent visit... But as Hakon Swenson spoke, it was soon made clear that this was not a social call.

Director Swenson ... left an account of the "new deal", ... Informed that the business at the new deal offices had been much more favourable than what had been expected. *We must be able to rationalise and render our offices more efficient, so that an economic production arises, which to a higher degree will benefit the retail trade. Here, it is a matter of creating better economy by closing the office in Kopparberg and splitting it up between the offices in Ludvika and Nora.* For the employees, we have made largely satisfactory arrangements. It is not pleasant to present this, but we think we will be able to serve you just as well, if not better than before. This is the subject we are to discuss and on which we wish your participation.

Minutes of the Kopparberg council of trustees, May 4, 1949. Italics added.

Once again, then: the reason for closure was rationalisation. After Swenson and Wirsäll had described the new deal, the segregation of customers, etc., the retailers spoke:

The chairman: Before we move on to the discussion, I would like to extend our thanks for the information received. Concerning the closure of the Kopparberg office, it was a disappointment for me and all the retailers. Thereafter the debate was opened.

Fred Johansson stated that this information was like a dash of cold water, particularly as he had been looking forward to the "new deal" with great expectations. He noted that Kopparberg had been an important commercial centre of old, as things were then, and held this to be a decline for the community. He also believed that the community and the retailers would react to this plan.

Director Swenson made clear that it was hard to implement the "new deal" in Kopparberg and thereby to realise the sought after economies which are necessary for our new system. If large capital contributions must be made each year in order for the Kopparberg office to be able to pay the new bonuses, it would not be possible to implement it. He informed of the considerable reductions already made in staff and held that no reductions to speak of were possible to make in such a small office.

Mr. Josef Englund stated that he had moved before, but that this still came unexpectedly to him... He argued that the railroad transport conditions from Nora were impossible because of reloading...

Mr Eric Gotborn promised that railroad deliveries could be executed from Örebro, if the conditions from Nora were unsuitable. ...

Minutes from the Kopparberg council of trustees, May 4, 1949.

Clearly, the members of the council of trustees were unhappy with the suggestion. Feelings of “disappointment” and “a dash of cold water” were mixed with arguments based on how things had been and how they were expected to be. Their comments met with counter-arguments based on economic consequences and promises to remedy some perceived problems. At one point, Hakon Swenson allowed himself to become emotional.

Mr Fred Johansson wondered whether there wasn't a danger of another wholesaler setting up operations in Kopparberg instead, upon which Director Swenson answered that if the retailers didn't think of protecting their own purchasing centre, then it was meaningless to go on.

Minutes from the Kopparberg council of trustees, May 4, 1949.

This brief passage suggests that Hakonbolaget was possibly making things worse for the retailers (by closing the office) and that there was maybe a risk of some other wholesaler establishing operations in Kopparberg. No available figures could prove otherwise, and without supporting figures, the heavy hand had to be applied. Thus, Hakon Swenson went on to argue that it would be meaningless to go on (at all?) if the retailers didn't show solidarity with “their own” company. (In that case, I suppose, the decision to close would be correct anyway.) He failed to mention that the warehouse facilities were to be kept, as suggested in the proposal; a fact likely to have rendered the risk of competitors establishing operations in Kopparberg less credible. A fact, at the same time, which would indicate less than complete trust in the retailers and render less credible the figures concerning the potential savings from the closure.

Despite the heavy hand, the critic went on:

Mr Fred Johansson still petitioned for keeping the office, but if it did not pay its way he accepted the change, he informed that he had not purchased anything from other wholesalers since 1934, at which Director Swenson expressed his profound liking for customers like Fred Johansson and pointed out that when applying the Hakon-premium, cases like these will be considered first.

Minutes from the Kopparberg council of trustees, May 4, 1949.

The critic finally ceded to the power of numbers – “if it did not pay its way he accepted the change.” Perhaps it is unimportant, but Fred Johansson attended his first council-meeting that day. Could this be the reason for his outspokenness? Was he less socialised?

The chairman made a final attempt to save the office:

The chairman was willing to participate in creating something, but adduced an old promise that the Kopparberg office was not going to be closed, on which Director Swenson replied, that if such a promise had been made, we must examine how matters stand, but he did not think that either the Board or the

retailers in Kopparberg would want to approve of maintaining an operation not economically viable for the Purchasing centre.

Minutes from the Kopparberg council of trustees, May 4, 1949.

An old promise! What could that be worth? Probably not too much, Hakon Swenson seems to say. Surely, neither the Board nor the Kopparberg retailers would let economic viability yield to promises made in the past?

§4 The chairman declared the discussion concluded, and a decision was taken that those present approved the discontinuation of the Kopparberg office. ...

Minutes from the Kopparberg council of trustees, May 4, 1949.

Thus, after the arguments for keeping the office had been voiced and met, the council of trustees came to the decision that the guests had sought. After having won the approval of the council of trustees, or at least having managed to keep it at bay, the visitors from Västerås went on to a general meeting with the retailers in the area.

Seeking support from the retailers

At this meeting, it seems that the information supplied concerned the Hakon-deal just as much as the closure of the Kopparberg office. Due to its involvement in the development of the Hakon-deal, the council of trustees had of course already been informed about this.

The chairman Mr. Georg Swärd ... the most important issue on the agenda was a proposal to close the Kopparberg office for the purpose of rationalisation.

Director Swenson ... started the discussion by maintaining how important it is that we through solidarity create force and an economic foundation. This "new deal" will allow for us to make large staff-cuts with corresponding savings in order to carry out the planned increase of the refund. He further accounted for how the use of written orders had turned out at the offices already in the system. He said that a certain office size was needed in order to secure economies and a well-adjusted stock-keeping. As this has not been possible in Kopparberg, the customers of this office will be divided between Ludvika and Nora.

Minutes of meeting with the Kopparberg retailers, May 4, 1949.

Critical voices were almost entirely absent on this occasion. Of course, one might suspect that they had been muffled. A comment made by a participant indicates otherwise.

Mr Verner Jonsson was surprised that the opposition wasn't greater than it was and compared with what had transpired at a meeting in Lindesberg. He held this to indicate that the people of Kopparberg are more of retailers and understand the economic importance of the system.

Minutes of meeting with the Kopparberg retailers, May 4, 1949.

"...the people of Kopparberg are more of retailers and understand..." So, they should stand above such petty things as the closure of the local office, look at the big picture... Perhaps the reason why the retailers had no bones to pick with the visitors was the fact that Hakon Swenson, on at least two occasions, threw some tasty "tit-bits" their way.

... Director Swenson promised that [Hakonbolaget] initially should arrange two delivery routes per week to Kopparberg.

... Director Swenson [said] that Kopparberg still was to be regarded as an office-community, and freight-conditions were to be based on this.

Minutes of meeting with the Kopparberg retailers, May 4, 1949.

Not only were the retailers in the area to receive better service than most other retailers – deliveries twice a week – they were also to pay *as if* there still was an office in Kopparberg. Whether this was accounted for in Wirsäll's original calculations, I don't know.

Given the content of the discussion, the decision taken at this meeting seems less surprising than the previous one.

§ 3 The chairman summarised the result of the discussion in this manner, that those present approved the proposal to discontinue the Kopparberg office for the purpose of rationalisation from October 1...

Minutes of meeting with the Kopparberg retailers, May 4, 1949.

At the end of the day, then, the council of trustees for Hakonbolaget in Kopparberg as well as the retailers in the area had agreed to the proposal. Less than five months later and according to plan, the office in Kopparberg was closed.

Concluding remarks on the closure of the office in Kopparberg

The closure of the Kopparberg office was linked to the implementation of the new deal. The whole story emphasises the importance ascribed to the concept of rationalisation within Hakonbolaget at the time. But to what extent was this comparable to the other efforts made to rationalise operations within Hakonbolaget? The account given of how the Organisation Department sought to construct and realise a normative model of wholesale operations seems to be very different from this kind of measure.

If we look a bit closer, those efforts were attempts to change the way in which orders were filled *at the warehouses*. – For instance, should we dispatch the fine goods separately or should they be dispatched along with the heavy goods? – In the Kopparberg case, it was an attempt to change the way orders are filled *by Hakonbolaget*. – Should we dispatch the orders to the future members around Kopparberg separately, or should they be dispatched along with the orders to the members in the Ludvika and Nora districts? – Both issues boiled down to a comparison of the relative costs of the alternatives, and the method that was shown to result in the least costs was chosen.

Summary: the Hakon-deal and the rationalisation of wholesaling

Although the Hakon-deal mainly purported to rationalise distribution through altering the wholesale-retail interaction, it affected internal wholesale operations as well. Through the stipulated rules concerning ordering and delivery, it directly affected the way in which wholesale operations were organised. At a more general level, the basic idea of the

Hakon-deal was the same as that underlying the efforts of the Organisation Department to devise a normative warehouse organisation – the achievement of a less costly distribution of goods. This common end made the internal and external efforts to rationalise distribution mutually re-enforcing. This is perhaps best seen in the case of the closure of the Kopparberg office. There, the alleged difficulties of implementing the new deal while retaining a reasonable level of internal efficiency prompted Wirsäll to suggest a closure.

One of the main motives for this measure was avoiding a significant stock increase. By closing the office in Kopparberg, this would be avoided – in Kopparberg. For the company as a whole, however, the new deal was indeed found to produce such a stock increase with increased costs for stock-keeping as a consequence. Thus, the implementation of the new deal also had adverse effects on wholesale costs. This prompted the managers to emphasise the need to improve internal efficiency even further.

6.3. Making science and warehouses

Above, we saw how the Organisation Department engaged in devising a normative organisation for warehouse operations in the late 1940s. Due to the more or less compulsory pause in the construction of new warehouses that lasted throughout the 1940s, the rationalisation of wholesale operations had to be done largely within existing facilities. This meant that there were few opportunities to practice Nils-Erik Wirsäll's proposal of first devising a work organisation and then building a warehouse that would fit this organisation (see quote on p.299). Still, this remained the preferred way of reaching an optimal work organisation:

First of all we need to clarify how we should work and how the facilities should be designed to fit the work-organisation (when we build new facilities we have every possibility of following the work-plan – when it comes to old facilities we try to adapt them as far as possible to our main organisational principles).

Knäckta Nötter, AB Hakon Swenson, #8, Dec. 1951, p.3.

As indicated in the quote, as well as in the previous sections of the chapter, this less than satisfactory situation did not stop Hakonbolaget from trying to achieve higher work efficiency. Considerable efforts were spent on rationalising operations within existing facilities throughout the latter part of the 1940s and early 1950s.

When it came to building new facilities during these years, Hakonbolaget was able to erect new warehouses in Köping (1946), Nora and Mora (1947), Södertälje (1948), and Arvika (1951). All these facilities were of a traditional multiple storey design. For instance, the new facility in Arvika, for which construction permits were granted at the end of 1949, stood three storeys tall when it was taken into operations in 1951.¹

¹ AB Hakon Swenson, Annual reports 1945 to 1952.

There are no available accounts from the construction of these warehouses, no mention of any alternative solutions. Still, most annual reports from the time claim that the compulsory pause in construction was used for planning and investigating the appropriate design of new facilities. Since these statements also claim that the Organisation Department was responsible for this, it seems that the efforts made to devise a normative warehouse organisation, as reported above, were part of this process. It might even suggest that Hakonbolaget *was* practising the principle of first devising a suitable work organisation and then designing the warehouse. Before the various activities had been spelled out and tested, both by use of time and motion studies and in practice, there was nothing to base the design of the new warehouses on. In this light, it is less surprising that the warehouses built during the latter part of the 1940s continued to follow the traditional design.

With the construction of the new facility in Arvika under way, the management of Hakonbolaget also explicitly decided to cut down on investments in new facilities:

It was observed to be desirable to practise a slower pace and a more cautious policy concerning new investments. ... This period of consolidation should not be given an externally noticeable expression, but the new position should take the shape of prolonged investigations of various issues.

Minutes of meeting at the Head Office, AB Hakon Swenson, March 3 1950.

The local directors were informed of the new policy a couple of weeks later.

The chairman [Harald Mörck] pointed out that our investments have been rather accelerated during the past few years, which is why we now ought to reduce the pace in this respect. Besides Arvika, no new constructions are intended to take place during this year.

Minutes of the local directors' conference, March 13, 1950.

Besides regulations, then, the construction of new facilities was temporarily held back by a self-imposed period of consolidation in the early 1950s.

Åmål – The first one-storey warehouse

Most projects had remained plans during these years. A case in point is the construction of a new facility in Åmål. A piece of land had been acquired in 1940. Due to wartime restrictions, the office had been set up in rented facilities in 1942 (see Table 3-1, Chapter 3). The construction of a new facility had been on the list of projects since 1945. During 1952, construction plans were finally drawn up:

During the year, planning for an office and warehouse facility in Åmål started. The intention is to start the construction of this building, which will be built as a one-storey facility, during the latter part of 1953, if possible. This design should offer possibilities of a more rational organisation, while also lowering the construction costs somewhat.

AB Hakon Swenson, Annual report 1952, p.20-21.

Enter “one-storey warehousing”, a new design that would allow “a more rational organisation” and lower construction costs, as well.

Table 6-6. Comparison of costs for construction of the warehouses in Arvika and Åmål. Source: Calculations by Nils-Erik Wirsäll, 1953.

Function	Arvika (multiple storey)		Åmål (one-storey)	
Storage facilities	3x620	1,860 m ²	Ground level	1,432 m ²
			basement	415 m ²
Staircases	3x16	48 m ²		30 m ²
Offices		142 m ²		265 m ²
Garage		152 m ²		232 m ²
		2,202 m ²		2,374 m ²
Construction costs SEK per m ²	680,000 / 2,202	308 (+6.9%)	680,000 / 2,374	296
Construction costs SEK per m ³	680,000 / 5,200	131 (+88%)	680,000 / 9,700	70
Land costs SEK Totally		16,800		48,000
SEK per m ²		7.60		20.2
Total costs				
Construction and land (SEK)	680,000 + 16,800 =	696,800	680,000 + 48,000 =	728,000
SEK per m ²		315.6		306.2

Lower costs

Support for the claim that a one-storey design would lower construction costs was provided by Nils-Erik Wirsäll. Such claims had been made by others as well, but always on the basis of American calculations.¹ Wirsäll was able to use Swedish figures. He compared the costs for the planned facilities in Åmål with those of the similarly sized facility in Arvika. After adjusting for price changes, he found the costs for completion to be identical for the two warehouses, SEK 680,000. By comparing the relative costs per m² for the two facilities (see Table 6-6) he found the one-storey building to be slightly cheaper (-3% per m²), despite higher costs for land.²

Rational organisation

I have found no similar 'evidence' for the second claim – that the new design would allow for a more rational organisation. No documentation of the design process has been available to me. What I do know is that, by the time that plans for the new warehouse were being drawn up, news of a highly successful one-storey warehouse had reached Wirsäll.

The December issue of *Modern Materials Handling* featured the story of how the Frankford Grocery Company had successfully solved its warehousing problems by building a one storey warehouse. Since Wirsäll had visited this company in 1946-47 (see Chapter 5), it is not surprising that he filed the article in a binder on warehouse issues.

¹ E.g., Gerhard Pusch, *Lagerhus för engroshandel* (Wholesale warehouses), 1946, p.302; C. Weman, *Planlösning och inredning av grosshandelslokaler* (Planning and equipping wholesale facilities), 1946, p.300.

² Nils-Erik Wirsäll, *Warehouse organisation*, Private binder, 1954; and *Lagerbyggnaden som arbetsredskap inom partihandeln med kolonialvaror*, 1958.

The article supplied answers to two questions about Frankford's success: Why had they built a new warehouse? And what had they gained by doing so? A number of reasons for building the new warehouse were listed, e.g., limited receiving facilities, inadequate freezer space, an expanding fresh produce department, no room for expansion, and an old five storey building (the one Wirsäll had visited six years previously).

While for many years, Frankford's efficient system of multi-storey handling was comparable to the best in the grocery business, it became evident because of increasing labor costs that even more modern materials handling ideas must be put into effect. Many of these labor saving ideas could not be incorporated in the old plant because of its design and height limitations. ... The tons-per-man-hour rate for a multi-storey operation of its kind were considered good. However, management knew these man-ton-rates could be increased considerably by mechanizing the order assembly. This plan could not be put into effect in the existing warehouse, however...

Build a new Warehouse?, *Modern Materials Handling*, 1952, p.56-57.

Faced with these problems, the Frankford Grocery Company allegedly decided to put up a new one storey warehouse... and all their problems were solved!

As there is no need for elevators or elevator operators, this unnecessary expense is completely eliminated. There is no inter-floor operation or confusion. The maximum in flexibility is obtained. They can redesign their complete one-floor operation whenever circumstances dictate. ... they have been able to install a completely new system and new equipment. Their choice was dictated solely by the job to be done, and not hampered by any rigid existing conditions such as the old building imposed.

They have completely done away with skids. ... They have completely palletized their operation... The movement of each item has been analyzed... and assigned a specific spot in the order assembly area. ... [Order picking] formerly required 37 men to complete the orders and get them to the shipping dock. Frankford is now doing the same job with 27 to 30 men...

Build a new Warehouse?, *Modern Materials Handling*, 1952, p.58.

The whole warehouse "only" comprised some 300,000 sq. ft of space (approx. 28,000 m²). In fact, this was identical to the figure Wirsäll had put down for the old building in his notes back in 1947.¹ However, since the ceiling height had been increased from 4.3 to 5.8 metres, the storage capacity had still been significantly increased.

The new reception area was completely enclosed and had separate areas for trailer lorries and rail cars. The shipping area was also enclosed and could handle 28 lorries simultaneously. The warehouse included a new giant freezer comprising some 5,500 sq. ft. The new facility was a "workers delight." And the savings... ah, the savings!

Just in the materials handling operation alone, they expect the new warehouse to save them \$ 100,000 a year. They plan to cut their total work force from 200 to 175, but have so improved their working conditions and methods that ... the work has been made easier for all remaining workers.

Build a new Warehouse?, *Modern Materials Handling*, 1952, p.58.

¹ Nils-Erik Wirsäll, *Amerikanska Inköpscentraler*, Private binder, 1947.

To say the least, the story of the Frankford Grocery Company's new warehouse offered support for the claim that one-storey warehousing "should offer possibilities of a more rational organisation." Of course, this had already been asserted by Wirsäll in the articles he published upon his return to Sweden in 1947 (see above, p.299).

As suggested in Table 6-6, the planned new facility in Åmål was of considerably more modest proportions than Frankford's warehouse in Philadelphia. The total area was less than a tenth, 2,400 m²; six rather than 28 lorries could be loaded at once; and the "hypermodern and spacious deep freezer" comprised 195 m³ compared to 2,500 m³. Still, it was a one-storey warehouse "making pallets and hydraulic trucks the natural aids."¹ Alas, the necessary work permits were not received, and the project was delayed for more than a year. Finally, in November 1954, construction could start.

Hakonshus in Västerås

During the delay in receiving building permits for the new office in Åmål, plans were drawn up for a project of much grander proportions – a new Hakonshus in Västerås. With a planned warehouse, a coffee-roaster and an adjacent six-storey office building housing the head office and the district office for Västerås, this was to be the largest project hitherto for Hakonbolaget. Once again a one-storey solution was chosen.² Or was it?

(The scene: a disorganised room with two doctoral candidates, myself and Claes-Fredrik Helgesson, exploring the marvels of rational wholesaling anno 1958.

Me: -Look at this brochure! It presents the first large-scale one storey warehouse built by Hakonbolaget... it's the type which became the standard warehouse in Swedish food distribution for more than 30 years.

CF: -Hm... (skimming through the pages)

Me: -Look! Here's a blue-print overview of the whole thing!

CF: -But there are two storeys!

Me: -What?!

CF: -Look! It says right here "This is what the two storeys look like..."

Me: -Sh-t you're right. But look here, in the introduction: "We have chosen to build our house as a one-storey warehouse..."

CF: -Yes but go on! See, further down...

Me: -What? ... oh...

CF: -Nature strikes back! "We have utilised the slope of the land to build a second storey."

Me: -Let's take a look at the drawing again... Where are the stairs and elevators?

CF: -I suppose these are the elevator shafts, but they're not marked out.

¹ Minutes from the directors' conference, AB Hakon Swenson, Jan. 13-14, 1956, p.10; and AB Hakon Swenson, Annual report 1955.

² AB Hakon Swenson, Annual report 1954, p.15.

Me: -Of course not, the whole purpose of the one-storey warehouse was to avoid the troubles caused by vertical movements...)

So the new warehouse allegedly was a one-storey warehouse, but had two storeys. But this makes no sense. Either it was a one-storey warehouse, having one storey, or it was a multiple storey warehouse. Or? Below, I look closer at the new warehouse and the process of designing it, to see if additional light can be shed on this.

An overview of the realisation of Hakonshus

The new Hakonshus was located in the harbour area in Västerås. ICA had acquired a large piece of land there from the city of Västerås in 1942. "ICA will at a convenient time after the end of the war construct a mill and other industries there..."¹ In 1950, plans were drawn up for the construction of a central coffee-roaster for Hakonbolaget on this piece of land. During 1952, a separate office and warehouse facility was added to these plans.² By the time the first scale-model of the area was presented in the spring of 1953, the two units had been brought together into one large complex consisting of a one-storey warehouse, a coffee roaster and a four-storey office building.³

When construction started, in December 1954, two more storeys had been added to the office-building and a basement built under the entire complex. Hakonshus was completed early in 1957. Jointly responsible for its design were the architect Ernst Grönwall, the engineering consultants Kadesjöes Ingenjörbyrå AB, the electrical consultant Walter Krasse and Hakonbolaget's organisation and construction departments.⁴ At the grand opening, on May 21 1957, some 18,000 spectators were treated with coffee and fireworks. Professor Ulf af Trolle from the Gothenburg School of Economics presented a speech to invited guests.⁵

The choice of speaker was probably easy. At the time, af Trolle was supervising Nils-Erik Wirsäll in a research project on the use of the warehouse as a tool for wholesaling! At the time of the grand opening of Hakonshus, Wirsäll was coincidentally working on his licentiate thesis, which was published in 1958. Thus, in the midst of the modernisation of warehouse practices within Hakonbolaget, science was being made. Indeed, according to Wirsäll, practice made science possible:

The lines of thought and conclusions put forward here would surely not have been published, had they not first been tested in practice. This has been done at Hakonshus, Västerås, and in Hakonbolaget's new warehouse in Karlstad. In this

¹ AB Hakon Swenson, Annual report 1942, p.5.

² AB Hakon Swenson, Annual report 1952, p.21.

³ A photograph of a scale-model of the planned central roaster, office- and warehouse building in Västerås is found in the 1953 annual report. (AB Hakon Swenson, Annual report 1953, p.18.)

⁴ *Hakonshus ett rationellt storskaffereri*, Information leaflet, AB Hakon Swenson, 1957, p.16.

⁵ AB Hakon Swenson, Annual report 1957, p.8 and 11.

connection, I owe much thanks to the managing director of Hakonbolaget, Stig Svensson, without whose boldness and foresight the new thoughts concerning the design of warehouses would never have been so quickly tested in practice.

Nils-Erik Wirsåll, 1958, p.3.

But, as the excerpt suggests, it was just as much the other way around – science making modern warehouse practice possible. For the “new thoughts concerning the design of warehouses” were *tested* rather than *conceived of* when constructing new facilities.

Judging by the contents of Wirsåll’s thesis, this co-production of science and distribution went far beyond the design of the building. Many of the results from the investigations conducted by the Organisation Department during the latter part of the 1940s and early 1950s, were used as a basis for the ideas put forward in his thesis. In addition, several of the specific investigations discussed in the report were performed as part of the planning for the new Hakonshus in Västerås. In a sense, then, the Organisation Department’s efforts to rationalise wholesale operations at Hakonbolaget during the mid 1950s had two concrete results: a new Hakonshus in Västerås, and a licentiate thesis in business administration! In the following, I will look at both.

Wirsåll’s outer factors and the design of Hakonshus

At the heart of Wirsåll’s thesis on warehouse design was a view of the warehouse as a tool for wholesale operations. As such, the warehouse facility was conceived of as existing in a “force field”, a network of both inner and outer factors (see Figure 6-17):

The construction of a warehouse is too often seen as an enterprise whose completion is based only on the inner influence factors while the outer factors are left unconsidered. No doubt, this means that the warehouse is wrenched from part of its context. The planning prior to the construction of a warehouse should therefore start with an analysis of *the outer influence factors*.

Nils-Erik Wirsåll, 1958, p.21.

Among these factors, Wirsåll paid special attention to the following (for a complete list, see Figure 6-17): 1) The influence of the small retail outlets on warehouse work through the small orders they gave rise to. 2) The influence of the growing demand for fresh goods on the need for swift transports. 3) The influence of increased consumer mobility on competition. 4) The influence of the supply of land on warehouse design. 5) Finally, an expected wage growth made it necessary to consider the mechanisation of operations:

It is highly probable that the wage rates within trade will grow at a faster pace than in the manufacturing industries during the next few years. *It should thus be motivated to aim for a greater mechanisation even though calculations cannot provide clear evidence as to the superiority of a mechanised handling at present. Otherwise, one may jeopardise profitability in the long run.*

Nils-Erik Wirsåll, 1958, pp.26-27. Italics added.

Here, then, calculations were considered insufficient. Mechanisation should be pursued even if it could not be motivated by means of calculations.

But how did these factors influence the building of Hakonshus? It should be clear both from Chapter 5, and from the attempts to devise a normative organisation for wholesaling, that the small-order-problem was central to the efforts made to rationalise the operations of Hakonbolaget. Indeed, this was still a problem in the mid-1950s:

Concerning the SEK 5,000 limit for small customers, it was observed that the ambition should be to divest relations with those who buy small quantities and in a jumbled fashion, but that we in this respect should proceed with a certain caution and not categorically block further relations because the SEK 5,000 limit hasn't been reached.

Minutes of the directors' conference, Jan. 29, 1954, p.10.

We must take great care not to take up small customers without due cause.

Minutes of the directors' conference, May. 21, 1954, p.2.

Despite the vigorous efforts reported in Chapter 5, then, the small order problem was far from solved in the mid-1950s. Indeed, the stance taken was still an ambivalent one.

The effect of changing consumption patterns, e.g., growth in fresh and frozen goods, on the operations of Hakonbolaget was also considered at length:

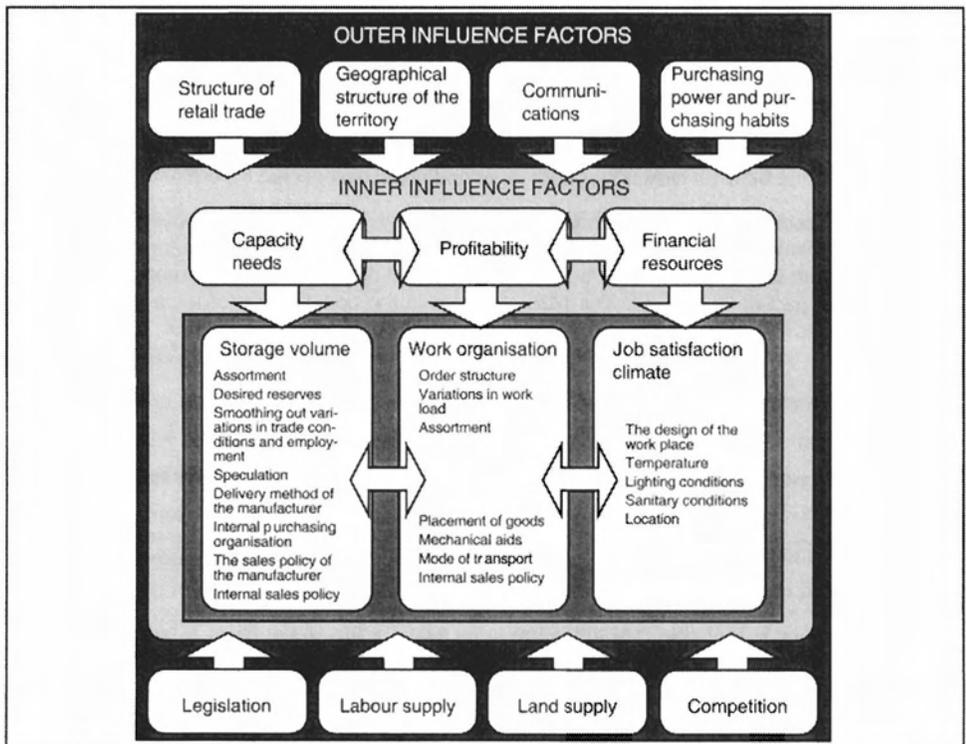


Figure 6-17. "Schematic illustration of the warehouse building in a 'force-field', whose strength and direction is determined through a number of influence factors, both indirectly (=outer) and directly (=inner) affecting the design of the building." Source: Nils-Erik Wirsäll, *Lagerbyggnaden som...*, 1958, p.30.

Herman Green made an overview of the construction of freezers. ... It was decided to appoint a committee consisting of Eric Lewén, Martin Jarlstedt and Arne Lundgren, ... to investigate the problems connected to our distribution of frozen goods.

Minutes of the directors' conference, Sept. 9-10, 1954, p.7-8.

Arne Lundgren pointed out that the d i s t r i b u t i o n of deep frozen goods is the greatest problem, according to the fresh goods committee. Similar views have also been put forward by the offices. We need freezer transports, but it is difficult to utilise these economically given the present sales.

Minutes of the office managers' conference, May 6, 1955, p.7.

It ought to be a matter of honour for Hakonbolaget to find a suitable form for the sales of delicatessen to the members. Maybe this question can be solved when the new house in Västerås is put into operation. ...

Arne Lundgren ... drew attention to the changes in the consumption patterns which had taken place lately... We can observe an increase in the consumption of fresh goods and cans...

Minutes of the office managers' conference, Aug. 30, 1955, p.9-10.

We must also count on an expansion of the fresh goods assortment. A change-over of the sales and packaging of fresh and cured meats, which now is at an experimental stage, ought also to allow the distribution of these goods to be preferably handled through the purchasing centre. It is important for us to take this development into account in our planning for the future.

Minutes of the office managers' conference, Sept. 1, 1956, p.8.

It seems that the changing consumption patterns thus had concrete effects on the way in which the management of Hakonbolaget organised operations. Building freezers, appointing committees, thinking about alternative sales- and warehouse-organisations, etc.

Concerning competition, there was first of all a perceived increase in price competition in the mid-1950s, leading to increased focus on costs. In addition, 'the new competition' received much attention by Hakonbolaget. This was the emergence of phenomena such as Hemköp, Ringköp, and Samköp – new distributor organisations attempting to tap into the business of the traditional retail-wholesale-manufacturer troika.¹ The competitive situation for the retailers was considered as well. The continued urbanisation led to decreasing turnover for rural retailers. Increased support to the rural retail trade, and an active participation in achieving a "clearing up" (that is, a divestment of small units) was considered important. To safeguard future business, the managers of Hakonbolaget also underscored the need to acquire retail locations in municipalities and new housing areas.²

¹ A large number of Hemköp-companies (home delivery companies) were started in Sweden in the 1950's. These companies accepted consumer orders by phone or mail, and delivered the goods (mostly groceries) directly at the door. Ringköp and Samköp were purchasing co-operatives. Some were informal consumer co-operatives, while others worked as local associations for retailers, who pooled their purchases to receive higher rebates from the suppliers. (Minutes of the directors' conference, AB Hakon Swenson, Nov. 4, 1955; and Sept. 1, 1956; Rolf Millqvist, *I kamp för en idé* (Fighting for an idea), 1970.)

² Minutes of the office managers' conference, AB Hakon Swenson, Aug. 31 - Sept. 1, 1956.

As for the effect of available land on the design of building... Yes, that I became aware of as I first looked into these issues (see my discussion with C-F Helgesson on p.349, above). It is exemplified in Hakonbolaget's statement concerning the construction of Hakonshus: "we have utilised the slope of the land to build a second storey."

Finally, the growing wages was something that the managers repeatedly pointed at as a reason for improving the efficiency of operations:

Herman Green informed of the coming wage negotiations at which large claims are expected from the workers. The wage drift within the manufacturing industries during two years has made the wage level for warehouse staff low and we must be prepared for significant increases. ... Stig Svensson noted that ... an adjustment is also necessary for recruiting and retaining good staff. Concerning the possibilities of bearing the increased wage costs, higher effect ought to be attainable if a good staff can be kept.

Minutes of the office managers' conference, Nov. 17, 1954, p.1.

In all, then, the outer factors recognised by Wirsäll when constructing his model of the warehouse as a tool in wholesaling, had their counterparts in the construction of Hakonshus as a tool for Hakonbolaget.

Wirsäll's inner factors – organising operations at Hakonshus

The inner factors that Wirsäll suggested to be of central import for the design of the warehouse were: the storage volume needed, the work organisation under which the warehouse was to be operated, and the job satisfaction climate (see Figure 6-17, above).

The characteristic trait of the inner influence factors is, that they can be directly influenced by the management of the company. An investigation of the relationships between the inner influence factors is therefore of great import when planning a warehouse facility.

Nils-Erik Wirsäll, 1958, p.29.

Above, we saw how the work organisation at the warehouses was studied. It seems that after completing this overview of the operations, Wirsäll's attention more directly turned towards the design of facilities. During 1952-1954, he closely followed the development in the US through trade magazines, government reports and personal communication. The view of the warehouse promoted in the US seems to have influenced Wirsäll:

In order to become a modern distribution center, as opposed to the dictionary defined shelter, the warehouse must be considered an industrial machine – specially designed, yet be functionally simple and flexible, and constructed to help men and equipment do their jobs efficiently and economically.

W. Kretzer, 1954, p.37. Underlined by Wirsäll.

"...the warehouse must be considered an industrial machine..." Wirsäll settled for "the warehouse as a tool" but the mechanical analogy is still very prominent.

But his concern appears to have been with the entire problem complex associated with wholesale operations. Rather than focusing on the tool, his focus was the entire

operation within which this tool was to be put to use. In a letter dated July 21 1954, George Ramlose expressed puzzlement over Wirsäll's broad and general interest:

If you could tell me more specifically what your problems are, I would know what kind of information to offer you. For instance, while I know in general that you are thinking about grocery warehousing, I do not know whether you are chiefly concerned with building, planning and construction, with general organization and management of personnel, with system layout and operation, or with choice of equipment and the differences in operation growing out of such choice of equipment, or perhaps with all of these ideas.

George A. Ramlose, private letter to Nils-Erik Wirsäll, July 21, 1954.

It does indeed seem as if Wirsäll was concerned "with all these ideas." At least, this would be my conclusion from studying his thesis and "visiting" Hakonshus in operation:

Scene: The warehouse at Hakonshus in Västerås, October 25 1957.

7.30 a.m. At the order department, Cedric Nilsson, Kalle Mäkk and the 'girls at order writing' are preparing the written orders sent in by the members. Cedric reads through an order from Karl Ivander, Kolgården, noting the total number of orderlines on a list for the route in question. [Figure 6-19, p.357]

By 10 a.m., Cedric sends this list to the warehouse manager, Carl Wikman, who uses the information to assign the necessary number of clerks for today's tasks. As there are relatively few orders, he decides to combine the route along which Karl Ivander's store is located with an adjacent one.

Meanwhile, all the orders for Karl's route are given to Aina Lundh, one of the order writers. She checks Karl's customer number, adds information concerning the ordered amounts, for instance, that the case of Sardines that Karl ordered contains 24 cans, and checks that the ordered goods have been labelled correctly and placed in the correct category. She also notes items out-of-stock on a separate list, which she hands to Kalle Mäkk, who notifies Karl and the other customers by phone.

When all orders for the route have been corrected, they are sent to the warehouse via the pneumatic tube system. There, a heavy goods copy is made for the route. Then, the orders are sent to the fine goods dispatch.

At 12.15, Rolf Medin picks up Karl Ivander's order, places it on the order-plate on the handle of 'Putte', the push-cart, and starts moving along the main aisle. In the first section (corresponding to the first page of the order), Rolf collects 10 boxes of Findus baby feed, 20 cans of Hakons Kalops and 10 packages of Kavli processed cheese from the shelves [Figure 6-21, p.357]. He returns to 'Putte' in the main aisle, places the goods safely in the wooden 'basket' on top of 'Putte', and checks the corresponding line on the order. He pushes 'Putte' along to the third section, where he collects 6 cans of Pric. orange juice. In section four he collects 10 bags of Svea Jelly Raspberries... No, he doesn't. Svea Jelly Raspberries is a red-label good, which means that it should only be dispatched in unbroken cases. Rolf makes a note of this on the order form.

Having completed the assembly of Karl's order, Rolf and Putte return to the starting point [Figure 6-18, p.356]. Rolf moves the basket from Putte to the shelf-cart corresponding to the route along which Ivander's store is located. The order is placed in an order-compartment for that route. The time is now 12.21.

Meanwhile, the heavy goods list for Karl's route has been completed and the dispatch has begun. Einar Lindström pushes the pallet-cart and collects the really bulky goods, such as the bags of wheat flour from Kungsörnen that he spent the morning unloading [Figure 6-20, p.357]. Meanwhile, Curt Andersson collects goods and places them on the shelf-carts pulled by the radio-controlled Barret-truck [Figure 6-22, p.357]. All the goods are collected on the basis of the heavy-goods list, which is organised in the same sequence as the goods are stored. After completing the list, Curt directs the Barret truck towards the shipment area by use of a small radio transmitter attached to his belt. There, the shelf-carts are placed in the designated area for Karl Ivander's route.

During the afternoon, the shelf-carts from the fine goods and fruit & vegetable dispatches are also transported to the shipment area. Immediately adjacent to the shipment area, the 24 articles with the most rapid turnover rates are stored, for direct dispatch during shipment.

Due to the combination of routes, it will take the driver the better part of a day to complete the delivery. Therefore, the lorry is loaded in the afternoon the day before delivery, rather than on delivery day. Three men work together in the shipment team: the shipper, Bengt Persson, who is in charge of the shipment; the mover, Einar Lindström, who collects goods according to Bengt's instructions, and the driver, Karl Barklund, who stows the goods on the lorry.

Bengt reads through Karl Ivander's order and locates his goods in the shipment area. He instructs Einar to load three cases of canned vegetables from Findus. Karl Barklund stows the cases and marks them "32" – Karl Ivander's customer number. When the last goods have left the shipment area, Bengt counts the goods receipts and notes the number on the shipment list. It is now 4.57 p.m. and the despatching day is done.

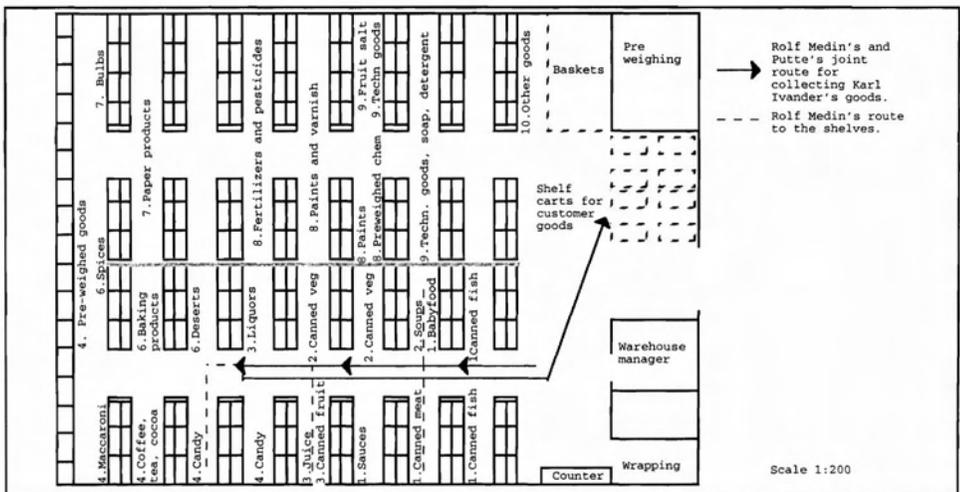


Figure 6-18. The fine goods dispatch at Hakonshus. Rolf Medin's route for dispatching Karl Ivander's order is indicated with arrows and dotted lines. Source: Arbetsledarhandboken, AB Hakon Swenson, 1958.



Figure 6-19. The order from Karl Ivander has arrived at the order department. (Scanned from *Arbetsledarhandboken*, Hakonbolaget, 1958.)



Figure 6-21. Rolf Medin collecting goods at the fine goods dispatch. (Scanned from *Arbetsledarhandboken*, Hakonbolaget, 1958.)



Figure 6-20. Einar Lindström and the tow-truck unloads flour from Kungsörmen from a railway cart. (Scanned from *Arbetsledarhandboken*, Hakonbolaget, 1958.)



Figure 6-22. Curt Andersson, the Barret truck and the shelf-carts passing through the heavy goods dispatch area. (Scanned from *Arbetsledarhandboken*, Hakonbolaget, 1958.)

Returning to Ramlose's comment on Wirsäll's broad interest: If the starting point was 'no warehouse' and the end point was to be 'a warehouse in operation', then Wirsäll probably was "chiefly concerned ... with all of these ideas." What tasks to perform in the warehouse? What equipment to use for these tasks in this building? What the building was to be like? How to co-ordinate the various tasks? These issues were part of a single process in constructing Hakonshus and Wirsäll's thesis on the warehouse as a tool. Thus, Wirsäll might have been equally puzzled by Ramlose's separation of them.

A calculated space

The design of the warehouse building should not be left to the architect. The American ideas on materials handling made clear that the building should be subjected to the work organisation. As Wirsäll asserted in one of his 1947-articles (p.299): First plan your operations... then plan the warehouse. This idea was also underscored by Ramlose:¹

¹ Besides Ramlose's letter, these ideas are expressed by Richard K. Valentine, *Preplanning expansion*, 1954; and D.O. Haynes, *Teamwork Needed in Warehouse Design*, 1954. Both found in Wirsäll's material.

Such things as pallet sizes and aisle widths (controlled by such factors as character of work and type of equipment to be used – determined, of course, by your previously agreed upon plan of operation) should be the guide in setting column spacing. This should not be decided by the architect on the premise that “such and such” a building panel is economical... The cost of the building you meet but once, while the cost of the payroll you meet every week. ... The fundamental idea here is to plan your operation before you plan your building – to know exactly what you need before you talk to your architect.

George A. Ramlose, private letter to Nils-Erik Wirsäll, July 21, 1954.

These ideas were not new to Wirsäll. For instance, the shape of Eol's new warehouse in Borås, which he visited in 1950, had been based on the pallet size (see p.324). Similarly, Ulla Lindström held this to be central to rational wholesale operations (Chapter 4). Had Hakonshus been given the right pillar distance? Well, at least it was made out that way:

The pillar distance ... is calculated with respect to the size of the shelves and the pallets + the aisle width for fork lift trucks. This has given a pillar distance of 16.5 metres. $2 \cdot 1.25 \text{ m pallet} + \text{transport aisle } 3 \text{ m} = 5.5 \cdot 3 \text{ m} = 16.5 \text{ m}$.

Hakonshus ett rationellt storskaferi, AB Hakon Swenson, 1957, p.16.

When completed, the whole warehouse consisted of 7 rectangular sections, each with the 16.5 meter pillar-distance and a length of 50 meters, providing at least 5,775 m² of available space. But not all of this was warehouse space. The coffee roaster occupied roughly 1,375 m², leaving approximately 4,400 m² for the warehouse.¹ Was this enough?

The danger with all new constructions is that you make the building too small. One does not take into account the possibilities that the company will expand. If one builds anew, one should absolutely plan the building to be spacious enough to last for at least the next ten years to come.

Nils-Erik Wirsäll, 1947c, p.1176.

The process of deciding on the size of the warehouse included an inventory of the needs for storage space for each department at the Västerås office (see Table 6-7).² I cannot be sure that the sum in the table reflects the final estimate for Hakonshus, but it seems likely that this is the case. Note the line next to the bottom line which says “addition for development.” This represents a prognosis for future needs. In this case, 12% has been added as a reserve. The new Hakonshus had room for 2430 pallets.³ In all then, the available pallet space corresponded well to the estimated needs.

¹ Plus the basement. But only parts of it were available: through the basement ran an 8 meter wide 'road' ($\approx 1,000 \text{ m}^2$); S:t Örjan Spices occupied space for production and storage ($\approx 450 \text{ m}^2$); there was vacuum packaging and raw coffee stores for the coffee roaster ($\approx 700 \text{ m}^2$); there were staff-facilities ($\approx 400 \text{ m}^2$), stores for Wasa bread and a service garage ($\approx 550 \text{ m}^2$). Only 2,100 m² were available for warehousing.

² I presume that similar estimates were made for the coffee roaster and S:t Örjans Spices, a subsidiary which was to be located within Hakonshus. (AB Hakon Swenson, Annual report 1954, p.15.)

³ On the main storey, the pallet storage for colonial goods housed 1,092 pallets, the main supply storage 530 pallets, and the fruit & vegetable storage 237 pallets. In the basement, there were stores for Wasa bread 168 pallets and reserve stores for approximately 400 pallets.

Table 6-7. Form for estimating the need for warehouse-space. Source: Enclosed form in Nils-Erik Wirsäll's copy of *Arbetsledarhandboken*, AB Hakon Swenson, 1958.

50.

1	2	3	4	5	6	7	8	9	10	11	12	13
Group of goods or article	Package		Stores at last	Change during	Sum	No of brands	Store type	Pallet need		Shelf need		Other
	type	kg.	closing of books	year	no. of			Case per pallet	No. of pal-lets	Case per shelf	No. of shel-ves	
Detergents												
Jör 1/1	Box	13	75	+50	125		T	24	5			6x4
-"- 1/2	Box	13	50	+25	75		T	20	4			5x4
...
Surf Jätte	Box	14	200	+200	400		T	26	16			...
-"- normal	Box	14	200	+200	400		T	24	17			6x4
Sum page									2145			
1-50												
+ addition for development									255			
= total needs									2400			

In his thesis, Wirsäll suggested a five-step scheme to calculate the need for space: 1) Filling out the form (see Table 6-7); 2) Considering future changes; 3) Calculating the need for pallet-space; 4) Calculating the need for shelf space; and 5) Estimating the required loading area. This was allegedly a scheme that "with success has been used by a Swedish company."¹ The form should be filled out by the warehouse manager and an estimate for future changes should be added:

In this case, different per cent rates are used for different types of storage spaces. For the heavy goods, a 10 % development addition is made, while the addition for broken cases is limited to 5%, and is instead set as high as 50% for deep frozen and refrigerated goods (fresh goods). Behind these figures is the view that the need for storage space for heavy goods and broken cases will not grow at the same rate as the turnover, among other things due to a change-over in the delivery of heavy goods from "via warehouse" to "direct" and a business policy change of the sales conditions that is likely to contribute to a great reduction in the sales of broken cases.

Nils-Erik Wirsäll, 1958, p.121-123.

To calculate the space needs, Wirsäll had perfected two formulas, one for pallets and one for shelves. The principle for calculating the required storage area for pallets is illustrated in Figure 6-23. The pallet needs stated in Table 6-7, 2400 pallets, would translate into 800 floor/bottom pallets (stacks of three pallets) corresponding to 2,560 m² of floor

¹ The same ideas and an almost identical form was suggested by Andrew J. Briggs (*How to Plan Warehouse Space*, 1954, p.127-132) in a 1954-article in *Modern Materials Handling* to which Wirsäll (*Lagerbyggnaden som...*, 1958, p.121) referred. The time of publication of the article and the close affinity between the forms suggests that Wirsäll was inspired by the article. Indeed, there is an underlined copy of it in his binder on warehouse issues. This might be taken to suggest that the investigation of required space for Hakonshus was carried out *after* the basic layout of the facility had been fixed. Still, the space available for pallets in the completed facility tallies closely with the suggested need in the form.

space. To this, the space needs for refrigeration and freezer facilities had to be added. Finally, all figures should be added up to estimate the total need for warehouse space.

In 1959, two years after completion, plans were drawn up for an expansion of Hakonshus...¹ This suggests that although formula's for calculating spatial needs could be perfected, it was much more difficult to reach valid results.

Evaluating the relative merits of single and multiple storey design

One-storey warehouses was discussed by Wirsäll in his articles on wholesale rationalisation in 1947 (see p.299). At that point, he argued that these offered considerable advantages in terms of operations. However, due to various circumstances applying to the individual case (availability of land, customer and order structure, assortment, etc.), he made no general recommendation as to the appropriate warehouse design.

Several commentators emphasised the import of adjusting the design of the warehouse to the new standardised packages.² This did not necessarily mean that the warehouse had to be built as a one-storey facility. For instance, Eol's new facility in Borås was allegedly constructed on these principles, but it had 4 storeys (see above, p.324).

In Chapter 4, Ulla Lindström argued that the possibilities of rationalising wholesale trade were intimately connected to the construction of new facilities. In particular, she held that the handling of bulk goods required "one-storey buildings with measures adapted to standardised packages and with a highly mechanised handling of goods."³

By 1953, when the construction plan for the new warehouse in Åmål was set and plans for the new warehouse in Västerås were being drawn up, Wirsäll claimed that one-storey warehousing was now the preferred solution, at least for larger warehouses.

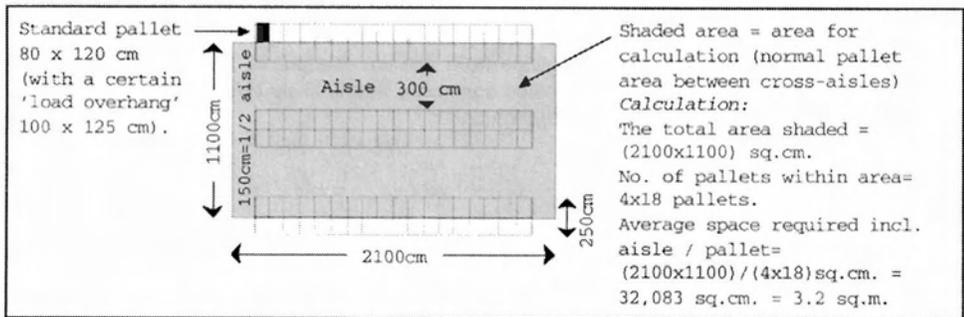


Figure 6-23 Spatial requirements for pallets. (Nils-Erik Wirsäll, *Lagerbyggnaden som...*, 1958, p.124.)

¹ AB Hakon Swenson, Annual Report 1959, p.11.

² Primarily, this concerned the standardised "SJ-pallet", named after the State Railroads which had design it. It measured 813 x 1,219 mm (32" x 48"). (T.O. Lindqvist, *Utvecklingstendenser inom varuhanterings och distributionstekniken* (Trend in goods handling and distribution techniques), 1949.)

³ Ulla Lindström, *P.M. angående...*, 1952, p.22.

The time and motion studies have also provided valuable material for planning our warehouses. In the 1940s, we built our warehouses in several storeys. Today we are convinced that the one storey warehouses are to be preferred for our larger units, since they provide opportunities to use mechanical aids to a larger extent, and because the large open spaces in a one storey warehouse increases our possibilities for rearranging and redispersing the stocks.

Nils-Erik Wirsåll, 1953, p.349.

At this point, the cost estimates for the warehouse in Åmål were available, indicating that the one-storey house was cheaper to construct. Again, the most important factors favouring the one-storey design, though, were that it provided better opportunities for mechanical aids and added a certain measure of flexibility concerning the internal organisation.

In his thesis, Wirsåll devoted a separate chapter to the issue. He linked the appropriate design to the growing costs for labour relative to mechanical aids, and to the rapid development of new and more useful such aids. He used seven factors to evaluate the two designs: i) handling; ii) internal transports; iii) flexibility; iv) management; v) construction costs; vi) maintenance costs; and vii) effective storage space.

Handling

Although the performance of various mechanical aids differed depending on the circumstances, Wirsåll argued that when applying the unit-load principle, the electrical fork lift truck was undeniably superior. (His conclusion was based on figures produced by one of the major manufacturers of electrical fork-lift trucks.¹) On the other hand, the unit-load principle was not always applicable, due to, e.g., an unsuitable order-structure, available space for reception and shipment and the functionality of the facility. This had also been observed concerning Eol's new warehouse in Borås (see p.324). This time, however, the unit-load principle was regarded as suitable for at least one area of warehouse operations:

In all circumstances, there are great opportunities to apply the unit-load principle for goods reception, while for shipment much depends on both the firmness with which the sales policy ambition concerning selection of customers is implemented, the assortment, the rate and form of shipment, as well as on the factual work-technical possibilities for the respective retail stores.

Nils-Erik Wirsåll, 1958, p.73.

For goods reception the unit-load could always be used; for shipment it could be used if the company was firm in its selection of customers. (The repeated discussions about the stance vis-à-vis small customers in Chapter 5 suggests that this might be very difficult.)

Mainly due to its larger open spaces, the one-storey warehouse was held to be superior for applying the unit-load principle. This principle, in turn, favoured electrical fork-lift trucks. To what extent the principle itself was desirable was not discussed.

¹ Nils-Erik Wirsåll, *Lagerbyggnaden som arbetsredskap inom partihandeln...*, 1958, p.57-58 and 72.

Internal transports

Wirsäll used results from time and motion studies at six warehouses to evaluate the internal transports. Given the transport speeds in the warehouses and the time required for elevation (see Figure 6-24) he concluded that a 54 m. reduction in transport distance was required in order for elevation to a second storey to be as efficient as horizontal transports. For each additional storey, the distance had to be reduced by some 21 metres. In addition, the considerable waiting time at the elevator would further reduce its efficiency.

He also compared the average transport distances within single- and multiple-storey buildings of different shape (rectangular and square). Based on two hypothetical buildings and the figures presented in Figure 6-24, he concluded that the effective transport distances in a one-storey building would be 24.6% shorter for a rectangular shape, and 21.4% shorter for a square shape, than for a corresponding multiple storey building.

Flexibility and management¹

Due to the larger open spaces available in the one-storey warehouse, Wirsäll held it to be more flexible. It would be easier to re-organise work in a one-storey warehouse to accommodate the future use of mechanical aids, etc.

In terms of managerial requirements, the one-storey building was more demanding. Largely, this was due to the use of mechanical aids:

Their correct and full utilisation requires that the management plans and controls the work more in detail than with manual operations, where the improvised efforts of the various individuals on many occasions solve problems for which the management has not given instructions. ... The supervision in itself is on the other hand easier to conduct rationally since the warehouse is more easy to oversee and allows for faster and better communications.

Nils-Erik Wirsäll, 1958, p.81.

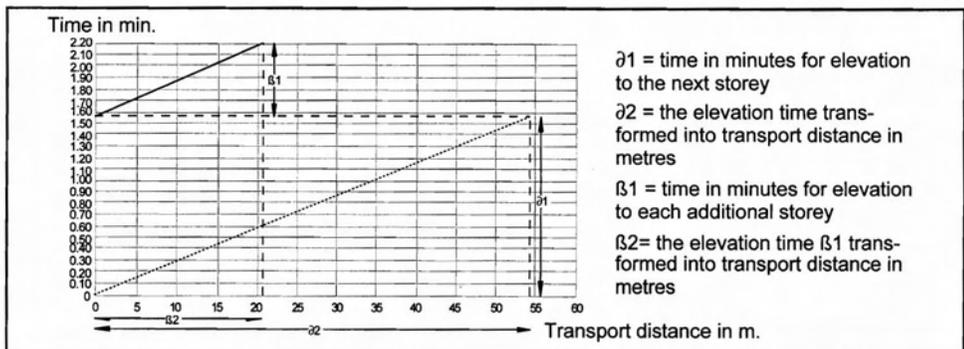


Figure 6-24. Transformation of elevation time into transport distance in one plane. (Nils-Erik Wirsäll, *Lagerbyggnaden som...*, 1958, p.75.)

¹ Ibid., p.81.

The one-storey design was more suited for surveillance. And surveillance seems to have been a problem ever since the normative organisation first was spelled out. In fact, the realisation of models of that kind seems to necessitate a measure of control.

Comparison of the costs for the building

Some figures were available which indicated that a one-storey warehouse was cheaper to build than a similarly sized multiple storey warehouse. Still, Wirsäll was sceptical to these as they were based on model-houses, rather than actual costs incurred for construction. To remedy this, he presented the cost figures for the warehouses in Åmål and Arvika (see Table 6-6, p.347). Although the one-storey warehouse was cheaper per m², the difference was not very large. This led Wirsäll to conclude that construction costs should not be the decisive factor concerning what type of construction to use. Still, he held the one-storey design to offer greater possibilities of simplified construction.

The supply and cost of land could prohibit a one-storey warehouse at a central location. But there was really no need for a central location, Wirsäll argued. In any case, the disadvantages of an external location, e.g., how the employees should get to work, did not outweigh the advantages of a one-storey warehouse.

Irrespective of location, a one-storey building would require more land than a multiple storey building. The construction regulations stipulated that only 60% of a given piece of land could be used for the building. Thus, a 3,000 m² warehouse built in three storeys required 1,666 m² of land, whereas a one-storey building of this size would require 5,000 m². The land cost would thus be 3 times higher for a one-storey building.

Maintenance and running costs also favoured a multiple-storey design. The major difference in maintenance concerned the roof, which was three times as large and thus roughly three times as costly to maintain on the one-storey building. Due to the roof coatings being relatively long lasting, the absolute difference was only SEK 1,000 / year.

Similarly, the smaller heat emitting areas on the multiple storey warehouse would lead to less heating costs. Estimates made for two model-houses indicated an additional 21.7%, or SEK 2,500, in annual heating costs for the one-storey warehouse. However, the two warehouses in Arvika and Åmål which were much smaller, displayed a considerably larger variation. Over three years, the heating costs for the one-storey building were 55%, or SEK 3,300, higher per year (see Table 6-8).

As was observed above, the construction costs for the multiple storey warehouse were higher per m², particularly since the effective warehouse space was reduced by elevators and staircases. Wirsäll suggested that the higher construction costs for the multiple storey building exceeded the higher running costs for the one-storey warehouse.

Table 6-8. Heating costs for the warehouses in Åmål and Arvika, 1955-1957. Source: Nils-Erik Wirsåll, *Lagerbyggnaden som...*, 1958, p.88.

Warehouse	1955	1956	1957
Åmål (one-storey)	SEK 7100	SEK 11000	SEK 9900
Arvika (multiple storey)	SEK 6100	SEK 6200	SEK 5800
Additional cost for multiple storey building	SEK 1000 (+16%)	SEK 4800 (+77%)	SEK 4100 (+71%)

Conclusion: One-storey warehouses!?

Wirsåll summarised his evaluation of the two building designs in the following way:

The result of the comparison is thus that the one-storey building appears superior to the multiple storey building in at least five of the seven aspects.

Nils-Erik Wirsåll, 1958, p.95.

There are reasons to regard this conclusion with some scepticism. Table 6-9 below, provides a more detailed view of Wirsåll's position. The first factor, handling, was found to undeniably favour the one-storey design. The unit-load principle favoured the use of electrical fork-lift trucks (argued a manufacturer of fork lift trucks). One-storey buildings were better for fork-lift trucks. However, this argument was based on the seemingly self-evident ambition to apply the unit-load principle to warehouse work. But this principle was not always applicable and the extent to which it was desirable was not discussed.

The internal transports were analysed on the basis of time study results concerning the time for elevating goods, and through a series of calculations concerning the transport distances within the warehouse. Wirsåll concluded that the one-storey building would offer 20-25% shorter transport distances than the multiple storey building.

Some objections can be made to these calculations. First, the elevation speeds were measured in warehouses which by no means were said to have the best available elevators. Thus, the time required for elevation might be lowered with modern elevators.

Second, as Wirsåll himself argued above (p.301), the goods in the warehouse should be arranged so that the most frequently ordered goods were located closest to the shipment area. In his calculations, however, he assumed that an equal share of the transports were made to each storey. Third, the calculations of transport distances were based on the distance to the centre of the building, which is questionable, given the assumption that an equal share of the transports should be made to all parts of the building.¹

¹ If goods are placed evenly across the facility, the average distance would not be to the centre but to a point located between the centre and one side of the building. An approximation can be had by calculating the distances to the corners and the centre and dividing this by the number of transports (in a square building the relation between the average distance and the side of the building would be .78 rather than .5. This suggests a distance 1.5 times that Wirsåll used (45 rather than 30 m for the square one-storey, and 26.25 rather than 17.5 for the square multiple-storey building). Using these figures, the transport distances

Table 6-9. Wirsäll's conclusion concerning the two building types. Perceived advantages are underlined. Source: Nils-Erik Wirsäll, Lagerbyggnaden..., 1958, p.94.

Point of comparison	One-storey	Multiple storey
Handling	<u>Lesser</u>	Greater
Internal transport	<u>Shorter</u>	Longer
Flexibility	<u>Greater</u>	Lesser
Management	Surveillance easier. Large demands on management.	Hard to oversee <u>Better possibilities to improvise</u>
Land and construction costs	<u>Lower</u>	Greater
Maintenance and running costs	Higher	<u>Lower</u>
Effective storage space	<u>Greater</u>	Lesser

In all then, the figures presented exaggerate the reduction of transport distances that a one storey building would offer. This underscores the importance of assumptions when making calculations. A consistent application of the assumption made concerning the distribution of internal transports, would throw some of Wirsäll's calculations off. In one case it would even reverse the scales.

The third factor seems to be relatively straightforward. A large open space offers more flexibility than the smaller rooms necessitated in a multiple storey design. Concerning the fourth factor, management, Wirsäll found it difficult to reach a clear verdict. As is implied in Table 6-9, there were advantages to both designs.

The fifth factor, land and construction costs, had been shown to favour one-storey buildings slightly, e.g., the construction costs per m² for the one-storey warehouse in Åmål were 3% lower than for the multiple storey warehouse in Arvika. Whereas the construction of the building favoured the one-storey building, the costs for land clearly favoured the multiple storey building. In view of the slight differences, Wirsäll suggested that construction costs should not be the determining factor for the choice of design. Largely, he seems to imply little to choose between the two designs. In his conclusion, however, costs for construction and land are held to favour the one-storey design.

The sixth factor, operating and maintenance costs, clearly favoured the multiple storey building. In a concluding paragraph, however, Wirsäll suggested that the lower construction costs for one-storey buildings more than adequately covered the additional costs for maintenance and operations. By using the same interest rate as he did, 6%, the annual extra cost for the multiple storey warehouse in Arvika would have been SEK 1,900 compared to the one-storey warehouse in Åmål (the construction costs were SEK 31,200 higher). This suggests that the additional heating costs for the one-storey warehouse in Åmål (SEK 3,300) by far exceeded the additional capital costs in Arvika. If

is only 8.5% shorter in the square one-storey building than in the square multiple-storey building. For the rectangular building, the calculations in fact come out in favour of the multiple storey building...

the higher maintenance cost for the roof, approximately SEK 400 per year, is added to these costs, the annual cost for the one-storey warehouse was SEK 1,800 higher.

These figures are however based on the total building space, whereas the effective building space should take into account space lost to outer-walls, pillars, staircases and elevators. Based on his own measurements, Wirsäll claimed that the effective storage space was 97% in Åmål and 89% in Arvika. Since there are no figures for the total running and maintenance costs, there is no way of evaluating the effect of this. Clearly, however, the costs for the one-storey warehouse would be more favourable in this light.

Finally, the choice of comparison points is important as well. A major advantage of the multiple-storey building to which Wirsäll referred in his articles in 1947 (see p.300) – the facility's goodwill or advertising value – was not even used as a basis for evaluation.

As I have tried to show, available figures and previously suggested ideas cast doubt on some of Wirsäll's evaluations. However, this is less relevant for the purpose at hand, namely to understand why Wirsäll held the one-storey warehouse to be superior. In this respect, his own calculations and conclusions are clear: on five out of seven counts, the one-storey building was to be preferred.

Hakonshus revisited

A one-storey building was preferable to a multiple storey building. Although with some reservations, Wirsäll had claimed this as early as 1947. By 1953 (see quote on p.361), he argued that it was definitely to be preferred, at least for larger warehouses, due to greater flexibility and possibilities for mechanisation. By 1958, three additional advantages had been added: shorter transport distances, lower building costs and more effective storage space. How then, did this tally with the new Hakonshus?

We know that it was built in two storeys rather than one. There was not one, but four elevators with a capacity of 1 ton each. There were six slides from the reception area to the lower level. There were four spiral staircases connecting the two storeys. There was approximately 2,100 m² of storage space in the basement. In all, it would seem like it was a multiple storey warehouse. On the other hand, the goods reception, the main storage space, the fine goods dispatch, the fruits and vegetable dispatch, the cold stores and the shipment hall were all located in a single storey. The main storage space and the shipment hall together constituted a single open space of approximately 2,000 m². So there were aspects of the house that were more like a one-storey warehouse as well.

One-storey or multiple-storey design apart, adopting the warehouse best suited to the work-organisation to be applied within it has been a recurrent theme throughout this chapter. Thus, it might be better to compare the design of Hakonshus with the normative warehouse organisation devised by the Organisation Department during the early 1950s.

Table 6-10. Costs for Hakonshus. Source: Cost specification for Hakonshus signed by Roland Dennersten, construction engineer at Hakonbolaget, March 25, 1958.

Item	Cost (SEK)	Item	Cost (SEK)
Consultant fees	326,218.12	Transport	7,797.137.36
Blueprint copies and model	24,819.81	Roaster	26,363.33
Constructor	6,043,182.77	Diverse	3,086.82
VVS	475,718.34	Elevators	150,994.50
Ventilation	217,800.20	Intercom	106,225.40
Electrical installation	522,114.31	Coolers and freezers	41,101.00
Adm charges to the city	83,410.99	Autom. fire alarm	29,967.40
Interiors	103,872.82	Pneumatic tube, on end	385.00
Transport sum	7,797.137.36	Total sum	8,155,260.81

Consider the fine goods dispatch area depicted in Figure 6-18. It was designed with a U-shaped dispatch aisle passing by all storage-locations. It had a single counter that could hardly be used for the traditional radiated dispatch. There was an ample supply of goods-baskets and push-carts equipped with order-pads. There was a separate room for pre-weighing goods. On the whole, it was a room designed for a floating work-process.

Moving to the heavy goods-dispatch, the heavy goods stores were concentrated to a single large space. In this area, the goods were stacked three pallets high, and the aisles allowed the use of fork-lift trucks. The area was immediately adjacent to both the reception and shipment docks, which were located on opposite sides of the building. In the shipment area, there was room to place the goods in connection to each loading dock.

Costs

On several occasions, the costs for building a one-storey house were suggested as being lower than for a multiple storey warehouse, e.g., in the comparison between the warehouses in Åmål and Arvika. What were the costs for building Hakonshus?

A detailed specification of the costs is supplied in Table 6-10. The total costs ran to MSEK 8.2. When related to the total building space, allegedly 14,000 m², this yields a cost per m² of SEK 582.5.¹ Adjusting for price changes along the same lines as Wirsäll did in his comparison, still suggests that Hakonshus was much more expensive than both the one-storey warehouse in Åmål (+70%), and the multiple-storey warehouse in Arvika (+65%). Since I don't know if the costs for interiors were included for the two smaller

¹ At first, I found this figure to be slightly at odds with my own estimates. On the basis of blueprints of the warehouse, the two storeys would add up to approximately 11,500 m². However, if the combined garage and shipment hall for lorries, the unused basement beneath it and the reception platform, and the basement of the office building are all added, the total area is roughly 13,800 m². Based on this, I decided to use the official figure which was taken from the 1957 annual report of AB Hakon Swenson (p.9).

warehouses, the total costs for Hakonshus with all such costs deducted, comes to MSEK 7.8, corresponding to a cost per m² of SEK 560, or, in fixed (1954) prices, SEK 500.¹

6.4. Wholesale rationalisation - a summary

This chapter has accounted for the efforts made to rationalise wholesale operations within Hakonbolaget during the period 1946-1958. Hakonbolaget's Organisation Department, formed in 1946, was heavily involved in these efforts. The head of the new department, Nils-Erik Wirsäll, actively sought new ideas on wholesale organisation, mainly from the US. In addition to his visit there in 1946-47, he kept abreast through various publications and personal communication. Besides his efforts to rationalise operations within Hakonbolaget, he argued for warehouse rationalisation by publishing articles in *Affärsekonomi*.

In the late 1940s, the Organisation Department engaged in efforts to devise and disseminate a normative model for warehouse work. The motive for this was to spread the findings from the time and motion studies performed at the warehouses. Through the small publication *Knäckta Nötter*, the Organisation Department was given a means for communicating its findings, e.g., on best practice, to the warehouse managers.

The first five issues (1948-1950) were devoted to a compilation of the results from the performed studies into a normative model for warehouse work. These efforts suggested a uniform way of looking at the warehouse operations. Basically, work at the warehouse consisted of seven activities: i) handling incoming orders; ii) receiving incoming goods; iii) dispatching fine goods; iv) dispatching fruit and vegetables; v) dispatching heavy goods; vi) preparing shipment; and vii) delivering goods to the members.

The time and motion studies were important to this work. They allowed for performance measurements and comparisons across offices by categorising, standardising and measuring the activities. They also allowed direct comparisons of alternative working methods, e.g., for unloading a car-load of flour. The results were directly fed into the new model for warehouse work.

Although some changes were suggested, the basic character of the model remained unaltered during the period. The most important change was the inclusion of the floating work-process for fine-goods dispatch. This new principle, which was first applied at the warehouse in Uppsala, meant that the clerks and the push-carts moved along a predetermined collection route, picking up goods along the way rather than bringing the goods to a centrally located counter.

The Hakon-deal provided impulses to this work, mainly concerning the input and output of the warehouse. A major obstacle for reaching a more rational organisation of

¹ I have used the price-indices for construction work (+20% 1954-58) and construction materials (+3%). (*Statistical Abstract of Sweden*, 1957 and 1963, Tables no. 220 and no. 267).

work at the warehouse was the uneven work-load. This was partly due to an uneven order-inflow, and partly due to the poor organisation of deliveries. To some extent, a conflict between customer service and efficient operations was also perceived in this respect. Since membership in the purchasing centre required the retailers to alter their purchasing behaviour and since the Hakon-deal also reduced delivery service, it was expected to alleviate some of these problems. The Hakon-deal was put forward as an important motive for the efforts to realise a more rational wholesale organisation both among the central managers and towards the warehouse staff. In some respects, however, the new deal had negative effects on wholesale performance, particularly where this concerned the stock-levels, which were raised to reduce the risk of items being out-of-stock. Finally, the efforts to achieve further rationalisations at the warehouses also led to suggestions to modify the new deal.

The close link between the Hakon-deal and wholesale rationalisation was also evident in the closure of the office in Kopparberg. First, it was the alleged difficulties of implementing the new deal at the Kopparberg office (due to its small size) that prompted Wirsäll to recommend closure. Second, the way in which this closure was accomplished also had much in common with how support was sought for the Hakon-deal.

Wirsäll's calculations suggested that the closure would lead to considerable cost reductions. During the process of realising the closure, several concessions and arrangements were made that reduced these savings, e.g., employing a clerk in Nora, keeping the facilities in Kopparberg, arranging two weekly routes to Kopparberg, etc. Largely, this was done to get the concerned parties, e.g., the office in Nora, the customers in Kopparberg, and the management of Hakonbolaget, to accept the closure.

The building regulations that effectively checked a rationalisation of wholesaling through the construction of new warehouses since the end of the war, gradually eased up in the 1950s. When the design of new warehouse facilities started, the results from the work carried out by the Organisation Department were put to use. The first one-storey warehouse in Åmål made use of several American ideas on warehouse organisation, although it was a much more modest facility than those upon which it was modelled.

During the mid-1950s, Wirsäll made use of the findings of the time and motion studies in what appears to have been a co-production of a thesis in business administration on "The warehouse as a tool for wholesale operations" and a new warehouse in Västerås. For instance, the fine goods dispatch area was built for the floating work-process established in the early 1950s. During this work, additional investigations were also made into several activities in the warehouse. Among other things, miniature models were used to test alternative working methods, e.g., for receiving goods.

During this period, the one-storey building became the preferred design for new warehouses. It was considered to offer several advantages over traditional multiple storey buildings. Better possibilities of mechanisation, greater flexibility, lower construction

costs, shorter transport distances in the warehouse, etc. While this new design doubtless offered some advantages, Wirsäll's comparison with the multiple storey design left room for some doubts as to its general superiority. But this is of little relevance, for after 1953, no new multiple storey warehouses were built by Hakonbolaget (not counting Hakonshus in Västerås, the one-storey warehouse on two levels!)

Throughout the chapter, rather than any clear image of success, there runs an account of a repetition of problems and calls for further efforts. This goes for the normative warehouse organisation (stock-levels, small orders, transport costs, unbroken cases, etc.) as well as for the construction of warehouses (need for additional space, i.e. the plans to expand the warehouse at Hakonshus as little as two years after its completion).

The retail trade has played a minor part in the story so far. Only rarely has the way in which retailers operated been subject to any discussion, e.g., their purchasing behaviour, and the way in which they received goods from Hakonbolaget. Still, the Hakon-deal was put forward as a system allowing the new members to devote more time to their proper task – that of selling to the consumers. Further, the retail trade was said to be a major area for rationalisation in Chapter 4. In the next chapter, I account for some of the efforts made to also rationalise the operations of the retailers associated with Hakonbolaget.

Chapter 7

Rationalising retail operations

This chapter deals with Hakonbolaget's efforts to address the third area of rationalisation suggested in the public debate: retailing. It differs from previous chapters since Hakonbolaget was directly involved in retailing to a limited extent only. Here, focus is on the efforts made to interest and support the associated retailers in their rationalisation efforts.

I start by trying to characterise the problems that concerned the Hakons retailers in the mid-1940s, or rather, the problems that others argued should concern them. I then account for how Hakonbolaget in various ways attempted to improve the efficiency of the associated retailers. One such attempt has already been studied in Chapter 5 – the Hakondeal. In this chapter, I take a brief look at it as an attempt to rationalise retailing. A major vehicle for Hakonbolaget in these attempts seems to have been its role as a provider of financial support to the retail trade, a role gradually expanded to include a more thorough control over these businesses. In the second section of the chapter, I look at how Hakonbolaget in various ways promoted self-service retailing.

Due to a serious lack of primary sources on retailing, the account in this chapter is largely based on secondary material as far as the retailers are concerned. Further, it does not follow the kind of chronological order used for the preceding chapters.

Point of entry: Retail concerns

What problems were retailers facing in the 1940s? How was a retail store operated? By what standards was it evaluated? How can I find out? Many answers are needed to understand how retailing worked at the time. It is far too easy to view things in the light of how they work at present. – Haven't grocery stores always been self-served supermarkets?

Table 7-1. "Why is Icander happy?" Aspects of retail practice in the 1940s. Summary of issues discussed in the cartoon strip published by ICA Tidningen.

Issue	Problem	Solution
1941:5	How to avoid wastage?	Make planned audits of the stock
1941:6	Knowledge of goods	Make the clerks study
1941:9	Price-changes...	Use a blackboard to inform the employees!
1941:11	Rationing coupons	Place a small sticker on the register to remind the clerks
1942:1	High electricity costs	Turn off lights and equipment! Put up notes!
1942:2	How to increase sales?	Suggest larger packages of ordered goods
1942:5	Stale bread	Make a ladder shelf, always take the oldest first
1942:8	Dirt on the floor	Make a hatch in the floor and put a container below
1944:12	Order among the oil products	Use the syrup-stand from Retailer Service
1946:2	How to replenish effectively	A pre-printed order pad with strips which can be torn off
1947:3	How to make good displays	Fasten steel-wires in the ceiling to have objects "fly"
1947:5	Giving preference to phone orders	Have a clerk take care of phone-orders during rush days
1949:5	Pre-packing cured meats	Two products in one package. First self-service strip.

A first indication of retail concerns is provided by Icander, the main character in a recurring cartoon in ICA Tidningen during the 1940s. This cartoon addressed various problems concerning retail organisation, sometimes with a slight comic touch, always with a deep moral one. So why was Icander happy? Table 7-1 hints at a number of practical problems which retailers faced and which Icander managed to solve. First, how to control the stocks, i.e. what was in stock, what to order, how to keep the stocks fresh, etc. Second how to work behind the counter, provide good service, be knowledgeable about goods and prices, give correct change, etc. Third, how to control costs in general.

A second way of depicting the situation for grocery retailers in the 1940s is to look at the accounting principles that applied. What costs were recognised? How large were they? In 1942, the trade organisation for Swedish grocery retailers, SSLF, published the results of a study carried out by Affärsekonomiska Forskningsinstitutet (AFE) at SSE.

Which are the costs in grocery retailing? ... A company which operates at retail has, due to its function, certain costs for staff, facilities, consumable supplies, etc. Out of traditional and practical reasons, the purchasing value of sold goods is not included among the shop's costs. This is subtracted from the received funds in such a way that the sales sum less the purchasing value of the sold goods gives a certain gross profit. From this gross profit is then subtracted the costs of the shop, whereby the net profit or net loss is obtained.

Kostnader och Intäkter (Costs and Revenues), SSLF, 1942, p.3.

The main results concerning retail costs are shown in Table 7-2, below. SSLF concluded that the most important costs incontestably were owner's salaries and wage costs.¹

¹ Concerning the other types of costs recognised, the costs for *facilities* included rent for the shop and the storage facilities, lighting, power, and cleaning. Shops located centrally had significantly higher per cent costs in this respect. The costs for *fixtures* included repairs, procurement of lesser equipment and depreciations. Here too, the costs were significantly higher for centrally located (and exclusive) shops.

Table 7-2. Costs in percent of sales. Average for 57 grocery shops in 1938. Source: *Kostnader och Intäkter* (Costs and Revenues), SSLF, 1942, p.4.

Type of cost	Owner's salary	Wages	Facilities	Fixtures	Freights	Various supplies	Other costs	Total costs
Percent of sales	3.8	6.5	2.9	0.6	0.2	1.2	1.0	16.3

The *owner's salary*, including interest on invested capital, was reported to vary with the turnover of the shop, from 6.4 % for the smallest shops to 2.8 % for the largest ones. When *wages* were added to the owner's salary a more similar cost per cent was found across shops. Thus, the salary and wage costs for stores with a turnover of less than SEK 75,000 was 10.8 % of total sales, for shops with a turnover of SEK 75-150,000 it was 10.1 %, and for shops with a turnover above SEK 150,000 it was 10.5 %.

A comparison of the turnover, gross profit, total costs and net profit between 1938 and 1941, showed that the turnover of the shops had increased by 13%. The gross profit had dropped by 2.4 percentage points, from 16.5 to 14.1 %. Although costs had dropped too, an average net profit of 0.2 % in 1938 had turned into a net loss of 1.4 % in 1941.¹

Finally, a link was claimed between accounting and rationalisation of distribution:

Unfortunately, the ability to keep books and to understand their use is far from satisfactory within the trade. There are still too many retailers who have not had the opportunity, not to say have not wanted, to pay interest to accounting. This surely cannot be beneficial to the endeavours towards increased efficiency, which everywhere is felt within Swedish business life. The possibilities of a more rational goods distribution rest, among other things, on an increased familiarity with the costs and efforts of trade, and this cannot be gained without a serviceable accounting.

Kostnader och Intäkter, SSLF, 1942, pp.17-18.

According to the report, then, knowledge of accounting practices was important in order for retailers to increase the efficiency of their operations. (In Chapter 4, critics of private establishment control, something that SSLF supported, made claims to the contrary.)

A third image of retailing is provided in Wirsäll's book about the costs of goods distribution (see Chapter 4). There, a more normative description was made:

Freight costs included the costs for delivering goods to customers. *Various supplies* included telephone costs, office supplies, wrapping, protective clothing and laundry. The better part of these costs, 0.7 %, was for wrapping materials (wrapping paper, bags and strings). The final group, *other costs*, included insurance premiums, membership fees, costs for advertising and displays, financial costs etc.

A comment on advertising costs indicates that retail-sponsored advertising was rare at the time: "The entry for advertising represents singular advertisements in local newspapers but should surely most often be referred to as expenses for charity." (*Kostnader och Intäkter*, SSLF, 1942, p.11.)

¹ The retailers had to spend a considerable amount of time on administering coupons for goods that were rationed. Time and motion studies in two stores showed that out of the total time for serving a single customer some 21-35% was spent on coupons. In addition, approximately 8 % of the total working hours of all employees were allegedly spent on accounting for coupons and communicating with authorities on such matters. (*Ibid.*, p.21.)

The primary and basic task of the *retail trade* is at each moment to supply such goods to the buying public for which there exist a somewhat regular demand... In order to fulfil the above mentioned basic task the retail trade must: 1) provide adequate facilities, 2) have well-educated staff employed, and 3) offer the customer the sought goods from a well assorted stock.

Nils-Erik Wirsåll, 1946a, pp.15-16.

Compared to the concerns highlighted in the Icander-cartoon, the need to have adequate facilities is added as a condition for performing the basic task of the retail trade.

Wirsåll also noted that labour costs accounted for at least half of the total costs in retailing. The second largest cost was said to be rent followed by the interest on the stock. Here, Wirsåll particularly underscored the need to have a high stock turnover rate and to reduce wastage, which in some lines of trade could be considerable. Finally, attention should be paid to the costs for customer service, e.g., credit and home delivery.¹

Despite that these three sources all give some insight into what grocery retailing was about in the 1940s, they do not tell much of the work performed in a retail store. Well, the Icander cartoons do, but they cannot all be reproduced here. Let's look in to a mid-Swedish grocery store in the mid-1940s and see what went on there...

The scene: Friday morning. Mrs Alm, who is out on her daily shopping round, stands in front of the counter in Thaléns, a large grocery store (see Figure 7 - 1) in a mid-Swedish town. Its her turn.

-Good morning Mrs. Alm, what will it be to day? Icander, the head clerk, asks.

-Good morning, Icander! I would like two kilos of wheat flour, two kilos of sugar, a kilo of Corona oat-meal, a hecto of yeast, half a kilo of Luxus coffee, two tins of Hakons anchovy, a medium bottle of Heinz, two tins of peas, and two kilos of potatoes.

-Yes! Let's see now two kilos of wheat..., Icander scribbles down the order on a note book and turns around and starts collecting the goods from the shelves. Unfortunately, there is no Luxus coffee on the shelf. So Icander walks into the back of the shop where the owner, Mr. Thalén has his office. He is busy with the books.

-Excuse me, Icander says, we're out of Luxus and running low on wheat flour.

-Yes and no. I ordered 10 kilos of Luxus coffee from the salesman the day before yesterday and the Hakon truck just arrived. Arne is out helping the driver to unload. I'll order more flour today, is there anything else we need? Mr. Thalén asks.

As Icander walks out from the office to return to the front of the shop, he meets Arne, the third clerk, carrying a box full of diverse goods which he puts down on the desk in the grocery storage room.

-I need half a kilo of Luxus coffee for Mrs. Alm, can you help me with that? Arne is already on his way out as he nods affirmatively. Icander returns to the counter and Mrs Alm. He explains that the coffee just arrived and that it wont take long.

¹ Nils-Erik Wirsåll, *Varudistributionens och dess kostnader*, 1946a, p.30.

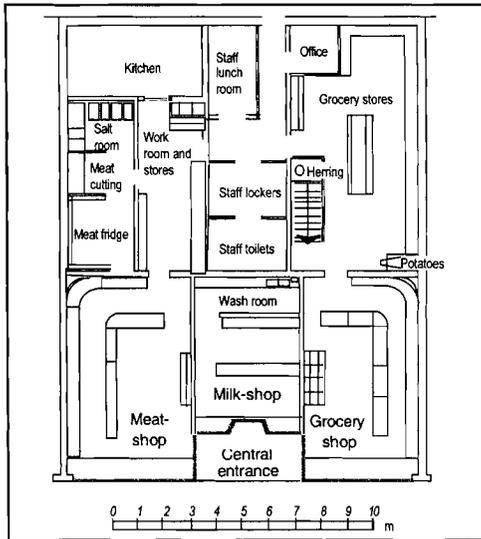


Figure 7-1. A possible blue-print of Thaléns. "A triple-shop, including grocery, milk-, and meat-departments. Observe that each shop in accordance with the requirements of the local public health committees, have separate entrances." (ICA Tidningen, 1942:6, p.18.)

-Yes, that will be 16 kronor and 23 öre. Mrs. Alm presents her coffee coupon, pays and leaves. Actually, she only walks out the door, turns to the right and enters into the milk shop which is housed separately, to carry on with her shopping. There she is served by Mr Thalén's wife, Brita, who has just sent the errand-boy, Nils, to deliver some goods.

Meanwhile, Arne and the driver have finished unloading the goods, and the truck has driven off to the next store on its route. For Arne, though, much work remains. As the third clerk, he is responsible for receiving, labelling and restocking the shelves, besides his main task of serving customers, of course. At this hour, though, the business is slow and he can carry on with the restocking.

Mr. Thalén is talking to a salesman from the local wholesaler. He orders the flour, and some other goods.

-We have received a shipment of very juicy oranges. Perhaps you should...

-No, I'm sorry. I have just bought oranges from the local fruit and vegetable wholesaler, so I'm all stocked up for the moment. When can I expect delivery?

-Well, we should be able to prepare your order tomorrow and deliver on Monday morning. If there is anything else...

-Monday, that's good. No, I don't think there is anything at the moment. I just made a large order to Hakonbolaget... maybe next week. Thank you for now. Good bye. Mr. Thalén shakes hands with the salesman and they both leave his office. Now, the goods received this morning must be priced, so Thalén needs the invoice which the driver gave Arne as the goods were delivered.

-Perhaps I should design a poster to advertise the carrots we bought the other day, Icander suggests as he approaches Mr. Thalén. Nearly all customers to whom

-I would also recommend a large Heinz bottle which is 2 kronor, only 35 öre more than the medium one, and thus cheaper to the kilo.

-If you say so, I guess that's a good price. However, I also wanted a hecto of yeast. Did you miss that? Mrs. Alm remarks.

-Oh, I'm sorry. Icander bends down behind the counter and pulls out a drawer, but there is no pre-packed yeast left, so he has to cut up a piece and place it on the scales.

-Its slightly more than a hecto, 1.1 to be precise.

-That'll be fine, thank you.

-Anything else? Perhaps some carrots, Icander asks, as he starts add up and pack the goods in a paper bag. They came in the other day, fresh and of high quality, only 69 öre / kilo.

-A kilo then. Icander weighs the carrots and Arne arrives with the coffee.

I have mentioned them, have bought some, but I think a poster might also convince some housewives who just happen to pass by, to pay us a visit.

-That's a good idea. We did buy quite a lot of them, and we don't want them to be left in the crate for too long or they'll turn soft. Arrange some kind of eye-catcher in the left shop window, together with the poster. By the way, have you seen Lennart?

-Well, he was out instructing Nils to clean up in the basement a minute ago, he is probably back in the meat shop by now.

In the meat-shop, Lennart is serving Mrs. Alm. She buys 6 pork chops, a kilo of minced meat and some smoked ham.

And so the activities at Thaléns go on during the day. The errand-boy, Nils, delivering goods on his bike, sweeping, cleaning windows, wiping shelves or whatever is on the list for the day. The third clerk, Arne, serving customers, pre-packing and restocking. The second clerk, Lennart, serving customers in the meat shop, telling Nils what to do, pre-weighing goods. Mrs. Thalén serving the customers in the milk shop. Icander, the first clerk, serving customers, taking note of items out-of-stock, arranging displays, discussing with Mr Thalén. And Mr Thalén himself, serving customers, ordering, calculating prices, tending to the books, meeting with travelling salesmen, etc. (Actually, this being a Friday and one of the more hectic days, there was probably not much time to do anything but serve customers after the slow morning-hours had passed.)

The retail rationalisation charge

The account in Chapter 4 showed that calls for improved efficiency in retailing were made during the latter part of the 1940s. Still, it is difficult to say to what extent these charges actually were regarded as important by the individual retailers. What we do know is that representatives of their trade organisations engaged in this debate, and that Hakonbolaget attended to these issues, both internally and vis-à-vis their retail customers.

Besides the general charges levelled about pricing and competition, Chapter 4 suggested that the rationalisation charge against retailing concerned three issues: 1) The size of the retail outlets. They were held to be too small to serve the customers in a rational way.¹ Sometimes, e.g., in the petition made by the Trade Labour Association, this was translated into the structural charge that the retail trade as a whole consisted of too many stores. 2) Necessary and unnecessary activities / services. Not enough variation in terms of service was offered by the retail trade, consumers had no choice between alternative price and service levels. 3) Performing given tasks in a costly manner. Should the retail trade or some other party perform certain tasks, e.g., pre-packing goods?

¹ The only definition of rational that seems to have been supplied was that suggested by Ulf af Trolle (*På vilka punkter kan distributionen ytterligare rationaliseras?*, 1948, p.143), i.e. that a rational distribution of goods "offers the consumer the goods he wants, in the selection, volume and location he wishes, to the lowest price, which in the long run is enough to safeguard a supply of goods." This, he claimed, meant that an evaluation of distribution rationality amounted to two things: if unnecessary activities were performed, and if activities could be performed at less cost.

The practical difficulties involved were also addressed during these discussions. For instance, Gerhard Törnqvist voiced fears that the individual retail outlets would be too small to handle rationalisation on their own.

Summary: Retail concerns in the mid-1940s

This introduction to the conditions for (food) retailing during the mid-1940s suggests that there were two major areas which were considered important for the retailer to attend to. First, the issue of customer service underscored in several of the Icander-cartoons. Second, the issue of costs, labour-costs in particular, which was stressed by SSLF in connection to the investigation of costs and revenues in retail outlets, and by Nils-Erik Wirsäll in his overview of the costs of goods distribution. Two other problems were hinted at: the adequacy of the facilities used for the retail operation, and the need to handle stock-keeping (including replenishing the stores and caring for the goods in store).

To some extent, the little story about Thaléns also told of these problems. Most importantly, however, it underscored that a retail store was an ongoing operation, a social system full of people, goods, equipment, rules, and practices. Any problem perceived to be part of this ongoing social system, whether it concerned costs, customer service, stock-keeping or whatever, would also have to be solved within it.

Some doubts may of course be raised as to how representative this fictional store called Thaléns is. To be sure, only a few grocery stores were as big. A typical grocery store would be a single shop, it would not carry milk and meat and only two people would be working there (the retailer and an employed clerk or family member). Still, I think the story conveys something of what grocery retailing was about at the time.

But what does this have to do with Hakonbolaget? Obviously, Hakonbolaget's customers were retailers. In addition, at least 4,000 of them were owners of Hakonbolaget. In Chapter 3, Hakonbolaget was said to have expanded its operations during the 1930s and 1940s on the basis of a program that claimed that it sought to help the retailers solve their purchasing issue. If the retailers associated to Hakonbolaget were unsuccessful, they would not purchase goods from Hakonbolaget (or from anyone else). Indirectly, then, Hakonbolaget had an interest in the well-being of its associated retailers. During its expansion, Hakonbolaget also engaged in various activities to help the retailers, e.g., investing in retail operations, standing security for loans, providing advertising service, etc.

7.1. Hakonbolaget's efforts to rationalise retailing

As a purchasing centre, Hakonbolaget did not operate at retail level. Still, in Chapter 3 it was noted that Hakonbolaget supported the private retail trade by acquiring shares in retail companies in its territory. A support that some had regarded less favourably. In addition,

Hakonbolaget also stood as security for many retailers. In this way it provided financial support both to acquisitions, additions, re-buildings and new establishments.

After the war, Hakonbolaget expanded its involvement in retailing both in terms of scale and scope. First, it increased its financial support to the retailers. Second, it became more active as a financial supporter by placing requirements on the retailers and by implementing various control measures. Third, it became more active in brokering retail stores within the territory. Fourth, it attempted to secure retail locations in new housing areas.

Hakonbolaget also sought to influence the retailers through their retail advisers and through Köpmannatjänst (Retailer Service), a service provider and equipment supplier to the retail trade, which was jointly owned by the four purchasing centres. The advisers arranged meetings and visited retailers to inform about new ideas and practices that had been tried in other districts or that had been learned from abroad. Köpmannatjänst offered services in connection with modernising or establishing new stores. In addition, the Hakon-deal must also be considered as an attempt to achieve retail rationalisation.

Retail rationalisation through the Hakon-deal

One of the recurrent themes in the rationalisation debate concerned the small size of the retail outlets. Besides the negative effects that this had on retail operations as such, it was also said to negatively affect the other parties involved in goods distribution. Foremost, it forced wholesalers to dispatch small orders; and small orders were expensive orders.

In this light, the Hakon-deal was a way of 'emulating' retail rationalisation at the wholesale level. By reducing the number of deliveries to one per week, the average size of the orders should become larger. Provided, of course, that the retailers did not turn elsewhere, instead. Hakonbolaget sought to counteract this through a bonus-system based on total annual purchases rather than individual orders. In addition, the progressive bonus-scale was to encourage purchasing concentration. Thus, with the new deal, even a retailer with a small store should purchase a bit more like a retailer with a larger store.

The Hakon-deal also purported to alter Hakonbolaget's customer structure. Customers that did not meet the minimum requirement for membership and bonus (SEK 5,000 in annual purchase) were to be disconnected (irrespective of the size of their retail stores). As the account in Chapter 5 showed, this ambition proved hard to realise despite clear intentions. Table 7-3 shows the customer structure of Hakonbolaget in 1951. Compared to the situation in 1946, the customers bought more from Hakonbolaget, and the group of small customers had become less important. Still, the ambition to weed out small customers had not been very successful.¹ The customer structure remained very heterogeneous. In addition to differences in size, the stores differed notably in their assortment profiles.

¹ From the mid 1950s there are no figures on non-members. Somehow this group lost its importance.

Table 7-3. Hakonbolaget's customer structure in 1951, based on yearly purchases in thousands of SEK. Source: *Hakongiven, Noveas betänkande April 1952*, AB Hakon Swenson, 1952, p.3.

Group (purchase / year in KSEK)	Non Members				Members				Total			
	Number		Purchases		Number		Purchases		Number		Purchases	
	No.	%	MSEK	%	No.	%	MSEK	%	No.	%	MSEK	%
-.999	1111	16.0	0.3	0.2	11	0.2	0.0	0.0	1122	16.2	0.4	0.2
1-2.999	529	7.6	1.0	0.5	44	0.6	0.1	0.1	573	8.2	1.1	0.6
3-4.999	336	4.8	1.3	0.7	43	0.6	0.2	0.1	379	5.5	1.5	0.8
5-9.999	497	7.2	3.6	1.9	213	3.1	1.6	0.9	710	10.2	5.2	2.8
10-19.999	306	4.4	4.3	2.3	775	11.2	12.0	6.4	1081	15.6	16.3	8.7
20-29.999	65	0.9	1.5	0.8	752	10.8	18.7	10.0	817	11.8	20.2	10.8
30-49.999	58	0.8	2.2	1.2	1105	15.9	42.9	22.8	1163	16.7	45.0	24.0
50-99.999	11	0.2	0.8	0.4	834	12.0	56.9	30.3	845	12.2	57.6	30.7
100-149.999	12	0.2	1.5	0.8	160	2.3	18.7	9.9	172	2.5	20.2	10.8
150-199.999	2	0.0	0.4	0.2	41	0.6	7.0	3.7	43	0.6	7.4	3.9
200-	3	0.0	1.1	0.6	38	0.5	11.8	6.3	41	0.6	12.9	6.9
Sum	2930	42.2	18.0	9.6	4016	57.8	169.7	90.4	6946	100	187.8	100

Figures depicting the purchasing behaviour of five Hakon retailers in 1951 indicate the assortment variation among the stores at that time. Out of the total purchases for each of the five stores, groceries accounted for 30.6% to 71.3%, other food products as a group varied from 23.0% to 65.4%, and non-food articles varied from 2.3% to 35.8%.¹ These variations must also have been reflected in the consumer offers of the five stores. Even if the membership requirements were subject to discussion during the implementation of the new deal, it is still likely that these contributed to a more homogenous group of associated retailers by requiring members to be either grocery or rural retailers.

Despite this, it seems that the members remained heterogeneous. In a comparison between traditional and self-service retail outlets associated with Hakonbolaget, based on data for 1952-53, it was considered necessary to exclude several stores due to diverging assortments (e.g., textile retailers, a few stores where meat-sales dominated and a number of rural general stores where sales to more than 50% emanated from non-food).²

Another aspect put forward as a major reason for the Hakon-deal was the retailers' work-load. According to Hakonbolaget, the retailers spent too much time on buying. The salesmen were waiting in line to take up their valuable time. By changing over to written orders, and making Hakonbolaget their major supplier, the retailer would save time. Time which could be devoted to their proper task – serving customers.

The outcome of the Hakon-deal in terms of retail rationalisation is difficult to assess. As was observed in Chapter 5, the required minimum annual purchases for member-

¹ Based on turnover and purchase figures for five stores associated to Hakonbolaget: AB Kolsva Handel, Sven Ingarv, Axel Granath, Åke Kronvall and Arvid Sjögren. (Nils-Erik Wirsäll, private archive).

ship was repeatedly discussed and despite some improvements, the suggestions made, and decisions taken to disconnect the lesser customers, were difficult to realise.

Comments from members of the councils of trustees reproduced in the Novea-report suggested that the new deal might have had negative effects on the competitiveness of the retailers as well. Particularly, this concerned its limitation of Hakonbolaget's assortment and the low activity displayed by Hakonbolaget concerning new goods.

Hakonbolaget as a supporter of the associated retailers

By standing security, Hakonbolaget could assist retailers in receiving financial support, both for acquisitions of stores and for investments in them. Table 7-4, p.381, shows the total amount of Hakonbolaget's liabilities for loans granted to the retail trade. From 1946 to 1951, the amount grew by 93% from MSEK 7.1 to MSEK 13.8, despite the fact that Hakonbolaget explicitly tried to limit the growth in liabilities.

Goodwill growth triggers a more active financial role

Towards the end of the 1940s, the goodwill paid for retail stores was increasing. During the discussion on establishment control (see Chapter 4), a representative of SSLF claimed that this was a threat to individuals who wanted to acquire retail outlets. The development was seen as problematic by the managers of Hakonbolaget as well, and Hakon Swenson held that to some extent they were responsible.¹ The issue was given much attention during 1947. Fears were voiced that Hakonbolaget was engaging too heavily, and that all engagements were not sound. In January, an attempt was made to reverse the trend:

We should also conduct objective talks with buyers who are willing to pay too much for goodwill, and make clear to them the economic risks they intend to take on. Through counselling, the buyers can be spared capital losses...

Minutes of the managers' conference, Jan. 27-29, 1947, p.8.

Besides educational efforts, Hakonbolaget sought to reduce its risks by placing requirements on those who they were to provide security for. Thus, buyers were in some cases prescribed to join *Hakonsköpmännens bokföringscentral* (the Hakon Accounting centre)², to sign a letter of obligation, to provide additional collateral and sign a payment-plan.³

² Lars Person, *Självbetjäningsbutiker kontra traditionella butiker*, 1955, p.2-4.

¹ This responsibility was due to the provision of financial support, which had encouraged business transfers. (Minutes of the managers' conference, AB Hakon Swenson, Dec. 17, 1947, p.6.)

² The Accounting Centre was formed in 1946 to assist the retailers with accounting services against a smaller charge. The number of associated retailers rose steadily throughout the 1940s and 1950s.

Year	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Members	250	300	400	450	460	520	650	700	800	900	1000	1125

(AB Hakon Swenson, Annual Reports 1947-1959.)

³ Minutes of the managers' conference, AB Hakon Swenson, Jan 27-29, 1947, p.19.

Table 7-4. Financial support to retail operations. Source: AB Hakon Swenson, Annual reports 1947-55.

Year	Mortgages (MSEK)	Partial securities (MSEK)	Sole securities (MSEK)	Sum (MSEK)	Annual change (%)
1946	4.450	2.251	.439	7.140	
1947	5.947	2.426	.461	8.834	+23.7
1948	5.874	2.534	.556	8.964	+1.5
1949	6.531	2.344	.840	9.715	+8.4
1950	8.359	2.547	1.118	12.024	+23.8
1951	10.025	2.697	1.044	13.766	+14.5
1952	8.905	2.923	1.418	13.246	-3.8
1953	9.281	3.267	1.703	14.251	+7.6
1954	11.221	3.140	1.595	15.956	+12.0
1955	12.238	3.454	1.487	17.179	+7.7

By May 1947, without any improvement in sight, the requirements placed on the applicants' "personal qualifications and economic resources" were to become more strict. More applications would be turned down. Evidently, a more cautious stance was advocated. This is also reflected in a decision to enforce more strictly the requirement that a mortgage plan should be set up in connection with granting the mortgage.¹

During the next meeting, in September, the local offices were reprimanded for not being restrictive enough. A new edict was issued to adhere to the set guide-lines:

In each individual case, a major precondition for approval is that no excesses in goodwill exist, that the capitalisation with private means is satisfactory, and that the personal qualifications are the best. ...

Stig Svensson... reminded of the decision that for mortgage credit the retailer in question should be connected to the Accounting centre, something that should be brought up as a requirement already at the preparatory stage.

Minutes of the managers' conference, Sept. 18-20, 1947, p.10.

Although the decision referred to by Stig Svensson had been to "in some cases" require that retailers who were granted loans should be associated to Hakonsköpmännens bokföringscentral (the Accounting centre),² it seems clear that the measures suggested and approved during 1947 aimed at a more restrictive stance concerning retail credits.

In December, a slight improvement was noticed for the final months of the year. The applications for loans were becoming fewer and their quality better.

The managing director underscored the restrictive stance which must be maintained. ... we must accept that a customer leaves us rather than find ourselves in a constantly increasing mortgaging. ... To be sure, where our mortgaging means a rescue action or a transfer of commitments, we must treat these issues from case to case... Concerning new establishments, the yield

¹ Minutes of the managers conference, AB Hakon Swenson, May 5-6, 1947, p.8.

² Minutes of the directors' conference, AB Hakon Swenson, Jan 27-29, 1947, p.19.

conditions should be carefully monitored, since the higher rents might jeopardise profitability. ...

Herman Green questioned if the restrictive measures were correct concerning new establishments, and asked what stance we were to assume in this respect. He told that the rent cost for a normal store with a turnover of SEK 300-350,000 amounts to approximately SEK 6,000 per year, corresponding to roughly SEK 40 per m². Through these increased costs, our risk has become considerably larger than before, and the question is now whether we should assume this risk or whether we should pursue a wait-and-see policy.

[The] managing director held that it must not lead to only one type of store becoming represented in these new housing areas. We should to this end, turn to the Department of Commerce with an appeal that the department approaches the local authorities and maintains that both business forms should be given room... Unfortunately, one probably has to regard certain new establishments as subsidies, at least for some time. It is clear that no general statement can be made on this matter, but that each individual case will have to be discussed. ... We should try to act to restrain the business transfers, except of course, in cases where a transfer should be made to improve the situation.

Minutes of the managers' conference, Dec. 17, 1947, p.5-6.

Whereas the managers seem to have accepted the restrictive stance concerning securities for acquisitions, a similar stance on new establishments was more controversial. The risk of not becoming represented in new housing areas could in some cases motivate a "subsidy" in the form of financial support to a new establishment.

At the same meeting, an increased monitoring of these interests was also discussed:

Stig Svensson overviewed how this control-organisation was intended to work. ... We have already drawn up some guide-lines concerning the work, and have envisaged a triumvirate consisting of the Accounting centre - the accountants - retail adviser and assistant adviser.

The managing director underscored as a necessity that those who we assist in some form or other, ought to be associated to this our control-organisation.

Minutes of the managers' conference, Dec. 17, 1947, p.6-7.

Obviously, more firm procedures for watching over the company's financial stakes were sought. The 23.7% growth in financial liabilities during 1947 (see Table 7-4) tallies quite well with this growing concern. On the whole, it seems that the 'goodwill problem' led Hakonbolaget to assume a more restrictive and at the same time more active role in retail financing. This 'restrictive activity' consisted in requiring mortgage plans and association to the Accounting centre before accepting new commitments. A new control organisation was to monitor the businesses in which Hakonbolaget had financial interests in. Table 7-4 indicates that Hakonbolaget was able to limit the growth in liabilities in 1948 and 1949.

Brokering retail outlets in the territory

During the latter part of the 1940s Hakonbolaget also became more active in finding suitable retailers for stores that were for sale in their territory.

Centralisation of the business transfers

Lars Lewén ... pointed out that from time to time there are showers of messages from the offices about stores that are for sale. The question is if the time has come to centralise the business transfers. When there is a shortage of buyers in one area, suggestions from other office-districts could be of use.

After the discussion, the following was decided on this matter:

- 1) Concentrated handling of business transfers to the head office, which is to arrange a report-system for stores for sale and for suggested buyers.
- 2) From time to time, when there is a shortage of buyers, suitable stores for sale are to be advertised by the head office. The replies received are to be used not only for the stores in question, but also for ideas on placing other businesses which are to be transferred.

Minutes of the managers' conference, Sept. 18-20, 1947, p.16.

Judging by the excerpt, Hakonbolaget had already been active in brokering stores for sale locally. At this point, however, an attempt to centralise these activities was to be made. This indicates the concern shown towards the task of finding suitable retailers.

The new system proved less than satisfactory however, and a renewed discussion took place in January 1949. The major problem was to get the managers at the district and affiliate offices to view this as a company-wide concern rather than a local one. To make the brokering operation less dependent on their participation, a new model was devised:

The business brokering operations should be transferred to Hakonsköpmännens Bokföringscentral [the Accounting Centre], which is to actively try to get this important part of the planning of the private retail trade in our hands.

Minutes of the managers' conference, Jan. 13-15, 1949, p.12.

Besides the more active role concerning financial support to retailers, then, attempts were also made to increase the control over who was to run the retail outlets in the future.

As a result of these efforts, a special branch was formed within the Accounting centre – *Hakons Butiksförmedling* (the Store Agency).¹ In addition to brokering stores, the annual reports stated that the new agency also acted “towards a sound development in the area.”² The store agency produced prospectuses on stores for sale. One example from 1952 is Elis Pernersten's triple shop in Västerås (see Exhibit 7-1, p.384).

In 1953, a suggestion was made to expand the operations of the Store Agency in the light of its significant contribution in those office-districts that had been able to make use of its services (up to that point, it had been run by a single officer in Västerås).

The primary value of the Store Agency lies in the increased ease with which one can get into contact with prospective buyers from groups we do not reach otherwise. Thereby we have been able to find buyers with greater resources than if we had been reduced to retailers, shop-employees and co-operative managers within our own area of operations.

¹ AB Hakon Swenson, Annual report 1949, p.25.

² AB Hakon Swenson, Annual report 1950, p.15.

ambitions and program of the purchasing centre. The reason that this issue was addressed by the managers' conference was a statement ... that the best recruitment of members was from the Consumer Co-operation. ...

- Elis Götberg 10 previous Co-operative employees, now members. Show better understanding than most other private retailers.
- Lars Lewén 20 ex-coops in the Västerås och Köping districts. They understand our order-system and have all increased their turnovers.
- Hugo Stålarw 18 ex-coops in the Södertälje district. Half of them are splendid, the rest more or less good, but only one deserves a mark below the pass standard.
- Alex. Larson More receptive to the arguments concerning the new deal than the colleagues who have received their upbringing within the private retail trade.
- Gösta Anell 32 formerly co-operatively employed now customers in Sundsvall. Generally do very well. Seven are not quite satisfactory.

The general opinion was that the best men find their way from the Co-operation. But we have reason to be attentive when recruiting from this direction, since a few who have failed within the Co-operation has been shown to seek their way over to the ranks of the private retail trade.

Minutes of the managers' conference, June 28, 1949, p.9.

Hakonbolaget obviously cared about who was to run the retail outlets in its territory. The excerpt also suggests that ex-coop managers were not uncommon among the associated retailers. They were also held to perform well, in some cases even better than retailers who came from the private retail trade. In particular, this concerned the more intimate co-operation and the new order system that was part of the new deal.

Less direct involvement in retailing

The discouraging accounts for 1949 (primarily a drop in turnover, see Chapter 5), led the managers to stress the need to keep the financial engagements in retailing down:

Stig Svensson pointed out, that the limitations [in the investments] primarily would concern the investments that are made through Hakonbolaget AB [a subsidiary to AB Hakon Swenson]. The return on these investments is very low. We have spent much money on shares in retail companies and in buildings for shops. We must keep these needs down and consolidate Hakonbolaget AB. We should study investments of this type very carefully and wait with new investments until better conditions exist.

Minutes of the directors' conference, March 13, 1950.

This time, the main concern was to keep down the direct investments made in retail businesses. By June the same year, this stance was further pronounced:

Stig Svensson told of the new direction embarked upon concerning subsidiaries within the retail trade. Such should in the future not be created unless there are altogether special motives. We will now divest some of the companies and place them on individual retailers. We will in connection to this have to calculate on incurring some losses, but will then not have to contribute to them in the future. We must require better return from the companies than hitherto. We will now arrange a course for [these managers] during the autumn

together with Nils-Erik Wirsäll. We will then include store-managers and some good prospects. ...

Melker Swenson pointed out that there had been losses, but that this had saved considerable values for private trade. ...

Jarl Jernunger stated that the experience is costly. It shows that we are completely dependent on finding qualified persons to manage the various firms. ...

Minutes of the managers' conference, June 1-2, 1950.

Was Hakonbolaget abandoning the old policy of providing direct financial support to retailing? One of the local managers was concerned about this, arguing that it was important to keep control over certain retail operations. At the end of 1951, despite the new policy, Hakonbolaget had 25 wholly owned retail companies and held shares in another 25.¹

The excerpt also provides additional information concerning how Hakonbolaget sought to control who were to run the retail operations. Here, a training course was to be arranged for store managers and "good prospects."

Growing involvement in shop planning

Another area where Hakonbolaget increased its efforts during this period concerned the planning of retail establishments in new housing areas.

The managing director reminded of the necessity of clear initiatives in, and careful surveillance of the work of planning shops, so that we are not left behind in terms of the store net. In particular an intimate contact with the respective municipal authorities must be created, so that we get shops placed in the right locations in the town plans. Since the respective chairman of the chamber of finance often is co-operatively engaged it is natural that Konsum is given the upper hand, in the event that we do not forcefully clarify that the general public demands that the Co-operation is not left in sole control of the new housing areas, but demands competition through Hakon shops. The tendency is towards increased municipal construction work. The more necessary it is to safeguard our interests with the municipal authorities.

Minutes of the managers' conference, Jan. 27-29, 1947, p.8.

Hakon Swenson clearly held that Hakonbolaget should watch out for the private retail trade. Indeed, he spoke of the "Hakon shops" in a manner resembling chainstores more than independent private retailers. The major competitor for locations was Konsum, or the Consumer Co-operation. But the problem was not as simple as one is led to believe by the above, however. It was not only Konsum or Hakonbolaget. There was a third party as well, viz. ASK, the co-operative organisation for private wholesalers.

Alex Larson informed that in Ludvika a committee had been formed, which is to look after the new establishment and transfer issues.

However, the conference held such a measure to be less suitable, since we thereby must compete with ASK for the shop locations. We should therefore handle these tasks completely on our own.

Minutes of the managers' conference, Jan. 27-29, 1947, p.8.

¹ Annual report for AB Hakon Swenson and its subsidiaries, 1951.

Rather than joining forces with the other organisations that claimed to be watching out for the private retailers, the managers of Hakonbolaget preferred to go it alone. This suggests that they expected to secure more locations for the associated retailers by acting on their own, than by first securing locations in co-operation with other representatives of private trade and then fighting internally within this group for the locations that became available.

In the autumn of 1947, this was underscored by a recent development in Västerås, where Hakonbolaget allegedly was able to wrest a store location from the Co-operation:

The Managing Director pointed out that ... Unless one does not interfere forcefully in each particular municipality, Konsum will surely be given favours. As an example of this, an area in Västerås planned for 750 apartments was mentioned. Two co-operative shops had been drawn in while no space had been given to any private shop, despite that we had indicated at an early stage a location where we wanted to participate in setting up a business. In this case however, measures had been taken to correct the unsatisfactory situation. A proposal had been made to the Chamber of Finance that in cases such as this, representatives of Hakonbolaget together with the co-operative management should discuss with the authority in question where the shops should be located and how they should be distributed. This shows how necessary it is to attend to these problems. We must therefore devote great interest to the town / city plan-maps, try to establish contacts with the authorities in question, choose the right locations, etc. But we ought also to try and establish contacts also with HSB, Riksbbyggen and private building contractors.

Minutes of the managers' conference, Sept. 18-20, 1947, p.10-11.

At both these meetings a growing activity in housing construction on behalf of the municipalities was noted. This growing activity was also seen as a motive for increased attention to these issues. Unless efforts were made to establish good relations with the municipal authorities, the Consumer Co-operation would be unduly favoured. The managers also considered it important to establish relations to housing constructors, in particular to the new, so called public utility housing companies, but to private constructors as well.

Implicitly, the excerpts suggest that the local directors were to assume responsibility for these activities, although central managers also should attend to them. Two years later, in connection with the implementation of the new deal and the discussions about centralised decision making (see Chapter 5), the establishment issue was brought up again. It seems that these matters had mainly been handled locally so far. The issue at stake was identical to that discussed two years previously, viz. to secure "the same space to the Hakon-retailers as to the Co-operation." This suggests that the local efforts had not produced the desired outcome. Hakon Swenson held a uniform argumentation handled centrally to be more conducive to this than local efforts.¹

During this meeting, there was also an indication that the managers tried to communicate the role of Hakonbolaget in establishing new stores:

¹ Minutes of the directors' conference, AB Hakon Swenson, Oct. 17, 1949.

Those present were instructed to send in suggested illustrations for the annual report. These should depict interiors and exteriors from business facilities that have been erected during the past 5 years with our financial support.

Minutes of the managers' conference, Oct. 17-18, 1949, p.18.

The published annual report for 1949 contained 13 examples of such stores. In addition, it highlighted four self-service stores operated by Hakons retailers.¹

The decision to act alone rather than in collaboration with other representatives of private trade seems to have been adhered to. In 1952, however, it was put in question:

Martin Jarlstedt brought up the problems that sometimes arise in connection with watching establishments within new housing areas. In contacts with the various town-authorities, industries etc., the Consumer Co-operation on the one hand acts as one part and the private trade on the other, but split up on three or maybe four bodies. [This] weakens the effect of the efforts of the private trade. The speaker asked if it was possible to co-ordinate these matters.

Stig Svensson mentioned that ... Tord Westlund at Handelskredit is not likely to be very keen on co-operating with the wholesalers. Rather, he has sought to pave way for a co-operation with us on the board of Handelskredit.

Jarl Jernunger held Handelskredit and Hakonbolaget to be the only ones ... that economically can be equated with the Consumer Co-operation when it comes to effectively watching the new establishments. [Köpmannaförbundet] has misled when it has pointed at the local Retail Associations as the natural counterparts... we should prepare a suitable presentation of our work in this area...

Minutes of the directors' conference, May 19-20, 1952, p.10.

Rather than resulting in a larger number of store locations relative to the Consumer Co-op, Jarlstedt suggested that Hakonbolaget's policy of acting alone at times had the opposite effect. In short, he held that the combined resources of the private trade were spread too thinly through this system.

The excerpt also suggests that Hakonbolaget and AB Handelskredit had been in contact.² Indeed, they were negotiating the establishment of some form of co-operation on retail financing and had allegedly financed some cases jointly.³ However, it seems that these negotiations came to nought. During the following years, the competition with Handelskredit was repeatedly brought up in discussions on establishment and financing.⁴

From locations to retail stores

As a result of Hakonbolaget's active watching of establishments, new locations became available centrally, e.g., the location in Västerås referred to in a quote above. In addition, Hakonbolaget was also involved in construction through Hakondi, a joint venture with

¹ AB Hakon Swenson, Annual report, 1949, pp.44-47.

² AB Handelskredit was a financial institute formed by Kelifa to supply the private grocery and rural retailers with means to establish new stores. (*Pris och Prestation i handeln*, SOU 1955:16, p.178.)

³ Minutes of the managers' conference, AB Hakon Swenson, May 19-20, 1952, p.10.

⁴ Minutes of the managers' conference, AB Hakon Swenson, May 21-22, 1954, and Feb. 4-5-, 1955.

the construction company AB Anders Diös.¹ Thus, Hakonbolaget had to find suitable owners to the new stores and had to decide on a suitable store design. As we saw above, efforts were made to educate and evaluate prospective future retailers. At times, the format of the store-to-be was also discussed with the members of the local council of trustees:

Local Director Jarlstedt informed that a piece of land with an accompanying construction permit for a grocery store had been acquired in Arvika, and wanted to hear the Council's opinion on whether to equip a self-service store or a regular grocery store with manual service there. Director Mörck said that it first had been decided that this store should be a Co-op shop, but that this had been avoided.

Minutes of the Karlstad group of councils, Aug. 28, 1950.

The fact that Harald Mörck, the new Managing Director attended the meeting, indicates that these issues were considered to be important for the company. In this case, the members of the council were sceptical towards the proposed format (see also below, p.429).

The more general problem of watching out for new shop locations was also discussed at some council meetings:

Local director Lewén accounted for the store-planning so that the members of the council should understand how difficult this problem is to handle. The Consumer Co-operation takes better care of the new areas than we do. We try to come into contact with the authorities and the constructors as early as possible... but it is hard to receive the best store locations. We must also consider already existing shops, and [there is resistance from quarters] where one would think that such resistance should not exist. One cannot say that we have completely failed either, but it ought to be the duty of the council members to watch out for our interests ... Mr Liljeqvist expressed a wish that the local council member should be informed about an establishment as early as possible a stage, given that the matter is not spread further so that the plans thereby are hurt. Local director Lewén held this to be correct and promised that this would be done in the future.

Minutes of the Västerås group of councils, Oct. 24, 1950.

Besides securing new locations, the managers had to consider the effect of establishments on the associated stores in the area. At times, the choice could thus be between seizing a location and having to handle the negative consequences of this for the associated retailers, or leaving the location to some competing group (ASK or KF), to the detriment of Hakonbolaget's future viability. A choice between the devil and the deep blue sea...

It seems that the local director in Västerås, Lars Lewén, chose to use the local council of trustees as a fora for discussing these matters and hopefully (?) securing support for establishing new stores. Thus, he kept bringing up the issue:

Establishments

In order for the council members to know of the establishments which Hakonbolaget already is connected to, local director Lewén informed of the situation for the day. The following establishments are presently considered:

¹ See, e.g., AB Hakon Swenson, Annual report, 1949, p.26.

Norra Skallberget,	Västerås	Morgårdshammar-Smedjebacken
Norra Gideonsberg	-"-	Görväln Kallhäll
Centrum,	Fagersta	Täkten Norberg
Hammarområdet	Jakobsberg	Surahammar
Nydal	-"-	Hallstahammar
Kolbäck		

Centrum, Fagersta, is a much debated case. Surely, Mr Olle Eriksson pointed out, we must consider the competition from the Consumer Co-operative, but it may be debated whether an establishment is correct if the turnover will be taken from already existing private shops. The office management has held it to be wrong not to reserve these facilities, since they have felt rather certain that interests which compete with Hakonbolaget would otherwise have seized them. It is however unfortunate if our colleagues, who are close to us, would experience decreasing turnover. Local director Lewén concurred fully with Mr Olle Eriksson's wish to keep the members in the area informed about the development... Mr Kihlgren, who is a member of the Establishment council, pointed out that there is nothing as sensitive as approving an establishment in the centre of a town. One cannot let oneself be hypnotised by there not being a direct need for a shop, which would lead to there not being any modern shops in the centre of the town but only in the fringe areas. As an objective judge, Mr Kihlgren held it to be wrong not to reserve such an extraordinarily excellent location but instead give it away to someone else.

Minutes of the Västerås group of councils, Oct. 10, 1951.

Once again, the potential negative effects on already existing private shops was brought up. This time as a negative side-effect that might warrant a less aggressive stance towards the Consumer Co-operation. But Lewén received support from Oscar Kihlgren, who besides being a member of the local Establishment council also was on the Board of Hakonbolaget (making his claim to objectivity questionable). Kihlgren widened the perspective and argued that if potential negative effects on existing stores were allowed to hinder all establishments in town-centres, there would be no modern stores there in the end.

To establish stores in the new locations, financial means were required. The efforts made to secure new retail locations were thus closely linked to the provision of financial support. This produced something of a dilemma: on the one hand, it was important to secure new locations; on the other, it was necessary to keep financial engagements down.

Concerning new establishments we shall of course continue the survey work along the lines previously drawn up. Regarding the equipping of stores, it is likely that one can shrink the investment and still get satisfactory equipment... [Stig Svensson] exemplified by pointing out that a refrigerated counter of the Exposé-type did not always have to be procured [immediately]. In many cases, it can be correct to wait with this investment. Our advisers have in many cases successfully worked to reduce the investment volumes for new stores.

Minutes of the directors' conference, May 19-20, 1952, p.10.

The excerpt suggests that attempts were made to reduce the investments made in the new stores to attenuate the conflict. Allegedly, such efforts had also produced positive results. But this was not enough, for the conflict was perceived to become more pronounced:

The extent of our issuing of credits was discussed at the board meeting on Aug. 17-18, partly with respect to the new bank-policy directed by the Bank of Sweden, partly with respect to the wish to limit our financial responsibilities. At the same time we must protect our interests as efficiently as possible when business transfers occur and new establishments are made. Issuing supportive credit is undeniably a very significant factor for our continued expansion.

Minutes of the directors' conference, Aug. 27-28, 1953, p.12.

At the meeting, each local director was asked to estimate the amount of retail credits needed during the remainder of the year. In 1952, the total credit volume had been MSEK 1.7, split up on 92 engagements. For the first six months of 1953, 76 applications and MSEK 1.5 had been approved of. In addition, the local directors estimated a need for another MSEK 1.7 in loans during the remainder of the year. Thus, it seems that Hakonbolaget was increasing its financial support to the retail trade considerably at this point.¹ Table 7-4, p.381, suggests a net growth for 1953 of roughly MSEK 1, or 7.6%.

In the spring of 1954, Stig Svensson voiced concerns about the swelling financial burden that the new retail establishments meant for the company. He also indicated that he had made some efforts to find other parties who might contribute additional support:

Concerning the financing of establishments, [Stig Svensson] emphasised that it was incorrect that we had to finance the establishments in their entirety, when we can only deliver goods for part of the assortment. He had been in contact with director Österberg ... who had not been uninterested in the thought of Andelsslakterierna [the Agricultural Co-operative Slaughterhouses] assisting with some financial support for the [fresh and cured meat departments]. ...

[He] further touched upon the fact that we in certain cases had been forced to help less suitable retailers to new large businesses, due to the retailer in question having had a shop quite close by, which had to be closed in connection to the establishment. He pointed out the possibility of sometimes receiving contributions from the fund for establishment losses. In certain cases it is necessary to make contributions from this fund ... in the form of lowered rent for a year or two. Such demands from the offices should be sent to the board...

Concerning the costs of establishments, Nils Karlhede pointed out that it should be made clear from the start to the concerned retailers, that our work with the establishment implies a certain subsidy, to the extent that we do not charge for it. We should also become acquainted with the idea that sound establishments should pay for the costs and work we have put into acquiring these localities.

Minutes of the directors' conference, May 21-22, 1954, p.6.

Stig Svensson implied that Hakonbolaget was not always able to place a preferred individual in charge of a new store, despite efforts to 'find the right men for the job'. The established stores were again held to hinder the realisation of a desired retail net.

In the final lines, Karlhede (a retail adviser) suggested that Hakonbolaget should regard new establishments in a more businesslike manner. This was clearly a different view than that voiced by Hakon Swenson in 1947 (see p.382), i.e. that financial support from

¹ Minutes of the managers' conference, AB Hakon Swenson, Aug. 27-28, 1953.

Hakonbolaget for new establishments should be regarded as "subsidiaries." This stricter view should be seen in the light of added clarity as to the import of new establishments:

-The new establishments have great import on our turnover development.

Stig Svensson. Minutes of the managers' conference, May 21-22 1954.

New establishments meant turnover growth, and turnover growth was repeatedly said to be important for Hakonbolaget. This suggests that new establishments were perceived to be considerably less risky in 1954 than in 1947. The positive view was repeated in 1955. Hakonbolaget should continue to find and finance new establishments.¹

The perceived lower risk of establishing a new retail outlet was also reflected in a more vivid interest from potential retailers:

Stig Svensson reminded that a large number of establishments are being brought up gradually, and that deciding on who should become the owners of these then becomes a problem. They are much sought after and quite a few of our members may come to compete for them. The high rents are not looked upon with such fear as previously. ... he reminded of the so called stepladder method which had been taken up within the Västerås group, that is, they seek to "promote" skilled owners of smaller stores to larger stores.

Minutes of the managers' conference, Sept. 9-10, 1954, p.13.

The increased interest from retailers, made it necessary to find some method for allocating the new store locations. In Västerås, where the local director had engaged the council of trustees in the matter (see p.389), a "stepladder method" had been used. Retailers that were held to have the required skills were "promoted" to manage the new larger stores.

At the next meeting, Karlhede presented a memo on the establishment issue. There, he repeated the need for continuous efforts and further advocated the stepladder policy:

In a memo Nils Karlhede observed that the watching had best been managed by those offices which had involved the contact men for a continuous watch over the districts; that we should follow the stepladder-policy concerning the choice of owners for the new Quickshops and put great emphasis on finding members who successively have grown into greater tasks. ... the owners' natural feeling of gratitude towards us is blunted by the charge of the modest fee which sometimes is made. This should have us consider whether we should not abolish it, since we still do not receive coverage for our real expenses.

During the discussion ... it was underscored that we primarily should aim to help those of our members who have the best qualifications and a correct ideological position to our work with regard to the new large stores. Knowledge of the cured meat business should also be taken into account. The offices should be ready to apply clearing of suitable members, when such a need arises.

Concerning the claim for remuneration it was observed that with the new larger Quickshops, goodwill of considerable size is immediate. This warrants us charging in correspondence with our costs. But it was also said that when we can find suitable owners, experience shows that we can await payment in the form of increased co-operation which in the long run outweighs our costs.

¹ Minutes of the managers' conference, AB Hakon Swenson, May 6, 1955.

Taking this into account, the conference decided to pronounce that the time was not yet ripe for a general charging of the Advisory department's costs in connection to planning establishments.

Minutes of the managers' conference, Nov. 17, 1954, p.7.

At this point, the stepladder policy seems to have been officially endorsed. In addition, two criteria were suggested to guide the managers when choosing which members to help: those who had "the best qualifications" and "a correct ideological position to our work." This suggests that the establishment of new retail outlets was perceived as an opportunity to more directly influence the future performance of the company. Doubtless, "a correct ideological position" meant that retailers who displayed a high purchasing fidelity were to be helped. Thus, a new establishment would result in a sales increase for Hakonbolaget above the average per unit of retail turnover. The suggested clearing system between the offices is likely to have improved the chances of succeeding in this respect.

The excerpt also reinforces the image of the new establishments as considerably less risky than a few years before; "goodwill of considerable size" was immediate. This, in turn, was a motive for charging for the costs incurred in connection with the establishment. On the other hand, it was noted that a successful recruitment of retailers allowed Hakonbolaget to "await payment in the form of increased co-operation."

Contacts with the county and municipal authorities

One of the managers' tasks concerning new retail locations was to maintain good relations with the respective local authorities. This had been stressed already in 1947. In 1953, an attempt was made to find out how the district offices were doing in this respect:

Some general accounts were left concerning procedures and results. It was decided that an inventory should be made by the local directors, each for his territory, submitting replies to the following questions to the Head-office.

- 1) How have the offices succeeded with the coverage?
- 2) Do we have running contacts with the respective town's authorities concerning construction plans?
- 3) Are there any possibilities of entering into areas which are neglected from the perspective of private trade?
- 4) Do we have any other fruit-bearing co-operation with construction companies besides Diös?
- 5) Do we have any contacts with the non-profit organisations in this respect?
- 6) Does Handelskredit's operations in the establishment area cause us any inconveniences?

Minutes of the managers' conference, Aug. 27-28, 1953, p.14.

Despite the emphasis placed on establishments since the late 1940s, the central departments still lacked knowledge as to regional conditions in this respect. Thus, it is unlikely that these matters were subject to much central control at the time. Judging by the inventory drawn up, the central departments sought to become more knowledgeable, however.

In December 1953, the Department of Commerce gave *Länsstyrelserna* (the County administrative boards) the task of monitoring how the municipal authorities distributed store locations. In particular, they were to attend to the distribution of locations on Consumer Co-operative, Agricultural Co-operative and private retail trade. Largely, this was a consequence of the proposals made by Business-entry Experts (see Chapter 4).¹

In the spring of 1954, the new order was brought to the managers' attention:

Stig Svensson reminded that County boards had been given the task of monitoring the distribution of stores on the private and co-operative sector within their respective territories. He now wanted information about how this co-operation with the County boards is working. ... From the ensuing discussion it became clear that the County boards had handled the issue of establishments in very different ways. In certain regions they put in quite a lot of work, while in other places the County boards have hardly yet touched upon the problem.

Minutes of the managers' conference, May 21-22, 1954, p.6.

The County boards were initially perceived to show mixed interest in these matters. In September it was noted that "the County boards appear to want this distribution to take place without any participation from their side." An exception was the County board in Gävle, which had shown interest in participating after Hakonbolaget had brought attention to a case there.² This suggests that their activity was just as much a result of Hakonbolaget's efforts as the directives sent out by the Department of Commerce.

Attempts were also made to improve the handling of these matters. For instance, the office managers were suggested to relieve the local directors of some of the work.³ The increased emphasis on establishments and the new role of the County boards also triggered increased central activity. In August 1955, the managers stressed the need for "intimate co-operation with the retail advisers at the head-office" and adherence to the guide-lines.⁴

On the whole, the managers indicate that they considered the handling of these activities to be successful. Still, they repeatedly stressed the import of watching out for new locations. An indication of the expected results of these efforts was given in 1956:

Nils Karlhede told that the number of new establishments which are expected to be made during 1956 should reach 20 or so, for which an investment from Hakonbolaget of approximately MSEK 1 is required. The expected turnover of these stores amounts to approximately MSEK 11. After deducting the turnover of the older stores that will be closed in connection with the new establishments, approximately MSEK 2, a turnover increase of MSEK 9 remains which should bring a turnover increase of approximately MSEK 3,5 to Hakonbolaget. An overview of our sales to the new establishments made during the past few years shows that we largely can observe a positive development.

Minutes of the managers' conference, Jan. 13-14, 1956.

¹ *Kommunal planering och detaljhandel*, SOU 1973:15, p.17.

² Minutes of the managers' conference, AB Hakon Swenson, Sept. 9-10, 1954, p.1.

³ Minutes of the managers' conference, AB Hakon Swenson, Feb. 4-5, 1955, p.4-5.

⁴ Minutes of the managers' conference, AB Hakon Swenson, Aug. 29-30, 1955.

The excerpt indicates that the expected investment made by Hakonbolaget was SEK 50,000 per store and that the expected average turnover was roughly SEK 500,000. Further, the estimated sales increase due to these establishments indicates that Hakonbolaget was expecting the new stores to display something like a 40% purchasing fidelity.

Summary: Hakonbolaget's role as a supporter of retail development

The competitiveness of the Hakon retailers was a major concern for Hakonbolaget; their performance was seen as instrumental to its success. The Hakon-deal was one way of improving retail performance. In addition, Hakonbolaget made considerable efforts to secure new retail locations and financial support for the associated retailers.

As a result of the efforts made in the period 1947 to 1955, Hakonbolaget seems to have increased its influence over retail development. The central departments also became more involved in these matters. By securing new retail locations, Hakonbolaget was able to exert considerable influence over its own customer structure. A partially overlapping source of influence was the provision of financial support. In all, Hakonbolaget seems to have been able to affect both the choice of retailer and store format.

The established stores and their owners constituted a major check on the ability to control retail development. At times, the negative effect on existing stores was used as a motive against new establishments. On other occasions, the managers of Hakonbolaget felt forced to help less suited retailers to new stores, due to them already operating in the area where the new store was to be located. But efforts were also made to increase control over the existing retailers. The requirements placed on those who were to receive financial support, and the "control organisation" watching over these interests, contributed to this.

The fears about the high rents for new stores were overcome in the light of the good results displayed by newly established stores. The number of interested retailers grew allowing Hakonbolaget to utilise its potential control more fully.

Even though the discussions suggest that a relatively large number of new stores were established during these years, the final quote above indicates that these represented but a small part of the total number of retailers associated to Hakonbolaget (20 new stores / 4000 members). Thus other means were needed to influence the members.

Equipping the Hakon stores – Köpmannatjänst

In 1941, Hakonbolaget and the other purchasing centres jointly acquired AB Köpmannatjänst, a supplier of equipment and design services to the retail trade.¹ In the mid-1940s, a joiners factory, Ljungby Möbelfabrik AB, was acquired to produce store interiors.

¹ The company was acquired from SSLF who had formed it around 1940. (ICA Tidningen, 1942:11, p.16, and 1944:5, p.34-36.)

In 1946, Köpmannatjänst moved from Stockholm to Västerås and Eskil Klingén, a retail adviser for the Swedish Association of Retailers was recruited as manager.¹ The annual reports suggest a steady turnover growth for the company. Besides repeated advertisements for their services, several articles in ICA Tidningen reported on new stores that Köpmannatjänst had designed and/or equipped. A modern retailer, the story went, realised that a “village carpenter” was not competent to handle the interior of a modern retail store; specially trained professionals were required.² Besides this, Köpmannatjänst received considerable support from one of its owners, Hakonbolaget. In practice, a major source of this support was Hakonbolaget's retail advisers:

-Within the purchasing centres we feel that it is not only a matter of providing financial support to those who establish new shops, but also to investigate their economic conditions and possibilities of succeeding. ... Often our help is asked for in connection with equipping a new store... Thus, we investigate what facilities the business needs and what kind of improvements that can be made. Our results are then further developed by Köpmannatjänst or maybe the Retail Association's Architect Department.

Bengt Harné, ICA Tidningen, 1946:4, p.5.

Besides the running activities on behalf of the retail advisers, the managers of Hakonbolaget were also favourably disposed to Köpmannatjänst:

We should seek to make Köpmannatjänst into as useful a body for the retailers as the purchasing centres themselves are. The more we do to expand the contact and create increased goodwill, the more we assist in bringing this our own company to an improved position.

Minutes of the managers' conference, Jan. 27-29, 1947, p.10.

An example of this support was given at the same meeting, in connection with a discussion about a new technology that was making its entry into the retail stores: refrigeration.

Eskil Klingén accounted for the sales of refrigerated counters... he wondered whether the purchases should be concentrated to one or a couple of manufacturers with an intimate co-operation between the offices and Köpmannatjänst as a purchasing centre for refrigeration matters.

Harald Mörck concurred in the wish for a limitation of the number of brands and a concentration of the purchases. ... He informed that Köpmannatjänst now considers hiring a refrigeration technician of its own. [He] appealed to the offices to disregard the possibilities for profit in the suggested co-operation with Köpmannatjänst and instead participate in constructing this organisation with interest and purposefulness. After the discussion it was decided:

that all sales of refrigerated counters should be left to Köpmannatjänst, which charges the deliveries direct to the buyers, provided that the other purchasing centres accept the implementation of the same system,

that Hakonbolaget refrains from profit on refrigerated counters, but that Köpmannatjänst instead pays a 2% commission to Hakonbolaget's salesmen as an incentive to promote Köpmannatjänst's sales of refrigerated counters

¹ ICA Tidningen, 1946:7, p.16.

² ICA Tidningen, 1945:9, p.32-33; 1946:6, p.27; 1946:12, p.14-15; 1947:2, p.12-13.

to keep the Hakon-counter in a modified form,
to express a wish regarding service, for Köpmannatjänst to arrange a service department of its own, so that also this detail is made to work satisfactorily.

Minutes of the managers' conference, Jan. 27-29, 1947, p.9.

How should the sales of refrigeration equipment be handled in the future? Hakonbolaget was prepared to assist Köpmannatjänst in attaining an exclusive position vis-à-vis the Hakon retailers. The proposed co-ordination of purchasing and the commission offered to the salesmen at the district offices would create a sales organisation with established relations to most Hakon stores. But the condition for this was that the other purchasing centres would follow suit. By May, they had declared their views:

NS and Eol have declared a positive attitude while SV has replied favourably concerning the rural customers, but negatively about the customers in the city of Stockholm. The situation thus allows us to launch the agreement with Köpmannatjänst. Köpmannatjänst has also informed that they can credit 5% instead of the previously promised 2% commission to the salesmen.

The speaker [Harald Mörck] informed that Köpmannatjänst also had employed a refrigeration expert (engineer Litzell), who previously has been employed by General Motors in their Frigidaire department.

After a vivid discussion about the form for co-operation, it was unanimously decided that we should go in for a very intensive and uniform form of work with Köpmannatjänst concerning counters. The refrigeration market should definitely be transferred to Köpmannatjänst through our participation.

Minutes of the managers' conference, May -6, 1947, p.8.

All four purchasing centres were positive to the new sales organisation. It was only in the city of Stockholm that SV was not prepared to accept the new organisation. Perhaps the co-operation between SV, Findus (a major manufacturer of deep-frozen food) and Electrolux (a major manufacturer of refrigerators and freezers) affected their stance? In 1945, SV had turned to Electrolux asking them to design a freezer that would suit the stores associated to SV. Subsequently, SV had turned to Findus asking for financial assistance.¹

Köpmannatjänst was also reported to have employed a service engineer to assist the retailers on refrigeration issues. The new expert was to assume his position in July 1947.² However, he published a first article on refrigeration in ICA Tidningen in May:

Read about how to prevent unnecessary strains and handle lesser defects. It is possible to save large sums by following these practical instructions, particularly when you are a long way from the nearest refrigeration-fitter.

ICA Tidningen, 1947:5, p.26.

The excerpt suggests that the article was an attempt to counteract the negative effects of the above-mentioned lack of a service-organisation for refrigeration equipment. A number of instructions were given to the retailers on how to handle minor problems on their own.

¹ ICA Tidningen, 1947:1, p.8-10.

² ICA Tidningen, 1947:5, p.26-27.

Another novelty which Köpmannatjänst brought to the attention of the retailers was self-service. Already in 1948, Köpmannatjänst included equipment specially designed for self-service in their regular advertisements in ICA Tidningen, e.g., a self-service cart on which two customer baskets could be placed.¹ By 1949, Köpmannatjänst also explicitly offered to assist the retailers when designing self-service stores.²

Finding new assignments seems to have been relatively easy for Köpmannatjänst at this point. The problem was to get the retailers to appreciate its services. In the autumn of 1948, this was attended to at a meeting with Hakonbolaget's managers:

-At times, the customers do not consider the work which is performed in connection with the planning of new and re-constructions worth what is charged, despite the rate being so modest that the prime costs are not covered. The customers' pretensions in this respect are thus too great. To a certain extent Köpmannatjänst assumes responsibility for this, since the salesmen at times have made the customer in question interested at too early a stage. ... The offices should in this respect act to create such contacts, that orders are placed for design work when and to the extent that the retailers really need them.

Eskil Klingén. Summary of the managers' conference, Sept. 14-15, 1948.

The managers of Hakonbolaget were willing to support Köpmannatjänst and decided to "help Köpmannatjänst to get assignments for new establishments, additions and re-buildings when the retailer in question is seriously interested in this." Hakonbolaget was thus promoting Köpmannatjänst as a provider of services to the associated retailers both concerning refrigeration and store design.

A few years later, however, the sales from Köpmannatjänst were found to be a mixed blessing for Hakonbolaget. As the managers grew increasingly concerned about the swelling amounts for which Hakonbolaget stood as security, the deliveries from Köpmannatjänst were brought up as something contributing to the growing need for capital:

Further we have a special type of sales to our members, namely that from AB Köpmannatjänst, which in many cases can come to have extensive proportions. A single new establishment can today lead to deliveries from Köpmannatjänst amounting to SEK 50,000. It is obvious that we must support Köpmannatjänst in this respect. One must however keep in mind that it results in a not insignificant strain given the present situation. We will recommend Köpmannatjänst to always, concerning larger deliveries, initiate a preliminary discussion with the responsible management for the respective local office group.

Minutes of the managers' conference, May 19-20, 1952, p.10.

While there was a need to support Köpmannatjänst, the deliveries also gave rise to financial strains. Above (p.390), the possibility of reducing investments in store-equipment was suggested as worth considering. Here, Köpmannatjänst was recommended to consult the district offices before making large deliveries. By 1955, this was further pronounced:

¹ ICA Tidningen, 1948:5, p.25.

² ICA Tidningen, 1949:12, p.28.

The invoicing of goods from Köpmannatjänst can become troublesome if the extent becomes too great. We shall not choke these sales, but we must get a grip on the development and establish that no order can be invoiced through Hakonbolaget without having received a preliminary answer.

Minutes of the managers' conference, Feb. 4-5, 1955, p.5.

The general concern for the costs connected to retail investments, and the cautious stance assumed by Hakonbolaget as a consequence, seems to have affected the current relations between Hakonbolaget and Köpmannatjänst negatively. At a meeting in November 1955, Bengt Harne,¹ brought these problems up for discussion:

[Bengt Harne:] It is... necessary to strengthen the spirit of co-operation among the ICA companies. The demands on Köpmannatjänst are great, both concerning quality, prices and service. New tools for the retail trade are introduced, and it is of value that the ICA stores are equipped with the good tools being created. We are eager to contribute to lessening the investments. We have among other things made attempts with new types of interiors which seem to be cheaper ...

Nils Karlhede pointed out that ... the retail stores that we decide to equip must be supplied with equipment which renders the owners enough competitiveness, and a lowering of the investment costs by 25% would be difficult to achieve.

The managing director claimed that a less cost-demanding equipment in terms of movables and interiors provides opportunities to sell the goods more cheaply. The consumer attitude towards prices has changed considerably during the past six months, and today it is important to create increased competitiveness within the retail trade. At present, the sensitivity concerning prices is the most important, and the development appears to be towards a too high standard in the stores. The economic situation requires reconsideration and thrift.

... Concerning the cost for equipping the stores, Bengt Harne, pointed out that also Konsum [co-op] spends a lot of money on the equipping of the stores. We shall try to do what is possible to lower the investment costs, but he thought a 25% cut would be impossible.

Minutes of the managers' conference, Feb. 4-5, 1955, p.5.

The costs for investments remained a major problem for Hakonbolaget, despite the uncontested view of the new establishments as being of such great import for the company.

The excerpt also suggests that some of the managers perceived the associated retailers' situation to be changing. Consumers were becoming increasingly price-conscious. In this light, keeping investments down was not only a matter of reducing the financial strain on Hakonbolaget, but was also directly related to the competitiveness of the retailers. As the excerpt shows, there was far from complete agreement about this. Some managers argued that competitiveness was ensured by equipping stores with the latest equipment.

¹ Harne, who had been one of Hakonbolaget's retail advisers during the 1940's was appointed manager of Köpmannatjänst in 1951. (ICA Tidningen, 1951:6, p.7.)

Summary: Efforts to improve the retail net

The lack of capital within the retail trade was a major drag on the modernisation and rationalisation of the associated retail stores. Hakonbolaget sought to alleviate this problem by providing financial support, but did at the same time recognise their swelling financial commitments to be a strain. A second perceived problem associated with retail rationalisation was the ability to secure retail locations in new residential areas. Throughout the period, the managers of Hakonbolaget kept returning to the necessity of continuously watching out for the interests of their associated retailers in this respect. To some extent, these efforts were also regarded as successful and Hakonbolaget seems to have been able to assist a number of retailers to establish new stores.

The existing stores constituted a major problem in this respect. In some cases, the retailers were negative towards establishment due to the negative effect on existing stores. In other cases, Hakonbolaget felt forced to help a less suitable retailer to a new location, due to him having operated a store in the vicinity.

A more hands-on influence was that exerted through the retail advisers and Köpmannatjänst. These seem to have been involved in designing and equipping a large number of stores. Hakonbolaget also actively sought to support Köpmannatjänst, although the deliveries made from this company to some extent were perceived to create increasing financial strains for the company. Efforts were thus made to reduce the sales from Köpmannatjänst in connection to the establishment of new stores.

7.2. Introducing self-service as a possible solution

So far, the chapter has dealt with retail rationalisation from the perspective of Hakonbolaget. This has led to an emphasis of financial issues and contacts with authorities, etc. During the discussions among the managers, however, a novel retail format has at times been mentioned, self-service stores or Quickshops. In this section, an attempt is made to account for the introduction of this novelty to the Hakon retailers.

Initial ideas on self-service

Self-service was repeatedly put forward as a possible rationalisation measure in the public debate accounted for in Chapter 4. One of the proponents was Nils-Erik Wirsäll who had indicated self-service as a solution to the high labour costs in retailing already in 1946: "To reduce the labour costs, attempts have been made to create *stores with self-service*." These attempts had been made by the Co-operative Societies in Motala and Stockholm.¹ In this connection, Wirsäll referred to an 1945 article on self-service by Olof Henell.

¹ Nils-Erik Wirsäll, *Varudistributionens kostnader*, 1946, p.28.

Henell's article linked self-service to the discussions about retail performance. He argued that if retail customers require and receive extended service, someone has to pay for it. Except in one case: "There is one principle, which at least under certain conditions will make the customer more satisfied at the same time as the costs go down. What splendid principle is this? It is called self-service!"¹ According to Henell, self-service was a "splendid principle." It promised to achieve both improved service *and* lower costs. Something which up to that point had been considered more or less impossible – "given that the efficiency is unaltered."

As Wirsäll noted, self-service had been tried in Sweden in the early 1940s, prior to the rationalisation debate.² According to Henell, some attempts were made in the 1930s and in 1940 a co-operative self-service store was opened in Motala.³ In fact, Henell had written about this store in 1940 and repeated a claim he had made then:

Display the goods so that the customers can see them and touch them and You'll sell more! is an appeal which the retail trade has listened to during the past two decades. From now on, a new appeal will surely be heard more often: Let the customers serve themselves and You'll lower your costs! The new appeal means that the consequence is drawn out of the first.

Olof Henell, 1940, p.914.

Thus, self-service was nothing but a logical consequence of the open display of goods.

The reason for Henell's renewed interest in self-service was that it allegedly accounted for 80% of the grocery sales in Los Angeles in 1940. Since many US novelties in

¹ Olof Henell, *Självbetjäning inom livsmedelshandeln*, 1945, p.87.

² For those familiar with the development of Swedish wholesale and retail trade, it is worth pointing out that I am speaking here about ICA and not Swedish retailing in general. Others were also establishing self-service stores. The first attempt to introduce self-service in Sweden is in general attributed to the consumer co-operative society in Motala which opened a partial self-service store, Konsum Ringen, in 1940 (Olof Henell, *Självbetjäningensbutiken debuterar i Sverige*, 1940; Nils-Erik Wirsäll, *Varudistributionen och dess kostnader*, 1946; Hugo Kylebäck, *Konsumentkooperation i strukturomvandling*, 1983). Allegedly due to food rationing during the war, this store had to revert back to manual service (Göran Lindblad, *Självbetjäningensbutikerna i företagsåknigen 1951, 1953*). The consumer co-ops are also generally regarded as the group which led the subsequent post-war development. In particular, the co-operative society in Stockholm, KFS, appears to have been very active. The re-opening of their "Quickshop" (Snabbköp) on Odengatan in Stockholm in 1947 has come to symbolise the introduction of self-service retailing in Sweden.

But there are other contenders in this search for origins. Henell (*Självbetjäningensbutiken debuterar...*, 1940) claims that a store on Vasagatan in Stockholm changed over to self-service for a few months in 1934, but that the wide assortment carried led to difficulties and a return to manual service. A folder published by Kommerskollegium in 1952 claims that a private self-service outlet was opened in Stockholm in 1924. Yet another alternative is the co-operative bread shop "The shop without counter" which Anna Nyberg (*Innovation in...*, 1998) writes about, and which is described by Gjöres (*Butiken utan disk*, 1924). The advantage of the co-operative societies in any contest of origins is clear: for the co-ops there are contemporary records while for the private trade there are at best unsubstantiated claims made in retrospect.

Given my approach, attempts made will be brought into the story only when and to the extent that they are recognised and referred to within Hakonbolaget. A recent account of self-service in Sweden is Anna Nyberg's (*Innovation in...*, 1998) evolutionary analysis of the diffusion of the self-service format.

³ Besides Konsum Ringen in Motala, Henell claimed that a store on Vasagatan in Stockholm had tried the new system for three months in 1934, and that a store in Gothenburg had done so a few years earlier. (Olof Henell, *Självbetjäningensbutiken debuterar...*, 1940, p.914; and *Självbetjäning inom...*, 1945, p.87.)

the distributive area had already been picked up in Sweden, Henell wondered whether also self-service would catch on. He made an attempt to compare the cost figures for a self-service store in the US with the results from the above-mentioned study on Swedish stores (see Table 7-2, p.373). He concluded that there was no reason that the cost reductions from a change-over to self-service would be any less in Sweden than in the US.¹

So, a few attempts to introduce self-service had been made in Sweden. So, Henell claimed that self-service would be beneficial to the retailers and their customers. So, Wir-säll saw self-service as a potential solution to the labour cost problem. To what extent did this affect the retailers associated to Hakonbolaget? Actually, it seems that the purchasing centres had attempted to bring self-service to the retailers' attention during the war through a series of articles published by ICA Tidningen.

An introduction to the ICA-retailers

The first time, to my knowledge, that self-service retailing was brought up within the ICA-group was in 1943, when ICA Tidningen ran a story on this American novelty asking whether it would come to Sweden:

This article must in no way be perceived as if ICA Tidningen wants to promote the self-service shop. This would run counter to our wish and ambition to interest and help shop-clerks to learn and thereby improve their foothold in the trade. For with the advent of self-service, retail clerks would not be needed to the same extent as today. We have published this article to give our readers a briefing of the development of retail trade in America and in other countries, since we think that they are interested in this, if not in such a way that they would like to follow suit this development. Much speaks in favour of the self-service system having no future in Sweden. The mentality of the Swedes are once and for all different than that of, for instance, the Americans. But, on the other hand – who knows –

ICA Tidningen, 1943:1, p.20-21.

A purely educational purpose, then. Still, the final saving clause indicates a somewhat ambivalent position. The article goes on to describe the character of self-service: the customer serves himself; goods are openly displayed; baskets are available to place the goods in; entry and exit gates mark out the area for self-service...² There is no corresponding description made of the established system used at the time. This was the manual or full service system, based on shop clerks serving the customers from behind a counter. The short story about Thaléns, above, gives a hint as to how this system worked.

The inflow of American ideas concerning the organisation of retail activities was manifested in yet another article during 1943. The tone used in the editorial comments was dismissive, although both curiosity and (hidden) admiration could be detected.

¹ Ibid., p.105.

² ICA Tidningen, 1943:1, p.20-21.

The store of the future? How a really effective store is designed

In many a place abroad, foremost in America, the stores have a completely different design than back here. There, the great majority of shops are organised for self-service or semi self-service. Even if this is not something to adopt, we can receive many useful tips by studying the American store culture. Applied in a modified form, it offers very good opportunities for making selling arrangements of the goods – considerably greater than those offered by the traditional Swedish stores at present. Maybe it is also possible to make the customers serve themselves to a certain extent. Thereby the work of the shop clerks would be facilitated. The sales per clerk could be greater – the costs lesser – the economic yield of the store greater.

ICA Tidningen, 1943:7, p.6-8.

Already at this stage, when self-service was an idea yet to be turned into practice by the retailers associated to Hakonbolaget, an interesting conflict can be detected in the way the new idea is received. On the one hand, self-service is something which potentially endangers the livelihood of the clerks – “with the advent of self-service, retail clerks would not be needed to the same extent as today.” On the other, self-service might actually improve their situation – by making “the customers serve themselves to a certain extent... the work of the shop clerks would be facilitated.” This seems to imply that the introduction of self-service into Swedish retail outlets was perceived as having positive effects for the clerks up to a certain level, but that beyond this level, its effects would be negative.

In general, these early reports on American retailing focused on the benefits of displaying the goods to the customers. This was presented as less questionable than the use of self-service. Experience concerning the behaviour of the housewives indicated that increased displaying of goods would have positive effects on sales.

Women want to see what the shop has to offer. They like to touch each good – weigh its merits in their hand. This is highly desirable from the retailer’s point of view, for experience has shown, that customers buy considerably less of the goods which they do not see than of the visible ones. ... Experience has shown that goods are sold more quickly when the customer can inspect them at close range. When a good is in the customer’s hand, it is practically sold.

ICA Tidningen, 1943:7, p.6-8.

This was completely in line with what Henell had said in his article in 1940. According to him, the open display of goods had also been discussed and tried for much longer.¹

Both the general layout of the store and the design of the various tables, shelves and counters were described in detail, usually accompanied by simple drawings and blueprints (see Figure 7-2). The articles also mentioned that two Consumer Co-operative

¹ Support for this is also available concerning Hakonbolaget. Already in 1931, Erik Nygren reported about the American practice of openly displaying goods in the stores to the management of Hakonbolaget after a trip he had made to the US during the summer. He also indicated something which must have been self-service although he did not use this label: “in many stores the service-counters have been completely done away with and have been replaced by counters for exposure and display cases.” (Erik Nygren, *Rapport till Hakonbolaget över företagen Amerika-resa sommaren 1931*, AB Hakon Swenson, 1931.)

societies had tried the system, but that these trials had been initiated after the outbreak of the war, and hence under conditions of general scarcity and rationing.¹

A first attempt at self-service retailing

After this first wave of attention, ICA Tidningen did not discuss self-service again for the remainder of the war. Towards the end of 1946 it resurfaced. This time, it was brought up by a retailer in a letter to the editor:

Complete self-service is right now an open Sesame for us Swedish retailers who cannot find labour. ... It is a fact that the wage-share of the costs for a rural retail store have risen quite alarmingly, and despite this it is impossible to find qualified people in this line of trade.

Folke Th. Johanson, 1946, p.43.

Johanson argued that the reduced need for clerks – which in 1943 was seen as a drawback, at least when self-service reached a certain extent – spoke in favour of the method. Converting to self-service reduced the need for something that was hard to come by.

At roughly the same time, Nils-Erik Wirsäll claimed that self-service was a potential solution to the labour cost problem (see p.400). The comparison made by Henell in 1945 indicated that the wage costs in an American self-service store were roughly 2 percentage points lower than in a Swedish grocery store of the same size (corresponding to a 20% reduction). Others claimed that the potential savings were even greater, up to 40%.²

This situation seems to have been decisive in pushing self-service from the realm of ideas to becoming reality within the ICA-group. In January 1947, ICA Tidningen proudly presented the first self-service department in a store associated to the purchasing centres:

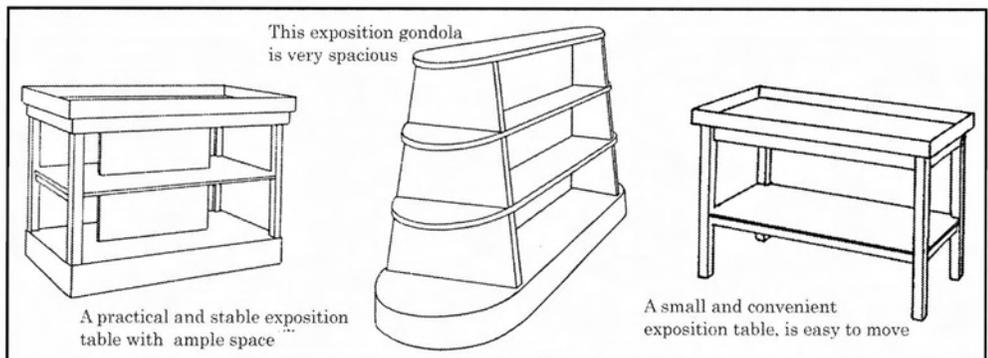


Figure 7-2. How to organise and what to equip a modern and effective store with in 1943. Sources: (ICA Tidningen 1943:1, 1943:7 and 1943:8.)

¹ ICA Tidningen 1943:7; and 1943:8.

² This was claimed by Ivan Larsson (*Distributionens arbetskraftsproblem* (The labour problem within goods distribution), 1948, p.52), the head master of Köpmannainstitutet (the Retail Institute).

A self-service department – brought about by staff shortage – has since this summer been planned by retailer Paul A. Kågström in Skelleftehamn and became a fact in the midst of Christmas month. ...

ICA Tidningen, 1947:1, p.18-20.

The article went on to tell about this bold initiative taken by the retailer himself, Mr Paul Kågström. Kågström claimed that labour shortage, American influences and available space had been the decisive factors behind his initiative:

–The shortage of labour has been felt within retail trade for a long time, says Mr K., and this summer it looked – at least for our part – as if we would come to be practically without any staff. I then began thinking about whether I could go in for some kind of self-service store along American lines. I have ... with great interest followed the development in America and I thought that it shouldn't be impossible to start something like that here as well. ... It proved to be more difficult than I first believed to get blueprints or suggestions for an interior, not even a trip to Stockholm could give me any tips ...

ICA Tidningen, 1947:1, p.18-20. Italics added.

Besides being the initiator, Kågström allegedly had to take care of most of the practical matters as well, e.g., furnishing blue-prints and finding a supplier for the new interior.

Kågström had not converted his store to complete self-service; a traditional store was operated in parallel. In fact, the two departments were not completely separated:

There are two entrances to the grocery store and one to the "quick-shop." Through the latter one can enter but not exit. To exit, one must pass through a gate at the counter, where one has to pay for the goods which one might have shopped. If you enter the store to shop you only have to pick up one of the many baskets which are placed inside the door and then it is only to "attack" the shelves. As purposeful and neat as everything is, with goods nicely piled and a price-tag for each type of good, it is easy to shop over your assets. "To write up" is however not allowed in this department. On a sign at the counter it says: "To facilitate quick-shopping, sales in this department are only made in cash." The self-service store... is approximately 7 x 11 meters in size...

ICA Tidningen, 1947:1, p.19.

Towards the end of the article, the author expressed his liking for Kågström's initiative and his regrets about there not being many more like him.

At the start of 1947, then, some initial attempts had been made to introduce self-service retailing to the retailers associated with the purchasing centres. A few articles in ICA Tidningen had brought attention to the new retail format. Due to labour shortage, one retailer had allegedly also put these ideas to use in his store. To a large extent, however, self-service was talk at this point. In fact, even for Kågström, manual service still dominated operations.¹ It was a principle with potential. It was the subject of articles and discussions, some of which involved people connected to Hakonbolaget, viz. Wirsäll and the journalists at ICA Tidningen. The attention paid to self-service prompted Hakonbolaget to initiate a discussion about it in the local councils of trustees.

¹ ICA Tidningen, 1947:1, p.20.

The views of the Hakon-retailers towards self-service

In February and March 1947, Hakonbolaget's local councils of trustees were asked to comment upon self-service retailing based on information sent out by the head office. Judging from the comments made, this material included two articles published ICA Tidningen that year. One was an interview with Simon Backlund, a Swedish emigrant who ran a small grocery store in Grand Marais, Minnesota written by Nils-Erik Wirsäll during his study-trip in the US. The other was a personal commentary by Märta Arnesen, a contributor to ICA Kuriren, the consumer magazine published by ICA, concerning her experiences from the US. Below, a short excerpt from each article is made.

–Have you tried to implement self-service in Your store?

–Yes, I have tried, but it did not go very well. My opinion is that self-service is good in larger towns. But that type of store does not suit smaller places. My customers, who come from Grand Marais itself as well as from the surrounding countryside, would like me to keep the personal contact with them.

Nils-Erik Wirsäll, 1947e, p.5.

I must say that I wish I was back in one of the American food-stores where I shopped for my small hotel-household during my travels. In those, there is practically no waiting time, rather, I can move freely about and pick what I want ... All but one of the American food-stores I visited practised self-service. It was probably necessary during the war when labour was scarce, but now there is obviously no one who wants to revert back to the old system. The shop-owners all agree that the new method saves one third to half of the labour, which in turn benefits the customer in the form of lower prices. The customers are happy not having to stand in line awaiting their turn and being able to survey what the store has to offer. If there are more than one brand and different prices on a good, you can calmly consider what you prefer without having to ask someone to pick out different qualities for you.

Märta Arnesen, 1947, p.38.

What, then, did the councils of trustees have to say about self-service?

Different views in Borlänge

One of the more thorough accounts from the discussions held in the councils is that from Borlänge. It may serve as an introduction to the discussions in general:

Local director Bohman read a letter from accountant Wirsäll, who is presently in America and who has studied these stores very thoroughly on the spot.

Mr Lind held that such stores cannot be operated in smaller towns. An attempt in Borlänge would surely fail. The turnover would be too small to support a larger facility's rent. For, argued Mr Lind, one would need large facilities, a head of purchasing, cash clerks, guards and shop clerks who pack and replenish goods, etc. Still, Mr Lind warmly recommended an attempt in a large city.

Mr Carlsson's opinion was that also the retailers here in Borlänge could try the system in their shops – albeit on a lesser scale.

Mr Robertson referred to a case in Hudiksvall concerning a small shop located in a private house in a new municipality. The shop had expanded in a substantial way, so that the owner is now ready to tear down all inner walls on

the bottom floor and equip the facility as a self-service store. He calculates that this allows him to serve the public in a better way and moreover, that he can reduce the number of clerks to three instead of the six, who at present serve in the narrowly confined store.

Mr Valin had the experience that housewives like to go around and pick goods themselves and recommended a semi self-service store on a lesser scale.

Local director Bohman held that a city with at least 30-40,000 inhabitants was suitable as a trial location, such as, e.g., Uppsala, Västerås, Örebro.

Mr Olsson warned against copying the American system in detail. The fact that Tempo and Epa, which had considerable possibilities, had not yet introduced this system is surprising, but that could happen soon also from that direction, and we thus probably should see to it that we do not lag behind.

Mr Carlsson feared that many customers would put things straight into their pockets, but thought that the extra sales would cover such losses.

The council decided to support the suggestion ... to set up an experimental store of self-service type in the centre of some major city in co-operation with Hakonbolaget, and that the experiences which could be gained from this should be shared as soon as possible. At the same time, some trials could also be arranged in the larger rural stores after only some minor reconstructions.

Minutes of the Borlänge council of trustees, Feb. 12, 1947.

The excerpt indicates that there was disagreement as to the suitability of self-service. Some claimed that it was unsuited for small towns and rural areas since it would not be possible to achieve the turnover required to bear a self-service store, which required larger facilities and more staff. Others made diametrically opposed claims, arguing that self-service would allow a reduction in the number of clerks. Some held that it should be possible to try the new system also in rural areas, although on a lesser scale.

One participant found a motive for self-service, or at least semi self-service, in the fact that "the housewives like to go around and pick goods themselves." Another retailer held this increased freedom to be a potential problem – "many customers will put things straight into their pockets." However, he expected self-service to generate extra sales which would make up for losses due to thefts. Concerns about the potential effect of the competitors adopting self-service were also put forward as a motive for looking into it.

On the whole, a number of arguments were brought up both for and against the new system. Still, the council was positive towards a trial being made in a suitable location in order to learn more about the system. Below, I have thematically arranged the various issues brought up also at the other council meetings in 7 sections.

Theme 1: A thing for the future, somewhere else

Just as in Borlänge, the unsuitability of self-service retailing for rural areas and smaller communities was brought up during most of the council meetings.¹

¹ Similar views were put forward in Bollnäs, Söderhamn, and Eskilstuna. (Minutes of the councils of trustees, AB Hakon Swenson, Bollnäs, Feb. 20, 1947; Eskilstuna, March 4, 1947; and Söderhamn, March 10, 1947.)

There is no place in Hälsingland where such a store would be profitable. It would be interesting if a store could be established in a bigger place, possibly with the participation of Hakonbolaget, to find out if it is profitable.

Minutes of the Hudiksvall council of trustees, Feb. 11, 1947.

The council had studied the article on the subject in ICA Tidningen with interest. Concerning this sales system, it was held that it did not suit the Swedish rural areas, but that it could possibly catch on in the larger cities.

Minutes of the Karlstad group of councils, Feb. 13, 1947.

Many retailers seem to have regarded self-service as something which might suit larger towns and cities and as something which had future potential. The fact that almost all councils recommended a trial store in a suitable location (that is, a larger town or city), suggests that the retailers were interested in learning more about the new system.

There are very few reasons given for this alleged unsuitability. Only in the excerpt from Borlänge is a clear reason provided: Mr Lind held that a self-service store would have to be larger and require additional staff. To bear the extra costs, a greater turnover would be required, and this would be hard to achieve in small towns and rural areas.

Theme 2: Lost personal touch or a removed barrier?

The effect of the new system on consumer sentiments towards the private retailers was something which elicited diametrically opposed views. Some retailers argued that self-service would lead to a loss of the personal touch characteristic of the private stores:

It was also pointed out that with such a sales system, the personal touch that now could be found in the private stores, would disappear and that would be particularly damaging.

Minutes of the Karlstad group of councils, Feb. 13, 1947.

Others claimed that the new system would lead to a more favourable position vis-à-vis the customers, by removing the barrier between the customer and the goods:

Mr Eriksson ... Held that probably quite revolutionary rearrangements of our stores must come. The counter is thus a misplaced barrier between the customer and the good. A combination of manual and self-service would be a good type. Recommended the construction of a self-service store.

Minutes of the Kopparberg council of trustees, Feb. 13, 1947.

In Västerås, a council member argued that the new system would increase sales and keep the customers busy. Still, the effect on the customers was something that was not altogether clear at this point. But then, how could it be? No one had tried self-service yet.

Theme 3: The risk of theft

In Borlänge, one of the retailers voiced fears that the new system would lead to increased thefts. This was brought up by others as well:

Mr Olsson ... wondered though, if the control during the waiting time could be made in a satisfactory manner. ... Director Green held that one ... should prob-

ably arrange it in such a way that separate premises were used for self-service for the sake of control, naturally in connection to the rest of the shop.

Minutes of the Västerås council of trustees, March 10, 1947.

Some retailers obviously did not trust their customers completely. At one meeting, however, the American experiences were said to show that the risk of theft was exaggerated.

Mr Andersson held it to be good if a self-service store could be realised, but voiced the risk of theft. Mr Englund mentioned that on a course in Stockholm he had been informed that 85% of colonial goods sales took place in self-service stores and that the risk of theft wasn't big.

Minutes of the Kopparberg council of trustees, Feb. 13, 1947.

Despite a few indications to the contrary, some retailers found the risk of theft to be a potential drawback that required counter-measures. In the light of present-day efforts to counteract shop-lifting in food stores, these fears seem to have been well-founded.

Theme 4: In a modified form or reduced scale

A suggestion brought up in Borlänge was that it should be possible to try self-service on a lesser scale. Similar ideas were also brought up at several of the other meetings. Many retailers held that some intermediate form should be tried, as had been the case in the US.¹

Erik Blomberg, who had studied the self-service stores with particular interest, ... held that it was suitable to start on a limited scale with self-service in an ordinary store. Further, this store should be located in a residential area and not in the actual centre of the town.

Minutes of the Gävle council of trustees, Feb. 27, 1947.

Mr Olsson held that it should be possible to strike a happy medium. ... Mr Kihlgren was also very interested in this type of shop. He had been thinking along the lines of a quick-counter.

Minutes of the Västerås council of trustees, March 10, 1947.

The retailers seem to have preferred a more cautious approach. Rather than a complete self-service store, they advocated quick-counters or self-service departments.

A senior manager from Hakonbolaget participated in the discussion at the meeting in Västerås. His comments suggest that there was disagreement among the managers too:

Director Green held that one should not expect too much from this novelty. If a combination was to be considered, one should probably arrange it in such a way that separate premises were used for self-service for the sake of control, naturally in connection to the rest of the shop. The speaker held that more packaged goods were needed in order for the whole system to be implemented and that, due to this, it would be a while before such a shop could be set up. He did however want to second the suggestion concerning a combined shop and explained that a retailer in Västerås was interested in this in connection with a

¹ Similar views were expressed in Eskilstuna, Kopparberg and in the Västgöta group. (Minutes of the local councils of trustees, AB Hakon Swenson, Eskilstuna, March 4, 1947, Kopparberg, Feb. 13, 1947; and Minutes of the Västgöta group of councils, Feb. 17, 1947.)

planned new establishment in a district with high-rise blocks, which should be particularly suitable for an experiment of this kind.

Minutes of the Västerås council of trustees, March 10, 1947.

Despite his attempt to down-play the significance of self-service, Green indicated that Hakonbolaget was involved in a retail establishment which might result in a combined self-service / manual service store.

Theme 5: Staff difficulties

Labour shortage had allegedly been the decisive factor for Paul Kågstöm when he established his self-service department. During the meetings with the councils of trustees this was also brought up as a major reason for the future potential of self-service.

Erik Blomberg, who had studied the self-service stores with particular interest, gave an interesting account of these and held that the self-service stores would come to spread more and more due to the decreasing margins in retail trade and the staff difficulties..

Minutes of the Gävle council of trustees, Feb. 27, 1947.

All agreed that the system had the future before it, particularly if the present staff-difficulties would last.

Minutes of the Eskilstuna council of trustees, March 4, 1947.

In a slightly different vein, the possibility of reduced need for labour was held to make self-service suitable in locations where the seasonal variations were particularly marked:

Mr Larsson wondered if trials could be made in some seaside or summer resort, where the turnover was great during summer but perhaps insignificant during the remainder of the year. The clerk-issue was particularly troublesome for shops in such places, why this shop-type would solve the problem.

Minutes of the Västerås council of trustees, March 10, 1947.

This line of argumentation, of course, was the opposite of that which claimed that self-service was unsuited for small towns and rural locations, due to it requiring additional staff. On the whole then, the effect of self-service on the need for labour was subject to dispute at this point.

Theme 6: Expected negative effects on established stores

One of the perceived drawbacks of the new system concerned its effects on established stores. This view came in two different shapes. One version concerned how a self-service store would affect the turnover of the adjacent stores:

The council held that both type of stores must exist and advocated an experiment in a completely new municipality, where it would not interfere competitively with some other already existing store.

Minutes of the Gävle council of trustees, Feb. 27, 1947.

A second version concerned price-competition:

An issue which in this connection comes to the fore is the price-issue. If these shops, as has been maintained in certain cases, are set up because they are less costly, one spontaneously asks oneself whether the consumer is to share these lower costs in the form of lower prices. If this was to happen, one would have different price-levels in the self-service stores and the other stores, which could become rather problematic.

Minutes of the Västgöta group of councils, Feb. 17, 1947.

The line of reasoning in the excerpt is clearly reminiscent of guilds. If self-service was less costly, and if these cost-reductions would be translated into lower consumer prices, then self-service was a problem. The excerpt also gives credit to some of the critique voiced against the retailers' willingness to compete in the public debate (see Chapter 4).

Theme 7: Beating the competitors to it

During the discussions, the retailers did not limit their comments to self-service as such, but indicated that their views were affected by expectations concerning what the competitors might do. Foremost, they were concerned about the Consumer Co-operation:

It was important though, not to let the Consumer Co-op be first with this form of goods distribution. If there was interest for it, the council wanted to suggest an experiment store in Sundsvall with the retailers as partners.

Minutes of the Sundsvall council of trustees, Feb. 24, 1947.

The council held that such a store should be set up in Örebro as soon as possible. It was also considered suitable that Hakonbolaget stood behind such an experiment store. The members promised to report their observations to have the facility-issue solved. It is important, though, that the matter is forced in order to forestall Konsum if possible.

Minutes of the Örebro council of trustees, Feb. 25, 1947.

Thus, it would seem that the competition from the Consumer Co-operation actually led the retailers to assume a more positive attitude towards self-service.

Summary: views on self-service in 1947

Many of the arguments presented at the thirteen meetings were quite similar. To some extent, it seems that they reflected the articles that were used as a basis for the discussions. There is more than a resemblance between the short excerpts from the articles (see p.406) and the arguments brought up in the councils of trustees.

Judging from the discussions, there were many arguments in favour of self-service. On the other hand, there would appear to have been just as many against it. A widespread view was that self-service was not suited for rural areas. Equally widespread was the belief that it *was* suited for larger towns and cities. The views of the consumers were also subject to controversy: would self-service lead to a loss of personal touch or would it remove a misplaced barrier between the consumer and the goods? Would there be thefts?

Would self-service require more or less staff? What would happen if the competitors adopted self-service? Many questions, indeed.

The purpose of staging these discussions was not to 'decide on the issue', but rather to collect information and to investigate whether the retailers were positively or negatively disposed towards Hakonbolaget participating in setting up a trial store. In this respect, despite whatever negative arguments that might have been voiced during the meetings, all councils but one (Karlstad, where one wanted to await the results from Kågström's self-service department), recommended that a trial store be set up. Generally, the councils argued that this should be done in some larger town or city and in co-operation between local retailers and Hakonbolaget.¹

Besides this outcome, the arguments brought up provide insight into how the retailers viewed this new principle. They show that there were both uncertainty and disagreement as to its requirements and effects. How could it be otherwise? No one had tried it. All they knew about it they had read somewhere or been told by someone. No one actually seems to have seen for themselves a self-service store in operation.

What did the customers want?

During the discussions in the councils of trustees different views were put forward as to what the customers really wanted. The first article on self-service in ICA Tidningen in 1943 suggested that the Swedish mentality was different than the American and that self-service therefore was unlikely to catch on. The second claimed that exposing the goods so that the customers could touch them would improve sales. In one of the articles used as a basis for the discussions in the councils of trustees, a housewife argued in favour of the new system: she preferred picking the goods herself.

As retailers, all council members are likely to have had a more or less articulated image of what *their* customers wanted. Since their customers had not tried self-service, these images were based on the traditional service system. Still, some council members did bring up customer preferences as an argument for the new system. Besides the retailers' individual images, the only available account of what the consumers wanted, as a group, seems to have been a survey concerning the reasons for the consumers' choice of shops, presented in 1946. This survey was given a lot of attention in trade magazines and the results were used in reports on goods distribution throughout the 1940s.²

¹ Minutes from the meetings of the councils of trustees of Hakonbolaget, Feb. – March, 1947.

² Svenska Reklamförbundet arranged a conference called "The well-being of the consumer" on May 17 1946. During the conference the results of a survey commissioned by the association and performed by IMU (The Institute for Market Investigations) and the Swedish Gallup-institute. Some 5,208 persons were asked about their reasons for choosing a certain shop. The results of the study were also published separately by ICA Tidningen (1946:6, p.7) and Svensk Handel (1946:11, p.299). (Clippings from Wirsäll's binder "The rationalisation of trade, some Swedish articles", p.120.)

Table 7-5. Reasons given for choosing a certain shop. Results from a survey of 5200 Swedish persons. Source: Affärsekonomi, 1946:10, p.596.

Type of shop	Groceries and canned food products	Meat and Pork	Bread, pastries, milk and cream
Reasons for shop choice	<ol style="list-style-type: none"> 1. the distance from home 2. the assortment of goods 3. friendly reception in the shop 4. the price 5. being swiftly served 6. the interior and look of the shop 7. having the goods delivered home 	<ol style="list-style-type: none"> 1. the assortment of goods 2. the distance from home 3. friendly reception in the shop 4. the interior and look of the shop 5. the price 6. being swiftly served 	<ol style="list-style-type: none"> 1. the distance from home 2. the assortment of goods 3. friendly reception in the shop 4. the interior and look of the shop 5. the price 6. being swiftly served

The results were first presented at a conference organised by the Advertising Association in 1946. The survey indicated that customers primarily based their choice of shops on the location of the store, the assortment of goods offered and the way in which they were treated by the staff (see Table 7-5). Seemingly, then, converting to self-service would not in itself improve a store's "rating" in the more important dimensions.

An initiated view of the self-service system

Nils-Erik Wirsäll's experience from the US was explicitly used as a basis for the discussions in the councils of trustees. Upon his return from America, Wirsäll published several articles on progressive retail practices found there. In Chapter 4, we learned that he was invited to give a talk on "The future for self-service stores in Sweden" at a seminar arranged by the Advertising Association in the autumn of 1947. In his talk, he asked what the "factual grounds" were for implementing self-service in Sweden, and if it was certain that self-service was suited in Sweden "just because it has been successful in the US."¹

Implementing self-service implied "a radical change of the existing stores and their organisation." In his talk, Wirsäll sought to make an educated guess, for as he argued, due to lack of Swedish experiences "the views I will put forward, will largely have the character of assumptions and conjectures." The guesses he made were largely based on the US experience. Indeed, he argued that the situation in Sweden in 1947 was the same as that in the Eastern states in the early 1930s. It was thus interesting to study the US-development. He identified three main reasons for the growth of self-service in the US:

First, the majority of the housewives accept the idea of self-service. Gallup-polls have shown that close to 85% of all women prefer to buy their food stuffs in self-service stores. It is really only in locations where there are few or

¹ Nils-Erik Wirsäll, *Självbetjäningens framtid i Sverige*, 1948, p.191.

badly run self-service stores that there is a certain resistance (where in other words, the idea of self-service has been cheated on).

Second, consumers link sound economy and quality with self-service stores. We should bear in mind that the introduction of self-service in the US brought a considerable price reduction on food stuffs.

Third, the housewife likes to enter a store where she can look around undisturbed and inspect the goods and try to have ideas for today's or tomorrow's menu. The good exposure of the self-service store helps her in a simple way to choose and combine and she can herself determine the length of the store visit in time. The despicable waiting-time is eliminated.

Nils-Erik Wirsäll, 1948, p.194-95.

Wirsäll based his analysis of the driving forces behind a continued growth of self-service entirely on consumer preferences. Housewives accepted the idea; consumers linked self-service to sound economy and quality; housewives preferred to look around for themselves and decide at their own pace. This should be seen in the light of a relatively large number of self-service stores in the US. In Sweden, on the other hand, very few had tried the new system. What kind of reaction could be expected from the Swedish housewives?

Generally speaking, there is naturally no reason to assume that the Swedish housewife should react in a different way than the American concerning the acceptance of the self-service idea. My position is however, that one should not for this reason run ahead and make enormous propaganda for self-service. It must develop and grow into people's minds. It always takes time for people – particularly elder ones – to accept new ideas and currents. We are all more or less conservative.

Nils-Erik Wirsäll, 1948, p.199.

On this account, then, Wirsäll turned against the view of the Swedish mentality as one of the main arguments *against* the system (see, e.g., p.402).

What about costs? Could self-service reduce the operating costs of a retail outlet? Based on figures published by the American trade magazine *Progressive Grocer*, Wirsäll claimed that "costs on average have been lowered by approximately 4%, to 12-14%." Further, he said, "average sales per employee in a self-service store amounts to roughly \$ 26,000-27,000 compared to approximately \$ 20,500 for a traditional store." This meant that the sales increase per employee amounted to slightly more than 30%.¹

On the whole, Wirsäll held self-service to be beneficial to Swedish retail trade:

I believe in a future for the self-service store in Sweden. The difficulties with which the food retail trade must cope with now, necessitates that it seeks out new paths to tread which lead to increased efficiency. We may in this respect draw a good parallel to the US. It is not only the difficulties of finding able shop-staff, which presently brings itself to bear, that brings up the self-service idea. Decisive is also the strong tendency to greatly raised wages, which has materialised during the last few years. The retail trade today has difficulties with the profitability problem. The best opportunity to increase

¹ *Ibid.*, p.197.

efficiency, is an increase in the sales per employee. For the wages amount to close to 2/3 of the costs for a retail store.

Nils-Erik Wirsäll, 1948, p.198-99.

Wirsäll's basic argument for self-service was thus the familiar labour shortage. However, he distinguished between the difficulties of finding able staff and the going rate for labour *per se*. In the final sentences he pointed to what each employee contributes (sales per employee) and what they cost. The logic seems to be that if the costs for employees cannot be reduced, then the contribution in terms of sales for each one must be increased. According to the figures he presented self-service promised to deliver this.

However, some opponents argued that this effect was only chimerical, since the self-service system simply placed the work previously performed by the clerks upon the consumers. Wirsäll disagreed:

This is wrong. Self-service entails a true distribution-economic gain by bringing down the waiting time for the customer, added to this, the time which the clerk has needed to serve the customer is liberated for other purposes.

Nils-Erik Wirsäll, 1948, p.199.

Having established the case for self-service retailing in Sweden, Wirsäll turned to practical matters. How could the new system be implemented? And there, his tone was more cautious than in the general arguments. Since the consumers' views would vary, there was no reason to "run ahead and make enormous propaganda for self-service."

It is probably neither possible nor correct to hasten too quickly. Certainly we can build on the experience from the US, but to do so entirely is out of the question. The Swedish consumers surely need – if not more – then not less time to adjust to the new store form.

This we must consider with reference to the other involved party too, the retailer – the store owner. Neither he is today ready to unconditionally accept self-service. Equally important is the work of informing him that self-service wants to help him increase his efficiency, as that, which clarifies to the housewife the time-gain and other benefits she receives.

Here, I cannot refrain from pointing out Konsum's stroke of luck, as they call their self-service store "Quickshop." This gives the housewife the right goodwill-creating association.

Nils-Erik Wirsäll, 1948, p.200.

Here, the opinions of the retailers, a party that was instrumental for self-service to materialise were brought up. The retailer was just as important a target for information as the housewife. He must be – and this is important – informed "that self-service *wants* to help him increase his efficiency." The wording suggests that, to Wirsäll, self-service was an entity with intentions. Or, in short, an actor. It was a new actor on the Swedish scene, but its intentions were altogether good. Thus, the retailers should not disassociate themselves from the new actor, but rather seek to form an alliance with it, for this would prove to be beneficial to them. Adding further to its benefits was another actor-like quality:

Table 7-6. Arguments and concerns for the future spread of self-service retailing in Sweden. Source: Nils-Erik Wirsäll, *Självbetjäningens framtid i Sverige* (The future for self-service in Sweden), 1947.

Issue	US-experience	Swedish concerns
Costs	Lowered costs (- 4 percentage points) via increased sales (+ 30%) per employee.	American figures are not entirely useful. Swedish costs are lower to start with and a self-service store requires a minimum of 2 employees, normally 3. Positive effects at turnovers around SEK 150,000.
The retailers' positions	Initial caution. At present only lesser stores in rural areas show hesitation.	The retailer is cautious, information is needed to convince him "that self-service wants to help him." The retailer must consider what the customer wants. Good examples are needed to convince.
Semi self-service	Insecurity concerning consumer reactions led to its use. This proved unnecessary.	Insecurity concerning the novelty is likely to lure many into using this system. However, it does not increase efficiency. All or nothing is better.
Consumer patronage	Housewives accepted self-service as soon as they tried it.	The position differs, particularly between young and old housewives. Time is needed before everyone accepts the system. Inform them of the benefits.
Packaging	Most groceries are pre-packaged.	Considerably less pre-packaging here, but rapidly increasing. Many goods can be pre-packed in the store, this facilitates a changeover. Information to the retailers is required.
Regulations	-	Restrictions on how food-stuffs are allowed to be sold must be changed; current construction regulations will restrict the spread of self-service.

Much truth lies in the expression: self-service is adaptable. It does not lead the retail trade into any fixed and pre-set courses.

Nils-Erik Wirsäll, 1948, p.197.

The new actor could be made to adapt to the specific circumstances under which the new alliance was formed. I have summarised the main arguments and concerns put forward by Wirsäll for the future spread of the self-service system in Sweden in Table 7-6, above.

Self-service within the Consumer Co-operation

The Consumer Co-operation (KF) was often referred to in connection with self-service. At the council meetings, the retailers held the possibility of forestalling KF to be a major reason for trying self-service. Although some Consumer Co-operative societies had tried self-service during the war, it was in 1947 that the real expansion of the co-operative Quickshops (Snabbköp) started. In his talk above, Wirsäll praised this choice of name for giving the right "goodwill-creating associations" with respect to the time the stores saved.

Turning to the efforts of KF, the time-aspect appears in almost all the discussions of self-service. Indeed, there are indications that its presence was not a coincidence, and the name not a stroke of luck, but a highly conscious choice on behalf of KF:

Performed Gallup-polls concerning where and why the households shop – in private or co-operative shops – has shown that waiting time and swiftness is accorded the greatest import. The reply “you have to wait for so long in a co-op” is repeatedly found in this material. Here there is a grateful argument to be used in the intensive propaganda among members and the general public that will have to be started, if and when a self-service store is being planned: that the waiting time is significantly reduced when you can serve yourself.

H. Wendel, 1946, p.2.

The Consumer Co-operative customers found waiting time to be a major drawback, and people within the Consumer Co-operation found self-service to be a solution to this.

Within KF, the private retailers' attempts to introduce self-service was not regarded with the same admiration. The first private stores were not held to be “self-service stores in the sense that we would use the term.”¹ Still, there seems to have been considerable variation among the co-operative stores as well. Initially, the Quickshops only sold groceries. Gradually, their assortment was expanded to cover dairy products, cured meats, fruits & vegetables, etc. A memorandum from the co-operative society in Stockholm, KFS, noted that the difference between full service, half service and self-service “is often diffuse.”² The degree to which the goods in the Quickshops actually were self-served also varied. An investigation made within KFS showed that six out of twelve Quickshops operated in 1950 sold fruits and vegetables with self-service. However, the stores that used manual service were found to sell more of these goods and it was concluded that manual service was preferable.³ Over time, however, “[p]ractically all goods except some fresh goods came to be sold without manual service.”⁴ In addition, the Quickshops varied considerably in size and the new ones were becoming larger and larger.⁵ A comparison between stores with self-service and manual service suggested that the differences between large and small stores were considerable, also among the self-served ones.⁶

ICA Tidningen and the self-service pioneers

Starting in 1947, ICA Tidningen regularly presented news about self-service stores opened by retailers associated with the purchasing centres. Not much was written about

¹ H. Wendel, *Rationalisering-Självbetjäning*, 1947, p.12.

² KFS, #31, 1950.

³ *Ibid.*

⁴ Hugo Kylebäck, *Konsumentkooperation i...*, 1983, pp.95-96.

⁵ KFS operated 28 Quickshops at the end of 1951, their sales areas varied from 85 to 277 m² (KFS, unlabelled table over Quickshops, Dec. 1951). At the end of 1961, KFS operated 190 Quickshops with an average sales area of 166 m². During that year, fourteen new stores were opened with an average sales area of 187m². (KFS, #987, 1963)

⁶ Kylebäck (*Konsumentkooperation i...*, 1983, pp.95-96) notes: “Gradually one came to realise that the low profitability of the small stores with a turnover below SEK 200,000 spoke in favour of establishing more and larger self-service stores.” Olof Moback (*Små och stora, En snabbundersökning*, 1955) claims that 59% of the Co-op Quickshops had a turnover of less than SEK 500 000 in 1953.

retailers in the territory covered by Hakonbolaget, however. Indeed, in the 1948 annual report for Hakonbolaget, thirteen stores that had been established in new housing areas were presented in a picture-cavalcade – not a single one was self-served.¹

In 1949, however, four self-service stores were presented: Blomberg's in Gävle, Granath's in Västerås, Andreasson's in Norrtälje and Flink's in Sala.² The store in Gävle was operated by Erik Blomberg, a member of the Gävle council of trustees, who had been very positive towards self-service during the discussion in 1947 (see p.410). In May 1950, ICA Tidningen presented a map with all the private grocery stores with complete self-service in the country.³ This indicated that there were 10 self-service stores in Hakonbolaget's territory. The four mentioned in the annual report were included, as well as Bergöö & Co. in Hallsberg, which also was associated to Hakonbolaget. On the whole we are talking of maybe five self-service stores associated to Hakonbolaget at this point. In the following year, the annual report presented another six new self-service stores.⁴

Hakonbolaget seems to have been involved in establishing many of these new stores. Given the attention paid to new retail locations by Hakonbolaget's managers, this is not surprising. Thus, Folke Andreasson's new store in Norrtälje was reported to be housed in a new building constructed by Hakondi AB, the joint venture between Hakonbolaget and the construction company Anders Diös AB in Uppsala.⁵

A self-served Hakon store – Granath's livs

Axel Granath's store, located in a new residential area in Västerås, was presented in ICA Tidningen in February 1950. Allegedly, it was the first self-service store in Västerås. The sales area in the store was only 37 m². The new store was reported to have been equipped by Köpmannatjänst and due to their fine work, the small store did not feel crowded even during rush-hour.⁶ It might well be that this was the planned store that director Herman Green referred to at the council meeting in Västerås in 1947 (see p.409).

During 1950, the new store reached a turnover of SEK 420,000. To generate this turnover, Granath purchased goods for SEK 378,000, of which SEK 112,000 (≈30%) was purchased from Hakonbolaget.⁷ Given the discussions about minimum purchases required for membership in Chapter 5 and the figures concerning the annual purchases of

¹ AB Hakon Swenson, Annual report 1948, p.37-39.

² AB Hakon Swenson, Annual report 1949, p.46-48.

³ ICA Tidningen, 1950:5, p.10.

⁴ AB Hakon Swenson, Annual report 1950, p.36-37.

⁵ AB Hakon Swenson, Annual report 1949, p.48.

⁶ ICA Tidningen 1950:2, p.15.

⁷ I found some tables summarising purchasing and turnover figures for 1950 for five stores associated to Hakonbolaget, among Nils-Erik Wirsäll's documents. Granath's livs was one of them.

the associated retailers in Table 7-3 (p.379), Axel Granath was an important customer for Hakonbolaget, despite that his store only comprised some 40 m².

Down-scaling the new format

Several retailers seem to have down-scaled the self-service idea along the lines suggested during the council meetings in 1947. Instead of rebuilding their stores completely, they let the customers pick a selected number of goods themselves, while waiting to be served.¹

Retailer Knut Sundelöf in Skövde has a nice display for self-service goods. It is a good testimony for the future of self-service that also a shop with such a pronounced personal service as Sundelöf's thinks it ought to experiment with the new sales method.

ICA Tidningen, 1948:2, p.33.

Some retailers went somewhat further, and introduced self-service for a complete segment of the assortment, such as the canned foods:

Self-service in the canned-food department was one of the features which retailer C.G. Wikström achieved in connection with the interesting modernisation of his store.

ICA Tidningen, 1948:11, p.14-16.

These down-sized attempts to introduce the new retail format, were supported by Köpmanntjänst which offered the necessary equipment.² In ICA Tidningen the ease with which one could try the new system was underscored:

It is easier than you think... Many readers of ICA Tidningen are now asking themselves how they are to change-over to self-service. ... To convert to self-service does not always have to mean that you get a new big building, or even a bigger facility, or a new interior. On the contrary, it might in many cases be wiser to try the new quick-shop system under simpler forms.

ICA Tidningen, 1950:3, p.5.

Some retailers did not even go as far as to actually introduce any self-service, instead they chose to design their new stores in a way which would allow them to do so in the future. They were "self-service prepared"...

The ambition was not self-service, but naturally it was arranged so that a change-over to self-service can be made without too many changes.

ICA Tidningen, 1950:1, p.23.

Meanwhile, some people within the central organisations, notably Wirsäll and the editor of ICA Tidningen, Sven Lindblad, were clearly in favour of completely changing over. In fact, Lindblad appears to have started something of a crusade for self-service in 1948.

¹ ICA Tidningen, 1947:2, p.39.

² ICA Tidningen, 1948:5, p.25.

Self-service propaganda

In a series of editorials in ICA Tidningen, chief editor Sven Lindblad appealed to the retailers to change over to self-service. In November 1948, the magazine ran a special on self-service. In the editorial, Sven Lindblad wrote:

Self-service is making its victorious tour throughout the world... We private retailers have always been proud of the personal service we have been able to give our customers through our present retail format. When we now face the decision to change over to a new and in certain respects more efficient retail format, our individual ability to adapt will be put to particularly severe tests. Are our stores profitable with the present design? Is it sensible to keep a shoe that pinches, only because it is beautiful? Semi self-service may be a transitory form, but when one changes shoes, it is natural to change on both feet.

Sven Lindblad, editorial in ICA Tidningen, 1948:11, p.3.

But Lindblad also made sure that others spoke in favour of self-service. In January 1949, a columnist for the consumer magazine ICA Kuriren contributed with a guest-editorial:

The self-service store – a dream for the modern housewife

Ruth Carpenter, editorial in ICA Tidningen, 1949:1, p.3.

In the same issue, Lindblad told of his experiences from having served as a clerk-trainee in a self-service store in Årsta south of Stockholm.¹ During 1949, several issues presented new self-service stores as well as housewives expressing positive views on them.²

In 1950, Lindblad argued that converting to self-service was more or less inevitable:

Everybody must however, sooner or later, tread the narrow path which leads to self-service. If we wait too long and become hypnotised by the comrades who encounter mishaps, we will stiffen up and then, when it becomes our turn, we might even run the risk of ending up in the creek. That's what we think. Readers who have different views are welcome to contribute.

Sven Lindblad, editorial in ICA Tidningen, 1950:2, p.3.

The final line indicates that Lindblad did not want the retailers to think that he was muffling the critics of the new system. But the critics remained silent. Lindblad not so. For him, the case was already closed. During the spring of 1950, he visited the US and in a number of articles he told of the wonderful stores that could be found over there – Fred Meyer in Oregon, Lucky in California – big, well-arranged, efficient, even beautiful.³

A new re-presentation of retailing

In the autumn of 1950, it was time for another major statement. ICA Tidningen published a special issue on self-service retailing called “The self-service handbook”, providing answers to several questions raised about self-service. In the editorial, Lindblad argued that the self-service pioneers had brought it down to a matter of practical issues.

¹ ICA Tidningen, 1949:1, pp.8-10.

² ICA Tidningen, 1949:3, pp.22-23; 1949:6, pp.6-8, 24; 1949:9, pp.30-31; 1949:10, p.8-9.

Table 7-7. What housewives think of self-service stores. Compiled from ICA Tidningen 1950:10, pp.4-5.

	Östersund (new housing area in mid-sized town)	Norrköping (central area in city)	Vingåker (small community)
Prefer shopping in a self-service store	70 %	53%	57%
Prefer shopping in another store	23%	37%	26%
Don't know	7%	10%	17%

The development has made it possible to replace the question: "Does self-service suit Sweden?" with "How shall it be implemented?"

Sven Lindblad, editorial in ICA Tidningen, 1950:10, p.3.

Largely, these practical issues were what the special issue addressed.

The consumers prefer self-service!

In an attempt to clarify what housewives thought about self-service, ICA Tidningen performed surveys in three communities where self-service stores had been operated for at least a year.¹ The results showed that most housewives preferred self-service:

Two out of three housewives prefer self-service!

... out of the customers who may be called "permanent" a majority choose the self-service system. In Östersund, a typical mid-sized Swedish town (approx. 20,700 inhabitants) a survey was made in a housing area with high-rise buildings. The results of the survey were the following:

<i>Prefer shopping in a self-service store</i>	70%
<i>Prefer shopping in another store</i>	23%
<i>Don't know</i>	7%

ICA Tidningen, 1950:10, p.4.

In addition to the survey in Östersund, surveys were also made in Norrköping, a city four times as large, and Vingåker, a community one tenth as big. In both locations, a majority preferred self-service, although not as many as in Östersund (see Table 7-7).

The results of the surveys suggest an alternative view of the preferences of the housewives. Indeed, the surveys specifically refuted the results of the 1946-survey (see Table 7-5, p.413) concerning the importance of the distance from home.

These positive housewives [in Östersund] were also asked: Would you shop in a self-service store even if it was located farther away than the regular store? 75% of these housewives spontaneously answered "yes", while 25% did not want to walk such a long way.

ICA Tidningen, 1950:10, p.4.

³ ICA Tidningen, 1950:2.

¹ At least 100 housewives were questioned in each community. To one third of these, the self-service store was the closest store. To another third, the distance to the self-service store was the same as that to a traditional store. To the final third, the traditional store was the closest, although it was possible to reach the self-service store. (ICA Tidningen 1950:10, p.4 and 39.)

Additional support for this was provided by the survey made in Vingåker, a small community in mid-Sweden (approximately 2,300 inhabitants).

The perhaps most interesting finding from the survey was that the distances from the homes to the store on average were more than 1 km. ... 66.7% of the housewives, who preferred a self-service shop to a regular shop, explained that they rather walked a long way to shop in a store where they could pick the goods they wanted themselves, than shopped in a store of the traditional type.

ICA Tidningen, 1950:10, pp.5.

Thus, it would seem that the type of store, self-service or manual service, was more important to many housewives than the location of the store. And, of course, that most housewives preferred self-service to traditional stores.

Nearly all store facilities are suited for self-service!

A second article in the special issue addressed how to change a traditional store into a self-service store. It was argued that the ambition to create larger stores should not make the retailers blind with respect to the fact that "smaller and older store facilities can be made fully functional with small means."¹

The article suggested that four factors had to be taken into account in order to provide an answer in each specific case: i) the location of the store; ii) the possibility of reconstructing the facility; iii) the space needed; and iv) what assortment to carry.

At the time, the article claimed, it was known that "most shops have everything to gain from a change-over", irrespective of location. In a few years time, however, it was anticipated that no location would be considered unfit for self-service. Four types of locations were discussed: residential areas; city locations, central locations in small communities, and rural locations. Out of these, the residential areas were said to be most suited for self-service. In particular, the stability of the clientele was seen as a major reason for the suitability of this location. Allegedly, this stability allowed the retailer to calculate on a possible turnover increase "with a relatively large safety margin."²

Despite little practical experience, the rural stores were also held to be well suited for self-service. The remaining two types of locations were considered suitable as well, although some caveats were recognised:

Since [the central store in a larger city] to a considerable extent has to base its success on impulse goods, a change-over places greater requirements on the initiative and go-ahead spirit of the owner. ... Often, a rather large share of the customers of central stores in towns and small communities live in the countryside. Customers who only now and then come into contact with the self-service store naturally have more difficulties in getting used to it, and one must therefore count on a longer time period to "train" the customers.

ICA Tidningen, 1950:10, p.6.

¹ ICA Tidningen, 1950:10, pp.6.

² Ibid.

In both cases, the caveats were of a kind requiring that the store be made successful through increased efforts, rather than of a kind preventing success.

The second question concerned whether it was possible to re-construct the facility. The major problem was whether there was enough space, the article claimed. This could often be handled by incorporating storage facilities located on the same floor, or by merging a triple store into a single large store (see Figure 7-3).¹

Closely linked to this was the question of how much space one really needed. Figures from existing self-service stores indicated an ideal size of a self-service store:

The ideal store for our conditions has an area of 75-120 m². But there are examples of stores that only have an area of 40 m² – and work splendidly.

ICA Tidningen, 1950:10, p.8.

In this connection, Granath’s 37 m² store in Västerås was briefly described. The problem with the smaller stores was said to be that they could not carry the assortment needed to serve a regular household. Another problem, the article claimed, was that the local public health boards in some cities required a minimum area of 100 m² for self-service stores.²

Finally, the article also stated some general principles for designing a self-service store. First of all, there should be much goods and this required “shelf-space, shelf-space, and shelf-space!” Second, the entrance and exit should be separated to achieve the correct circulation in the store (although small stores could do with a single entrance/exit). Third, out of the total store area roughly a third should be used for storage. Fourth, the need to keep the investments down was underscored despite that the opening of a store equipped with all the modern features had a “chock-like advertising-effect.” It was recommended to equip the store in two stages – first the bare necessities, then the goodies.³

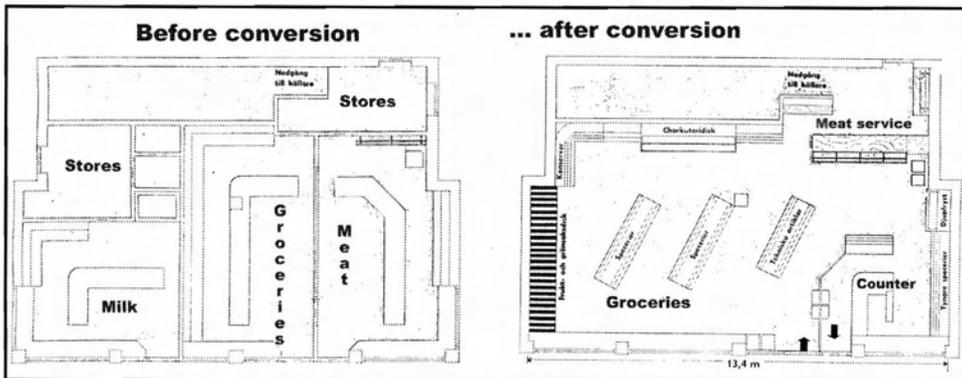


Figure 7-3. Before and after. Converting a triple store to self-service. (ICA Tidningen, 1950:10, p.6-7.)

¹ Ibid., p.7-8.

² Ibid., p.8.

³ Ibid., p.8-9.

The final issue considered was the assortment. The article claimed that the store of the future was the all-round food-store carrying a complete assortment of food-stuffs including dry groceries, meats, bread, dairy products, fruits & vegetables, etc.¹

In a third article, a number of practical suggestions on how to arrange the store were given. The primary advice was to make it possible to move all interiors around so that the store could easily be adapted to growing turnover or other changes.

During this work one must penetrate into to *special sales technique* of the new store form and realise the meaning of the concept of *correct circulation*.

ICA Tidningen, 1950:10, p.10.

The article listed four major requirements that applied to a store planning: 1) The store should give a good total impression at first sight. 2) The customer should be able to find the goods easily – there should be enough signs indicating the placement of different groups of goods. 3) The location of the different groups of goods should be such that a correct circulation is achieved. The customer should come into good contact with the impulse goods. 4) Attention should be paid to the relations between different goods.²

The article claimed that housewives came to the store primarily for the fresh goods. Hence, these should be given a prominent placement. At the same time they should also be spread out so as to guide the customer through the store. The meat department should be placed in the back of the store, partly to be close to the refrigerated storage facilities, partly so that customers would pass through the store on their way to and from it.

Besides the import of the fresh goods for generating traffic in the self-service store, the article indicated the shelves as the most fundamental part of the store:

The wall-shelves are the alpha and omega of the self-service stores. It is these that should provide space for the great amount of goods – for the self-service store is a *storage facility*...

The good should be easy to spot, easy to reach and presented in as great an abundance as possible.

ICA Tidningen, 1950:10, p.11.

Measurements and sketches were provided for shelves that would achieve this.

In all, the special issue provided arguments for converting to self-service, practical examples that indicated that most facilities could be converted, and practical advice on how to arrange the new self-service store.

Self-service leads to increased efficiency!

The effect of self-service on the efficiency of the retail store had been discussed from the very first article that presented the system in 1943. In general, the proponents claimed that self-service would lead to increased efficiency by increasing the turnover per employee. In the special issue, the question of whether a change-over to self-service would lead to

¹ ICA Tidningen, 1950:10.

increased efficiency was brought up in two articles. First, the expected effect on wage-costs was discussed:

Can we reach 25% lower wage costs?

We do not know how much lower the wage-costs will be, but eight converted stores have already reached a 35% turnover increase per employee.

ICA Tidningen, 1950:10, p.12.

The article claimed that every store had unexploited possibilities to increase the turnover, and it was noted that many of the modernisations that had been covered in the magazine over the past few years had led to a growth. The real question was whether self-service could lower the costs.

Lower wage costs are the first thing we expect from a change-over to self-service... Have these expectations been met in practice?

One may venture a positive reply on this question. ... a compilation shows that the converted stores have increased their sales per employee by 36%.

Conversely, one may observe that the turnover per man in a regular store is roughly 25% lower than in a self-served store. This figure tallies quite well with American experiences for many years.

ICA Tidningen, 1950:10, p.12.

Swedish as well as American figures showed that a change-over to self-service led to increased turnover per employee. Although there is no reason to disbelieve these figures, the article does indicate that the causality behind the observed efficiency increase might have nothing to do with self-service. Initially, it stated that modernisations led to turnover growth. If it were possible to handle a larger turnover without employing additional clerks, then an efficiency increase would be a fact. Since no figures are presented concerning how regular stores had developed after modernisations, there is thus no way of telling whether a change-over to self-service led to a greater efficiency increase.

The article also provided counter-arguments concerning two critical views on self-service. First, it refuted the claim that what was gained through a more efficient customer service would be lost in increased preparations, packaging, etc. By concentrating these tasks, rather than performing them directly in connection to serving a particular customer, great savings could be had. Still, all stores would benefit considerably from more goods being consumer packaged by the manufacturers. Second, the stance that the stores would have to be of a certain size to benefit from the savings was erroneous, claimed the article. Every saving could be realised, it was just a matter of organising the work. For instance, excess time could be used to package goods, prepare cooked food, etc.¹

In a second article, the cost consequences of self-service were addressed: "How much lower will the costs be?"² It is worth noting that the question was not: 'Does self-

² Ibid., p.10.

¹ Ibid., p.12-13.

² Ibid., p.14-15.

service lower the costs?' Implicitly, this was assumed to be the case. The question was *by how much*. Figures based on eight converted stores were presented (see Table 7-8).

In all, the article claimed that a self-service store would operate with roughly 1.25% lower costs relative to turnover. Compared to the 16.3% total operating costs for a traditional retail store found in the study made by SSLF (see Table 7-2, p.373), self-service would thus offer a relative cost-reduction of 8%.

Three major assumptions underlie these calculations. First, the self-service store was assumed to require the same space as a traditional store. Second, when considering the depreciations, a comparison was made between the investments needed in a self-service store and the investments that *would* be needed in an imaginary regular store of the same size and the same turnover. Third, the possibility of pre-weighing goods was considered only for the self-service store, although several claims were made elsewhere that this would be beneficial also to regular stores.

A problem repeatedly addressed by the managers of Hakonbolaget and which was hinted at above (see excerpt on p.419), concerned the size of the investment. Even though a conversion to self-service was not necessarily more expensive than a modernisation of a regular store, it was still a major investment. Well, not necessarily:

When we have talked about conversion so far, we have had in mind retailers who can get the necessary capital and with the prospects of a strong advance.

But many find themselves in another situation. One retailer maybe lacks the capital, another has his store in an older house which soon will be torn down... Isn't there any simpler way to proceed?

Yes, one can simply use the old interior for wall-shelves, fruitstands, etc. The purchases can be limited to the standardised cash register counter and a couple of standard floor shelves. ... one may limit the costs to a couple of thousand.

ICA Tidningen, 1950:10, p.15.

Given the discussions among the managers of Hakonbolaget concerning the provision of financial support to the associated retailers, the size of the investments was an important aspect of retail rationalisation. If the associated retailers could be made to convert to self-service without making large investments, then Hakonbolaget would benefit in two ways: first, it would come to enjoy the effect of a growing turnover; second, the strains that the financial support to the retailers put on the company would to some extent be lessened.

Summary: Self-service as the self-evident retail format

The "Self-service handbook 1950" was a clear statement: Self-service is a more efficient retail form than manual service. Further, it provided figures to back this general statement up: the housewives preferred self-service, almost all stores could convert to self-service, the costs of operating a self-service store were lower, etc.

Table 7-8. A comparison of costs in self-service and regular stores. (ICA Tidningen, 1950:10, p.14-15.)

Cost	Difference, % of turnover	Comment
Wages	-1.25	Wage costs for traditional stores are 5%, for self-service 3.75%. But these are average figures. It should be possible to lower costs even more.
Rent	+0.0 / +0.20	Given no additional space, the costs are the same when converting. Due to increased store space relative to storage rooms, the costs will be 10% higher for new self-service stores.
Depreciations	≈ equal	Although the self-service store requires expensive equipment, similar investments must be made to reach the same turnover also in a traditional store.
Interest	≈ equal	Probably lower in self-service (the same equipment, less stocks, no credit)
Wastage	-0.5	Lower wastage when pre-weighing the goods.
Wrapping	+0.3	Increased costs for wrapping material
Total	-1.25%	

In addition, much effort was spent on showing the retailers how they should plan a self-service store, what equipment they needed, what assortment they should carry, how they should care for the fresh goods necessary to assure success, etc. The possibility of converting to self-service without large investments was also put forward.

How did this affect the retailers associated to Hakonbolaget? Once again, the vast majority of retailers were silent. In ICA Tidningen a steady growth in the number of self-service stores was noted and several retailers that had converted were allowed to speak.

Self-service – a success-story

In September 1951, Lindblad was ready to declare victory for self-service in Sweden.

The idea that won!

It was in 1947 that self-service was heard of seriously in Sweden. What has happened since is rather strange...

ICA Tidningen, 1951:9, p.3.

On the basis of the reports in ICA Tidningen, it is possible to construct an image of this strange development: In January 1947, ICA Tidningen presented Paul Kågström's new Quickshop, the first attempt to introduce self-service in an ICA store. During 1947 and 1948, some attempts to introduce self-service on selected goods / groups of goods were reported. In 1949 new self-service stores were presented, such as Elis Blomberg's store in Årsta south of Stockholm and Olle Rydfors' store in Linköping. On at least two occasions, the known *plans* to establish self-service stores in the country were reported. At the end of 1949, ICA Tidningen claimed that there were five self-service stores within the territory of Hakonbolaget, and that another six were being planned.¹

¹ ICA Tidningen, 1949:12, p.20-22.

In 1950, Lindblad asked the critics to step forward, but none did. Axel Granath's small store in Västerås was opened. 37 (private) self-service stores were said to be in operation by April. Ten of which were located within the territory of Hakonbolaget.¹ By the time that the self-service handbook was published, in October, the figure was 20. During 1951, more of the same, until victory was declared.

Starting the following year, Hakonbolaget supplied figures on the number of self-service stores operated by its members (see Table 7-9). A steady growth was reported throughout the decade. To what extent, and how, did Hakonbolaget contribute to this development?

Hakonbolaget as a promoter of self-service

Above, Hakonbolaget's managers were observed to have given considerable attention to retail issues. Primarily, they sought to attain increased control over the retailers who Hakonbolaget supported financially. At some points, self-service was also mentioned in connection to these issues. The primary indication of the managers paying attention to this novelty was the question they put to the councils of trustees in 1947.

Promoting self-service

The effort made to find out what the members of the councils of trustees thought about self-service, indicates that (some of) Hakonbolaget's managers were interested in the new retail format. The comment made by Herman Green at the meeting in Västerås shows that not all managers had been completely convinced about its merits, however.

Still, there are indications that Hakonbolaget sought to influence the retailers to establish self-service stores. Indeed, while being sceptical as to the merits of the new system, Herman Green indicated that the company was involved in establishing the first self-service store in Västerås. Hakondi, the joint venture between Hakonbolaget and the construction company Anders Diös AB, was reported to have constructed the new building in which Folke Andreasson's store in Norrtälje was housed.

Köpmannatjänst, which was reported to supply retailers who were planning to convert to self-service with the necessary equipment, also appears to have acted as a general promoter of the new format. Towards the end of 1949, Eskil Klingén was reported to have arranged a discussion on self-service retailing to which he invited self-service pioneers associated with the four purchasing centres, as well as other interested retailers and managers from the purchasing centres.²

¹ ICA Tidningen, 1950:5, p.10.

² ICA Tidningen, 1949:12, p.20-22.

Table 7-9. The official development of self-service stores associated to Hakonbolaget. Source: AB Hakon Swenson, Annual reports, 1952-1960.

Year	1952	1953	1954	1955	1956	1957	1958	1959	1960
No. of stores	128	186	267	354	414	486	561	647	765
Increase in no.		58	81	87	60	72	75	86	118
in %		+45.3	+43.5	+32.6	+16.9	+17.4	+15.4	+15.3	+18.2

A fourth instance of self-service promotion was of a more concrete nature. In 1950, Hakonbolaget had secured land for a possible establishment of a store in Arvika:

Local Director Jarlstedt informed that a piece of land with an accompanying construction permit for a grocery store had been acquired in Arvika, and wanted to hear the Council's opinion on whether to equip a self-service store or a regular grocery store with manual service there. Director Mörck said that it first had been decided that this store should be a Co-op shop, but that this had been avoided. On the issue gentlemen Fröberg and Ederstedt, Arvika; Steen, Karlsson, Pettersson, Åmål; Andersson, Degerfors; Nilsson, Årjäng; and Andersson, Karlstad spoke. All made reservations against the suitability of a self-service store in the case in question and maintained as their view, that if a self-service shop were to be profitable, the location must be central and the shop have a good turnover. The representatives from Arvika thought that the location for the shop to be was not that suited for self-service.

Director Mörck said that there is a self-service shop in Västerås with a very good turnover and very little wastage. The facilities are so small that a shop with manual service hardly would be manageable. The owner there is very satisfied with the development.

Mr Wirström, Arvika, pointed out the value of being first with a self-service shop in Arvika.

Mr Karlhede said that he was very positive towards self-service shops, but he could at the same time report that he believed that the Co-op shop at Kvarnberget in Karlstad had not reached the turnover which the Co-op had counted on. Partly this ought to be due to a private retailer being given a shop quite close to the Co-op store through our agency. This private shop is manually served and according to Mr Karlhede the turnover is relatively good.

After this discussion Mr Chairman declared that he had been given the view that all present are positive towards self-service shops but that all also advise caution and that the discussion will serve as a reply to the question.

Minutes of the Karlstad group of councils, Aug. 28, 1950.

The excerpt suggests that the members of the council displayed a massive resistance towards the establishment of a self-service store. The image conveyed stands in sharp contrast to the articles in ICA Tidningen from the time. Of course, the retailers were not principally opposed to self-service. It was in this particular location that it was held to be unsuited... Harald Mörck's attempt to sway the participants in favour of self-service by telling them about the successful store in Västerås (no doubt Axel Granath's store), led to a favourable response from one retailer. Still, there are no reports of a self-service store having been established in Arvika during the following years.

Allegedly, Hakonbolaget had been involved in the establishment of most of the new self-service stores. At least, this was suggested by the Chairman of the Board in 1952:

The speaker [Josef L. Lindqvist] then touched upon the development of the new self-service stores to large units. There was a certain danger in these retailers, who we have helped forward, and who we in most cases have got the stores for, becoming too large. Tendencies had been noted that some such retailers join together and buy clearances cheap from the manufacturers. We must attend to this development, so that it does not result in a purchasing system which competes with us.

Minutes of the managers' conference, May 19-20, 1952, p.3.

The excerpt also indicates that the growth of large self-service stores was not without problems for Hakonbolaget. It was considered necessary to actively seek to secure new retail locations and to support retailers who wanted to re-organise their stores (see above, section 7.1). But large stores were to some extent a threat to Hakonbolaget as well. They might join together and purchase goods themselves, thus creating an alternative purchasing organisation which would tap into Hakonbolaget's business.

By 1954, though, the managers of Hakonbolaget were all positive to self-service.

Suitable businesses should be encouraged to convert to self-service. ...

We should be positive towards changing over service stores suited for it to quick shops.

Minutes of the director conference, May 21-22, 1954, p.2, 6.

Some months after this altogether positive view of self-service was expressed, the positive effect of the new larger Quickshops for Hakonbolaget was noted (see quote on p.392). If Hakonbolaget was able to put the right retailer in charge (one with the correct ideological position, no doubt), it could "await payment in the form of increase co-operation." In this light, the positive views were maybe not that surprising: The self-service stores were good for Hakonbolaget.

Self-service, packaging and the assortment

Already when self-service was first introduced it was linked to pre-packaging. In the 1943-article it was stated that self-service required pre-packaged goods. This was subsequently repeated by most commentators during the 1940s. A major reason for the somewhat negative attitude towards self-service expressed by Herman Green was his opinion that self-service required more pre-packaged goods (p.409). As a supplier to the new self-service stores, Hakonbolaget obviously had some possibilities of affecting this situation. In 1950, the packaging issue was discussed by the managers of Hakonbolaget:

Bengt Harné accounted for the results that he had reached together with Lars Lewén at an investigation of packages suited for needs of the retail trade. He pointed out that the self-service stores had brought this problem up. There have been suggestions from the retail trade that it in many cases would be better and cheaper to centrally package goods in consumer packages. The problem breaks down in two:

1. Central packaging of certain goods.
 2. Packaging of some goods in the retail trade, for which this is more suitable.
- In the latter case the problem concerns the supply of packaging material to the retail trade. It ought to be correct to arrange a central stock of packaging materials, preferably in Västerås. ... Samples of the various packaging materials should be placed in suitable binders and sent to the offices and all self-service stores in the country.

Both self-service and service stores are in need of central packaging of certain goods. We should address this problem forcefully, in part to serve the trade, in part to counteract the emergence of a flora of branded goods.

Minutes of the managers' conference, June 1-2, 1950, p.20.

The discussion resulted in something which by now seems a de facto style of management within Hakonbolaget: the appointment of a committee. The possibilities of arranging central packaging of goods, primarily root vegetables, was to be further investigated. The issue was discussed again in February 1951, and some suggestions were made:

Josef L. Lindqvist underscored the importance of solving the packaging issue. It is necessary for the service shops to have access to more consumer packaged goods, if these are to stand up in the competition with the Quickshops.

If Hakonbolaget set up small packaging centres at the local offices, a significant step ought to have been taken towards the resolution of the issue.

Finally, the speaker recommended the local directors to initiate discussions on packaging with the self-service shops in the towns of the respective offices.

Bengt Harné gave a brief account of the views... that had been brought up at the meetings of ICA's and SSLF's co-operation committee on packaging-issues. ... At present, it is almost impossible to avoid a considerable cost increase for goods that are consumer packaged. ...

He found Josef L. Lindqvist's proposal for smaller packaging departments at the district offices less appropriate, particularly considering that the sketched proposal must become unsatisfactory from an economic point of view.

Minutes of the directors' conference, Feb. 6, 1951, § 20.

Packaging linked wholesale operations to self-service. The question was if & how Hakonbolaget should organise its packaging operations. Should there be packaging centres at the district and affiliate offices? And what about the costs? By re-packaging goods in packages suitable for the consumers, i.e. suitable for self-service, considerable costs were incurred. This suggests that the savings which self-service offered at retail level to some extent would be put off by additional costs at wholesale level.

Related to the packaging issue were the effects of self-service on the assortment. This, too, had been attended to by many commentators and in general, it had been argued that self-service required an expansion of the assortment into an all-round food-store. A major drag on this was recognised to be the various local public health regulations, which prohibited the sale of certain goods in the same facility.¹

¹ These problems were discussed at length by the council of trustees in Södertälje in October 1951. Minutes from the Södertälje council of trustees, AB Hakon Swenson, Oct. 18, 1951.

An alternative solution - Helping the households to shop

Since 1947, self-service had been connected to the problem of waiting time. In his talk on the future of the new format, Wirsäll claimed this to be a major rationalisation effect and commended the Consumer Co-operation for calling their self-service stores 'Quick-shops'. But there were other solutions to this problem as well:

Quick service handles the lines! Retailer Eric Grudin in Mora has solved the queue-problem for small purchases.

ICA Tidningen, 1949:9, p.10.

The article describes how one retailer had reduced the queuing problem in a simple way, by serving separately customers who only wanted a few items. But other suggestions were also given in ICA Tidningen on how to reduce this problem:

How does one shorten the waiting time?

Make use of all the possibilities there are to reduce the waiting-time for the customers. The housewives prefer the stores where they are served most rapidly.

Use open refrigerated counters!

Slice in advance!

Pre-weigh!

Transofilm for cured meats!

Pack oranges for the Saturday rush!

ICA Tidningen, 1950:4, p.29.

The excerpt suggests that there were many ways in which a retailer could reduce the waiting-time problem. Pre-packaging seems to have been regarded as the major solution.

A radical solution to the problem of waiting time

In the autumn of 1951, as Sven Lindblad was declaring self-service to be a victorious idea in ICA Tidningen (see above p.427), Hakonbolaget launched a competing idea which also purported to solve the queuing problem in the retail outlets.

"Hakon helps the households to shop!", a new idea.

Minutes of the Borlänge council of trustees, Oct. 10, 1951.

The idea was to supply the associated retailers with pre-printed order-pads which they should hand out to their customers – the housewives. These order pads contained 25 order notes on which 75 standard items were pre-printed with an adjacent slot for the amount ordered of each good. There were also blank lines for orders of other goods. On the back of the order note, a list of various common articles were supplied. The housewives were then supposed to hand in the completed orders as they went to work in the morning and pick the goods up on their way home.¹ How convenient!

¹ *Plotterköp kostar husmor tid, Hakons inköpslista god hjälp* (Jumbled purchases cost housewives time, Hakon's purchasing list good aid), Strengnäs Tidning, date unknown. (From scrap-book at Hakonsroom.)

A Hakon-deal for retail-consumer interaction?

Allegedly, the idea had been proposed by Hakonbolaget's own "council of housewives."¹ However, an advertising campaign for a similar solution had been launched by SV in buses and street-cars in Stockholm in the summer of 1951.² Even more confusing is the fact that ICA Tidningen had run a story on this novelty already in the autumn of 1949, some two years before it was launched by Hakonbolaget.³ Irrespective of its origins, the councils of trustees were asked to comment on the idea during October 1951. At these discussions, the new shopping lists were presented as a logical next step after the Hakon-deal and its written order procedure:

The idea is that the written order system of the Hakon-deal also should be introduced in the households and thereby help the housewives to plan their purchases properly. The orders should be handed in to the store once a week and be prepared at a time suitable for the retailer. Thereby certain savings can of course be made. On the orders those goods which always occur in the households are listed, and on the back there is a shopping list.

Minutes of the Västerås council of trustees, Oct. 10, 1951.

Financial Director Svensson underscored the importance of the private trade now having to make an effort to get the housewives to make planned purchases. The distribution costs are being debated and we have ourselves started to rationalise one link in the distribution chain through the Hakon-deal. Together with the members, we should now start with another link. The board has dealt with the issue and now wants to know the stance of the councils of trustees.

Minutes of the Borlänge council of trustees, Oct. 10, 1951.

Mr Törner said that this system was a direct continuation of the "new deal", and that it would result in more concentrated purchases from the households. ... it is a means through which the private trade can assert itself...

Minutes of the Eskilstuna council of trustees, Oct. 9, 1951.

In the above excerpts, explicit reference is made both to the Hakon-deal, the use of written orders and the need to rationalise goods distribution. Whether the Hakon-deal actually had been a source of inspiration for the new system, I don't know. What is evident, however, is that it was used as a source of justification.

A competitor to self-service?

Among the council-members, there were some who possibly perceived a link between the new system and self-service retailing.

¹ *Husmor skriver order – slipper stå i kö* (The housewife writes her order – does not have to wait in line) (From scrap-book at Hakonsroom.)

² ICA Tidningen, 1951:8, p.15.

³ The similarity between the solutions is apparent from the following quote:

"Now we don't have to stand in line! The purchasing pads of the housewives service has been received with joy by the housewives and is an extraordinary means in the propaganda for better purchasing habits." The article claimed that this initiative had been suggested by a advisory panel of housewives connected to the Swedish Retail Association. (ICA Tidningen, 1949:11, p.4-5.)

Gentlemen Axel Carlsson, Nylén, Lundvall and Qvarfort held that measures in the proposed direction would bring some advantages in a positive direction for both housewives and retailers and to some extent level the advantages that a Quickshop offers.

Minutes of the Västgöta group of councils, Oct. 9, 1951.

Mr Kvist wondered how this would affect the self-service shops which are gaining ground. Isn't the idea there, that there shouldn't be any home deliveries to speak of, but according to Mr Kvist this system would result in increased home deliveries...

Minutes of the Västerås council of trustees, Oct. 10, 1951.

Mr Hugo Aronson: "Well, it does seem as if the management have eased up on the self-service principle. ..."

Minutes of the Borlänge council of trustees, Oct. 10, 1951.

In the Västgöta council, several retailers clearly saw the new shopping lists as an alternative to self-service. A measure which would "to some extent level the advantages that a Quickshop offers."

Kvist seems to indicate a potential conflict between the new shopping lists and the self-service system. Whereas the self-service system was based on more participation from the customers (first picking the goods and then carrying them home for themselves), the suggested shopping lists were based on less participation from the consumers.

Aronson's short comment indicates that some retailers perceived Hakonbolaget to be pro self-service. Indeed, to such an extent that the suggested new system was seen as a sign of "easing up on the self-service principle" on the part of Hakonbolaget. A comment made by the chairman of the board, Josef Lindqvist, at the council meeting in Uppsala, suggests an alternative interpretation:

Director Lindqvist held that this system ought to be good for those who must continue with manual service.

Minutes of the Uppsala group of councils, Oct. 11, 1951.

Rather than being a competing solution that represented an easing up on behalf of the management concerning the self-service principle, Lindqvist seems to suggest that the shopping lists were a complement to self-service "for those who must continue with manual service." Why "must" some do this? Since Lindqvist was the Chairman of the Board, as well as an active retailer, he is likely to have been well-informed. A possible interpretation of his comment is that the managers of Hakonbolaget had come to realise that the company couldn't help all the associated retailers to convert to self-service, and that some other means was needed to ensure their competitiveness.

Mixed support

Some of the councils found the system well worth trying.

Mr Tage Karlsson: "I think it will be fine, and it must be of help for ourselves, as it contributes to a smoothing out of the work over the days. Slack

periods can now be avoided and one can perhaps do without the extra help, which has been necessary to hire, particularly during weekends. I second the implementation of the system."

Mr Åke Jernberg: "I must praise the idea, and even if one cannot count on full support from the housewives, I count thus, that if I can get at least 25-30% of them to join in, much would be gained. For us town retailers, the impulse shopping on the part of the housewives constitutes a problem, and at least there is an immense frittering away..."

Minutes of the Borlänge council of trustees, Oct. 10, 1951.

These positive evaluations are made on the basis of an uneven workload in the store and on housewives making frequent but small purchases.

But the proposed new system also met with some resistance. Within the Karlstad council, the instructions on the order-pads were thought to be too dictatorial and a more appealing tone was recommended. Further, it was observed that retailers liked to see their customers in the store often. If orders were placed only once a week, then a delivery boy would probably be needed, and that would raise costs.¹ Similar thoughts were put forward in Uppsala:

Nils Nylin pointed out that it is important that the consumers visit the stores. With this system we will accustom the housewives not to enter our stores. The home delivery of goods will surely become too burdensome if we go in for a system along these lines.

The Council decided not to approve the implementation of a purchasing system for the consumers according to the proposal, with the motive that the consumers may come to stop visiting our stores. New proposals are wanted.

Minutes of the Uppsala group of councils, Oct. 11, 1951.

Whereas some retailers clearly saw an advantage in reducing the number of customer visits, there were also those who considered this to be a threat to their business.

A common objection raised concerning the proposed system was that it would encourage home delivery, a service retailers had tried to reduce for some time.

Mr Hjalmar Petterson also feared that the home delivery system would be revived if the new system with order-pads were to be introduced. ... Mr Algot Persson approved of the suggestion. There were probably some hours with lesser workload that could be used. To connect the system with home delivery was wrong though... Mr Emil Enroth thought that the suggestion largely was good. They might thus get rid of the large queues at certain times in their store...

Minutes of the Gävle group of councils, Oct. 11, 1951.

Enroth's interpretation suggests that the new system in some respects was an alternative to self-service. It would help the retailers "get rid of the large queues at certain times." As we have seen above, this had all along been a major argument in favour of the self-service system.

¹ Minutes of the Karlstad group of councils, AB Hakon Swenson, Oct. 5, 1951.

Summary: an alternative to self-service?

The new system appears to have been presented as a measure primarily aimed at reducing the uneven work-load in the retail stores. Still, many retailers saw a connection between the written consumer orders and self-service retailing. To some, the new system was at odds with the basic principle behind self-service, i.e. to let the consumers do more. To others, it was an alternative that would allow a similar efficiency increase in the manually served stores.

Practical measures for a more rational retail trade

In Chapter 4, I briefly discussed a talk given by Nils-Erik Wirsäll at a conference on distribution arranged by SNS (the Centre for Business and Policy Studies) in January 1952. In this talk, he addressed possible practical measures to reduce the costs of retailing. Here, I will use the talk to indicate a stance assumed by a manager at Hakonbolaget vis-à-vis the rationalisation problem within retailing.

How should the retail trade be rationalised?

Wirsäll started by noting that the small units were characteristic of Swedish retail trade. He argued that this had adverse effects on rationalisation:

The small units make it difficult to realise savings that manifest themselves. It is difficult to reduce by a whole man. The stores are owned or managed by individualists who are hard to influence. The reluctance to act is also increased by the elasticity of these individualists in terms of the retailer rather sacrificing part of his spare time than reducing the service offered to the consumers.

Nils-Erik Wirsäll, 1952, p.21.

Wirsäll claimed that since there was no room for reducing the profits, cost reductions must be sought through increased efficiency and simplified operations.

A first area for rationalisation was *purchasing*. Here, Wirsäll promoted the Hakondeal as a rationalisation measure for the retail trade: By watching the stocks and ordering on few occasions, the retailer could increase the turnover rate of the stocks, improve the quality of the goods and reduce the capital invested. A related measure was to reduce the *assortment*, which also could produce significant savings. At the same time, the assortment had to be adjusted to changes in the consumption pattern.¹ In particular, a growing demand for fresh goods required a wider assortment, which in turn required larger stores:

A comparison of the consumption of fresh goods such as fruit, meat, dairy products, soft bread and fish shows that these have increased by 27 % between 1939 and 1950, while the dry groceries had decreased by 13%. It is not only

¹ Nils-Erik Wirsäll, *Åtgärder för att nedbringa detaljhandelns kostnader - några praktiska exempel*, 1952, pp.21-22.

this change in the consumption that leads to larger stores but also the housewives' wish to further widen the assortment so that they may make the most important daily purchases in the same store.

In those rural areas where we find these small shops, we will surely experience that the stores are replaced by store-buses.

Nils-Erik Wirsäll, 1952, p.22.

With this in mind, Wirsäll claimed that the really small stores had had their day. There was also a danger in upholding traditional boundaries between different lines of trade. Such behaviour prevented the realisation of the all-round food-store, something which the housewives allegedly desired. Still, the stores should not be too large either:

Since no difference in effect worth mentioning can be observed in terms of costs between a store with SEK 400,000 in turnover and one with SEK 800,000 in turnover, the speaker argued that the city-plans should be made up so that one builds two SEK 400,000 stores owned by KF, ICA or some third party, in a suburban area, rather than building one SEK 800,000 store that becomes a monopolist.

Nils-Erik Wirsäll, 1952, p.22.

Previously, it was observed that Hakonbolaget actively sought to secure new locations for their associated retailers, claiming that the consumer demanded alternatives. But if stores needed to become larger, then fewer rather than more new stores should be established. In response to this, Wirsäll claimed that there was no support for increasing efficiency beyond an annual turnover of SEK 400,000. At least, he held avoiding monopolies to be more important.

A second area for rationalisation concerned customer interaction. In particular, Wirsäll claimed that self-service was a significant factor for lowering the costs of retailing.

Self-service constitutes an important factor when it comes to lowering the costs of retailing. The cost-savings that can be had through this probably lie somewhere around 2% of the turnover (approx. 15% of the costs). This saving is reached through the higher turnover per employee that the self-service system brings. This increased effect probably varies between 25-40%. It is counteracted, however, by higher financial costs and a higher rent.

Nils-Erik Wirsäll, 1952, p.22.

In his brief account of the merits of self-service, Wirsäll asserted that the new system did lead to higher financial costs and higher rent, something which was refuted in "the self-service handbook" in 1950 (see above, p.424). Although the savings generated by converting to self-service should be enjoyed by the consumers, he advocated a cautious stance initially. At any rate, price cuts should not be realised through increased bonuses since this might lower the consumers' awareness and attentiveness to prices.¹

A second measure which would improve the efficiency of the retail outlets was a more active pricing. Still, Wirsäll held guide lines in the form of recommended prices to

¹ Ibid.

be necessary to avoid chaos... A third measure was to educate the employees. Wastage, Wirsäll claimed, was largely a result of less than satisfactory knowledge among the store clerks. Further, some aspects of the operations, e.g., accounting could preferably be handled by central bodies. A fourth measure was to reduce or abolish customer credit. Wirsäll claimed that investigations among the retailers associated with Hakonbolaget had shown that this cost could amount to as much as 0.4% of the turnover for a store.¹

Another area in which large savings could be produced was the purchasing behaviour of the housewives. If the work-load variations in the retail trade could be reduced, then considerable savings would result. To this end, he claimed, Hakonbolaget had launched a campaign for more plan-like purchasing through written consumer orders.

Finally, Wirsäll claimed that the limited capital resources of the retail trade constituted a check on rationalisation. This meant that many necessary changes would have to be realised over a considerable period of time.

A general idea found in Wirsäll's talk was the need to increase the average turnover of the stores, making them relatively larger. During the ensuing discussion, an unaccredited comment contested his claim that the really small shops had had their day.

Against the view that the very small shops have had their day, speaks the circumstance, that the small retailer has shown unexpected vitality during previous hardships.

Distributionsekonomisk konferens 20-24 Januari 1952, SNS, 1952, p.24.

The argument brought up was one which representatives of the retail trade organisations had used before (see Chapter 4). Indeed Wirsäll himself seems to have implied the primary mechanism for this alleged vitality in his initial comment concerning the small stores (see excerpt on p.436) – more work.

Wirsäll also received support for his claim that education was needed. It was suggested that “even consumers” should be educated. Finally, some doubts were raised concerning the benefits of self-service.

Concerning the sale of meats one must be very hesitant about the benefits of the self-service system. In many cases, the new system has resulted in reduced quality of these goods.

Distributionsekonomisk konferens 20-24 Januari 1952, SNS, 1952, p.24.

In this case, it was the character of a particular class of goods that allegedly made self-service questionable.

A wholesale view on retail rationalisation

Wirsäll's talk provides some clues as to how Hakonbolaget perceived the rationalisation problem within retail trade. It also brings forward some potential solutions recognised at wholesale level. Far from surprising, Wirsäll claimed that purchasing and assortment

¹ Ibid., p.22-23.

issues were central to a more rational retail trade. Concentrated purchasing, stock control and assortment adjustments were put forward as major means towards the rational end.

The emphasis placed on the widening assortment and the emergence of the all-round food store provides a link back to the Novea-report on the Hakon-deal (see Chapter 5), which was being prepared at the time. Given how the consumption patterns had developed so far, and with the emergence of the all-round food store clearly within sight, it does not seem strange that a more lenient stance towards the granting of membership to retailers from other lines of trade than the traditional grocery and rural retail trade was being considered within Hakonbolaget. In fact, such a stance was exactly what Wirsäll was arguing for in his talk.

Concerning self-service, Wirsäll claimed the major benefit to be higher turnover per employee. Factors such as interest and rents to some extent balanced this advantage. The remaining measures suggested by Wirsäll were all being attended to by Hakonbolaget. For instance, a central price-book was under preparation.¹ Educational activities were being planned for several groups within Hakonbolaget, as well as for retail employees.² During the autumn of 1951, ICA Tidningen had published several articles encouraging the retailers to reduce or abolish their customer credit.³ By supplying pre-printed order-pads and encouraging written orders, Hakonbolaget was attempting to alter the purchasing behaviour of the housewives (see p.432). Finally, financial support for retail investments was a preoccupation both centrally and at the district offices (see p.380).

Self-service vs. traditional retail stores

By the end of 1954 there were 267 self-service stores associated to Hakonbolaget.⁴ As a comparison, the Consumer Co-operation had established 1140 Quickshops since 1947.⁵ Besides stores, considerable resources were also available within the larger co-operative societies' for analyses of the new format. For instance, the Co-operative Society in Stockholm (KFS), had its own investigation department. There, numerous investigations and comparisons were performed across different store-types.⁶

Hakonbolaget, on the other hand, sought to gain knowledge about self-service by co-operating with researchers at the Stockholm School of Economics. Thus, in 1955, Lars Persson published a comparative study of self-service and "traditional" stores that

¹ Minutes of the office managers' conference, AB Hakon Swenson, Feb. 19-21, 1950. See also Chapter 5.

² Minutes from the managers' conference, AB Hakon Swenson, June 1-2 1950, p.23.

³ See, e.g., ICA Tidningen 1951:9, p.6; 1951:10, p.16-17; and 1951:10, p.18-19.

⁴ AB Hakon Swenson, Annual report 1954, p.14.

⁵ Olof Moback and Enar Andersson, *Snabbköp 1954*, 1956, p.4.

⁶ Reports prepared by Göran Lindblad at KFS, 1948-1962.

had been financed by Hakonbolaget, and for which the Hakon retailers' accounting centre had supplied the material.¹ The investigator himself was the son of an ICA retailer...

Persson addressed two issues: first, he attempted to compare the efficiency of traditional and self-service stores on the basis of accounting figures; second, he studied the investments made in connection with changing over to, or starting a self-service store.

The study indicates the interest shown by Hakonbolaget towards retail issues. Since their involvement went beyond supplying funds it also gives an idea of how retailing was looked upon by Hakonbolaget. Besides the accounting figures, the contact-men at the district and affiliate offices supplied additional material concerning the assortment, sales and employees in the stores. In addition, the entire material used for the second part of the investigation had been collected by Hakonbolaget prior to Persson's study.²

A representative study?

Persson studied two populations of stores. First, for the efficiency-comparison, Persson and an official at the accounting centre jointly selected 105 stores from the approximately 600 associated stores. To get a homogenous material to work with, a number of stores were weeded out in the process.³ The selected stores were all: i) associated to Hakonbolaget; ii) grocery or rural stores; iii) the only stores operated by the respective company; iv) owned and operated by the same retailer for at least one year prior to the year studied; and v) using the accounting centre to keep their accounts.⁴ In the report, Persson commented on the representativity of the investigated stores:

In a strict statistical sense, the stores now studied are representative only of stores associated to Hakonsköpmännens bokförlingscentral, with the exception of those ... that have been weeded out. It should not be denied however, that the investigation has been made with an idea that the conclusions it may give rise to, also to a certain extent could be expected to be valid primarily for other Hakon-associated stores.

Lars Persson, 1955, p.4.

¹ Lars Persson, *Själybetjäningsbutiker kontra traditionella butiker*, 1955, preface.

² *Ibid.*, p.10.

³ Only rural or grocery retail stores were included. Rural retail stores whose sales of non-grocery goods exceeded 50% were excluded. New stores and stores which had just changed owner were excluded. All retail companies operating more than one store were excluded since their purchases could not be linked to the individual stores. Stores whose turnovers emanated to more than 5% from wholesaling were excluded. Retail companies that used accounting periods that deviated too much from a regular calendar year were excluded. Finally, only companies for which reports made up after March 31, 1953 were available, were studied. (*Ibid.*, pp.2-3.)

⁴ *Ibid.*, p.6.

Table 7-10. "The distribution of the stores on assortment and size groups." Source: Lars Persson, *Självbetjäningsbutiker kontra traditionella butiker* (Self-service contra traditional stores), 1955, p.8.

Assortment / format	Number of stores with a turnover of				Total number
	- 200'	200'-300'	300'-500'	500' -	
Traditional stores					
Rural general stores	17	17	13	1	48
Grocery, dairy and meat	4	9	2	2	17
Grocery and dairy	-	-	2	-	2
Grocery and meat	3	3	5	2	13
Grocery	-	2	2	1	5
Sum for traditional outlets	24	31	24	6	85
Self-service stores					
Rebuilt					
Rural general stores	-	2	1	1	4
Grocery, dairy and meat	1	-	2	2	5
Grocery and dairy	-	-	1	-	1
Grocery and meat	-	-	2	-	2
Sum	1	2	6	3	12
New establishments					
Grocery, dairy and meat	-	-	3	2	5
Grocery and dairy	-	1	1	-	2
Grocery and meat	-	-	1	-	1
Sum	-	1	5	2	8
Sum for self-service outlets	1	3	11	5	20

To add credibility to his cautious claim about representativity, Persson argued these stores were not the only stores whose book-keeping was handled by an external party. Further, he acknowledged that which we already know from following the discussions among the managers of Hakonbolaget, viz. that Hakonbolaget in many cases required the retailers to become associated with the accounting centre, as a condition for their financial support in connection with new establishments, re-constructions and acquisitions (see above, p.381). However, he did not draw any far-reaching conclusions as to the effect of this circumstance on the representativity of the stores under study.

After some additional arguments, Persson concluded that a study of the companies associated with the accounting centre...

... renders an impression of these being very varied and representing companies of many different types. Thus the selection does not appear to be as one-sided as one initially is inclined to think. However, this cannot in any way prove that they provide a representative image of all Hakon-associated stores.

Lars Persson, 1955, p.5.

It seems that Persson was implying representativity, although he could not prove it.

Concerning the study of the investments made in connection with the start of, or change-over to, self-service retailing, the survey performed by the accounting service was used. This questionnaire had been sent to all self-service stores associated with Hakon-

bolaget in the summer of 1953, in all, some 130 stores. Replies were received from 64 stores. Since no attempt was made to check whether those who had responded differed from those who had not, the representativity of the results remained unknown.¹

Table 7-10, p.441, and Table 7-11, p.445, present the retail stores studied by Persson arranged according to their turnover and the assortment carried.

The efficiency of the stores

The study purported to investigate whether self-service stores differed from traditional stores in terms of efficiency. For this, a suitable efficiency measure was needed. Persson's starting point was to look at this from the individual retailers' perspective – what was efficiency to them? Instead of asking the retailers, however, he assumed that they would consider profitability to be an important indicator. While recognising that it was not the only indicator, he argued that not enough was known about other indicators to make use of them. Further, he claimed that a "singular point of view must be chosen." In the end, then, he decided to use the profitability achieved by the stores, the major advantage being that "performance becomes well defined and relatively easy to measure."²

Still, the figures available in the annual reports required some adjustments before comparisons could be made. Persson recognised that such adjustments could easily throw the results off in one direction or the other. Thus, he explicitly sought to give the reader an "opportunity to evaluate the feasibility of the methods used."³ Persson chose gross-profit as revenue-indicator, that is, the turnover less purchasing costs for the goods sold (adjusted for changes in stock-levels). From this figure, the costs incurred were deducted in order to produce a surplus-measure. For some aspects to the operations, e.g., owner's salary, a standard cost was applied to all stores. No deduction was made for rent costs.⁴

Since Persson explicitly asked the reader to be critical, I will. The most serious omission in his calculations seems to be the rent. Above, Wirsäll claimed that self-service stores had higher rent costs than traditional stores. This turns the omission into a potential source of error. However, Persson claimed that there was no way of including this cost so as to allow for a straightforward comparison of the two store formats. Cost figures were relatively easy to attain for stores operating in rented facilities. In many cases,

¹ Ibid.

² Ibid., p.16.

³ Ibid.

⁴ The following deductions were made: In addition to the wage costs accounted for, the costs for unpaid family members working in the store were estimated on the basis of the information supplied by the contact-men. In addition, a uniform manager-salary of SEK 12,000 was deducted. A 10% deduction was made on the procurement value of fixtures and equipment for all stores. A fixed uniform interest rate was applied to all capital invested in the businesses. No deductions were made for rent of the facility. The remaining costs were deducted on the basis of the accounting figures.

though, the retail companies owned the facilities and in their turn let parts of it to others. For these, there was no way of calculating the rent.

Based on the resulting surplus as an indicator of profitability, Persson studied performance variations in six dimensions: 1) across stores with different assortments; 2) across stores of different sizes; 3) over time from the start of a new self-service store; 4) for stores converted to, or established as self-service; 5) for self-service and traditional stores; and 6) with turnover growth.¹ He noted that these dimensions did not account for all the variation found in the material. In particular, he put forward the skill of the managers, the location of the stores, and indirectly the facility-costs, as additional factors which could explain some of the variation observed in the surplus.²

The only significant difference in terms of surplus between stores with *different assortments* was that between traditional grocery and rural stores. In this case, a higher average surplus and a significant pair-test indicated that traditional grocery stores generated higher surplus than rural stores. An inspection of the gross profits and costs for these stores showed a 1% lower gross profit for the rural stores. Due to a lower turnover rate of the stocks, 5 times compared to 14, the rural stores also had higher capital costs.³

A close positive correlation was observed between *turnover size* and surplus. The higher the turnover, the higher the surplus. This applied to all stores except traditional grocery stores with turnovers above SEK 500,000, which had a lower surplus than smaller stores of the same type. Figure 7-4 shows the results of Persson's regression analyses of self-service, traditional grocery and traditional rural stores.

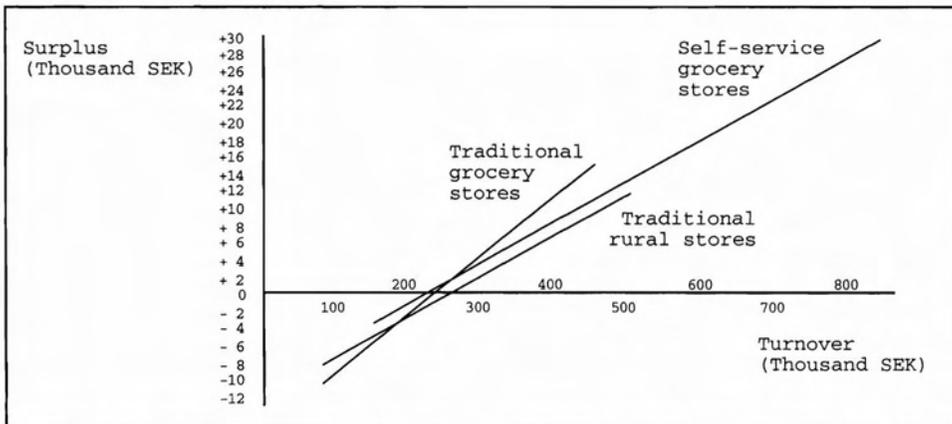


Figure 7-4. The correlation between turnover and surplus. Source: Lars Persson, *Självbetjäningsbutiker kontra...*, 1955, p.40.

¹ Lars Persson, *Självbetjäningsbutiker kontra...*, 1955, p.22-23.

² *Ibid.*

³ *Ibid.*, p.28-30.

Excluding the large traditional stores, Persson concluded that store turnover was a strong determinant of store profitability. He estimated the effect to be 3-6 per cent of the difference in turnover, i.e. "that stores with SEK 300,000 in turnover on average would yield SEK 3 to 6 thousand higher profit than a store with SEK 200,000 in turnover..."¹

As far as concerns the main question posed in the study – whether there were differences *between self-service and traditional stores* – few significant results were obtained. Significant differences were observed only for stores with turnovers above SEK 500,000. The large self-service stores were more profitable. The difference in surplus was roughly 1.5% of the turnover and was mainly due to three factors: the self-served stores had higher gross profit (+1.4%), lower wage costs (-.7%) and higher depreciations (+.6%). In addition, Persson claimed that the rent costs would lessen the difference. The limited material available indicated a rent cost of roughly 1.5% of the turnover for self-service stores and 1% for traditional stores. Although differences were observed, the material Persson was working with was very limited. In all, there were five traditional grocery stores and four self-service grocery stores with turnovers exceeding SEK 500,000.²

For stores with less than SEK 500,000 in turnover, no similar results were found:

The figures most closely imply that the traditional stores have the largest surpluses. ... an inclusion of the rent as a cost would probably further reduce the result of the self-service stores in comparison with the traditional stores. ... In any case, for stores of this size, the figures give no support whatsoever to the self-service system contributing to an increase in the surplus...

Lars Persson, 1955, p.52.

Despite these results, Persson indicated a possible positive effect of self-service also for these stores, viz. a dynamic effect on their turnover from converting to self-service. In part, the strong correlation between turnover and surplus paved the way for this.

However, since the material at Persson's disposal could not throw light on the correlation between self-service and turnover development, this remained an open question.³ In fact, due to the character of the hypothesised relation, I would claim that there was (and still is) no way of confirming its existence. Both options, i.e. converting to self-service and remaining manually served, cannot be studied for an individual store.⁴

Persson also found a significant correlation between *turnover growth* and surplus for traditional rural stores. A growing turnover meant a larger surplus than a stable or declining turnover. Persson held this to be due to some costs being inert: a growing turnover was realised without cost-increases, a declining turnover without cost-decreases.

¹ Ibid., p.50.

² Ibid., p.47-51.

³ Ibid., p.53.

⁴ Yes, I know, it would be possible to study this across a large number of stores and, by controlling for other factors, try to isolate the conversion factor. Still, one would never be able to claim that doing the other thing would have led to another outcome.

Table 7-11. The distribution on assortment and size groups of the self-service stores studied in the investment study. Source: Lars Persson, *Självbetjäningsbutiker kontra...*, 1955, p.10.

Assortment / format	Number of stores with a turnover of (thousand SEK)					Total number
	-200	200-300	300-500	500-750	750-	
Self-service stores						
Rebuilt						
Rural general stores	-	1	1	-	-	2
Grocery, dairy and meat	-	5	4	3	3	15
Grocery and dairy	-	-	1	1	-	2
Grocery and meat	1	2	3	1	-	7
Grocery	2	2	1	-	1	6
Sum	3	10	10	5	4	32
New establishments						
Grocery, dairy and meat	(1)	2	9	11	3	26
Grocery and dairy	-	1	-	-	-	1
Grocery	1	2	2	-	-	5
Sum	2	5	11	11	3	32
Sum for self-service outlets	5	15	21	16	7	64

As for the time factor for newly established stores, Persson found an indication of growing surplus over time. However, since these stores also dramatically increased their turnover during these years, he argued that the development of the turnover alone, through the strong correlation between turnover and surplus, could account for this.

Finally, Persson found no statistically significant difference between stores converted to self-service and stores established as self-service stores from the start. The converted stores did however display a considerably higher surplus, + SEK 2,900.

As a summary, Persson put forward the following: 1) Traditional grocery stores display a larger surplus than traditional rural stores. 2) No significant differences can be found between various types of grocery stores. 3) With growing turnover, there is growing surplus, except for traditional grocery stores with turnovers above SEK 500,000.¹ 4) On average, a turnover growth of SEK 100,000 leads to a surplus growth of SEK 6,500 for grocery stores with less than SEK 500,000 in turnover, SEK 4,800 for traditionally served rural stores, and SEK 4,500 for self-served grocery stores. 5) Despite a higher rent for stores with higher turnover, there would still be room to increase the manager's salary. 6) Self-service stores with turnovers above SEK 500,000 have a higher surplus than traditional stores of this size. 7) It has not been possible to show that the surplus in self-service stores with turnovers below SEK 500,000 differs from that in traditional stores of the same size. 8) Given that self-service itself does not lead to turnover changes, it affords room for price-cuts of roughly 1% for stores with more than SEK 500,000 in

¹ A brief comment concerning this conclusion: Of course, Persson did not show that the surplus grew with growing turnover for the individual stores. He merely showed that larger stores had higher surplus.

turnover. For smaller stores, no such room is afforded. 9) The figures presented indicate that the higher the turnover is, as compared to last years figures, the higher the surplus.¹

Investing in self-service stores

The second part of the study was based on data collected by the accounting centre prior to Persson's study. In the summer of 1953, a questionnaire was sent to all self-service stores associated to Hakonbolaget. The purpose was to collect information concerning the investments made when converting to, or alternatively starting, self-service operations.² The survey included questions on the investments made in store interiors, refrigeration and other equipment. In addition, there were questions about the assortment and the size of the stores both in terms of turnover, floor space, and number of employees.³

The results concerning the size of the investments indicated that a conversion almost without exception required less investments than did a new establishment. Possibly, this could be explained by differences in the size of the stores, and by the fact that previously held equipment might have been ascribed low values or left out entirely. The latter was supported by large differences in the investments made in other equipment (scales, lighting fixtures etc.) which was held to be relatively easy to re-use in a converted store.⁴

Some figures concerning the investments made when establishing or converting to a self-service store are provided in Table 7-12. When relating the investments to the turnover of the stores, Persson found an expected correlation (due to the planning of the stores being based on expected future turnover). However, the observed correlation could only explain a small part of the variation in the size of the investments. Concerning the correlation between the investments and the size of the store in m², the results were mixed and Persson concluded that it seemed to be possible to vary the investments for store interiors, and that these opportunities had been used to keep the investments for larger stores down. Finally, he put the investments in relation to the year they were made. This showed that the investments tended to grow over time. The investments made in stores established or converted in 1951 and 1952 were thus larger than those made in 1950.

Persson summarised the investigation about investments for starting a self-service store by stressing the great variation in investments. To some extent this could be related to differences between establishing and converting, and to different turnovers. Still, a large variation remained which only to a very small extent could be explained by the size of the store-facilities, the construction year and the assortment of the stores.⁵

¹ Lars Persson. *Självbetjäningsbutiker kontra...*, 1955, pp.54-55.

² *Ibid.*, p.56.

³ *Ibid.*, appendix B2.

⁴ *Ibid.*, pp.57-58.

⁵ *Ibid.*, p.74.

Table 7-12. Investments in self-service stores. Source: Lars Persson, *Självbetjäningsbutiker kontra...*, 1955, pp.58-59.

Type	Fully assorted (average SEK)	All stores (average SEK)	Largest (SEK)	Smallest (SEK)
Establishment	50,900	46,200	78,000	14,000
Conversion	32,500	28,300	62,500	12,500

Persson suggested that it would be interesting to compare newly established traditional stores with self-service stores. Alas, this was not practicable:

During recent years, very few stores have been built for traditional service in the size-groups which are of interest here.

Lars Persson, 1955, p.75.

A major conclusion from the investigation was that no positive effect on profitability could be detected for self-service as compared to traditional stores at annual turnovers below SEK 500,000 (a size which was by far the most common among the Hakon retailers). Given this, it is interesting to note that self-service apparently already had become the norm for new establishments among the Hakon retailers.

Summary: self-service stores and traditional stores

The study performed by Lars Persson informs of the efforts made by Hakonbolaget to become knowledgeable as to how retail operations should be organised. The accounting centre, which had been given responsibility for these issues in 1949, actively participated in collecting and selecting data for the study.

The results obtained by Persson give some insight into the kind of representations of retail operations available to Hakonbolaget. Thus, in 1955, there was "scientific" support for a link between high turnover and high profits among the Hakon retailers. Moreover, the profitability of large self-service stores was higher than for large traditional stores. For stores with lower turnover, self-service was not worse than traditional stores (at least not in a statistically significant sense). Since a conversion to self-service in addition might lead to turnover growth, it was thus possible to set up a chain of arguments for converting to self-service... Such a conversion would not even have to cost very much. It was possible to convert to self-service with less than SEK 15,000 in investments.

Some final remarks about the rationalisation of retail operations

As I noted in the beginning of this chapter, there is a lack of primary sources on retail operations within the Hakon group. Largely, the retailers are silent; if not called upon by ICA Tidningen or Hakonbolaget to speak on selected issues, that is. To an extent, this mirrors the silence of the goods, the warehouses, and the various material aids that were

part of the accounts given in the previous chapters. Still, the silence of the retailers might be perceived as a more serious caveat, given that they 'should' be a group capable of making their voices heard. Yet, in my account the retailers constitute a group that is re-presented, rather than a group that re-presents. This has made my account less coherent and lacking of the kind of plot found in the previous two chapters.

This is not simply a methodological drawback, however. It is also an empirical finding. The fact that I have been able to account in some way for the efforts to rationalise retail operations within the Hakon group, despite the absence of primary retail sources, implies that someone was making efforts to re-present the retailers. There were two major sources of these re-presentations: ICA Tidningen and the managers of Hakonbolaget.

For the managers of Hakonbolaget, the need to re-present its associated retailers was very pronounced as they linked Hakonbolaget's performance to theirs. There was a need to increase control over retail operations in order to reduce the financial risks of the company, as well as to secure its future profitability.

But to engage in these activities, securing new locations, providing financial support, supplying new equipment, providing accounting services, etc. was not without complications. Considerable resources were required; resources that were not always available. Further, the retailers had to provide support to these activities; they had to play along, at least to some extent. It seems that the primary difficulty in this respect was not those retailers directly concerned, e.g., a prospective new owner of a self-service store, but rather all the others, who (maybe?) stood to lose from the new store being set up. Since "the common weal" was said to be central to the Hakon group in other respects, it might have been difficult for the managers to press on without losing credibility. Thus, despite the fact that the managers seem to have had a relatively clear idea as to the direction in which they wanted to move, it was difficult to move very rapidly.

Largely, the efforts of ICA Tidningen can be seen in the light of a need to speed things up. By informing the retailers of the new ideas and how to apply them, as well as of how the consumers perceived them, ICA Tidningen provided a positive view of retail rationalisation. Self-service *does* lead to efficiency gains, see for yourselves what the housewives and the retailers who have tried it say...

Epilogue

So what?

Although my account does not explain the structural rationalisation that took place within ICA during the 1960s and 1970s (referred to in the Prologue), it does offer a view of how solutions may rise to pre-eminence. It also underscores the work needed to achieve this.

The solutions to the three specific problems that Hakonbolaget addressed – the customer contact problem, wholesale efficiency and retail development – formed a ‘model for modern food distribution’ that guided ICA’s activities during the structural rationalisation of Swedish food distribution. A model in which ICA retailers operate all-round, self-served food stores, co-operate with their own purchasing centre, order their goods in writing without costly sales activities, and receive deliveries from a distribution centre whose one-storey design is adapted to a rational work organisation.

The Hakon-deal sought to increase purchasing fidelity and lower distribution costs through a more intimate co-operation between Hakonbolaget and the associated retailers. It was subsequently adopted, first by Nordsvenska in 1949.ⁱ In connection with the creation of a national ICA-retail chain in the early 1960s, the other two purchasing centres, Eol and SV, also introduced written orders, progressive bonuses and membership.ⁱⁱ Throughout the structural rationalisation, purchasing fidelity and increased integration of wholesale and retail operations remained important for Hakonbolaget and ICA.

The most important task for the Distribution Centre is to cover the stores’ needs for goods. Today - 1979 – the retailers on average buy 70 percent of all their goods from their own distribution centre.

Så får ICA-butiken sina varor, ICA Förbundet, 1979.

ⁱ ICA Tidningen 1949:7-8, p.10.

ⁱⁱ ICA Tidningen, 1960:7-8, pp.27-28; and Ragnar Allberg, *Så gick det till*, 1976.

Compared to the average purchasing fidelity of 41.5% indicated for five Hakon stores in 1950, it seems that the ICA retailers significantly increased their purchasing fidelity.¹

As a result of the efforts made within wholesaling, Hakonbolaget was able to formulate a normative model for warehouse work. Subsequently, this model was used as a basis for constructing the new one-storey warehouse in Västerås. From then on, no more multiple storey warehouses were built by Hakonbolaget. Instead, the wholesale structure underwent a complete overhaul during the 1960s.

Early in 1973, the operations at the affiliate office in Gällivare was discontinued. This was the final stage of the long-term plan for structural change of our DC-net, that was laid down at the annual meeting in 1962 and which was revised in connection with the merger with Nordsvenska Köpmanna AB in 1965. In September 1972, the new distribution centres in Luleå and Uppsala were taken into operation. With these additions, there are now 12 one-storey warehouses with a total warehouse space of 160,000 m²...

ICA Hakon AB, Annual Report 1972, p.17.

During the period 1958-1973, 34 wholesale units were closed and 17 were built. (5 units were both built and closed.) The oldest of the 12 units that remained in 1973 was the enlarged (in 1966) Hakonshus in Västerås. The next time that ICA Hakon (Hakonbolaget changed its name in 1972) closed a distribution centre was in 1991 – 18 years later – when the DC in Sundsvall was closed. This seeming stability (additions were made to several units) stands in stark contrast to the development during the previous 25 years.

Was this a more efficient wholesale structure?

The number of co-workers at different points in time is an expression of the effect of rationalisation. In the annual report for 1946 the number of employees was said to be 1,412 and the sales MSEK 141.8. Twenty years later – the operations in 1966 – the corresponding figures were 1.434 and MSEK 748. Among the staff at the later point were 147 co-workers who dealt with the new task of packing and pricing cheese, fruit and vegetables for the ICA stores.

The wage-cost in percent of the sales for 1946 was 4.5 and for 1966, 4.2.

Nils-Erik Wirsäll, 1967, pp.279-282.

Of course, the choice of metric is crucial to an evaluation of rationalisation efforts. In the excerpt, Nils-Erik Wirsäll uses a metric that reflects the cost of human labour (something that Hakonbolaget explicitly sought to reduce during the period). Figure E-1, below, suggests that the development of the wage-cost / sales ratio is far from a clear indication of the positive effects of the chosen solutions. Rather than a clear trend towards lower relative costs, there is considerable continuity, with temporary ups and downs. However, there seems to be a trend towards lower costs in the development of wages for other areas than warehouse work.

¹ The included retailers were: AB Kolsva Handel (27.95%); Sven Ingarv, Sättrabrunn (41.64%); Åke Kronvall, Västerås (32.33%); Arvid Sjögren, Västerås (75.72%); and Axel Granath, Västerås (29.65%). Source: Tables found among the material made available to me by Nils-Erik Wirsäll.

Concerning the associated retailers and their stores, there are three observations to make. First, the ICA retailers were able to recover from the loss of market share that they experienced during the 1950s. In this sense, then, ICA was successful in retailing.

In 1970, ICA officially characterised the development in the following way:

Besides political measures concerning retail location, the retail trade has faced the increasing demands on its performance primarily by changing over to self-service. Large savings on staff has been made possible. Without these, the increase in prices would have been considerably more marked. At the same time, one cannot disregard that a certain amount of work has been transferred to the consumers. But these have obviously been willing to take on this work. A contributing factor has surely been that the often annoying waiting-times in the stores have been, if not neutralised, so at least reduced. Today, more than 85% of the sales within ICA takes place according to the self-service system.

Another way to master the costs and face the rapid development of the assortment is a successive change-over to ever larger stores. At the end of 1969, the supermarket type of store (turnover above MSEK 3) represented approximately 1/3 of Swedish food retail trade.

ICA - en orientering (ICA - an overview), ICA Föbundet, 1970, p.25.

Second, then, self-service came to completely dominate retail sales within ICA. By 1960, 765 out of 3959 Hakon stores were reported to be self-served. For ICA as a whole, the self-served stores then accounted for 33% of the total retail turnover. In 1965, 45.6% of the ICA stores were said to be self-served, together accounting for 72% of ICA's total retail turnover.¹ In the annual reports of Hakonbolaget, figures concerning self-service are presented until 1965. From that point on, despite the fact that more than 50% of the stores still were manually served, there is no mention of the change-over to self-service. Rather, the comments concern the number of closures and establishments of retail stores. The store format no longer seems to have been an issue.

Third, there is an interesting twist to the development that has to do with the speed at which changes are implemented. On several occasions in the account the Consumer Co-

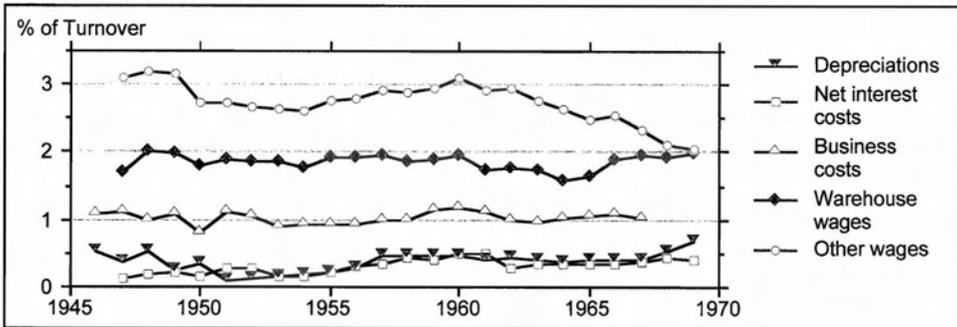


Figure E-1. The development of cost/sales ratios for Hakonbolaget 1946-1969. Sources: Annual reports.

¹ ICA Tidningen, 1966:10, p.23.

operation was said to be in a better position than the private retailers to access new locations. In Chapter 4, Nils-Erik Wirsäll was reported to have complained about this preferential treatment during a discussion as SSE. In Chapter 7, it was a recurrent theme.

Available statistics about the structural development of Swedish food retail trade from 1950 to 1975 suggest that the Consumer Co-operation *was* faster both in establishing self-service stores and in closing down small stores. The pace at which these changes took place among the retailers associated with Hakonbolaget (from 1964 known as ICA-retailers) was much more modest, and as a group, the retailers also lost market shares during the 1950s and early 1960s. The efforts of Hakonbolaget reported in Chapter 7 can also be seen in this light: as attempts to increase their control over retail development.

By the mid-1970s however, the tide had turned. By then, the “death of rural Sweden” was becoming a serious social problem. A problem epitomised by the structural rationalisation of Swedish food retail trade during the past 15 years with its resulting “store-death.” In the public investigation *Samhället och Distributionen* (Society and goods distribution), published in 1975, this was a major theme:

The investigation has found that many people have ever more unsatisfactory purchasing possibilities due to the closure of food retail stores, to new stores being located with motorised customers in mind, or to desirable new establishments not having been realised at all. This has in a particularly high degree hurt customers who are dependent on having a food retail store near their home, particularly the elderly and others with poor resources in various respects, which applies, e.g., to large shares of the rural population. A continued concentration of the store net, with fewer supply-points as a result, would mean that ever larger groups of households will be put in this situation. The social policies in the area of goods distribution should therefore primarily aim to hinder a development towards a marked large-store structure.

Samhället och Distributionen, SOU 1975:69, p.247-248. Italics original.

Having struggled hard for 25 years to achieve a more rational retail trade, with fewer and larger stores, ICA now had a clear advantage:

There are ICA-retailers in every local county, in all municipalities, and in an abundance in scarcely populated areas. (We have 1,425 retailers there.) If we compare with the Consumer Co-operation, which also operates across the whole of Sweden, there were 1.3 ICA-stores to each Konsum-store in 1955. In 1975, the corresponding figure was 2 ICA-stores to 1 Konsum-store. We see this as illustrating the strength in our fundamental principles of operation. The figures could also motivate comments as to who – the ICA-retailers or the Consumer Co-operation – has shown the greatest willingness and ability to offer nearby service in rural and less densely populated areas. But I will refrain from developing that question – for the answer is obvious.

Nils-Erik Wirsäll, Managing director of ICA. Speech at the annual convention of the ICA Association, June 8, 1977.

The yardstick had changed. What was considered a serious problem – the great number of small stores – had become an advantage.

Part III
Organising a business
enterprise

Introduction

How can attempts to organise a business enterprise be conceptualised? How is it possible to give direction to (intervene in) a business enterprise? As I argued in the introductory chapter, these questions are closely connected to the problem of social ordering. In this final part of the thesis, I develop a conceptual vocabulary that purports to increase our understanding of organising (or social ordering).¹

To generate this vocabulary, an epistemological break is made with the actor level of the empirical account. This break will be beneficial to the construction of a conceptual vocabulary since it allows the use of previous insights concerning organising. A first important such insight is John Law's suggestion that organising fundamentally can be thought of as being concerned with the problem of social order.² Or rather, with the problem of *sociotechnical ordering* in an emergent and materially heterogeneous world.

The resulting vocabulary is heavily influenced by the work within the sociology of science and technology during the past 20 years. My ambition is to add to a wider use of these ideas in business studies, particularly to what might be called the Sociology of Industry, to use Claes-Fredrik Helgesson's phrase.³ With relatively few exceptions, the theoretical ideas that I rely on have been used for the study of material- and machine-based technologies.⁴ My empirical account focuses on a business enterprise, goods distribution, and the efforts made to organise it. This makes it different from most other applications of these ideas. Technologies of organising are typically mixtures of traditional technologies and "social technologies" (having their origins within social science, e.g., business administration, economics, sociology, etc.). Irrespective of composition, these technologies aim ultimately at changes in human behaviour, as do all technologies.

In Chapter 9, I call on the conceptual vocabulary to supply answers to five questions about Hakonbolaget's efforts to rationalise goods distribution as reported in the Part II. Finally, in Chapter 10, I discuss the contributions of the present study to research on goods distribution as well as to the sociology of science, technology and industry.

¹ My vocabulary thus resembles a set of *ideal-typical* constructs. It follows that an evaluation of its merits has to await application to empirical phenomena: "*whether* we are dealing simply with a conceptual game or with a scientifically fruitful method of conceptualisation and *theory*-construction can never be decided *a priori*. Here, too, there is only one criterion, namely, that of success in revealing concrete cultural phenomena in their interdependence, their causal conditions and their *significance*. The construction of abstract ideal-types recommends itself not as an end but as a *means*." (Max Weber, *The Methodology of the Social Sciences*, 1949 [1922], p.92).

² See, John Law, *Organizing Modernity*, 1994. Another source of inspiration is Karl Weick (*The Social Psychology of Organizing*, 1979) whose concern for micro-processes, organising, *inter*-action, and enactment, I share. A major difference is the potential role I ascribe to materials, to technology, to science, etc.

³ Claes-Fredrik Helgesson, *Making a...*, 1999, p.324.

⁴ This is pointed out by Trevor Pinch, Malcolm Ashmore and Michael Mulkey (*Technology, Testing, Text*, 1992) whose study also is an exception to the rule.

Chapter 8

A conceptual model of organising

This study rests on the assumption that society is constituted through a recursive process of interdefinition. This means that there is no recourse to structure; change processes undergo something of a gestalt-switch and become attempts to stabilise; stability rather than change needs explanation. When it comes to organising (or social ordering), we must explain how it is possible to stabilise the process of interdefinition and achieve concerted action in a certain direction. The present chapter proposes a vocabulary for addressing this issue. A vocabulary for talking about organising.

The vocabulary suggests that the process of interdefinition can be seen as an endless series of overlapping sociotechnical situations. These situations are sets of interactions through which entities are configured, and competences and performances are distributed. Each acting entity, or actant, defines its own situations. Such definitions are called frames. To engage in framing is to attempt to realise a situation as defined by a frame. For this, the actant must enrol and control others. But these others will translate whatever the actant does, says or gives to them according to their own interests or goals. They will also to a greater or lesser extent be recognised as participants in other situations, thus making the world outside be present. Any attempt to frame a situation becomes subject to overflowing, effects of associations which transgress the borders of the frame. To stabilise a situation, an actant must constantly identify and contain (dismiss/suppress) overflows.

Starting point: Generalised embeddedness

In the introductory chapter, I characterised explanations of the problem of social order in terms of their degree of socialisation and materialisation. The embeddedness position

proposed by Mark Granovetter was found to avoid the pitfalls of over- and under-socialisation by recognising that both the individual relations to others and the wider structure of the network affect the goals and utility functions of the actors, as well as the information available to them.¹ Its major caveat was said to be under-materialisation; it is exclusively concerned with interaction between humans and maintains that only continuous interaction (or recognition of existing relations) will maintain order.

Having adopted an ontological assumption of material heterogeneity, explanations to the problem of social order must also avoid over- and under-materialisation. To this end, the embeddedness concept has to be expanded, generalised. My starting point when devising a vocabulary for talking about organising is thus an assumption of *generalised embeddedness*. By this, I mean that all entities are “caught up in a network of relations, in a flow of intermediaries which circulate, connect, link, and reconstitute identities.”²

8.1. Sociotechnical situations

What should be the basic unit of analysis in this world? How can the continuous stream of events be dissected? I suggest that the embedded and recurrent social process consists of an endless series of partially overlapping *sociotechnical situations*. In these situations, entities are configured and competences and performances are distributed among them through a process of interdefinition.³ A sociotechnical situation is thus made up of set of interactions. The temporal, spatial and content boundaries of such a situation cannot be objectively defined; they are constituted and imposed by the participating entities. Some examples of sociotechnical situations are: buying a cup of coffee in the cafeteria (the exchange of a good), an engineer working on a design at his drawing table, two friends meeting in the street (a social encounter), driving a car, a running production plant, etc.

The process of interdefinition

The negotiations concerning how to distribute competences and performances in a sociotechnical situation may be thought of as a *process of interdefinition*.⁴ In this process, *entities prescribe* certain performances for others, and to varying degrees *subscribe* to the

¹ Mark Granovetter's (*Problems of Explanation in Economic Sociology*, 1992, p.33) use of embeddedness “refers to the fact that economic action and outcomes, like all social action and outcomes, are affected by actors' dyadic (pair-wise) relations and by the structure of the overall network of relations.”

² Michel Callon, (ed.), *The Laws of the Markets*, 1998a, p.17.

³ This is akin to a *sociotechnical setting* which Madeleine Akrich and Bruno Latour (*A Summary of a Convenient Vocabulary for the Semiotics of Human and Nonhuman Assemblies*, 1992, p.259) define as: “assemblies of humans and nonhuman actants where the competences and performances are distributed...”

⁴ Confer John Law, *Organizing modernity*, 1994, pp.14-16.

performances others prescribe for them.¹ (In some cases entities may be thought of as making prescriptions for themselves, e.g., me prescribing a program of action for myself.)² This process must at least involve a double interact,³ but it may well involve a series of such interacts. The entities involved in these situations are defined by each other (hence the term *interdefinition*). Human individuals, collectives, man-made artefacts, naturally occurring entities, or combinations of these, can be entities. A central aspect of the process of interdefinition is that interaction gives rise to *translation*.⁴ Whatever is exchanged during interaction (a token, command, good, etc.) is transformed 'in the hands of' the receiving entity (which is transformed as well).

I will refer to the prescriptions made as constituting *programs of action*.⁵ This is my symmetrical term for what is often referred to as a *role* in social settings. It corresponds in a similar way to the term *function* as used in technical settings. In a social situation, an actor can be thought of as a human assuming a relevant role; in a technical situation, a component (or subsystem) can be thought of as an artefact that performs a relevant function. In a sociotechnical situation, *an actant is an entity recognised as having a program of action relevant for the situation*. Actant is thus my term for an acting entity.⁶

Let me illustrate with a brief example – me trying to sit on a wobbly chair. This situation started out with two entities attempting to award actant status to each other, the chair and I. The chair failed to subscribe to the program of action I prescribed (provide support as I sat down). Likewise, I failed to subscribe to the program of action prescribed by the chair (press your feet on the floor to keep the balance). The entity I originally had recognised as a chair now turned into an assembly of entities (a seat, a back and four legs). It seemed to me that one of these entities (the left back-leg) made the chair

¹ The terms are from Madeleine Akrich and Bruno Latour, *A Summary...*, 1992, p.261.

² The fact that I do, will not be decisive for the situation, or even for how I end up acting in it. I will be one of many making prescriptions. What program I end up performing will still be a negotiated outcome.

³ Karl Weick (*The Social Psychology of Organizing*, 1979, p.89) uses the term *interacts* to refer to the contingencies that make individual behaviours interlock with the behaviours of others. Weick argues that the basic unit of analysis in organising is the *double interact*, a pattern "in which an action by actor A evokes a specific response in actor B, which is then responded to by actor A."

⁴ The notion of *translation* has been given a large number of definitions. At least three ideas have been linked to it: i) that the spread of anything in time and space requires the assistance of others; ii) that whatever is spread is transformed at each move; and iii) that the creation of an association between two entities results in a displacement of their goals or interests. Michel Callon (*Some elements of a sociology of translation*, 1986) has defined the *process of translation* as the negotiation and delimitation of actor identities, possibilities of interaction and margins of manoeuvre. Michel Callon and John Law (*On the Construction of Sociotechnical Networks*, 1989) have defined it as the work of proposing and realising associations; and Bruno Latour (*Science in action*, 1987, p.108) has defined it as "the interpretation given by the fact-builders of their interests and that of the people they enrol." Bruno Latour (*Pandora's hope*, 1999) has also referred to *Chains of translations* as "the work through which actors modify, displace, and translate their various and contradictory interests."

⁵ Confer Bruno Latour, *On Technical Mediation*, 1994.

unsteady. At this point, I brought a new entity into the situation. I placed a book, *Aramis, or the love of technology*, under the limping leg, thus *prescribing* a program of action from it (support the leg). The entity (which to me was a book) *subscribed* to this program (it supported the leg) with a slight modification (the chair still wobbled a bit). At this point, rather than turning to another book with a similar prescription, I modified my original prescription by subscribing to that made by Aramis (allow for a slight wobble). Now, the situation turned back into the original one. Almost. The situation was back to two entities attempting to award actant status to each other. But now, the involved entities were the chair+book and I. Thus, well in place, the Aramis-book was no longer a separate entity – it was part of a new entity with which I was negotiating. This time both entities subscribed to the programs of action prescribed by the other (I was able to sit down on the chair).

The character of entities

How are entities, including acting ones, conceived of as part of sociotechnical situations? The view taken here differs from that found in traditional sociological accounts and business studies. The starting point is that entities result from the process of interdefinition; entities are defined by the entities themselves (however difficult this stance is in principle, it seldom makes for trouble in practice). In this section, I present some consequences of this stance. Appendix 1 overviews various sociological approaches to actors, actorship, agents and agency, and spells out the reasons why they are untenable from my position.

Entities have no essence, only relational characteristics

The example of the chair, Aramis and myself suggests that the characteristics of entities are *relational* (or situational).¹ An entity acquires characteristics in relation to others, it is nothing *in itself*.² Thus, in a situation involving a potential reader, *Aramis, or the love of*

⁶ The term actant has been defined by Bruno Latour (*ibid.*, p.7) as “any entity that acts in a plot, before we attribute it some figurative role”.

¹ Håkan Håkansson and Ivan Snehota (*Developing Relationships in Business Networks*, 1995) make a similar suggestion, arguing that actorship derives from the “identity” acquired in interaction with others, rather than pre-existing clear-cut goals (or purposes).

² This resembles (under material heterogeneity) the process of *psychological symbiosis* discussed by Rom Harré, David Clarke and Nicola De Carlo (*Motives and Mechanisms*, 1985, p.28-29). In such a process “one person provides those mental skills that another, dependent person lacks. [like] a computer, which sends ‘orders’ to some distant sensing and effector devices, and at the same time collects information from them. There is a dialogue between the two, and the computer affects the remote station and is in turn affected by it. The fact that the control apparatus for both parts of the dialogue is predominantly located at the computer’s end must not obscure the fact that the sensor is only itself in relation to an extra-systemic reality. ... a device sensitive to X-rays is defined only for an environment in which there are such things. [This applies] directly to the psychological symbiosis between a speaking mother and inarticulate infant.”

technology might be a book (at this point leaving the question of its quality aside), whereas, in a situation involving a wobbly chair, it might be a potential support to that chair.

I assume that the overall characterisation of an entity results from its performances during previous trials (situations).¹ In hindsight, others explain an entity's previous performance by *ascribing*² characteristics to it. Ascription, then, is a secondary process. To me, besides being *solid* enough to support a chairleg, Aramis is a *good* book (which explains its being a source of inspiration and nice quotations). The highly critical review of Aramis by Judith Weissman suggests that actants may differ considerably in their views of what an entity "is" – nonsense vs. a good book.³ If our views of an entity depend on our knowledge of its previous performances, it is difficult to argue that one such view is "right" and another one "wrong."⁴

On the basis of previous performances and unaware of any differences in opinion, an actant may come to regard an entity as having an essence – it is no longer simply a score-list, but an entity with certain qualities (e.g., a good, amusing, dense book).⁵ These qualities are ascribed to the entity in a more or less generalised form; the entity now 'has' this quality. This makes the entity a potential participant in many different situations. In addition, others will characterise an entity on the basis of different trials, and thus ascribe other qualities to the entity. In all, a given entity will be ascribed several qualities, and will consequently be defined as a potential participant in a wide variety of situations. The outcomes of future situations will alter (increase or narrow down the applicability of) an actant's characterisation (e.g., Aramis is not a good book when reading to my children).

Entities are outcomes of sociotechnical situations

The example above also suggests that what becomes an entity is an outcome of the process of interdefinition in sociotechnical situations.⁶ Entities are actively realised rather than

¹ Confer Latour's (*Science in...*, 1987, p.89) discussion of "essences" as the result of retrospective attributions of competences explaining observed performances. "At the beginning of its definition the 'thing' is a *score list* for a series of trials. ... each performance presupposes a competence which retrospectively explains why the hero withstood all the ordeals. The hero is no longer a score list of actions; he, she or it is an essence slowly unveiled through each of his, her or its manifestations."

² The term has been suggested by Madeleine Akrich and Bruno Latour (*A Summary of...*, 1992, p.262) who characterise it as a secondary mechanism, an "attribution process through which the origin of the activity of the setting is finally decided in the setting itself".

³ Judith Weissman, *Contemptus Mundi in Cyberspace*, 1997.

⁴ Mark Granovetter (*Problems of Explanation...*, 1992, p.43) has noted the importance of subjective definitions in economic activity: "Standard economic analysis neglects the identity and past relations of individual transactors, but rational individuals know better, relying on their knowledge of these relations. They are less interested in *general* reputations than in whether a particular other may be expected to deal honestly with *them*, which they infer from their own past dealings with the other."

⁵ Confer Bruno Latour, *Science in...*, 1987, p.89.

⁶ This *recursive process of interdefinition* was discussed in Chapter 2 as part of my ontological stance. Why choose such a cumbersome label? Interdefinition – because all (temporary stabilised) elements can be

objectively existing.¹ They re-present *collectifs*, heterogeneous networks of associated materials.² The combination chair+book was the relevant entity with which I was able to successfully negotiate. The fact that this entity had been a set of entities only moments before is irrelevant. If I should remove one of its components, it would no longer subscribe to my prescription. Thus, the new entity must be kept together.³

Recognising an entity means that internal relations are temporarily suppressed. This is the whole point of regarding something as an entity. The recognition of a sociotechnical collectif as an entity depends on the situation and the point of view.⁴ Entities are stable only as long as they perform as others expect them to. When they do not, the *collectifs* which make them up become clearly visible, as in the case of the wobbly chair.⁵ In this sense, entities are both points and networks.

An actant is an entity awarded a program of action

The relational conception of entities means that actorship cannot be viewed as an inherent quality. Rather, it is something that other entities award. Borrowing a phrase from Bruno Latour, awarding actorship amounts to recognising entities as having a specific “program of action” relevant for the situation.⁶ When we speak of individual humans, we tend to call such programs ‘intentions’, ‘goals’, or ‘roles’; when speaking of things, we tend to call them ‘functions’.

viewed as implicitly or explicitly recognising and placing requirements on other elements with which they inter-act. Process – because the social is viewed as an outcome, and so are actors, objects, and relations. Recursive – because nothing is recognised beyond the process, it has no driver, it is self-generating. See John Law, *Organising modernity*, 1994, pp.14-16.

¹ For a discussion of the problems created by the individual-society division and the merits of replacing it with a conception of the social as a materially heterogeneous network, in which entities are viewed as temporary stabilisations, see John Law and Michel Callon (*Agency and the Hybrid Collectif*, 1995, and *After the Individual in Society: Lessons on Collectivity from Science, Technology and Society*, 1997).

² As Michel Callon and John Law (*Agency and...*, 1995, p.485) put it: “Ce n’est pas du tout un ensemble de personnes déjà-là et qui décident de se lier par une organisation commune. ... Nous formons un collectif au nom duquel nous agissons. (It is not at all an ensemble of persons already there and who decide to join in a common organisation. ... We form a collectif in whose name we act.)

³ Actually, due to the previous performance of Aramis as a source of inspiration, I soon broke up the new entity. The next time I prescribed the program “act as a source of inspiration” to it, I discovered that it did not subscribe to both programs of action simultaneously (I couldn’t turn the pages when the chairleg was on top of the book). Thus I now use a pile of papers instead, including Weissman’s review.

⁴ The degree to which what a designer intends to be regarded as an entity actually is regarded as one, depends on the entity which is regarding it and on the situation in which it is regarded. Entities become maximally enduring when taken out of context and placed, e.g., in a museum. Bruno Latour (*Aramis, or...*, 1996) has suggested that this is one of the few situations in which we can actually speak of *objects* in the sense of stable unchanging things-in-themselves.

⁵ The point about temporary stabilisations has been nicely made by Claes-Fredrik Helgesson (*Making a Natural Monopoly*, 1999) in his account of the construction of the telephone system in Stockholm in the early 1900s.

⁶ Bruno Latour, *On technical...*, 1994, p.8.

Would 'actor' be a good term for such entities? Much has been written about actors and actorship, but these terms generally have been associated with humans (see the overview in Appendix A). To get rid of these connotations, I use the term *actant* to denote an acting entity.¹ An actant is thus a temporarily stabilised entity to which another entity prescribes a program of action. This places no limit on the material status of acting entities. It allows us to redress the under-materialised analysis of organising by redistributing actions to many more entities than in traditional sociological accounts. In short, it allows for acting entities with *variable geometries*.²

Summary: entities and actants

In the proposed vocabulary, entities are seen as being kept together. They result from the process of interdefinition in sociotechnical situations and are characterised by others on the basis of their performances in such situations. If an entity fails to perform as expected, the collectif that makes it up becomes visible.

Acting entities result from the prescriptions made by others. Typically, a collectif which is performed as an entity and awarded actor status is a combination of human and non-human parts (which are combinations of...). The *actant* is a temporarily stabilised entity subscribing to a program of action prescribed in a sociotechnical situation. There are two important consequences of this definition: first, actants have *variable geometries*, they have no predetermined essence and may take on any shape or form; second, entities continuously switch 'gestalt' depending on the situations they are defined as part of.³

I want to stress that the purpose of the view taken here is analytical. The possibility of considering non-humans as acting entities does not mean that things have intentionality nor that humans are mechanisms. My point is that while humans are not slaves to material circumstances, technology is not a neutral vessel to the will of man. Associations between humans and non-humans affect both in important ways. There are no stable entities; entities are outcomes and their characteristics change. The terms human and non-human are

¹ This neologism, which has been suggested by Bruno Latour, seems to me to be the best term available. The term is borrowed from semiotics and Latour (*On technical...*, 1994, p.7) says that it "describes any entity that acts in a plot, before we attribute to it some figurative role – as in the case of the citizen – or some non-figurative role – as in the case of the gun." An alternative definition of *actant* offered by Latour (*Science in...*, 1987, p.83-84) is "whoever or whatever is represented" by a spokesperson.

² Bruno Latour, *Aramis, or...*, 1996, p.24-25. The idea of variable actors is central to the markets-as-networks tradition (see, e.g., Björn Axelsson and Geoff Easton (eds.), *Industrial Networks*, 1992). There are accounts of individuals interacting with large multinational firms, with both being accorded actor status. Usually, however, analyses tend to focus on one type of actor, e.g., business firms or individuals within such a firm. Moreover, the variability of actors has been restricted to the human sphere; materials have been regarded either as a separate category, *resources*, or as making up a technological system.

³ Thus, *Aramis* might be a book on a shelf (entity), turn into an actant as I try to figure out the meaning of variable geometries, then be enrolled as a support to a chair (actant) and subsequently become part of a new entity (book+chair). This entity might then dissolve as my daughter Kristina enrolls *Aramis* in making a Christmas card, a situation which threatens to permanently dissolve my particular copy of *Aramis*.

distinctions arising in the social process. Using this vocabulary allows me to avoid “fixing the identity and role of participating elements if these are still being negotiated.”¹

With these remarks concerning the character of entities, I will return to the socio-technical situations and the process of interdefinition. This time, however, from the perspective of an actant attempting to *realise* a specific situation.

8.2. Organising – Attempts to realise sociotechnical situations

An actant can labour to *realise a situation* in a similar way as a designer labours to construct a new product. Such efforts can be undertaken in relation to every kind of socio-technical situation and may take on a variety of forms. In fact, the design of a product is one way of ‘doing this’. Attempts to realise situations defined as involving humans alone, I suggest, are generally referred to as organising. I will use the term *framing* to denote efforts to realise all types of sociotechnical situations.²

Actants that engage in framing ‘act-to-see’ rather than ‘wait-and-see’. Instead of letting situations unfold on their own, ‘awaiting judgement’ in the form of actions undertaken by others, they attempt to realise the situation by influencing these others. This is akin to what Karl Weick has called *enactment*:³ rather than simply arguing about how to

¹ Claes-Fredrik Helgesson, *Making a...*, 1999, p.37.

² Michel Callon (*Actor-network theory – the market test*, 1999) has made similar use of the term, defining it as “an operation used to define individual agents which are clearly distinct and dissociated from each other. It also allows for the definition of objects, goods and merchandise which are perfectly identifiable and can be separated not only from other goods, but also from the actors involved, for example in their conception, production, circulation or use.”

Jonathan Turner (*A Theory of Social Interaction*, 1988) also uses the term *framing* in his eclectic theory of social interaction. Based on Erving Goffman’s work, he suggests two framing processes: *frame-making* and *frame-taking*. The first corresponds to an actor’s emission of signals about the character of the situation, an emission modelled upon frames available in the actor’s stocks of knowledge. Frame-taking (a term akin to G H Mead’s and Ralph Turner’s ideas on role-taking), on the other hand, concerns interpreting the signals emitted by others. Actors interpret these signals and attempt to ‘take’ or assume the frame they perceive others to be asserting. They do so under the “folk assumption” that situations are organised into identifiable frames. This also assumes that a large number of frames is collectively available among the involved actors.

Although I sympathise with Turner’s recognition of the deliberative and interpretative work involved in both signalling and interpreting, I find his eclecticism less appealing. Turner makes use of a large number of concepts and tries to simultaneously distinguish between and link them. E.g., he identifies take/make processes concerning roles (Mead and Turner); frames, rituals, and stages (Goffman), accounts (Garfinkel), and claims (Habermas). Positing that these (none more, none less) are what interaction is about, creates problems of interpretation (is X an instance of claim- or account-making?) and interrelation (how does claim-taking affect frame-taking?). Further, the explication of these concerns as separate processes represents the kind of *à priori* categorisation of activity I want to avoid. Thus, I prefer to allow for all these to emerge as part of the framing process.

³ Karl Weick (*The Social...*, 1979, p.165) offer the following definition of his term: “The notion that reality is a product of social construction does have some connotation of action conveyed by the word *construction*. But this construction is usually thought to involve activities of negotiation between people

interpret a situation, actants *put* things out there, and then argue about them... The character of sociotechnical situations – giving rise to *translations* (see p.457) – has two major consequences for these efforts:

... first it is necessary to *enrol* others so that they believe it, buy it and disseminate it across time and space; second, it is necessary to *control* them so that what they borrow and spread remains more or less the same.

Bruno Latour, 1987, p.121.

The impossibility of predicting with certainty the response of others, and the necessity of their participation, should be born in mind during the discussion of the framing process below. In a subsequent section, I will explicitly address the consequences of this.

Attempting to realise a sociotechnical situation – Framing

Efforts to realise situations are themselves made up of series of sociotechnical situations where entities negotiate the distribution of competences and performances. For example, the meetings held with the local councils of trustees, the closure of the Kopparberg office, and the design of the new goods catalogue, were all part of the efforts to realise the Hakon-deal. From the perspective of an actant trying to realise a particular sociotechnical situation (e.g., the management body of Hakonbolaget), such a series of situations will be regarded as a single endeavour. This actant, the organiser, will have made assumptions concerning the character of the involved entities and how these are to interact. Its efforts purport to translate this vision into a set of sociotechnical relations.

Frame is the term used for such a situational script, which itself is an outcome of a series of sociotechnical situations. A frame is a pre-definition of a sociotechnical situation. It explicates a set of relevant entities, their programs of action, and the associations that (should) exist between them. It also proposes, directly or indirectly, a boundary between the inner realm of the envisaged situation and what is to take place there, and the outside. *Framing* is the process of trying to realise a situation as defined by a frame.

The envisaged result of the framing process is a situation where the relevant entities – none more, none less – *prescribe* certain programs of action to each other, and *subscribe* to the programs being prescribed for them. This requires that the explicated entities are *enrolled*, included and made to contribute. If an included entity is not held to have the necessary characteristics (which depends on the actant's knowledge of its previous performances), it has to be equipped. In some cases, entirely new entities have to be constructed. In addition, entities that are excluded from the frame must be kept out; arrangements must be met which bar these entities from interfering with the activity at hand. The

as to what is out there. Less prominent in these analyses is the idea that people, often alone, actively *put* things out there that they then perceive and negotiate about perceiving. It is this initial implanting of reality that is preserved by the word *enactment*."

actant engaging in framing attempts to make the included entities enact certain associations between themselves, but also attempts to cut off other potential associations. If successful, these efforts will allow the situation to unfold according to frame.

Attempting to realise a situation by creating an entity – Inscription

Efforts to realise a situation can focus on the creation of one entity with which others are to interact, e.g., constructing a new product. This represents a special case of framing. Following Madeleine Akrich, I refer to such an attempt as a process of *inscription*.¹

As does framing, inscription consists of a series of sociotechnical situations (in which entities are making prescriptions and subscriptions). Still, from the perspective of the actant trying to realise the new entity, these situations are part of a single process. An effort to shift action by translating ideas concerning how the entity is to work and how others are to inter-act with it, into technical relations inside an artefact. The vision that the actant is trying to inscribe into the entity is termed a *script*,² and derives from a frame defining the situation in which the entity is to take part. It will be based on assumptions concerning the envisaged situation, e.g., the characteristics of other involved entities (e.g., users). However, no efforts are made to directly alter the characteristics of these entities.³

The difference between inscription and framing *is not* a material one. That is, both framing and inscription applies to humans as well as non-humans (in many cases, to combinations of the two). Thus, an important part of the realisation of the Hakon-deal (framing) was the creation of telephone contact-men (inscription).⁴ Both the overall process of realising the Hakon-deal and the particular efforts to realise the telephone contact-men involved human and non-human entities (e.g., salesmen, mailboxes, telephones, written instructions, order forms, goods catalogues, etc.).

Frames define sociotechnical situations

What is the character of the frames, or situational scripts, that define sociotechnical situations? How are they formed? Who has them? The basic idea is that frames are definitions of sociotechnical situations whose ‘location’, ‘material status’ and ‘articulation’ varies.

¹ Madeleine Akrich, *The De-Description of Technical Objects*, 1992.

² *Ibid.*, p.208.

³ Since entities place requirements on those with which they interact, inscription indirectly alters the others. Confer the notion of *user configuration* (Steve Woolgar and Keith Grint, *The Machine at work*, 1997.)

⁴ Whether an actant will use inscription in its efforts to realise a particular situation depends on how it characterises the relevant entities. Some entities may be considered docile enough not to require any particular efforts to ensure enrolment; they will simply be prescribed programs of action in the situation (e.g., the telephones that were used by the telephone contact-men at the district offices). In other cases, the actant might characterise the entity as requiring a more complete inscription of the frame (e.g., providing the telephone contact-men with reasons why they shouldn't primarily sell during their calls to the retailers).

It is not uncommon to use the term *frame of reference*, or simply *frame*, to imply a cognitive structure by which actors allegedly interpret the world. This idea is central to Erving Goffman's phenomenologically inspired exploration of the social reality of everyday life.¹ Besides Goffman's work, there are several current social science traditions that make similar use of the term.² The general idea (possibly also the origin) of the term can be found in Gregory Bateson's work on animals at play:

I saw two young monkeys *playing*, i.e. engaged in an interactive sequence of which the unit actions or signals were similar to but not the same as those of combat. It was evident, even to the human observer, that the sequence as a whole was not combat, and evident to the human observer that to the participant monkeys this was 'not combat'.

Gregory Bateson, 1973 (1955), p.152.

The monkeys were playing. Still, their behaviour was conspicuously alike how they would have acted and reacted, had they acted in earnest. This led Bateson to conclude that their behaviour was "framed" as play. There was something about the situation that told the animals that 'what was going on' was not 'what appeared to be going on', but something else, namely play. This idea that different frames offer different interpretations of the situation at hand is a recurrent theme in most uses of the term.

¹ See Erving Goffman, *Frame Analysis*, 1986 (1974). *Phenomenological* is used here in the loose sense suggested by Natanson (*A Study in Philosophy and the Social Sciences*, 1963) denoting approaches to social science based on inquiries into the subjective meaning of social action for participants in that action. Goffman sought to isolate "some of the basic frameworks of understanding available in our society for making sense out of events" (*ibid.* p.10).

Goffman refers to Gregory Bateson's "very useful article" (*A theory of Play and Fantasy*, 1973 (1955)) as the source for his use of the term "frame". Similar lines of thought can also be found in the writings of Alfred Schutz (*Collected papers I: The problem of social reality*, 1962, p.33), who speaks of frames of constructs that are taken for granted by the actor and from which "particular sets of elements stand out which are clearly and distinctly determinable", and Mary Douglas (*Purity and Danger*, 1966, p.62-63), who speaks of rituals as providing frames that "shut in desired themes or shut out intruding ones." Goffman's work has also been a source of inspiration for the *theory of structuration* suggested by Anthony Giddens (*The constitution of Society*, 1984) and to the *theory of social interaction* suggested by Jonathan Turner (*A Theory of Social Interaction*, 1988).

²The terms *frame* and *framing* have been used within organisation studies (often very loosely and without specific reference as to their origins), denoting cognitive structures (tacitly) held by members of a group. For example, Donald Schön (*The Reflective Practitioner*, 1983, p.309) speaks of professionals holding frames that "determine strategies of attention and thereby set the direction in which they will try to change the situation"; Gareth Morgan (*Images of Organizations*, 1986) uses the term to imply, I gather, the use of a theory (metaphor) to analyse a certain (practical) situation; Sten Jönsson (*Frame Shifting, Sense Making and Accounting*, 1987) speaks of actors involved in efforts at reorganising as "shifting frames of reference" to make sense of the processes they initiate and participate in. All three refer to Goffman (Schön and Morgan to Bateson as well), but not concerning *frame*. The metaphoric use of the term *frame* is also suggested by Bjørn Hennestad (*Organizations: Frameworks or Frame Work?*, 1986, p.47) as a way of "understanding and keeping in touch with change processes in the organization."

Within psychology, Kahneman and Tversky (*Prospect Theory: An analysis of decision under risk*, 1979) has used *framing* to denote the sub-process of characterising alternative outcomes of a decision in the so called *prospect theory*. Within economic sociology, Lindenberg (*Club Hierarchy, Social metering and Context Instruction*, 1993, p.202) has used the term *action frames*, "the structuring of an action situation by *one* particular goal", to explain why people depart from short term utility maximisation.

My use of the term resembles Erving Goffman's, in as much as I regard it as a definition of a situation. Goffman suggests that frames provide answers to the question "What is it that's going on here?"¹ As I use the term, the question to which a frame provides an answer is just as often "What is it that should be going on here?" That is, a frame may work as a pre-definition of a situation, a definition to which reality must be added.

Frame as a symmetrical term

Although my use of the term resembles this common usage, there are important differences. First, the model applies to human and non-human entities alike; I make no assumption about the material status of a frame – it might be cognitively held, spelled out in a document, found as software in a computer, or as hardware in a machine.²

The various approaches in which frames are regarded as cognitively held can thus be subsumed (partly at least) under the model proposed here.³ In those cases, frames are thought of as interpretative schemata that individuals tend to imply in response to recognising a particular event. They make sense of things that would otherwise be meaningless aspects of a particular scene.⁴ The individual will fit his / her actions to the understanding of the world arrived at through the frame. However, I make no assumption about the extent to which humans find the world to support their actions.⁵

¹ This is Goffman's (*Frame Analysis*, 1986, p.8) basic idea: "I assume that when individuals attend to any current situation, they face the question: 'What is it that's going on here?' Whether asked explicitly, as in times of confusion and doubt, or tacitly, during occasions of usual certitude, the question is put and the answer to it is presumed by the way the individuals then proceed to get on with the affairs at hand."

² Viewing frames as interpretive schemata cognitively held by humans (or animals) as a result of socialisation is problematic from an anti-essentialist perspective. It tends to lead to a similar problem as that of some social constructivist accounts of technological development. Inscription/construction is regarded as undetermined, as subject to the social process. But the result of the process, the technology or artefact (or the human), is regarded as actually having the characteristics that the constructor has built into it. The view taken here is that all characteristics are relational, including any view of an entity as being equipped with a frame. Thus, an actant which has attempted to inscribe a situational script into an entity, might regard the entity as having this or that characteristic. Some entities may also be able to reflect upon their own character and consequently regard themselves as having certain characteristics (most humans are assumed to have this capacity). In general, however, no assumption is made about others doing so.

³ These include Goffman's *frames*, as well as the *frames of meaning* discussed by Harry Collins and Trevor Pinch (*Frames of Meaning: The Social Construction of Extraordinary Science*, 1982) and W. Bernard Carlson (*Artefacts and Frames of Meaning*, 1992). In these models frames reside in humans alone. This is reflected in Goffman's (*Frame Analysis*, 1986 (1974), p.11-12) talk of a frame as "something that an individual actor can take into his mind", and by which she (he) makes sense of situations she (he) finds herself (himself) in.

⁴ Erving Goffman, *Frame Analysis*, 1986 (1974), p.21.

⁵ This distinguishes my use of the term from that of Goffman, who assumes that the process of fitting one's actions to the answer provided by a particular frame is most often both implicit and unproblematic – we "ordinarily find that the ongoing world supports this fitting." That is to say, we ordinarily arrive at workably correct understandings of the world around us. *Ibid.* p.247.

What I do assume is that frames themselves are (precarious and unstable) outcomes. Actants acquire them during sociotechnical situations.¹ Upbringing, socialisation and education are examples of explicit attempts to inscribe frames that are generally thought of as 'exclusively human'. They refer to situations where some human (actant) teaches (inscribes into) other humans (entities / actants) something (a script) that will make them assume a certain role or act in a certain way (prescribe certain programs of actions from others and subscribe to their prescriptions) in a situation.² School, peer-groups, family and professional life are filled with such situations.³ As the original use of the term inscription suggests, it is equally applicable to the design or construction of artefacts.⁴

Due to perceived differences between the outcomes (the realised entities), we tend to distinguish between inscription into human and non-human entities (socialisation versus design / construction). Since these efforts are bound to unfold in materially heterogeneous situations, however, such distinctions may obscure our understanding of organising. At best, they are simply unnecessary. If organising is held to take place in sociotechnical situations, material homogeneity is no longer an option. (This is of course a normative statement. In practice, it is the standard option.)

A related term which also includes non-humans is Wiebe Bijker's *technological frames*.⁵ Whereas this concept refers to specific technologies or artefacts, mine refers to *sociotechnical situations*. Further, technological frame is a kind of meso-concept, "located between actors" on the aggregate level of a "relevant social group." The "degree of in-

¹ Possibly, a frame might result from an act of reflection over such situations on behalf of some actant.

² This is the only view taken by Erving Goffman (*Frame Analysis*, 1986 (1974)), who argues that his work on frames "is about the organisation of human experience." (p.12)

³ Taking Goffman's outside view, we may think of the totality of frames available to an individual as being organised into a framework of frames, making up the *cosmology*, or world-view, of that individual. "Taken together, the primary frameworks of a particular social group constitute a central element of its culture, especially insofar as understandings emerge concerning principal classes of schemata, the relations of these classes to one another, and the sum total of forces and agents that these interpretive designs acknowledge to be loose in the world." (ibid. p.27.) Given that two individuals have shared a large number of social situations, their cosmologies are likely to be similar. Still, it is unlikely that there will be two cosmologies that are identical. This makes the frame concept suitable to account for many fascinating complications that arise in encounters between humans, which is indeed what Goffman has shown. Rather than assuming, as does Goffman, that members of a particular social group share many frames, I would argue that the sharing of a large number of frames is what makes individuals appear as members of the same social group. The social group is an effect of the sharing of frames, rather than its cause.

⁴ New frames may also be added later, e.g., by upgrading the software in a computer, etc. Once again taking Goffman's outside view, the framework of frames is linked to how we categorise an artefact. The categorisation is an effect of an artefact sharing frames with other entities, rather than the other way around. An example is a new high-power electrical device developed by ABB in the mid 1990s. Disregarding the process of realising the new entity, the completed device could deliver high-voltage current allowing it to be directly connected to the power grid without the use of a transformer. It was both a power generator and a transformer, or maybe neither? It was, simply, a Powerformer™. This provided some difficulties in relation to customers used to thinking about electrical power generation in terms of systems composed of generators and transformers. (High Voltage, ABB, Spring and Summer 1998).

⁵ Wiebe Bijker, *Of Bicycles, Bakelites, and Bulbs*, 1995, pp.123-126.

clusion” of any given individual in such a frame varies depending on the extent to which he or she is a member of several such groups. In my use, frames are definitions of situations that are explicitly or implicitly expressed by entities in sociotechnical situations.

The degree to which these frames are articulated will vary, as Erving Goffman has suggested, and they may in many cases have a practical and non-verbal character:¹

Some are neatly presentable as a system of entities, postulates, and rules; others ... appear to have no apparent articulated shape, providing only a lore of understanding, an approach, a perspective. Whatever the degree of organization, however, the primary framework allows its user to locate, perceive, identify, and label a seemingly infinite number of concrete occurrences defined in its terms. He is likely to be unaware of such organized features as the framework has and unable to describe the framework with any completeness if asked, yet these handicaps are no bar to his easily and fully applying it.

Erving Goffman, 1986 (1974), p.21.

This non-verbal, taken-for-granted character of frames means that even human actants might find it difficult to identify and explicate the frames they apply in a given situation. One reason for this is that these frames are confirmed, “causing the assumptions to disappear in the smooth flow of activity.”² Thus, to be able to articulate the frame, some event might be required which does not ‘fit in’. In many social situations several frames may (seem to) be applicable. Which one to apply will partly depend on the kind of answer sought.³ It is thus possible for an individual to apply several frames to a situation. This makes things decidedly more complicated for the analyst. An example is the rationing of

¹ This suggests that Goffman influenced Anthony Giddens’ (*The constitution of society*, 1984, pp. xxii-xxiii) distinction between practical and discursive consciousness: “Human agents or actors... have, as an inherent aspect of what they do, the capacity to understand what they do while they do it. ... What agents know about what they do, and why they do it—their knowledgeability as agents—is largely carried in practical consciousness.”

² Goffman (*Frame Analysis*, 1986 (1974), p.39) argues that frames are applied not only by the participants in a certain activity. Whether we are aware of it or not, even as bystanders, we actively apply frames to the world around us. He offers the following illustration: “... a properly dressed woman who closely examines the frame of a mirror on sale at an auction house and then stands back to check on the trueness of the mirror’s reflection can well be seen by others present as someone who hasn’t really been seen. But if she uses the mirror to adjust her hat, then others ... can become aware that only a certain sort of looking had all along been what was expected and that the object on the wall was not so much a mirror as a mirror-for sale...”

³ For example, we may answer in terms of the specific activity with which we are occupied (I am carrying a chair), or in terms of a primary motive for doing so (I am trying to make it comfortable for my grandfather), or in terms of some secondary motive (I am trying to arrange a nice family dinner).

Contrary to Goffman, I make no distinction between *natural* and *social* frames. To Goffman, the latter incorporates “the will, aim, and controlling effort of an intelligence, a live agency, the chief one being the human being”, whereas in a natural frame events unfold without any intentionality or intervention, allowing no evaluation of success or failure; these things just happen, fully determined and determinated. Still, Goffman seems somewhat hesitant as to this distinction in the real world: “a tolerably clear distinction is sensed, if not made, between two broad classes of primary frameworks: natural and social” (*ibid.*, p.21-22). Given my ontological stance, *à priori* distinctions between natural and social events should be abandoned. Whether the actors under study make them, is not the issue. For all I know, many do just that. For me, the relevant question is: How is something made to appear as a natural or social event?

food during the war (Chapter 7). In a 'retailer-frame' this might be a costly administrative problem; in a 'citizen-frame' it might be a way of securing the national supply of goods.

The problem of how to 'get at' the participants' frames, is similar to that of deconstructing a technical object to find the assumptions that the designer has attempted to inscribe in it. Since entities acquire their characteristics in inter-action with others, they must be studied in action and by shifting back and forth between the situations in which they take part and the designer's version of these situations. The latter, in turn, can only be studied in the making, by following how the designer articulates (part of) what it attempts to inscribe during the inscription process. Madeleine Akrich has referred to this analysis as *de-description*.¹ Similarly, a de-description of a situation must switch between the frame as expressed during framing, and the situation which the efforts purported to realise.

Scripts are derived from frames

Successfully realising a situation as defined by a frame does not mean that this frame has been inscribed into the participating entities. Strictly speaking, there are no shared frames.

A script that an actant attempts to inscribe into an entity in order to realise a situation, will be derived from the frame that defines this situation. For example, the ideas on how to organise an efficient warehouse which were taught to warehouse managers within Hakonbolaget during the course in Uppsala (Chapter 6), derived from the normative warehouse organisation spelled out by the Organisation Department. Depending on the program of action that a frame suggests for an entity, the script will include information about the situation more or less as a whole. For example, although the construction of a can-cart also derived from the normative warehouse organisation, it included only a few aspects of it. The scope of a script will depend on the number of others that the entity is to inter-act with. The warehouse managers were defined as entities which were to interact with almost all other entities within the warehouse, whereas the can-carts were only to interact with the clerks, the cans, the fine goods dispatch area and the elevator.

Since a script offers a new definition of a situation, it can form the basis for subsequent framing-efforts. For example, on the basis of their experiences during the course in Uppsala, the warehouse managers might return to their respective warehouses and attempt to re-organise work there (engage in framing). In this way, the first actant (the Organisation Department) might be assisted in its efforts to realise a certain situation. The future use of a script (frame) is however not limited to the kind of situation that this actant was trying to realise. Thus, a warehouse manager might well make use of that which he learned during the course in some other situation.

¹ Madeleine Akrich, *The De-Description...*, 1992.

Summary: The framing process

To engage in *framing* is to attempt to realise a sociotechnical situation as defined by a situational script, or *frame*. The relevant entities must be made to prescribe certain programs of action and subscribe to the prescriptions made by others. To use a theatrical metaphor, framing involves both setting the stage and instructing the actors how to play their parts.

Inscription refers to the case where an entity is created as a means to realise a situation. Framing may thus involve several inscription processes. These will be based on scripts derived from the frame which defines the situation. For example, instead of assuming that the retailers were able to order in writing from the new goods catalogue, Hakonbolaget sought to alter their characteristics by teaching them how to act under the new deal. Irrespective of the scope of the efforts, the whole point is to be able to control the situation when you are not there (or when you are busy playing your part).

Framing is successful when the situation defined by the frame is realised. From the perspective of the actant engaging in framing, the entities will have been equipped with definitions of the situation which are in line with its own definition.

While framing and inscription are attempts to realise sociotechnical situations, they are themselves made up of such situations. Actants are always 'inside', always participating in sociotechnical situations. Hence, there is no difference between construction and use, or between organisational change and ordinary action.¹ All are (made up of) socio-technical situations in which competences and performances are distributed. Organising is a 'flat' process. Further, although framing is undertaken on the basis of a frame, this frame is the result of previous sociotechnical situations and will be affected by future ones.

8.3. Two problems of organising: how to enrol and control

An actant engaging in framing faces two basic problems: how to get those entities which are defined as part of the situation to help out, to participate – this is the problem of *enrolling* others; and how to get these others to act according to frame – this is the problem of *controlling* others. What makes this so difficult is that it is 'their call'; the success of a framing process lies in the hands of others...

According to [the model of translation] the spread in time and place of anything – claims, orders, artefacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it. ... When no one is there to take up the statement or the token then it simply stops.

Bruno Latour, 1986, p.267.

¹ Confer Keith Grint and Steve Woolgar, *The machine...*, 1997; and James March, *Footnotes to Organizational Change*, 1981.

In the hands of others

Assume that a designer believes to have successfully inscribed a script into a new entity; that he or she believes to have successfully negotiated with all entities taking part in performing the entity. Does this mean that this entity now has the characteristics given to it in the script? To the designer, at this point, it does. Whether it does to anyone else is still undecided.¹ The fate of the entity lies in the hands of others, subject to their *translations*.² The model proposed here, can thus be seen in contrast to models which posit that what is being transmitted remains the same, e.g., diffusion models.³

The characteristics of the new entity – if it is recognised as an entity, that is – will be determined in the future sociotechnical situations in which it becomes involved. A ‘success-factor’ in these future situations is likely to be the extent to which the actual others with which the entity comes to inter-act (e.g., users) resemble the hypothetical others defined as part of the frame. This hints at the possibility of realising the situation by engaging in a more encompassing process of framing.

The actors’ or observers’ interpretations of the actors’ motivations and interests become more real and less real as a function of the progressive realization or derealization of those interpretations. ... [An actor] creates a whole world, a whole movie, a whole opera. Will they follow along? Will they play with him? If the actors lend themselves in large numbers to what [the actor] expects of them, then his interpretation of their roles as well as the [technical system] that they’re charged with creating will both be realized.

Bruno Latour, 1996, p.172.

There is a great irony residing in this dependence on the contributions of others. It is at the same time both an absolute necessity for, and a great threat to the realisation of a situation. While nothing happens if others do not contribute, the problem of control grows with the number of others that are enrolled. In the hands of others, the situation defined by the frame is bound to be turned into something completely different.

¹ The view of an entity as having an essence, is a source of deception when attempting to understand concrete sociotechnical situations. A single entity may give rise to a wide range of alternative realisations. See, e.g., Madeleine Akrich, *The De-Description...*, 1992; and Wiebe Bijker, *Of Bicycles...*, 1995.

² Confer Michel Callon, *Some elements...*, 1986; and Bruno Latour, *The powers...*, 1986. This idea is not new to organisational research. Chester Barnard’s (*The functions of the Executive*, 1938) ideas on the nature of authority is closely akin to the translation model in this respect. Further, Georg Simmel’s (*The sociology of Georg Simmel*, 1950) discussion on the character of super- and subordination as interaction also shares significant similarities with this. See also the discussion in Appendix A.

³ Bruno Latour (*The Powers...*, 1986, pp.267-268) sets translation apart from diffusion on three accounts: i) the spread of a token rests in the hands of others; ii) there is no initial impetus which causes its displacement; and iii) those involved in the chain of translation are doing something essential to the token, shaping it for their own purposes, rather than faithfully transmitting it.

Enrolling and controlling others

A frame is a definition of a situation to which reality must be added. It defines a set of relevant entities that must be enrolled in order to realise the situation and ascribes interests to those which coincide with what the pre-defined situation is to accomplish.¹ Unless the actant regards these entities as having the characteristics ascribed to them in the frame, some form of inscription is necessary. Either, a new entity must be assembled out of various components, or ‘new software’ must be added to an existing entity (proposing a new frame or script). To the actant, the outcome is the same: a different entity.

Like the frame defining the situation that the actant tries to realise, the frames (or scripts) proposed to the entities that are to partake, have a hypothetical character. They are suggested readings of the world, readings to which reality must be added. For this, all the relevant entities must be persuaded to accept the definitions of them and their interests. If they refuse, the proposed frames fail.² So, they must be made to accept...

Bruno Latour’s five translations of interest (see Figure 8-1) indicate ways in which others can be made to accept.³ First, the proposed frame can cater to (the actants view of) the interests of the others. But this amounts to *being enrolled by* rather than *enrolling* others. Thus, it makes for a poor control over what the others do.

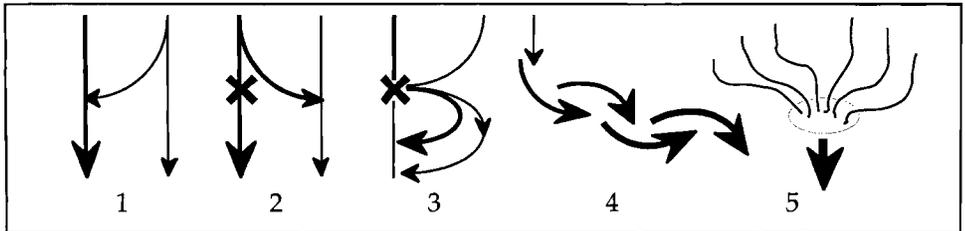


Figure 8-1. The five translations of interest. 1. You follow them. 2. They follow you. 3. There is a better way. 4. Reshuffling goals and interests. 5. Creating an obligatory passage point. Adapted from Bruno Latour, *Science in Action*, 1987, p.120.

¹ This makes a proposed frame similar to both *problematization* as used by Michel Callon (*Some elements...*, 1986, pp.206-207), and *scenario* as used by Claes-Fredrik Helgesson (*Making a...*, 1999, p.370). The latter is defined as “A negotiated declaration of what constitutes an appropriate (or even inevitable) course of actions and events. A scenario is frequently embodied in texts and simultaneously defines the identities of the relevant elements and provides assertions of how these elements will benefit from the realisation of the scenario.” However, a proposed frame is not necessarily identical to the frame presumed by the actant engaging in framing. It might be more restricted and only refer to part of the situation. Or it might suggest an alternative reading of the situation in order to cater to the presumed interests of the particular entity.

² As Michel Callon (*Some elements...*, 1986, p.207) puts it: “Each entity enlisted by the problematisation can submit to being integrated into the initial plan, or inversely, refuse the transaction by defining its identity, goals, projects, orientations motivations or interests in another manner. In fact the situation is never so clear-cut. ... it would be absurd for the observer to describe entities as formulating their identity and goals in a totally independent manner. They are formed and are adjusted only during action.”

³ See Bruno Latour, *Science in...*, 1987, p.108 ff.

Second, the actant can try to have the others follow, that is, share its interests. This is possible if the actant can show that their previous or usual way is cut off. Third, the actant may try to show that there is a better way of reaching what an entity wants to reach. It is similar to the second translation, but entails a change of means rather than ends. For instance, the Hakon-deal was suggested as a new means towards the stable end of a less costly goods distribution. Fourth, the actant may try to reshuffle interests and goals to overcome the explicit interests of those whose support it seeks.¹ An example (Chapter 7), is the redefinition of the retail-situation by translating 'good service' from 'knowledgeable and well-mannered clerks' to 'swiftness', the achievement of which meant self-service.

The fifth and final translation is to create an *obligatory passage point*.² This will make the defined situation indispensable – whatever the others want, they will want this as well. For example, the proposed rationalisation program (the Hakon-deal) or some part of it, was suggested as an obligatory passage point to several groups of entities with a variety of interests (see Figure 8-2). If others accept this, they will contribute by routinely realising the situation without further efforts from of the actant.

To stabilise the identities and interests ascribed to the relevant entities, the links that these entities have to 'the outside', to other entities, interests or situations must be severed (for some time and some place). This is what Michel Callon refers to as *interressement*.³

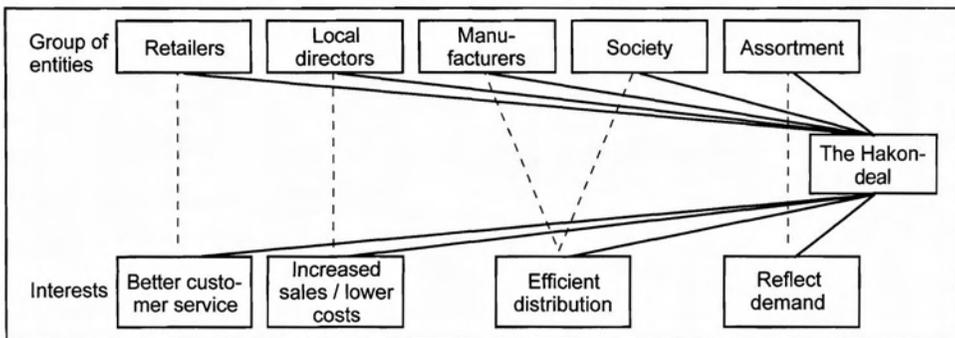


Figure 8-2. The Hakon-deal as an obligatory passage point for the relevant entities.

¹ Latour includes four tactics: i) displacing goals, offering a future scenario where the entities do have problems, problems for which you have a solution; ii) inventing new goals, goals which are easily attainable through the solution you propose; iii) inventing new groups, groups that break established group boundaries and can be endowed with entirely new goals; iv) rendering the detour invisible by turning it into a progressive drift away from the original path through a series of transformations. (Ibid. p.116)

² In the framing process, the obligatory passage point refers to the envisaged situation. This situation must be made into something which the identified entities 'want' as well, besides whatever other interests they are supposed to have. Confer Michel Callon, *Some elements...*, 1986, pp.204-206.

³ Drawing on the etymology of the term (inter-esse) "to be in between", Michel Callon (ibid., pp.207-211) uses it to refer to how allies are locked in place in accordance with a problematisation (or proposed frame).

To interest other actors is to build devices which can be placed between them and all other entities who want to define their identities otherwise. (see Figure 8 - 3)

Michel Callon, 1986, p.208.

Competing definitions of the situation must be done away with. The boundaries of the frame must be clearly demarcated and enforced. Entities and interests that are irrelevant to the situation must be excluded. If interestment is successful, the relevant others will (act as if they) accept the identities and interests ascribed to them. But success is never assured. Others will disrupt the suggested alliances through various *anti-programs*¹, in this way setting off new negotiations.²

The existence of competing frames makes for an inherent volatility. This is beneficial (or even necessary) for development, but problematic for the actant engaging in framing. Having enrolled the relevant entities once is no guarantee for continued success. To be able to successfully realise a situation again, the actant must produce evidence to show that the situation 'delivered', that it catered to the interests ascribed to the involved entities. In short, to show that the proposed frame held good.

This requires the situation to be *mobilised*: spokespersons (or spokesthings) must be established which represent the relevant entities and which they can be shown to follow.³ As the term implies, mobilisation involves rendering entities mobile. This may be done by transforming the entities, their behaviour and the outcomes of their behaviour into figures, regression analyses, graphs, or what have you. One example is the tables on the purchasing habits of Hakonbolaget's customers, produced during the committee work that led to the proposed rationalisation program (Chapter 5). These tables allowed the two committees to speak in the name of all customers of Hakonbolaget. To produce such representations, it is necessary to create a *centre of calculation*⁴, e.g., the Organisation Department. For this work, the frame defining the situation will be very important. Without it, the problem of calculation would be insurmountable since there would be no boundary to the situation, no limit to the set of relevant entities, etc.⁵

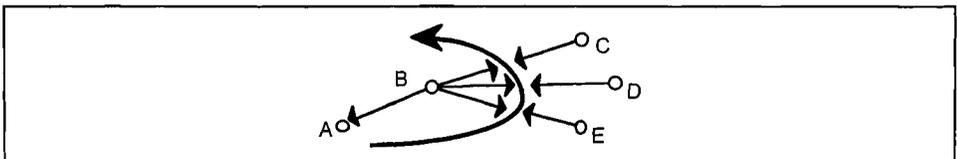


Figure 8-3. Interestment, or "to be in between." Source: Michel Callon, *Some elements...*, 1986.

¹ Madeleine Akrich and Bruno Latour, *A summary...*, 1992, p.261.

² Confer Michel Callon, *Some elements...*, 1986, pp.211-214.

³ Callon speaks of *mobilisation* as the creation of representative spokesmen. (Ibid. pp. 214-218)

⁴ Bruno Latour, *Science in...*, 1987, p.215 ff.

⁵ Confer the discussion of the sources of calculativeness in Michel Callon, *The Laws...*, 1998a, pp.6-16.

Mobilisation also suggests that the actant must develop ways of differentiating between intra- and extra-frame phenomena.¹ The boundaries of the frame must be shown to be relevant. Associations that have been excluded must be performed as non-existing or non-relevant to the situation. It must be shown that what is kept outside the situation should justly be left there, while what is included in it, is indeed relevant.

The framing process is *iterative*.² It involves others who are asked to in some way adjust their view of a situation. This will lead to *negotiations*, not necessarily of the kind where the entities sit down at a conference table, although this is certainly a possibility. All efforts at framing lead to situations where competences and performances are distributed. In some of these, entities might refuse the program of action prescribed for them and instead display *anti-programs*. The situation might thus come out in a way that does not further the framing process. The actant must then turn to some other entity, or alter its prescription. Further, excluded entities may engage in *anti-framing*, that is, attempt to realise alternative situations involving some of the entities that already have been enrolled.

Illustration: The Hakon-deal as an example of framing

Is it possible to apply the abstract vocabulary spelled out above to a concrete organising effort? To make the presentation somewhat less dense, and hint at how the vocabulary may be used, an illustration is warranted. For this, I make use of the changing retail-wholesale interaction reported in Chapter 5.

The Hakon-deal was an attempt to reframe the interaction between Hakonbolaget and its associated retailers. The proposal which resulted from the work within the two committees explicated a new frame for wholesale-retail interaction. The proponents of the deal wanted to realise a situation where the retailers spent less time buying and more time selling. In this way, the argument went, they would be able to better serve their customers. Thus, Hakonbolaget should not send travelling salesmen to take up orders (and the retailers time). Instead, the retailers should order in writing on the basis of a goods catalogue. This would save money for both retailer and wholesaler.

In order to realise the new situation, others must first be *enrolled*. The retailers clearly were a group of entities that needed to be enrolled, but so were the goods in the warehouses, for they were to be represented by the new goods catalogue, an entity which had to be realised through a process of inscription. These entities must agree to participate in the situation defined by the new frame, rather than in some other situation. Both retailers and salesmen were at the time applying other frames for wholesale-retail interaction. In the situations defined by these frames, other entities were recognised and other pro-

¹ Confer Michel Callon's (*An essay on framing and overflowing*, 1998b) discussion of economic externalities in terms of framing and overflowing in.,

² Claes-Fredrik Helgesson, *Making a...*, 1999, p.36.

grams of action were prescribed and subscribed to. For instance, wholesalers competed and retailers bought from whoever offered the best price. Finally, some hitherto unknown entities were defined in the new frame, and these had to be realised by way of inscription.

One problem encountered during the framing process concerned the associations between the retailers and the salesmen representing Hakonbolaget. The salesmen were not recognised as part of the new situation. Thus, the association between them and the retailers had to be severed. After some time, Hakonbolaget successfully managed to exclude the salesmen from the frame. Some were prescribed new programs of action outside wholesale-retail interaction, others were transformed into contact-men, an altogether new type of entity which the new frame defined as part of the situation. But there were also salesmen representing competitors and these could not be re-situated in the same way. Rather, their exclusion hinged on the successful control over the retailers' behaviour.

This leads to the second aspect of framing, that of *controlling* the behaviour of others. How can the enrolled entities be made to act as suggested in the new frame rather than any other frame? One answer is to make it worth their while. Or alternatively, make non-compliance not worth their while. This is what *interessement* is about. The creation of devices which keep entities in line and make dissent costly. Furthermore, there is a need to *show* that the costs associated with alternative behaviours are differentiated. Thus, there is a need to create *centres of calculation*. Finally, there might be a need to break up existing devices and associations or provide reinterpretations of them.

In the Hakon-deal, the bonus system was a device which was to provide *interessement*. By acting as suggested in the new frame, the retailers would receive financial compensation. A direct compensation for ordering in writing and an additional one for sticking with the new frame, that is, for repeatedly buying from Hakonbolaget throughout the year. Further, the development of the bonus-system was based on the creation of a centre of calculation, the investigations made by the Organisation Department, which produced figures showing the cost consequences of alternative behaviours. The output of this centre of calculation also made it possible to reinterpret previous behaviour as inefficient.

The introduction of the new bonus-system also exemplifies the iterative character of framing. Competitors launched their own systems; systems which did not require a long-term commitment on behalf of the retailers in order to achieve maximum bonus. Furthermore, some producers launched pricing systems which made delivery through Hakonbolaget expensive. Both these reactions can be viewed as anti-programs, attempts to *re-interest* the retailers in dealing with travelling salesmen. The retailers, finally, kept complaining about the negative effect of removing the salesmen, particularly on information about new products. These complaints led to various modifications to the original frame.

8.4. The problem of control – instability in socio-technical situations

Under the assumption of general embeddedness, all entities are involved in a network of associations which configures their identities (boundaries, characteristics, goals, etc.). Every characterisation of this network is relative to the point of view and the situation at hand; it cannot be depicted objectively. How, then, can this inherent instability be conceptualised? How does it affect efforts to realise a situation? And, finally, how can an actant achieve the necessary control over others to realise a given situation?

Interpretative flexibility and anchoring

The emerging and relational character of entities (see p.458) provides for instability. This instability can be expressed in terms of the *interpretative flexibility* of the participants in a situation, and in terms of the *anchoring* of the defined situation to the outside world.

Interpretative flexibility

As I argued above (p.458), actants ascribe characteristics to entities to explain their performances in whatever previous situations they have encountered them. These ascriptions turn entities into potential participants in other situations. Since the realisation of a socio-technical situation lies in the hands of others, and unfolds in the process of interdefinition, it is likely that some of the included entities prescribe and subscribe to other programs of action than those explicated in a particular frame, or define the situation as a whole in a different manner due to their involvement in previous situations. These possibilities reflect the un(der)determined character of all sociotechnical situations, something Wiebe Bijker has spoken of in terms of *interpretative flexibility*.¹

¹ To Bijker (*Of Bicycles...*, 1995, pp.73-77), *interpretive flexibility* refers to the possibility that different observers attach different meanings to a single entity (artefact or scientific fact). He suggests that such alternative interpretations follow from membership in different "relevant social groups". Despite its appeal, Bijker's use of the term sets humans apart. Rather than relying on the identification of relevant social groups as the basis for interpretive flexibility vis-à-vis an entity, it can be regarded as a consequence of the number of frames that the entity is included in (the number of situations in which it is defined as relevant). In this way, an analysis avoids the difficulties of establishing the existence of relevant social groups, and of assessing the degree to which an actor is (was) part of such a group. By attempting to realise an entity (to take part in a defined situation), an actant will try to inscribe into the entity a certain program of action. The more situations that an entity is defined as relevant to, the more programs of action will others award to it.

In addition to the number of situations in which others recognise an entity to be relevant, the degree to which these situations and the programs of action prescribed differ from each other also affects interpretative flexibility. If the situations and programs overlap almost entirely, there will only be limited interpretative flexibility vis-à-vis the entity. This is akin to Bijker's "degree of inclusion in technological frames" (*ibid.*, pp.139-143) and to the idea of overlapping networks discussed by Per Andersson (*Concurrence, Transition and Evolution*, 1996) and Lars-Gunnar Mattsson (*Dynamics of Overlapping Networks and Strategic Actions by the International Firm*, 1998).

Thus, the situations making up an inscription process (bringing together a collectif that is to make up a new entity) are subject to interpretative flexibility. From the perspective of the actant attempting the inscription, the envisaged result is an entity equipped to recognise a limited variety of others. (Of course, there can be considerable variation in just how limited this variety is.)¹ Any sociotechnical situation in which the resulting entity subsequently becomes involved, will be subject to interpretative flexibility as well.

An actant engaging in a more encompassing framing process will attempt to have the relevant others prescribe precisely the program of action that it has inscribed into the new entity. An example (Chapter 5) is the efforts made to introduce and characterise the new contact-men to the retailers; the retailers were to expect visits from a contact-man who would not sell goods, but assist them on various issues in relation to Hakonbolaget.

Still, the specific identities will be determined in each situation. Adding new programs of action to entities need not remove 'old' programs. For example, since many contact-men were realised by re-educating salesmen, it is not unlikely that the retailers who were to interact with them could end up prescribing the 'old' program of action to them, that is, treat them as the salesmen they recently were. Further, it is not unlikely that the former salesmen, now contact-men, could subscribe to such prescriptions.

It is tempting to regard entities into which others have attempted to inscribe different programs of action, as being equipped to take part in diverse situations and thus able to interpret a given situation in a number of ways. But there is a great methodological problem with this line of reasoning: from what perspective can such an observation be made? One possibility is that the entity is capable of viewing itself as equipped in a certain way.²

¹ A human individual will be subject to a large number of inscription attempts, some of which are stabilised as mandatory for achieving "full human status". If successful, and there are stabilised measures of success as well, these will result in individual being viewed by others as a fullworthy human.

This reasoning hints at a symmetrical way of accounting for the seemingly great difference between humans and non-humans in terms of interpretative flexibility. The reason why humans and non-human entities are perceived to be different in kind in this respect, might be the number and variety of frames which others define them as having. This seems applicable also to artefacts considered to be 'intelligent'. Erving Goffman's (*Stigma: Notes on the Management of Spoiled Identity*, 1963) work on the mortification of the self, indicates that it is possible to deprive a human individual of its status as a 'complete human' by reducing the number of situations in which it is defined as relevant.

² But doesn't this set humans apart by presupposing a reflexive capacity? In most situations, humans will no doubt be assumed to have a reflexive capacity, allowing them to reflect on previous situations, recognising not only others but also themselves as participants. In short, allowing them to view themselves as being equipped with a number of frames. The extent to which non-human entities can be regarded as having a reflexive capacity varies. Advances in the field of artificial intelligence suggest that it is possible to equip non-humans with such capacities. Thus, reflexivity, too, is a relative rather than essential difference.

A similar view can be found in the *psychology of action* (Rom Harré, David Clarke and Nicola De Carlo, *Motives and Mechanisms*, 1985, p.10). "The issue of whether we should think of people as self-determining agents or as complex causal mechanisms has sometimes been confused with the distinction between mentalism and materialism. The very word-processor upon which the text of this book has been prepared is a sophisticated machine, capable of some of the actions of self-monitoring and self-correction that we would once have assumed could be performed only by human beings. This particular machine... only mimics a few human capacities, but it does have some of the hierarchical organisation of the mind.

Since programs of action are awarded during the process of interdefinition, it is always in relation to specific others that entities acquire characteristics. There is no “view from nowhere” that can tell us the real character of an entity.¹ The extent to which there are shared views among others concerning the character of an entity must be assessed by following the entity as it takes part in various sociotechnical situations.

Anchoring

How does the instability of a sociotechnical situation present itself to an actant engaging in framing? First of all, without a ‘view from nowhere’ allowing the actant to assess the situation objectively, its definition will be one of many. The frame that defines the situation will link it to the surrounding world through the associations that the actant identifies between the included and excluded entities. Borrowing a term from Erving Goffman, I will speak of these associations as the *anchoring* of the situation.²

To realise the situation, the actant must sever such associations (for some time and some place). Hence, the anchoring of a situation informs the actant of the need for inter-essement. These efforts are complicated by interpretative flexibility – others will recognise associations which are unknown to the framing actant. To successfully realise the situation, the actant can attempt to limit the interpretative flexibility of others.

The links between the entities that a frame defines as relevant for the situation and the world outside can never be completely severed.³ For all entities some sort of continuity beyond any particular situation is expected:

Whatever goes on within an interpreted and organised stream of activity draws on the material that comes from the world and in some traceable continuation of substance must go back into the world. ... Each artefact and person involved in a framed activity has a continuing biography, that is, a traceable life (or the remains of one) before and after the event...

Erving Goffman, 1986 (1974), p.287.

“The world” which Goffman speaks of can be defined on the basis of the characteristics that a given actant ascribes to an entity; these ascriptions inform the actant about the world to which the entity is connected. The greater number of situations it is recognised as a potential participant in, the greater the risk of it being ‘pulled out’ of the current situation. For example, given the way Nils-Erik Wirsäll was involved in the events reported in the

Perhaps future development will produce machines with such capacities that we might want to say that they truly think (and perhaps even feel). In that case it would be just as misguided to study them by means of the simple causal approach to behaviour as it is to study people in that way.”

¹ Confer Karin Knorr Cetina, *Epistemic Cultures*, 1999, p.265.

² Erving Goffman, *Frame Analysis*, 1986 (1974), p.247-300.

³ In a similar fashion, Michel Callon (*An essay...*, 1998b, p.249) has suggested that although “the frame establishes a boundary within which interactions... take place more or less independently of their surrounding context, [it] does not actually abolish all links with it.”

empirical account, it is likely that from time to time he was 'called away for other duties', thus disturbing whatever situation he was involved in at the time of the "call."

This type of anchoring can be thought of in terms of *appearance formulas*, the relation between an entity and its specific program of action in a situation.¹ An actant can distinguish between the entity (defined on the basis of previous performances) and the particular program of action which is expected from it as part of the situation. When the relation between the two approaches 1:1, as for instance it might for a pre-printed order form from Hakonbolaget, the entity 'is' the current program of action (the example is hardly perfect, since some variation in the use of these was hinted at in Chapter 5).²

This will affect the way in which situations unfold. A situation where the entities are defined as having relatively few programs of action (e.g., entering a supermarket), is likely to provide some certainty as to what frame to apply (what programs to prescribe and what ones to subscribe to). The presence of entities to which a large variety of programs are attributed (e.g., entering a crowd) will not provide the same kind of certainty. The entities that make up the situation provide for instability simply by being ascribed more associations to the world outside.

But a given actant cannot have full knowledge of the situations in which an entity has performed previously. Situations therefore arise where a recognised entity fails to perform as the actant prescribes. For instance, it might subscribe to some program of action prescribed to it by another entity. The "world" from which the first actant presumed the entity to come and into which it was presumed to go back, proved incomplete.

A second type of anchoring is provided by the temporal and spatial boundary of the situation. Since a frame defines a sociotechnical situation, it necessarily must define what is not part of the situation (possibly, this definition will be both implicit and negative). To realise the situation, its beginning and end must be explicated. Erving Goffman has suggested that this is done through *episodic conventions*, i.e. various ways of clearly mark-

¹ I have borrowed the term from Goffman, who uses the term to describe the relation between person and role. I use the term symmetrically, but the general idea is the same. Thus, Goffman argues that an appearance formula arises due to the fact that "whenever an individual participates in an episode of activity, a distinction will be drawn between what is called the person, individual or player, namely he who participates, and the particular role, capacity, or function he realises during that participation." (ibid. p.269-270)

² It is important to note that this is a subjective relation. It depends on the number of prescription / subscription combinations that the actant is capable of, rather than on any "objective" characteristic of the entity being assessed. Thus, the fact that I, as an analyst, can identify a number of alternative uses for a pre-printed order-form is irrelevant to the analysis. An actant equipped to prescribe certain programs of actions in a single situation, will only 'recognise' entities which subscribe to these. These other entities will "be" whatever program of action they subscribe to (e.g., an entity pushing a button). When a human makes this kind of assessment of another human, the relation is likely to approach 1:∞, signifying the vast variety of situations where we presume that we can prescribe a program of action to another human.

ing out the boundary of the frame. This type of anchoring is akin to the phenomenological notion of ‘bracketing’, demarcating as it does a space and a time for a certain activity.¹

Activity framed in a particular way – especially collectively organised social activity– is often marked off from the ongoing flow of surrounding events by a special set of boundary markers or brackets of a conventionalised kind. These occur before and after the activity in time and may be circumscriptive in space; in brief, there are temporal and spatial brackets. These markers, like the wooden frame of a picture, are presumably neither part of the content of activity proper nor part of the world outside the activity but rather both inside and outside... The standard example is the set of devices that has come to be employed in Western dramaturgy: at the beginning, the lights dim, the bell rings, and the curtain rises; at the other end, curtain falls and the lights go on... in the interim, the acted world is restricted to the physical arena bracketed by the boundaries of the stage.

Erving Goffman, 1986 (1974), p.251-252.

As Goffman suggests, specific entities may serve as such boundary markers. If these entities have been created for this purpose alone, they will provide few but obvious associations to the outside world. An example from the empirical account will illustrate the point: in a retail store, the entry-gate, the aisles and the check-out counter, all provide cues as to the limits of the situation defined by a self-service frame. The creation of such specialised entities may, due to the limited number of situations in which others will have encountered them, reduce the interpretative flexibility vis-à-vis the entire situation.

Summary: Interpretative Flexibility and Anchoring

Anchoring and interpretative flexibility are alternative ways of accounting for instability in sociotechnical situations, and hence, ways to address the problem of control. They differ mainly as to their perspective. Interpretative flexibility refers to the fact that entities can apply different definitions of, and prescribe alternative programs of action in a given situation. Anchoring concerns the instability of a situation from the perspective of a given actant engaging in framing: it is based on assumptions about how the situation is related to the world outside; it informs the actant of the possibility of some entity being “pulled away” from the situation and into some other situation.

Actants may assess the likelihood of such disruptions through *appearance formulas*, the relation between what the entity is considered capable of and that which is expected from it in a given situation. An entity that is recognised as potential participant in a variety of situations is also likely to disrupt framed activity. *Episoding conventions* reduce the

¹ Goffman explains how his use of the term differs from the phenomenological tradition: “brackets are not a heuristic device of mine but are claimed to be part of the organised properties of actual experience”, whereas the phenomenological use refers “to the self-imposed boundaries the student can exploit in order to stop the stream of experience for the purpose of self-conscious examination, therewith holding back any preconceived notions about the elements or forces within that experience” (ibid., p.251 n.).

likelihood of such disruptions. By indicating the limits of the situation, e.g., through materialised cues, they support certain definitions of the situation by others.

The above discussion suggests that the successful realisation of a particular situation in part depends on the extent to which an actant can limit the interpretative flexibility of others vis-à-vis the situation. The creation of highly specialised entities which are only loosely anchored (have few associations beyond the situation), is one way of providing for certainty as to what a situation is about.

Instability produces overflowing

How does the instability of sociotechnical situations affect framing? By engaging in framing, an actant tries to impose a boundary on a world which is boundless in principle, but in which some stabilities and boundaries might have been achieved. To the actant, this is reflected in the anchoring of the situation – the defined links to the surrounding world. Such definitions are always incomplete and actants consequently cannot assure that a situation will unfold according to their own frame.

From this perspective, all framing thus represents a violent effort to extricate the agents concerned from this network of interactions and push them onto a clearly demarcated 'stage' which has been specially prepared and fitted out.

Michel Callon, 1998b, p.253.

This turns the included entities into possible conduits for *overflowing*, the occurrence of something more, less or else than what is explicated in the frame.¹ Overflowing refers to effects of associations which transgress the boundary of a frame. It occurs due to such associations either having been unsuccessfully suppressed as part of the efforts to realise the situation, or having been non-existing (according to the definition supplied by the frame). In some cases overflowing will be serious enough as to produce a *frame break* for the actant, at other times it may lead the actant to adjust the frame. But what some actant defines as an overflow, might be considered part of the frame by some other participant. Such different views as to what it is that's going on, may lead to a *frame dispute* which in turn might require new negotiations.

Overflowing

First, overflows occur if the actant is unable to interest others – shut out entities and associations that it identifies as existing but detrimental to the realisation of the situation. For example (Chapter 5 and 6), the order departments kept allowing last minute orders from retailers despite the efforts made by central management to do away with these.

¹ The term overflowing has been suggested by Michel Callon (*An essay...*, 1998b, p.251) who notes: "... in some cases framing is either impossible to achieve or is deliberately transgressed by the actors: this produces overflows which cause the barriers to become permeable."

Second, due to the actant's imperfect knowledge of the ways in which included entities are associated with the outside world, overflows may occur where they are not expected. For example, directors at the district and affiliate offices brought up various local conditions (e.g., large stocks of rice, poor sales of dried fish) as reasons to revert back to traditional sales methods during the implementation of the Hakon-deal.

Third, the existence of overflows may be contested. For example, some local directors argued that the discontinuation of active sales would lead to considerable sales-losses for Hakonbolaget, particularly concerning new products. This was contested by central managers, who claimed that the importance of being first with novelties was exaggerated.

Fourth, considerable work may be required to establish the existence of unexpected or contested overflows. Thus, it was not until the NOVEA-committee presented the results of their survey among the members of the councils of trustees, that the negative consequences of the Hakon-deal on the sales of new products was generally accepted.

The examples above support Michel Callon's assertion that "for an overflow to take place, something must overflow", or perhaps, must be *shown* to overflow.¹ Last minute orders, stocks of rice, lost sales of new products and dried fish, are all possible to trace to tangible entities which cross or break through the boundary of the situation. Despite their tangibility, however, much work might be required to prove the existence of overflows.

Effects of overflowing: frame breaks and frame disputes

If overflows are considered serious, they produce *frame-breaks*, that is, situations where the participants are at a loss as to 'what it is that's going on'.² Frame breaks in turn produce what Goffman calls negative experience, "negative, in the sense that it takes its character from what it is not, and what it is not is an organisationally affirmed response."³

¹ Ibid., p.257.

² Goffman (*Frame Analysis*, 1986 (1974)) suggests that this is a consequence of how frames work: "Given that the frame applied to an activity is expected to enable us to come to terms with all events in that activity (informing and regulating many of them), it is understandable that the unmanageable might occur, an occurrence which cannot be effectively ignored and to which the frame cannot be applied, with resulting bewilderment and chagrin on the part of the participants. In brief, a break can occur in the applicability of the frame, a break in its governance." (p.347) For entities with a reflexive capacity, frame breaks can have a breeding character backwards in time. If a frame has been rendered problematic, that which was previously understood in its terms, can no longer be understood, at least not in those terms. Thus a frame break may render whole sections of previous experience unintelligible. (ibid., p.382)

³ Goffman gives the following characterisation: "Expecting to take up a position in a well-framed realm, he finds that no particular frame is immediately applicable, or the frame that he thought was applicable no longer seems to be, or he cannot bind himself within the frame that does apparently apply. He loses command over the formulation of viable responses. He flounders. Experience – the meld of what the current scene brings to him and what he brings to it – meant to settle into a form even while it is beginning, finds no form and is therefore no experience. Reality anomalously flutters. He has a "negative experience" – negative, in the sense that it takes its character from what it is not, and what it is not is an organisationally affirmed response." (ibid., p.378-379.)

A frame break signifies the failure to distribute competences and performances among participating entities. It hinders the process of interdefinition. It dissolves the situation, at least for the actant in question. The actant will either decline participation or engage in some kind of search for additional information as to how the situation can be re-defined. In both cases, the actant will distance itself from the original definition of the situation. For example, the attempt to construct a solution to the customer contact problem by appointing two committees can be seen as a result of a frame break perceived by the management of Hakonbolaget. It was clear that the kind of support that Hakonbolaget had been opting for from the associated retailers, had not materialised. In practice, Hakonbolaget was not 'the mid-Swedish retailer's own purchasing centre'. Rather than opting out, the management wanted to find a way of re-defining the situation.

A related consequence of overflows is that situations might arise where there is a conflict between participants as to what it is that's going on, in short, where there is a *frame dispute*. Overflows that are recognised by some participants may be contested by others. Further, since several frames are applicable to a situation, the frame that some entity ends up applying might be more or less compatible with those applied by others.¹

It is reported that what is horseplay and larking for inner-city adolescents can be seen as vandalism and thievery by officials and victims. Now although eventually one of these sides to the argument may establish a definition that convinces the other side (or at least dominates coercive forces sufficiently to induce a show of respect), an appreciable period may elapse when there is no immediate potential agreement, when, in fact, there is no way in theory to bring everyone involved into the same frame. Under these circumstances one can expect that the parties with opposing versions of events may openly dispute with each other over how to define what has been or is happening. A frame dispute results.

Erving Goffman, 1986 (1974), p.321-322.

The basic argument about frame breaks and negative experience is similar to both Talcott Parsons' "residual categories" and Thomas Kuhn's "anomalies". Since I find the very thought of bringing Goffman and Parsons together irresistible, I will briefly compare their positions. Talcott Parsons (*The Structure of Social Action*, 1937, pp. 17-18) argues that: "Every system, including both its theoretical propositions and its main relevant empirical insights, may be visualized as an illuminated spot enveloped by darkness. The logical name for the darkness is, in general, "residual categories". ... The only theoretically significant statements that can be made about these facts are negative statements – they are *not* so and so ... The surest symptom of impending change in a theoretical system is increasingly general interest in such residual categories." Obviously, this is similar to Thomas Kuhn's (*The Structure of Scientific Revolutions*, 1970) idea of an accumulation of anomalies leading to a crisis in an established scientific paradigm.

¹ The programs of action (roles, functions) of two involved entities may be differentiated as part of a given situation, and, as a consequence, so too their views on what it is that's going on. Goffman (*Frame Analysis*, 1986 (1974), p.8) offers the following illustration: "When participant roles in an activity are differentiated – a common circumstance – the view that one person has of what is going on is likely to be quite different from that of another. There is a sense in which what is play for the golfer is work for the caddy." This kind of differentiation need be no bar to the situation running smoothly, although possibly it can be. Often, such differences are part of the situation as defined by the frames that the participants apply.

Judging from previous research, this type of dispute is highly likely to occur during attempts at organising economic exchange, particularly goods distribution.¹ I also noted several open disputes in Part II. Besides those presented as part of the public debate, there was for instance the new bonus scale introduced by Hakonbolaaget, which led competitors and suppliers to alter their practices. This led to an open dispute as to the character of the work performed by the wholesaler and as to the kind of bonus-system to be practised.

How can frame disputes be (temporarily) resolved? In the quote above, Goffman argues that the dispute will come to an end when one side manages to convince or coerce the other side into accepting its definition of the situation. This suggests that frame disputes will lead actants to engage in framing. As part of these efforts, it is possible that some actant will call upon third parties, 'experts', to provide explanations and, what might be thought of as, impartial definitions. From this reliance on third parties, certain disputes may acquire an institutional basis.

Obviously, viewing a criminal as sick leads to one remedial ideal, viewing him within a moralistic framework, another... (And moreover, if there is institutionalised machinery for dealing with cases in both of the two ways, and if, in addition, there are professionals occupationally committed to the two different approaches, then an institutional basis for frame disputes is to be found.)

Erving Goffman, 1986 (1974), p.325.

It seems that the use of 'impartial' bodies to settle disputes becomes most pronounced when the dispute concerns "human cosmology." These cases often involve "final, official courts of appeal in law, science and the arts."² As Goffman's example suggests, appeals to 'experts' are effective only if the experts themselves have achieved a settlement of the issues. If the issue is 'hot' for them as well, they are the ones that need others...

Errors or failures?

An issue with relevance to all these cases is that of errors. At the end of a dispute concerning the character of a certain situation, an unsuccessful definition might be regarded as something at least superficially similar to an exposed con-game. That is, it will be regarded as erroneous, as an attempt to convince others that something else was going on than

¹ As one colleague puts it: 'There is a whole literature on this...' Bruce Mallen (*Conflict and Cooperation in Marketing Channels*, 1967 (1964)) has suggested that there are two main types of channel conflicts, vertical and horizontal, and that they are caused by goal incompatibility, unclear roles and rights, differences in perception and dependence. A selection of articles is found in Bruce Mallen (ed.), *The Marketing Channel, a conceptual viewpoint*, 1967. Two more recent contributions are Leigh McAlister, Max Bazerman and Peter Fader, *Power and Goal Setting in Channel negotiations*, 1986, and Rajiv Dant and Patrick Schul, *Conflict resolution processes in Contractual Channels of Distribution*, 1992.

² Goffman (*Frame Analysis*, 1986 (1974), p.336-337) makes the following observation: "Disputes regarding cosmology, even more, it seems, than debates which assume common beliefs about cosmology, lead to adjudication by specialists acting in a semi-official capacity. Usually, of course, these custodians of our cosmology put things to rest, affirming a "natural" explanation, one that allows us to continue on

what really was (or is) going on. But all that can be said for certain seems to be that this frame suggested something else than what the successful one does. During the controversy, however, no such judgements can be made either. All that can be said at that point is that there are several proposed definitions of the situation, explicating different sets of relevant entities and associations.

In many situations, entities can act in accordance with two or more frames.¹ Goffman speaks of such situations as potentially giving rise to “misframing”, suggesting that some frames are radically inapplicable and inevitably faulty. This might be acceptable if frames are assumed to be relatively stable and the entities applying them capable of correctly doing so (this is Goffman’s position). If, on the other hand, the successful application of frames is regarded as an outcome of framing – an attempt to put a boundary on a situation which in principle is boundless – it might be more appropriate to speak of the *failure* or *discrediting* of an attempted framing. This leaves open the possibility that any frame can ‘work’ for a considerable period of time, despite it later being discredited.²

The application of a frame that later proves to be inapplicable is likely to have a breeding effect. The tiniest detail may have considerable consequences for subsequent events. It is as if, to use Goffman’s phrase, the actant will find itself “using not the wrong word but the wrong language.”³

Applying a frame is performative. A frame is ‘wrong’ (bar any moral considerations one might have) only when it proves unsuccessful in the sense that the expectations it provides are not met by the subsequent events, i.e. it becomes wrong rather than is wrong. This will be due to overflowing; to the entities identified as relevant not performing as expected; to a lack of agreement between the entities about what is going on, etc. Applying the wrong frame to a situation is thus always an *ex post* observation. If others framed the situation incompatibly, then an actant might conclude that an error has been committed (although not necessarily on its behalf).

without having to alter any of our primary frameworks or their relationships. Understandably, these guardians of our cognitive order will be subject to a certain amount of deference.”

¹ Goffman (*ibid.*, p.302.) discusses situations where an actor is uncertain as to which one of “two or more clearly possible things is going on”.

² Goffman (*ibid.*, p.308-309) suggests that uncertainty concerning what frame to apply might lead to “misframing” in cases where only one frame *is* applicable. “[Certain] errors prove to be a matter of “misframing”, and consequently involve [the individual] in systematically sustained, generative error, the breeding of wrongly oriented behaviour. For if we can perceive a fact by virtue of a framework within which it is formulated, if “To experience an object amounts to being confronted with a certain order of existence,” then the misperception of a fact can involve the importation of a perspective that is itself radically inapplicable, which will itself establish a set, a whole grammar of expectations, that will not work. The actor will then find himself using not the wrong word but the wrong language.”

My position is that the inapplicability of a frame must partly depend on what frames other participating entities apply. The idea that there can be situations where only one frame *is* applicable is problematic from a constructivist viewpoint (as well as from a subjectivist one).

³ Erving Goffman, *Frame Analysis*, 1986 (1974), p.309.

Summary: the Fragility of Frames

Frames can never be complete; they can neither take the whole world into account, nor can they effectively shut out those aspects of the world which they do not account for. By virtue of the entities that are included, all situations are subject to overflowing. An overflow occurs when something crosses the boundary of the frame and imposes itself on the situation. This has consequences for an actant trying to realise a certain situation.

The point of framing is to exclude associations which are deemed irrelevant or detrimental to the situation. But the presence of overflows suggests that it is possible for participating entities to apply different and incompatible frames. Such differences might lead to *frame disputes*. If the overflows are serious enough they may lead to *frame breaks*, the dissolution of a situation.

The likely presence of overflows suggests that frames are fragile and underscores that the realisation of situations according to frame will require much work. How, then, is it possible to achieve some sort of stability in sociotechnical situations?

Stabilising situations

If the social (and the efforts made to organise or order it) is viewed from the perspective developed here, change comes as no surprise. Rather, it is stability, order, structure and the like, which become puzzling observations. How can it be that the efforts of actants to realise a situation results in the stable reproduction of certain interlocking actions?

Despite the impossibility of realising a situation that entirely closes on itself, the appearance of such a closure might be achieved for some time and place. But such achievements are costly. In this section, I discuss the challenges involved and some strategies that might be of use when attempting to stabilise a sociotechnical situation.

Two important means for achieving stability has been hinted at above. The first one is related to *interessement*: by realising entities specially prepared for a certain situation it is possible to reduce the risk of overflowing. The second is related to *mobilisation*: by establishing spokespersons for the entities that are defined as relevant to the situation, it is possible to handle the overflows by showing that the definition of the situation works. In addition, a third means has to do with the creation of internal controls within the situation, controls which make the enrolled entities check and keep each other in place.

Reducing overflows

Given that any actant's definition of a situation is necessarily incomplete, the possibility of overflows is always present. To prevent overflowing, the entities that are defined as relevant must be interested – their associations to entities that are to be excluded from the situation must be severed. As suggested by both Goffman and Callon, the effectiveness of such efforts might increase with the use or creation of devices which physically or

literally tie the entities to the situation. Largely, this is what episoding conventions aim at, by clearly demarcating a time and place for the situation (see p.480).

But it is not only the boundary of a situation that can be stabilised in this way. Rather than relying on entities known to be part of several other situations, an actant can attempt to create entities especially for the purpose of participating in the situation it is trying to realise. As with episoding conventions, this potentially reduces interpretative flexibility and hence the risk of overflowing. One such example is the new goods catalogue which replaced the salesmen as the information channel from the district office of Hakonbolaget to the retailer. This entity was created and introduced by Hakonbolaget as part of the efforts to realise the Hakon-deal. The catalogue was a new entity, and the retailers thus had no prior knowledge of it. By arranging for the company's retail advisers to instruct the retailers on how to use the catalogue, Hakonbolaget was also given an opportunity to directly influence the retailers' characterisations of the new entity.

Handling overflows

With success residing in the hands of others and with these others as conduits for overflows, having successfully realised a situation once does not ensure continued success. A potential overflow need not occur in every situation and if it does, much work might still be required to prove its existence to the others. Considerable periods of time may therefore elapse without the overflow being recognised and/or accepted by the involved parties (negative environmental effects of industrial activities are a good example).

To establish that an overflow exists, it must be identified, along with its source(s) and destination(s). Sometimes it must also be made measurable. Having established its existence, an actant may either try to exclude it from, or include it in the definition of the situation.¹ To exclude the overflow, it must be represented as irrelevant, as coincidental, as negligible, etc. To take it into account, its import must be shown. In both cases, the overflow must be mobilised; a representation of the situation which includes the overflow must be generated. The actant must establish that it is capable of speaking on its behalf.²

¹ As noted by Michel Callon (*An essay...*, 1998b), there is a close correspondence between overflows and the concept of externalities used by economists. To contain an overflow in a frame is similar to internalising an externality in an economic calculation.

² In his examinations of deceit, Erving Goffman (*Frame Analysis*, 1986 (1974), p.251) has pointed out that the things which we put confidence in when it comes to finding out "what it is that's going on" are also the things that are best suited to convince us... "Whatever it is that generates sureness is precisely what will be employed by those who want to mislead us. For surely, although some evidence will be much more difficult than other evidence to fake, and therefore will be of special use as a test of what is really going on, the more it is relied upon for this reason the more the reason there is to make the effort to fake it. ... The way in which strips of activity are geared into the world and the way in which deceptions can be fabricated turn out, paradoxically, to be much the same. In consequence, one can learn how our sense of ordinary reality is produced by examining something that is easier to become conscious of, namely, how reality is mimicked and / or how it is faked."

This requires that a centre of calculation is created and that methods and measurements are devised, in a word, what is needed is *metrology*.¹ As both Michel Callon and Erving Goffman have pointed out, these efforts may come to involve scientific experts.² Several examples from the empirical account spring to mind: Lars Persson's comparison of self-service and traditional stores in which a variety of factors contributing to store-profitability were scrutinised; the comprehensive effort by the Organisation Department to measure the warehouse at work and identify the cost-consequences of various activities; the model studies performed when planning Hakonshus, etc. These efforts all purported to generate re-presentations of situations by taking relevant associations into account.

Of course, the inclusion of an overflow that has been established and made measurable does not solve the problem of overflowing. It simply moves the boundary of the frame one step. By including something that was previously excluded, all the associations that this new entity might have, become possible sources of overflowing.

The strength and control of the associations

A third way to increase stability is to increase the strength of the associations between the included entities. As the strength and durability of the associations grows, the more firm will the boundary of the situation appear.³

But how can associations be made more durable? One way is to introduce internal controls. That is, rather than having to watch over the others and secure their participation, or enrol some separate entity to do this, the actant can try have the others watch over themselves by making their associations mutually reinforcing. The effect of such arrangements can be seen when comparing a social gathering to a machine. In the machine, the associations tie forces together so that the assembled entities keep each other in place; "many elements are made to act as one."⁴ The social gathering, on the other hand, seems to form and dissolve before our very eyes, as entities gain or lose interest in it. (The difference is a relative one, though, as machines do break down every once in a while.)

What is the difference between a warehouse clerk loading goods on a push-cart and moving this around the warehouse, and a computerised warehouse where robots and conveyors perform the same task? The durability of the associations. The more durable they become, the more clear and firm does the boundary of the situation become. In the extreme case where all included entities repeatedly perform as expected, others may come to regard the situation as an entity; a *black box* within which many entities act as one.

¹ Bruno Latour (*Science in...*, 1987, p.251.) defines metrology as "the name of this gigantic enterprise to make of the world outside a world inside which facts and machines can survive."

² Confer Michel Callon, *An essay...*, 1998b, p.257; and Erving Goffman, *Frame Analysis*, 1986, p.337.

³ Confer Bruno Latour, *Science in...*, 1987, pp.127-132.

⁴ This is Bruno Latour's (*ibid.*, p.131) definition of a *black box*, a term he has used to denote successful enrolment and control of assemblies of entities.

The closest example of this in the empirical account is the organisation of the fine goods dispatch area at Hakonshus (Chapter 6). The aim was to realise a “floating work process.” To this end, the goods were stored along a U-shaped path which the clerk could move along with his mobile dispatch-unit, the push-cart; by arranging the goods in the same sequence as they appeared on the orders, following the path became the easiest way to dispatch an order; a fixed order-pad on the push-cart allowed the order to accompany the clerk; the cart could handle the entire order in one go since it could take two crates; the absence of counters made it difficult for the clerk not to use the push-cart; etc.

Despite its inner stability, however, such an entity still has to interact with others. With entities that supply whatever input it needs; with entities that take care of the output; with entities that provide whatever is needed to ensure throughput. Thus it is always possible to define the entity as part of a wider situation. Still, its inside may well represent what was previously recognised as a (series of) sociotechnical situation(s). This becomes most evident in cases where machines replace human labour. Thus, if we compare the work at Hakonshus in Västerås in 1958 with what takes place inside ICA’s cross-docking terminal in Helsingborg today, we will find most aspects of the work performed at Hakonshus have been contained in a computerised system. The arriving cartons, marked with EAN-codes, are identified by robots that pick out cartons according to the instructions they receive from the order system, place them on conveyers that move them to the assembly area for the shipment. Still, we will also find trucks and drivers making deliveries and collecting goods at the platform. In addition we will find system control and maintenance... Whereas Wirsäll aptly referred to Hakonshus as a “tool” taking part in the various sociotechnical situations involved in wholesale warehousing, it seems more correct to speak of the cross-docking terminal as a “wholesale warehousing machine.”

Disappearing frames

A successful inscription process, then, requires that many entities are made to act as one (see p.464, above). Only in this way will the assembly be recognised as an entity.¹ The wide variety of situations that humans are generally recognised as participants in, suggest that they are relatively difficult to control in this manner for any longer period of time. Further, it seems to make little sense to talk of social situations in terms of entities or black boxes, however uncontroversial and unproblematic they may be. Largely, this is a matter of perspective: with humans involved ‘inside’ a situation, it is difficult not to take their perspective, and to them, the situation is still a situation. But what kind of situation?

¹ This suggests that the recognition of entities will vary with the perspective of the others. Whereas a machine may be recognised as an entity in an investment calculation, it may never be but an assembly of components to the engineers and service-technicians responsible for its operation.

If framing is successful, the frame (or the derived scripts) that an actant has tried to inscribe, will simply reflect the way in which the situation unfolds. The assumptions about the situation “disappear in the smooth flow of activity.”¹ They are no longer assumptions, since they are confirmed by the subsequent events (all entities perform according to frame). Since these are the kinds of situations Erving Goffman addresses, his use of the term frame becomes a special case in my general framing model.

Only at this point will frames have the kind of self-fulfilling character that Goffman suggests: By defining the situation at hand and suggesting what actions to undertake, a frame (or a script derived from it) informs about what is going on, provided that all the relevant entities prescribe and subscribe as the frame (or script) suggests.² The socio-technical situation defined by the frame is realised through the actions undertaken on the basis of that frame (or the individual scripts derived from it). Still, self-fulfilment hinges on all the relevant entities prescribing and subscribing in accordance with the frame.

Accepting that frames (and entities) may disappear and be spread routinely has methodological consequences. It suggests that some (many?) situations may unfold ‘according to frame’ despite there being no trace of an actant attempting to realise them. These situations will be similar in character to “ready-made science” as discussed by Bruno Latour.³ If no one questions the way in which the situation unfolds, then there is no way of finding out how the situation came to be that way, or what the frame is like. A taken-for-granted situation will be explained in very different terms compared to a situation which some actant is actively trying to realise. Still, each time a new entity is enrolled to partake in such a taken-for-granted situation it is a potential threat to the situation.

¹ Erving Goffman, *Frame analysis*, 1986 (1974), p.39.

² To be sure, there is a constructivist air to Goffman’s model as well, but this only goes so far. The frame model indicates the role of social action in realising the world as assumed in the frames we apply. “Given their understanding of what it is that is going on, individuals fit their actions to this understanding and ordinarily find that the ongoing world supports this fitting.” (ibid. p.247) A similar idea is put forward by Rom Harré (*Philosophical aspects...*, 1981, p.151-152) who argues that “the knowledge and systems of belief used by the members [of a collective] to act in accordance with rules and interpretations” has a “normative character” which maintains (constructs / realises) this collective.

Somewhat confusing, is Goffman’s explicit claims that his concern is with the organisation of experience, “something that an individual actor can take into his mind” and his distinction of this from the organisation of society. This explicitness is strange given that he *did* concern himself with organisational premises beyond the individual mind: “these frameworks are not merely a matter of mind but correspond in some sense to the way in which an aspect of the activity itself is organised – especially activity directly involving social agents. Organisational premises are involved, and these are something cognition somehow arrives at, not something cognition creates or generates.” He also states that his concern is with “secondary matters” as opposed to primary ones as the organisation of society and social structure (ibid. p.12). To me, this remark carries more than a little irony. (On Goffman’s rhetorical style, see Jason Ditton, *The view from Goffman*, 1981.)

³ Confer Bruno Latour, *Science in...*, 1987, p.4.

Summary: Stabilising situations

Sociotechnical situations are inherently unstable. They involve entities which to a greater or lesser extent are recognised as participants in other situations. Hence, any situation is subject to overflowing. In order to temporarily stabilise a situation, an actant has to reduce the overflowing. One way of doing this is to enrol entities that have been specially fitted out for the situation, and which consequently are recognised in few other situations (although this, too, is something over which an actant never has complete control). A second way of achieving stability is to set up a metrological system which represents the situation, and which allows the actant to speak on behalf of the included entities. Such representations may be used to show the effects of the situation, and hence be a means to ensure continued participation. They can also show that alleged overflows either are significant or insignificant and that they consequently should / should not be taken into account. A third way of achieving stability is to introduce internal controls that keep the included entities in place. In the extreme case, this turns the situation into an entity, a black box, within which many entities act as one. To entities that partake, a stabilised situation is one where subsequent events repeatedly confirm its definition.

8.5. On fences and frames: some final remarks on the proposed vocabulary

In this final section, I summarise the proposed vocabulary and wrap up the chapter with a quaint illustration from public horticultural planning. In the first section, I overview the central concepts and indicate how they are linked to each other. Table 8-1, below, compares some of the proposed sociotechnical concepts with ones that traditionally have been used when discussing social and technical situations.

Summary of the conceptual vocabulary

This vocabulary has been devised under the assumption that all entities are involved in a network of associations and interdependencies which constitute their identities, their characteristics, and their goals (generalised embeddedness). I have sought concepts that allow for a processual and symmetrical analysis of the social, where the factors discussed in the introductory chapter, i.e. man, culture, technology, and nature are all folded in.

The analysis focuses on sociotechnical situations, sets of interactions through which entities are configured and competences and performances are distributed. Entities involved in such situations are defined by each other, they prescribe programs of action from others and (to a varying extent) subscribes to the prescriptions of others (hence the term *interdefinition*). An actant is an entity that subscribes to a prescribed program of action.

Table 8-1. A comparison of vocabularies for talking about organising. Some proposed sociotechnical concepts compared to asymmetrical counterparts for social and technical situations.

Sociotechnical	Social	Technical
Sociotechnical situation	Social encounter	Machine / Technical system
Entity	Individual	Object / artefact / part
Program of action	Role / intention / goal	Function
Actant	Actor	Component / Subsystem
Inscription	Upbringing / Socialisation / Education	Design / Construction / Production
Frame / Script	Cognitive model	Blueprint
Stabilised	Taken-for-granted	Working

A frame is a (pre-)definition of a situation and is the result of previous sociotechnical situations. It defines the beginning, content and end of a situation, including relevant entities and their programs of action. Framing denotes an actant's efforts to realise a situation as defined by a frame. A script is a definition of an entity derived from a frame. Inscription denotes an actant's efforts to realise a situation by realising one entity which is to take part in it. A framing process involves several inscription processes. Framing and/or inscription processes are themselves made up of several sociotechnical situations. Hence, there is no difference between organisational change and ordinary action, or between the construction and use of an artefact.

The central principle underlying the whole vocabulary is that the fate of framing lies in the hands of others. Sociotechnical situations are realised 'on the spot' and consequences of an inscription into an entity are determined in interaction with others (where previous encounters play a part as well). Interaction involves mutual double interpretations (see Figure 8-4). To engage in inscription (or send a token, or issue a command, etc.) involves an interpretative effort (where the 'sensory capacities' and value-scales of the entity will depend on previous situations and associations). In order to communicate something, a message must be constructed; an answer must be sought to the question: "What message means this?" The reception of a script (token, command, etc.) involves a similar effort: "What does this message mean?" The reasoning can be expanded (shaded parts of the figure) to include the response from B to A, equally involving a double interpretation, and what B does to the frame that A sent when interacting with a third entity, C, etc.

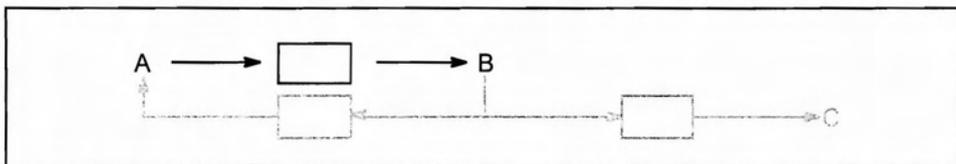


Figure 8-4. Sending and receiving a script as a doubly interpretative event.

A successful framing requires the defined entities to act consistently with the scripts derived from the frame. Each time a message is sent to a new entity, another double interpretation takes place. Maybe A can maintain an interpretation allowing it to send what appears to be the same thing. But how can A control B's interpretation and, in case B does something to the message, *both* of B's interpretations (receiving and sending)?

One way is to provide cues that limit the interpretative flexibility of the receiver. Of course this goes for A as well. By duplicating the frame (script), A can assure a more or less equal basis for B's interpretation. But to assure that the outcome of this interpretation will be more or less the same across several B:s, additional entities must be enrolled, such as written instructions, new referents, similes, metaphors, maps, tools, bricks and mortar or what have you. Everything that can be used to make alternative interpretations costly.

This hints at the two central problems facing actants that engage in framing: how to enrol and control others. The participation of others is required to realise a situation; they must be persuaded to perform consistently with the frame, that is, define certain entities, prescribe certain programs of actions from them, and subscribe to the prescriptions they make. Ironically, the more entities you enrol, the greater the problem of control will be.

Without the necessary control, the situation turns into something else than the frame suggests. Thus, the entities must be interested in the defined situation; the actant must tie them to it. In some cases, the actant also has to equip them with the necessary scripts. Depending on how the frame defines the entities and their programs of action, the scripts with which they are to be equipped will be more or less comprehensive. Some will explicate the entire frame, others merely a few specific interactions. To ensure continued success, the actant must be able to show that the situation did produce the results it was supposed to produce. This requires the situation to be mobilised, transformed into representations allowing the actant to speak on behalf of the interested parties.

A situation as defined by a frame is anchored to the outside world through the very entities that partake in it. They ensure that the outside is present through their associations to other entities. These associations are all possible conduits for overflows.

Overflows must be contained in order to stabilise a situation. This may require investments into metrological systems and centres of calculation allowing the situation and the entities making it up to be mobilised. Representations of the entities, their actions and the effects of these, must be generated. But only a limited number of overflows can be contained, since a frame taking the whole world into account would be wholly ineffectual. By containing an overflow, the problem of overflowing is simply moved one step. Each included entity is a conduit for overflows.

Reducing the possibilities of overflowing by creating entities especially for the situation may also stabilise situations. The more specialised and limited the entity is, the less risk of it becoming a conduit for overflows. The presence of specialised entities reduces uncertainty among the involved entities as to the character of the situation.

Goffman's image of actors as being capable of correctly assessing the situation they face and of effortlessly applying an appropriate frame to it, obscures the amount of work needed to achieve concerted action. The stock of frames available to humans, is a result of previous translations. Due to the inherent instability of sociotechnical situations, the work of stabilising is never over; each new situation is a potential threat to a stabilised frame.

On fences and frames

A simple example from the public park that I pass through on my way to the railway station can provide an illustration of the difficulties involved in framing. As you enter the park from my direction there is a large rectangular lawn immediately to the right. A path borders the lawn to the left and then follows along its upper side (see Figure 8-5 a).

The designer of the park (A in Figure 8-4), I venture, interpreted the path along two sides of the lawn as saying: "Walk here." A gradually developing track diagonally across the lawn, suggested to me that a significant share of the pedestrians (B in Figure 8-4) interpreted the arrangement as: "I may walk here as well" (Figure 8-5 b).

Two years ago, a sign was put up saying: "Please do not walk on the grass" (Figure 8-5 c). I venture that the park authority interpreted this as a message telling pedestrians to stop walking across the lawn. Judging by the character of the track, many pedestrians seem to have asked: "Why not?" A railing 15 cm above ground elicited no change in their response. A fence effectively shut out the youngest and the oldest, but did not keep others from climbing over. Many pedestrians also found new ways across the lawn (Figure 8-5 d). Last autumn, the park authority started to work on a new path... diagonally across the lawn. So, the park authority finally had its way: people now walk on the path!

The example tells us two things. First, that in order to control how others interpret a situation, it can be rigged in various ways. This incurs "costs" for the sender, but also for those receivers who attempt to interpret the situation alternatively. Second, the alternative interpretations affect the situation; with each pedestrian making the alternative interpretation "I may walk here as well", the emphasis is likely to gradually shift from "I may walk here as well" to "I may walk here as well." The emerging track is a materialisation of the alternative interpretation. Not a path(track)-dependence, but a path(track)-suggestion.

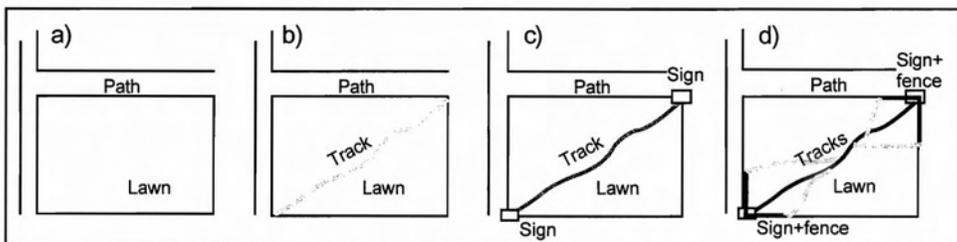


Figure 8-5. Materialising a frame. The case of the path and the track.

Add to this the different perspectives that A and B might have. For A, this lawn is part of the park, which in turn is part of the “railway station area.” For B, it is a distance between a point of departure and a destination. Thus, to A the path might be the “rational” solution, whereas the track is to B. The outcome depends on the amount of effort spent by A in enforcing the intended interpretation of the situation. In this case, A ceded to the voice of many feet: “The path should be here.”

Although it might seem a strange way to conclude the chapter, the example hints at how the proposed vocabulary can be used to analyse a series of events and shed additional light on organising. In the next chapter, I will discuss the empirical account in terms of the proposed vocabulary.

Chapter 9

Understanding Hakonbolaget's efforts to organise distribution

The general concern in this chapter is whether the proposed vocabulary can increase our understanding of efforts to organise business enterprise. The criterion I advocate for this evaluation is relevance for praxis. Does the proposed vocabulary allow to 'control' the empirical account? Can I, as an observer, speak credibly about the development of Hakonbolaget as reported in Part II, in terms of efforts to realise sociotechnical situations?

In the first section of the chapter, I call on the proposed vocabulary to supply answers to five questions concerning the empirical account. In the second section, I discuss some additional insights about the practice of organising to be had from revisiting the empirical account in terms of the proposed vocabulary. In the third section, I briefly discuss the realisation of new forms of economic organisation.

9.1. Five questions about Hakonbolaget's efforts to rationalise goods distribution

What insights can the proposed vocabulary offer when it comes to the events reported in the empirical account of Hakonbolaget and the rationalisation of goods distribution? In this section, I ask five questions about the account and make use of the vocabulary to answer each one. The questions are all why-questions, yet, the answers I provide are more like answers to how-questions. The reason is that the vocabulary I use to provide them is a vocabulary for talking about the process of organising. And if we want to understand processes, answers to why-questions become very similar to answers to how-questions.

Why could Hakonbolaget stop sending out salesmen to its customers?

The Hakon-deal purported to reduce the costs for Hakonbolaget. In part, this cost reduction was to be realised by reducing the sales organisation. Prior to the implementation of the Hakon-deal (at the end of 1948), Hakonbolaget employed 786 co-workers for sales and office work. After the implementation (at the end of 1950), the corresponding figure was 711. This suggests that Hakonbolaget was able to reduce the office and sales staff by close to 10% during the implementation of the Hakon-deal. During the same period (1948-1950), the turnover rose from MSEK 148 to MSEK 175 in fixed (1950) prices. Thus, it seems that Hakonbolaget was able to stop sending out salesmen while at the same time increasing its sales. How was this possible?

Re-framing wholesale-retail interaction

The Hakon-deal was an attempt to re-frame wholesale-retail interaction. It purported to realise a situation in which competition between rival wholesalers was offset by co-operation between Hakonbolaget and its associated retailers (see Figure 9-1).

After the proposal had been spelled out, the proponents sought to enrol the local managers and the associated retailers in support of it. During numerous meetings, spokesmen re-presenting the two committees and their joint proposal met with managers and with the councils of trustees to inform them of the new proposal, to spell out the reasons behind it and to answer their questions. During this work, it was claimed that the envisaged situation would offer a number of advantages both to the associated retailers and to Hakonbolaget. Finally, at the extra annual meeting, the proposal was formally approved by the shareholders of Hakonbolaget.

Each of these meetings was a trial of strength for the proposal. By approving of the proposal, the participants (i.e. the managers, the council members and the shareholders) became enrolled as supporters. Thus, after the unanimous approval at the annual meeting, the rationalisation program formally re-presented the collective will of its creators, the managers of Hakonbolaget, the local councils of trustees (except one member) and the shareholders of the company. In effect then, from this point, those speaking on behalf of the proposal, could claim to be speaking on behalf of more than a thousand persons.

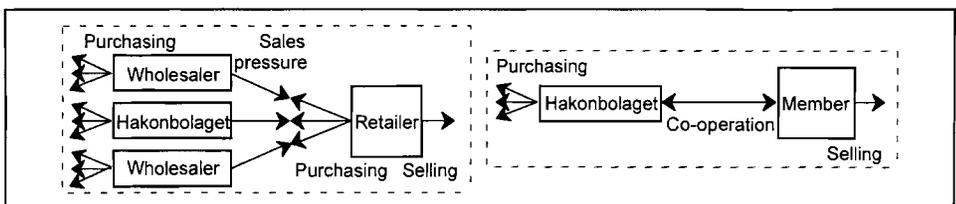


Figure 9-1. The established frame for wholesale-retail interaction and that envisaged in the Hakon-deal.

This formal approval transformed the proposal. Prior to it, e.g., during the discussions within the councils of trustees, members of the two rationalisation committees represented the proposal. After the approval, the proposal – now known as the Hakon-deal – was officially re-presented by the new Member-book whose contents the managers and shareholders of Hakonbolaget all agreed on.

A new entity had been created. By some, this entity was clearly regarded as having intentions. Others characterised it as a law or a constitution, in the sense that it was important to abide by it and not change its contents. Rather, they argued, others would have to give way if problems appeared. Some would perhaps call this a macro-entity. Still, there seems to be no such difference in scale. The Hakon-deal was recognised as a new actant with which a variety of others were required to interact; an actant with a limited but strong program of action. An actant which was to constitute the fixed (for some time, at least) basis of interpretation concerning the interaction between Hakonbolaget and its associated retailers.

Still, at this point, the Hakon-deal and those who spoke on its behalf, reflected the will of its many supporters only in principle. The Hakon-deal was still but a vision of how the interaction between Hakonbolaget and its associated retailers was to be handled. An agreed upon vision, yes, but nonetheless, a vision to which reality must be added. The rules stipulated in the Member-book now had to be translated into practice in the interaction between Hakonbolaget's district and affiliate offices and the associated retailers (who also had to become members). For this, the rules had yet to be interpreted by entities that were to apply them, rather than by members of various decision-making bodies.

Enrolling and controlling the retailers

After the formal approval of the program, the proponents sought to make the explicated entities act consistently with it – provide support in practice. The careful preparations carried out indicate that the proponents did not settle with the shareholders' approval, despite the fact that these re-presented a significant share of the customers. One of the envisaged problems was how to control the retailers without the use of visiting salesmen. As Hakon Swenson put it at one point: "Can we stop all active sales measures... and wait for our members' increased support to give us full compensation...?" But as my account suggests, Hakonbolaget did not simply sit around and wait.

First of all, Hakonbolaget attempted to transform the retailers into a new type of actant – the Member. To enrol the retailers, a new representation of wholesale-retail interaction was presented to them (expressed as attempts to "reshape their way of thinking"). The Hakon-deal, the argument went, would offer them a number of advantages. It would save both time and money. In short, it was a better way of reaching what they all wanted: to serve their customers well and make a reasonable profit.

A major device used to interest the members was the new bonus system which explicitly was to reward “rational behaviour.” The Member-bonus was to ensure continued enrolment by extending the time frame for rewards to include all transactions undertaken during a year. Its progressive design also sought to sever potential associations between the retailers and competing wholesalers during this time frame. Second, the Hakon-premium was to interest the small but faithful retailers by promising rewards related to purchasing fidelity. (See Figure 9-2.)

In addition to ascribing certain interests to the retailers – and offering a solution that catered to them – Hakonbolaget tried to inscribe the necessary rules of conduct into the retailers by combining them with a set of other entities, e.g., the Member-book, the Hakon-sign, the goods-catalogue, the order-forms. For this, the meetings arranged by the district offices and the retail advisers some weeks prior to the change-over in each district were held to be very important. Experience from the trial districts suggested that it was difficult to realise the members without them. During these meetings, the retailers were trained in the new way of ordering and taught how to make use of the new forms. A representation of the new situation was also made through the still-movie “Defekt.”

Unlike the retailer that went into its making, the member supposedly had no associations to other wholesalers. Indeed, as part of the process of realising the new entity, the enrolled retailers had to declare, in writing, that they were willing to work according to the rules stipulated in the Member-book. Thus, to become a member, a retailer had to accept the Hakon-deal. This written declaration was a way of enforcing the boundary of the situation. It had the character of a contract. The consequences of breaching the boundary were lost bonuses, and in the worst case, lost membership.

A retailer that was granted membership had to be turned into a member. That is, in time for the change-over from the old to the new situation, a personal Member-book was added to the retailer, along with a package containing forms, goods catalogue, order-pads, etc. This procedure was not completely successful since some retailers did not open their packages. And without its contents, they simply could not perform as members. To further distinguish the members from ‘customers’ they were given a Hakon-sign to display in their shop-windows. Compared to ‘customers’, which could share several of the members’ characteristics (even the written declaration of intent, since applicants were not necessarily granted membership), the members were thus made different.

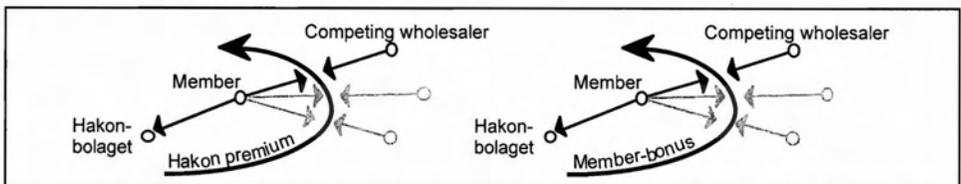


Figure 9-2. The Hakon premium and the Member-bonus as devices for interesting the members.

Enrolling and controlling the offices

To realise a situation, it is seldom enough to successfully enrol and control one group of entities. This became clear to the managers when members in the trial districts did actually order in writing. Written orders entitled them to bonus and bonus was a cost for Hakonbolaget. The intention had been to compensate for this cost-increase by reducing the sales-staff. But these savings would not appear all by themselves; they had to be realised. Salesmen (and to some extent warehouse staff) had to be disposed of.

So, what efforts were made to enrol and control the district and affiliate offices to participate in the envisaged situation? When support was sought for the proposal, the proponents argued that it offered the local managers increasing turnover and lower costs. Obviously, the efforts to enrol the local managers were successful: they all approved of the proposal during the discussions prior to the extra annual meeting. Formally, then, they supported the Hakon-deal.

Besides recurrent discussions at the managers' conferences, the major means for controlling the activities at the district and affiliate offices in connection with the change-over seems to have been the manual that Wirsäll prepared. This provided the managers with information about the changes that were regarded as necessary for a successful change-over. Among other things, it provided scripts for three entities that were to take part in the new situation: the order manager, the telephone contact-man and the contact-man. It also outlined an inscription process by instructing the managers to hand out information material concerning the new deal and arrange staff-meetings. In addition, the head-office was to arrange courses at which prospective order-managers and contact-men were instructed how to act after the change-over.

The need to overview and take appropriate measures to lower the costs at the offices was underscored during the preparations, particularly concerning staff dispositions and stocks. The central managers stressed that this needed to be attended to well in advance of the change-over. Various solutions were suggested as to how the redundant staff could be disposed of, e.g., transfers to other departments or to production units. Concerning the stocks, the assortment carried at the offices should be adjusted to the goods catalogue.

Besides the courses arranged for prospective order-managers and contact-men, the central efforts made to adjust internal operations at the offices were limited to instructing the local managers on what to do. Concerning the staff-dispositions, it was explicitly stated that the instructions were to serve as a guide, and that the specific needs of each office would be discussed in person with the managers.

Replacing the salesmen

The envisaged situation was not one where the salesmen simply had been removed. Rather, the salesmen were to be replaced with other means of upholding the association between Hakonbolaget and the members. To this end, several new entities were created

that were to replace the salesmen as mediators, for instance, the goods-catalogue, the idea-program, the written information, the contact-men.

Two completely new types of actants were created at the district and affiliate offices: the contact-man and the telephone contact-man. Scripts were made up for these by the Organisation Department as part of the preparations for the change-over. A number of salesmen were then re-trained – transformed into contact-men. During courses arranged by the Organisation Department, selected salesmen, the script for the contact-man and a set of forms, were combined into potential contact-men. Supposedly, this combination of instructions, forms and former salesmen was recognised as a contact-man as it met with the members or members-to-be, the office-managers, etc.

A major part of the changes proposed by the Novea committee in 1952, concerned renewed training of the contact-men and telephone contact-men. It had been observed that some of the individuals that had been turned into contact-men were not that suited for the job. In addition, the comments from the members of the councils of trustees had suggested that the script for their job also needed to be amended. At this point then, the parts that made up the contact-man were clearly visible.

In addition to these anthropomorphic actants (as should be clear from the above, they were more than just humans), several other entities were realised as part of the implementation of the Hakon-deal. Most of them were to assume some function that hitherto had been performed by the salesmen, e.g., the bi-weekly news-letter informing the members of new products, special offers, etc. A major new actant in the envisaged situation was the goods catalogue that was to replace the salesman as informer concerning the assortment offered by Hakonbolaget.

To realise this new entity, the assortment offered by Hakonbolaget had to be standardised. Previously, the local directors had decided what assortment to offer at their office. Since the printing of the catalogue was thought to require a single set of catalogue-leafs, a committee was appointed to design the new representation of the assortment. As a result of this work, the assortment was re-organised into product categories and reduced by some 1500 entities on the basis of their sales and turnover rates.

Supposedly, the new catalogue was to be the standard to which the district and affiliate offices and the Hakon retailers should adapt and arrange their assortments. It was to be an obligatory point of passage. Well, at the outset at least. Since it was a loose-leaf catalogue, it was in fact capable of re-presenting a non-standardised assortment as well. By sending out leafs of their own, the offices could alter the representation of the assortment. Click, clack – just open the binder, insert the leaf and close it – and voila! A non-standardised representation of the assortment was a fact.

In order to realise the envisaged situation, the new representation of the assortment also had to tally with the actual assortment, i.e. the goods found in the shelves of the warehouses. Since the orders were to be based on the catalogue, then this had better be a

representation that stood up in practice. Else, orders might be received for goods that were found in the catalogue but not in the assortment at the warehouse. This was a problem that was brought up as the new deal was launched. How, then, could it be solved?

There are two ways, I suppose: either to change the representation, or to change what it re-presents. This time, the representation was changed: a mark was put beside goods that were not carried at all offices. In this way, a new category of goods was created, "provincial goods." Thus, it can be argued that both the representation and what it re-presented was changed.

A second problem with the representation, concerned goods that were carried at the offices, but not included in the catalogue. Of course, it was for these goods that the complementary local lists were printed. However, the ambition was also to reduce the assortment. Indeed, a decision to only carry the assortment found in the catalogue was taken after some time. This meant that there were goods at the offices that no longer were to be carried. To get rid of these, various measures were taken. First, a special shelf was created in the warehouse, the O-shelf. When customers visited the warehouse, the staff should direct their attention to this shelf. After some hesitance, the staff at the offices were also enrolled to promote these goods during telephone contacts with the members.

After some time, the managers recognised a third problem with the goods catalogue: some retailers were not keeping their catalogue up-to-date by inserting the replacement leaves and removing the old leaves. To remedy this, it was suggested that the contact-man could borrow the catalogue from the member, up-date it and return it.

Problems of control

There are some indications that Hakonbolaget really was *unable* to remove its salesmen without losing sales. First, there was a turnover decrease during 1949 and at the end of 1951, some offices reported that there were members whose annual purchases were decreasing. Second, there were repeated indications that the district and affiliate offices actually had not ceased with their sales activities. In a sense, then, Hakonbolaget could not stop sending salesmen without losing sales and did not stop sending them either. Sales were lost and sales-efforts were still made.

The issue of whether or not to resume more active sales was recurrently discussed by the managers during the first three years under the Hakon-deal. It was first brought up by some local directors a few months after the trial offices had made their change-over. The managers argued that the frame for the Hakon-deal did not correspond to the actual situation. There were various (local) overflows: special competitive conditions; slow-moving items in stock; and a need to use active sales for new products.

Alternately the managers advocated a strict policy in compliance with the (their) original intentions behind the Hakon-deal, and a more lenient position motivated by competition, growing stocks and new products. Generally, the central managers seem to have

been reluctant to accept the existence of local overflows. Rather, they regarded them as temporary, or even, in the case of the growing stocks of rice, as due to an "erroneous purchasing policy" on behalf of the offices. Only one sign of overflowing seems to have been generally accepted: the decreasing turnover reported for 1949. In connection with this, some concessions were also made concerning sales activities for slow-moving items.

The need for active sales measures were said to be most pronounced for new products. New products were thus conduits for overflows. With an assortment consisting only of well-known products, there would be no need for active sales. To handle this, the managers suggested a policy of caution when introducing new products. This would make the situation a little bit more conducive to behaviour according to the rules.

Subsequently, additional figures were presented suggesting continued or even increasing overflows. For instance, towards the end of 1951, decreasing annual purchases were reported for 52 rural retailers in the Västerås district. At this point, the Novea committee was formed to overview the Hakon-deal. In response to the result of the survey to the members of the councils of trustees, the Novea committee suggested that the contact-men and telephone contact-men should be further trained and that the latter also should be given some sales-related tasks.

What should be made of this development? It is clear that the caution advocated concerning new products during 1949 was grounded on a number of assumptions regarding the consequences of reverting back to sales, primarily a fear of endangering the new deal. This was most explicitly stated by Hakon Swenson who rhetorically asked "shall we maintain acquisitions, which may shatter the inner core of the Hakon-deal."

Having the retailers order in writing was held to be a major obstacle for the new deal. In other words, to realise the envisaged situation the customers, who might be unwilling and perhaps, in some cases, even unable to order in writing, would have to be trained. The merits of altering their purchasing behaviour must be taught to them. But, if the offices almost immediately reverted back to active sales, the effect of this teaching and the chance of altering their purchasing habits would be significantly reduced.

By 1952, on the other hand, there was ample evidence indicating that a change in purchasing habits had taken place. Already in the summer of 1950, between 80 and 90% of the orders were allegedly received in writing. In fact, the written order procedure seems to have become established to such an extent that it was not even mentioned in the Novea-report. In 1952, then, the retailers were held to be both willing and able to order in writing, and foremost perhaps, *de facto* placing their orders in that way. The expected effect of a limited degree of sales through the telephone contact-men is likely to be very different in this situation than in the one indicated during the discussions in 1949.

Further, the results of the survey among the members of the councils of trustees suggested that these retailers, who were more closely associated to Hakonbolaget than the average member, were less than satisfied with the way in which Hakonbolaget informed

them of new products, etc. Obviously, this was held to be a better representation of the members' wishes than was the local directors' reports during previous discussions.

Summary: How could Hakonbolaget stop sending out salesmen?

Hakonbolaget could stop sending out salesmen by re-framing wholesale-retail interaction. The Hakon-deal envisaged a new situation in which the competition for retail sales between wholesalers was replaced by co-operation between Hakonbolaget and its members. To realise this, Hakonbolaget had to stop sending out salesmen. In relative terms, this was supposed to be the easy part. The major question was: would the retailers keep buying? To ensure that they did, the retailers were offered a solution that catered to their interests. Devices were also created to make the new frame worth their while: the new bonus-scales. These were designed to interest the members in continued interaction with Hakonbolaget. In addition, Hakonbolaget created a number of new entities that were to be recognised as actants in the new situation: members rather than retailers, contact-men, goods-catalogues and order-forms rather than salesmen, etc. These all contributed to making the envisaged situation more real.

Finally, Hakonbolaget 'kept at it'. Their repeated efforts indicate that initial enrolments are not enough to uphold and stabilise a situation. Organising is never over. Despite initial reports of success, the necessary control continued to be a problem. Some retailers had not opened the packages which were to equip them as members. Others did order in writing, but not with the catalogue at hand. After a while, some offices reported a decreasing number of written order lines. The assortment was said to be growing due to the district offices' proposals to add new articles, as well as their alleged inability to limit their stock-keeping to the goods listed in the catalogue. In response, new efforts were made to make the situation more like that envisaged as part of the Hakon-deal.

Why did Hakonbolaget start to receive written orders?

As suggested above, reducing the number of salesmen was intimately connected to the introduction of written orders for groceries. Although figures for the company as a whole are lacking, there are indications that the written order procedure was rapidly accepted by the Hakon retailers. Most members ordered their goods in writing by 1952. Why?

Realising a new order-situation

Hakonbolaget spent considerable efforts to enrol the retailers in support of the proposal. The proponents argued that it catered to the retailers' interests and that it would save them time and money. In addition, the order-bonus was created to directly interest the retailers in written ordering (see Figure 9-3). As suggested above, the proponents' efforts went further than that.

Transforming the associated retailers to members was important in making the retailers order in writing. The still-movie “Defekt” that was used during the member-meetings communicated how the envisaged order-situation should unfold. During the meetings, the prospective members were also instructed how to use the goods catalogue and the various forms designed to simplify written orders.

This suggests that rather than simply trying to influence the retailers, the proponents sought to transform the order-situation as a whole. A number of new entities were created to support the envisaged situation, that is, to simplify written ordering. The new goods catalogue informed the retailer of the assortment offered by Hakonbolaget and was to be used by him when writing his order. The pre-printed carbon-copy order forms would simplify order-writing as well. The pre-printed envelopes and special mail-boxes would make it easy to send the orders in. From its place on the telephone, the small sticker advising when to hand in the written order would remind the retailer to order in writing.

All of these entities simplified actions consistent with the envisaged new situation. None of them, however, ensured success. They had to be recognised as participants in the situations. But members could easily disregard the goods-catalogue when writing their orders, or disregard the sticker, pick up the phone and make their order, etc. The discussions among the managers indicate that this was in fact what some members did.

As a whole, however, these initial efforts seem to have been relatively successful. The reports from the trial offices suggested that many new members did order in writing. Indeed, the number of written orders far exceeded the managers’ expectations. In this sense, it looked as if the new situation had been realised.

Not only written orders - but large, written orders

After some time, with written orders pouring in, the managers observed that many members interpreted the new frame differently from the way they did. On one occasion the managers observed that only 47% of the received written orders were made up in line with their intentions with the new deal; the other orders were not large enough. The reason for this was held to be that these orders were “desk-top” products. Thus, the managers’ intention was not only to make the members order in writing, but to have them make up their orders with the goods-catalogue at hand, making a complete run-through of the catalogue for each order.

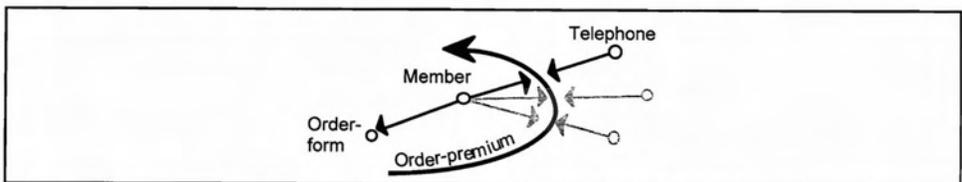


Figure 9-3. The Order-premium as a device for interesting the members in written orders.

To solve this problem, an attempt was made to make the “complete-written-order-according-to-the-goods-catalogue” a more attractive option. If the retailers’ stocks were rearranged according to the goods catalogue, then the procedure producing the sought-after orders – using the catalogue – would become more convenient for the retailer – if the order was made to Hakonbolaget, that is. Orders made to competitors would either be unaffected or made more difficult by this re-organisation. In relative terms, such a situation would favour large orders to Hakonbolaget.

Why was Hakonbolaget unable to stop dispatching split cases?

The Hakon-deal presumed that the members ordered whole cases of goods “as a rule.” Since some manufacturers delivered goods in cases considered too big for the members, the Hakon-deal also stated that original cases whose sizes did not suit the retailers would be repackaged by Hakonbolaget. After implementation of the Hakon-deal had been set in motion, the difficulties connected with the dispatch of split cases were recurrently addressed by the managers. The problem was also addressed by the Organisation Department as part of its efforts to rationalise warehouse work. Given this, it seems that Hakonbolaget was unable to realise the situation envisaged where only whole cases were dispatched. Why?

This is a good example of how interpretative flexibility may obscure a designer’s intention when a script is applied by others. Many warehouse managers and clerks seem to have interpreted the passage about the purchasing centre repackaging goods that were delivered in unsuitable cases as an indication that it was all right to split cases. It is possible that this interpretation was based on something along the lines of: ‘If the customer has ordered less than a whole case, then this probably is due to the whole case being of unsuitable size to him.’ Clearly then, the breaking of original cases would be completely in line with the rule stipulated as part of the new deal. A similar line of thought could explain why the retailers kept ordering less than whole cases.

The less than adequate control concerned the clerks at the order department as well. Their instructions clearly stated that they should edit the orders and adjust the ordered quantity to conform to what was specified in the goods catalogue. Although efforts were made to enrol these clerks, it is evident that the necessary control was not achieved. Otherwise, no orders for less than the quantities specified in the goods catalogue would have reached the warehouse. In that case, there would have been no need to split cases.

How could the managers have solved this problem of interpretative flexibility then? It is obvious that despite the efforts made to have the retailers order whole cases, many kept ordering lesser amounts. Given the way in which the retailers were stimulated to act in accordance with the envisaged situation when it came to written orders and purchasing fidelity, it is somewhat surprising that no bonus was devised for orders that were made

for whole cases. Clearly, the reason why the Hakon-deal stipulated that orders should be for whole cases was that the dispatch of broken cases was costly. Thus, there ought to have been room for a bonus to those who ordered whole cases.

Although considerable efforts were spent on enrolling the retailers, the clerks in the order-department and the clerks at the warehouse in support of the new deal, no serious attempt seems to have been made to enrol the cases and their producers. Thus, the original cases seem to have remained more or less the same size, a size which some held to be unsuitable. Further, the cases lent themselves to being split. The clerk took a knife or a pair scissors and opened the case. It was as simple as that. There are reasons to believe that these tools were needed at the warehouse. If not, their removal would have made the cases more resistant to splitting, thus increasing the managers' control.

Just as for the cases, no measures seem to have been taken to enrol the entity connecting the members to the warehouse in support of orders for whole cases. The written order forms allowed orders for any quantity. Some of the American purchasing centres that Wirsäll visited used a system that combined the goods catalogue and the order. A pre-printed order-list with a slot for how many cases to order was sent out to the retailers with every delivery. The retailers then filled out the order and sent it to the warehouse in time for the next delivery. This procedure would have rendered orders of less than the required amount more difficult.

At the new Hakonshus in Västerås, a novel means for controlling the clerks' behaviour was tried. In much the same way as the retailers had been reminded of the benefits of written order through the small sticker placed on their phones, a system of red and green labels was devised for the fine goods dispatch area. During the dispatch work, a red label informed the clerk that the good in question was to be dispatched only in whole cases. This suggests two things: first, that the problem of split cases was still around in 1958; second, that Hakonbolaget had given up the intention of dispatching whole cases "as a rule." At Hakonshus, only those goods that were marked with red labels had such a restriction placed on them.

Why did Hakonbolaget start to build one-storey warehouses?

In the Epilogue to Part II, I noted that the structural rationalisation of wholesale trade for Hakonbolaget meant replacing a system of district and affiliate offices by twelve one-storey distribution centres during the period 1958 to 1973. Other accounts of the development have suggested that the "warehouse centres" (*lagercentraler*) established by the competing Consumer Co-operation served as models for the distribution centres within ICA.¹ The account given in Chapter 6 does not support this. There are no indications of Hakon-

¹ Hugo Kylebäck, *Konsumentkooperation i strukturomvandling*, 1983, pp.121, 136.

bolaget paying attention to the doings of the Consumer Co-operation when it came to wholesale operations. Rather, the main source of inspiration for Hakonbolaget seems to have been American findings in the area. Findings that were translated chiefly through the efforts of Nils-Erik Wirsäll.

Despite the fact that the structural rationalisation as such was not part of the account, one is tempted to assert that the direction in which Hakonbolaget's wholesale operations subsequently developed had been established by 1958 when Hakonshus in Västerås was in operation and Wirsäll had presented his thesis. Since this development lies beyond the scope of my account, this remains a speculation on my part. Here, I will limit my discussion to the question of why Hakonbolaget started to build one-storey warehouses.

From symbols to tools – the warehouse building as an actant

Wirsäll's thesis on wholesale warehouses was aptly titled "The warehouse building as a tool within grocery wholesaling." The title hints at an important change that the physical warehouse facilities underwent during the period under study. A change which, at least in part, can explain the subsequent development. In the mid-1940s, Hakonbolaget proudly stated that their new warehouse facilities were "outward signs of inner strength." A decade later, it was their function as tools for wholesale operations that determined their quality. The warehouse building had become recognised as an actant in wholesaling.

This new actant – the warehouse building – was not simply the result of viewing things from a different perspective. The new perspective was there, introduced by Wirsäll upon his return from the US in 1947. But his initial suggestions along these lines were not enough to transform "the outward signs" into "tools." A major problem in this respect was the tacit character of many of the frames applied at the warehouses. The managers lacked knowledge about warehouse practice. There were also considerable differences between the warehouses in terms of their turnover, the districts they served, the character of their facilities, etc. It is of course quite possible, perhaps even likely, that the warehouse staff had all along recognised a host of actants in the warehouse facilities. Here, however, focus is on the managers of Hakonbolaget.

Given this lack of knowledge, the managers faced questions like: If the warehouse buildings are tools, what kind of tools do we have at our disposal? What are their characteristics? What are the situations in which they participate like? What would be the best tools in these situations? In short, in order for the new perspective to apply, the warehouses had to be performed as tools. But what was to motivate such an effort?

Overflowing triggers efforts to mobilise the warehouse

At that point in time, in 1947, the management of Hakonbolaget identified three reasons for attempting to lower the costs of internal operations: competition was intensifying; the cost of labour was growing; and there were cost differences as between the offices.

First, competing wholesalers were offering “sneak rebates” to retailers; rebates that resulted in lost sales for Hakonbolaget (the same reason that set off the efforts to alter wholesale-retail interaction). To counteract this, Hakonbolaget should offer low prices. To offer low prices, it was necessary to increase efficiency, i.e. lower operation-costs. Second, growing labour costs meant that the cost of performing a given activity was growing. Hence there was a need to make better use of the labour, i.e. increase internal efficiency. Third, available figures were showing cost differences between the offices. Those offices that had reduced their costs the most had also achieved the best net-profits. It should thus be possible to improve profitability for the company as a whole.

In terms of the proposed vocabulary, all these observations, and the resulting efforts, can be traced to real or potential overflows (see Figure 9-4). First, as a result of the competitors’ efforts (the intensified competition) customers were buying from other suppliers than Hakonbolaget. Money and goods were thus flowing across the boundary of the “purchasing centre frame.” Second, demands for wage increases were put forward by staff representatives who referred to agreements made in other companies. If Hakonbolaget did not pay the higher wages, the managers expected the labour to turn elsewhere. Hence, the managers held it necessary to accept the higher labour costs to retain the staff’s interest, and thus prevent overflowing. Third, available figures suggested that lowering costs positively affected net-profits. That is, it was possible to reduce costs *without incurring sales losses*. Consequently, the offices must have been performing activities (which incurred costs) that did not generate revenues. If there were costs that did not result in revenues, there were overflows. Since the relative operation-costs at the offices differed, the managers considered it necessary to scrutinise the operations to uncover the reasons for these differences. As a whole, then, it is possible to link the efforts to improve internal efficiency to the recognition of three overflows.

Finding out how the warehouses work

The recognition of these overflows motivated a close scrutiny of internal operations. Suddenly, it was very important to know how the warehouses worked. How, then, could centralised knowledge on warehouse operations be produced?

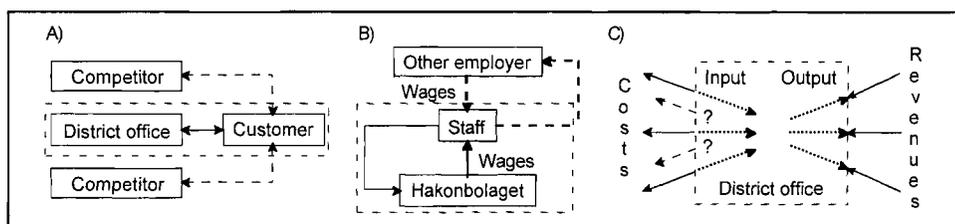


Figure 9-4. Overflowing at the district offices: a) customers buy from competitors; b) the staff can receive higher wages elsewhere; and c) there are costs with no apparent connection to revenues at the offices.

The answer was sought through time and motion studies. Such studies were held to be well suited for the task, given the effects ascribed to them within the manufacturing industries – i.e. that they had led to considerable efficiency improvements. At one point, Wirsäll also testified as to the usefulness of time and motion studies to “get acquainted” with the work. These studies became the means for the central managers of Hakonbolaget to produce knowledge about the warehouse at work.

In the empirical account, I suggested that these studies produced something of a “portable warehouse at work.” A series of charts and tables that could be brought along to show anyone concerned how the warehouse worked, or how it should work. The time and motion studies mobilised the warehouse.

Regardless of whether the managers actually asked the questions suggested above concerning the character of the warehouse-tool, the time and motion studies supplied answers to them. The studies recognised and attended to the interactions between the warehouse staff and the physical environment in which they worked, making it possible to characterise the new actant and its participation in wholesaling. The studies also allowed the Organisation Department to re-present the warehouse at work, to speak on its behalf. Not from the perspective of an individual entity taking part in it, but from the perspective of the operations as a whole. This was most clearly expressed in the normative model for warehouse organisation. For the managers, it was these efforts that performed the warehouse building as a tool. They translated the American ideas on warehousing into ideas for Hakonbolaget.

A frame for the warehouse building

What kind of sociotechnical situation(s) did the new actant – the warehouse-tool – take part in? The normative model devised by the Organisation Department suggested that “the warehouse at work” consisted of seven situations (see Figure 9-5). Each of these were studied and in five of them, the warehouse was recognised as an actant: goods reception, fine goods dispatch, fruit and vegetable dispatch, heavy goods dispatch, and shipment. Different characteristics and requirements were placed on the new actant in each situation; programs of action were ascribed to it.

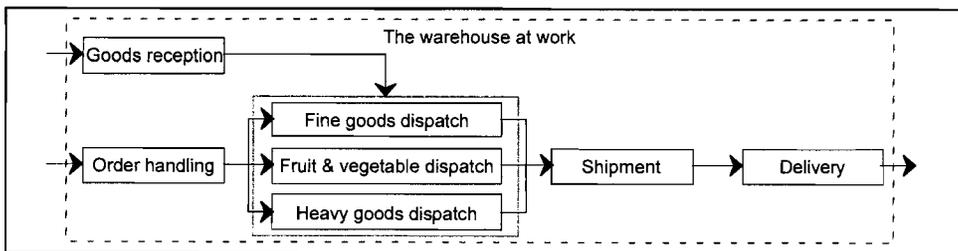


Figure 9-5. The mobilised warehouse at work.

During the first part of the 1950s, efforts were made to improve the efficiency at the warehouses by realising the normative model. However, there were few indications of outright success. A major reason were the difficulties encountered in negotiations with the existing warehouse buildings when attempting to re-organise work. The rooms were small and the facilities constructed in a way that did not allow the removal of inner walls.

Repeated assertions as to the benefits of adapting the warehouse building to the work that was to be performed therein were made. Hakonbolaget needed to assemble new collectifs that were to perform as warehouse-tools in order to fully realise the benefits of the normative model. However, to engage in such inscription processes, Hakonbolaget needed to assemble another collectif, one that included cement, architects, scaffolding, contractors and construction workers. And here, construction regulations threw a spanner in the works, hindering most warehouse projects during the late 1940s and early 1950s.

Building the warehouse-tool

Clearly, building new warehouses that fit the normative work organisation would add reality to this model. But when building a new warehouse, there were other aspects that had to be considered as well. In his thesis, Wirsäll differentiated between outer and inner factors of importance when building a warehouse. Whereas he regarded the outer factors as given, he held it possible for management to affect the inner ones. Hakonbolaget had given attention to five of the outer factors during the period: retail customer structure; growing wage costs; expanding assortment; competition; and the influence of available land. The three inner factors, storage volume, work organisation and job satisfaction, had all been central concerns for the Organisation Department during its efforts to perform the warehouse at work. Thus, the proposed model strongly resembled the concrete situation that the managers of Hakonbolaget were facing at the time.

The previous efforts to mobilise the warehouse allowed Wirsäll to speak on behalf of the warehouse at work when planning the new Hakonshus in Västerås. The established model was also expanded through additional studies carried out during the planning, e.g., through studies that made use of miniature models to re-present the warehouse situations.

The outer factors, that is, the factors that in Wirsäll's view could not be affected by the managers, placed a number of requirements on the warehouse building. First, since wage rates within trade would keep growing, Wirsäll argued, mechanisation should be pursued, even if calculations could not support this. Second, the customer structure of Hakonbolaget (many small customers) made it necessary to arrange a fine-goods dispatch area. Although Wirsäll regarded this as an outer factor when it came to warehouse design, the efforts made to rationalise the order-structure through the Hakons-deal suggest that it, at other times, was regarded as a factor that was possible, although difficult, to influence.

One or several storeys?

The question of whether to build a single or multiple storey warehouse appears to have been relatively straightforward. On the basis of Wirsäll's comparison of the multiple and one-storey warehouses, it would be hard to argue for a multiple storey warehouse. After all, it was suggested to be outperformed by the one-storey building in 5 out of 7 dimensions. Wirsäll's thesis can be said to have offered a scientific metrology for warehouse design. A metrology for which Hakonbolaget's centre of calculation, the Organisation Department, already had set up a system of monitors. To object to the proposed metrology, an actant would have to make investments in an alternative system, finding its own experts to rely on, creating its own monitoring devices, etc. The cost of disagreeing was going up.

One of the dimensions used for the evaluation, the requirements placed on managing the operations, relates back to the successful mobilisation of the warehouse at work. In a one storey building, the need for supervision and detailed planning of the work was greater than in a multiple storey building. On the other hand, supervision was also more easy to conduct rationally there compared to the multiple storey building. Given the Organisation Department's efforts to affect warehouse operations, it is not surprising that Wirsäll promoted the former type of building. All their efforts had purported to mobilise the warehouse at work, still it had proved difficult to realise the normative model. With the one storey warehouse, a major check on this was to be solved – the problem of managing the work-force.

As a whole, the frame used for comparing the alternatives, and the metrological system that backed it up, was decisive for the subsequent choice. My attempt to "scratch" at the surface of this frame in Chapter 6 suggested that Wirsäll's evaluation was sensitive both as to the dimensions chosen, the assumptions made, and to how the findings were phrased. Moreover, as Wirsäll indicated at one point, it was hard to compare single and multiple storey buildings, since it was hard to find a multiple storey building that had been designed with the work organisation in mind and which was functioning properly. Since no more multiple storey buildings were constructed, there is no way of knowing how, e.g., a realisation of the ideal multiple storey solution suggested by an American warehouse expert would have performed.

Added reality to an envisaged situation

In the new Hakonshus, the old principle of radiated dispatch of fine goods came at a cost – there was a single, small counter and many goods were located far from it. On the other hand, there were plenty of push-carts equipped with order pads, and an aisle which made the clerk pass by all the goods stored in the shelves in the dispatch area.

In the heavy goods area, there was a radio controlled Barret-truck, pallets, enough ceiling height to stack three on top of each other, forklift trucks to handle these pallets,

aisles wide enough to allow the trucks to manoeuvre, etc. Goods reception took place on one side of the building, where railroad tracks allowed direct access to railway transports. Shipment took place at the opposite side. In between, the goods were to flow.

But there were also four elevators, spiral staircases and slides directly connecting the reception dock and the ground level. All these entities allowed vertical transports. Thus, the new Hakonshus did not realise the one storey tool completely. It did not do away with vertical transports altogether. The characteristics listed above would however allow for some practical experiences of large-scale one-storey warehousing.

Summary: Why build one-storey warehouses?

A major reason for the structural rationalisation of Hakonbolaget's wholesale operations, I argue, was related to the emergence of a new actant in wholesaling: the warehouse-tool. The managers recognised that the physical facilities in which the various sociotechnical situations took place that were part of warehouse work, actually participated in these situations. This was not just a change in the managers' views of the warehouse facilities. It was the result of the Organisation Department's efforts to mobilise the "warehouse at work" and perform the physical facilities as part of the warehouse situations.

This subsequently allowed Hakonbolaget to construct their new and rational one-storey warehouses when construction regulations eased up. That is, Hakonbolaget was able to inscribe parts of the warehouse organisation in its new warehouse facilities; casting in concrete their normative recommendations concerning the identified situations.

Why were the Hakon stores becoming self-served?

In 1947, Hakonbolaget put a question about self-service stores to the councils of trustees. At that point, there were no such stores operated by the retailers associated to Hakonbolaget. In 1960, 19% or 765 of the Hakon stores were reported to be self-served and self-service stores were said to account for 33% of ICA's total retail turnover. How can this development be accounted for?

Low performance for self-service in the current retailer frame

When self-service was first introduced to the Hakon retailers through the articles in ICA Tidningen, it was not much of a solution. It was not even introduced as one. Rather, it was presented as an alternative way of organising retailing which had certain characteristics, some of which allegedly were in conflict with the ambitions of the retailers associated to Hakonbolaget. No attempt was made to have the retailers re-organise their stores.

At this point, the major concern in the retailer frame seems to have been good customer service. A frequently cited Gallup-poll from 1946 asserted that customers based their choice of shops on (in order of importance): i) the distance from their home; ii) the

assortment of goods; iii) the friendliness of the reception in the store; iv) the prices; v) being swiftly served; vi) the interior and look of the shop; and vii) home delivery.

Self-service allegedly outperformed traditional service in one of these dimensions: the ability to serve customers swiftly. But this was only the fifth reason for choosing a particular store. Given that many products were subject either to RPM (Resale Price Maintenance) or public price control at the time, the two store types would be expected to perform equally well in terms of price. The third reason favoured traditional service, at least according to those retailers who feared that their personal touch would be lost with self-service. There is no clear indication as to whether self-service differed from traditional service in terms of the assortment. However, the possibility of the store clerks informing the customers about the assortment to some extent put traditional service before self-service in this respect. Finally, the store location would not be affected by the service-form, provided that the old facility could be rearranged for self-service. The need to find new retail locations as such was not pronounced by the retailers during the discussions.

Since RPM was claimed to be the major reason why retailers engaged in service competition during the public debate, e.g., by Gerhard Törnqvist and Ulf af Trolle, I take it that the focus on service competition itself was regarded as an incontrovertible fact at the time (Chapter 4). Thus, if the retailers primarily sought to provide good customer service and if the results from the survey made in 1946 were used as a representation for customer service, then self-service retailing did not offer many advantages to the retailers.

Towards the end of 1946, however, ICA Tidningen associated self-service with a new problem for the retail trade: growing labour shortage. This new association was also shown to be of practical relevance: the trouble of finding staff was said to have been decisive for Paul Kågström's efforts to realise a self-service department in his store. Thus, by promoting the recognition of an overflow in the retailer frame, ICA Tidningen sought to alter the evaluation of the self-service format.

Different representations suggest different performance

My brief look at how the Consumer Co-operation approached self-service underscores the importance of representations for subsequent actions. Contrary to Wirsäll's suggestion that their choice of name for the self-service stores, Quickshop, was a stroke of luck, it seems that waiting time was a central aspect in the discussions concerning self-service within the Consumer Co-operation (see Chapter 7). And for good reasons, too.

The time aspect appears in almost all accounts concerning self-service within KF at the time. According to their reading of a Gallup-poll performed in 1946, the co-op customers were very concerned about waiting time. Apparently, then, KF had been working with a different representation of their customers than had the private retail trade. For within private trade, a Gallup-poll had shown that the customers held at least four other aspects to be more important than waiting time when choosing a shop. True, customers

with experience from the US did indicate that waiting time was an important aspect, but judging from the opinions of the retailers, this was held to be but one of many arguments and not given a very prominent position.

This indicates that the representation of an entity or a group of entities within a frame, in this case the Swedish consumers in the retailer frame, may have considerable import for the subsequent behaviour according to that frame. It is hardly surprising that a principle that might reduce waiting time was only mildly interesting to the private retailers, whose customers allegedly held many things to be more important than waiting time. For the Consumer Co-operation, however, self-service must have been much more interesting, given the import that their customers were said to ascribe to swift service. Whether there was any difference in what the actual customers thought about waiting time remains unknown. Given the time at which these Gallup-polls were to have taken place, it is even possible that the representations were based on the same survey. This in no way changes the effect of these representations on the evaluations of self-service retailing.

The adaptability of self-service

As the Consumer Co-operation started to set up its Quickshops, Hakonbolaget's managers seem to have been anxious to convince the Hakon retailers to do the same. For this, a particular characteristic of self-service seems to have been conducive – its adaptability to existing operations and to various local circumstances. At an early stage, this was brought up by Wirsäll as important to inform the retailers about.

This flexibility was suggested as permitting the new format to be adapted to almost any retail situation. If this was so, the problem of enrolling retailers in favour of it would be considerably reduced. When reports on initial attempts to introduce the new format started to appear in ICA Tidningen, there was also considerable variation in the form that self-service assumed. Some retailers tried the new system by arranging a single shelf with goods that the customers could help themselves to while waiting. The more courageous ones adopted full or semi self-service. Hesitants settled with preparations that would allow them to convert to self-service in the future. This variation was also reflected in Lars Persson's comparative study, for which he found reasons to weed out a number of stores due to their diverging characteristics.

How did this apparent adaptability affect the realisation of the self-service situation? Primarily, it lowered the cost of trials and allowed a gradual realisation. The number of new entities that had to be included (e.g., open shelves) could be kept down, and the assortment could be converted little by little. That is, the retailer could gradually sever established associations in the retail situation by prescribing new programs of action only from some of the involved entities at a time. It also gave the retailers an opportunity to generate their own representations of how one of the more important group of actants, the customers, responded to the new program of action being prescribed to them.

Becoming recognised as an actant

Through ICA Tidningen, the purchasing centres clearly sought to alter established views on retailing. A survey presented in 1950 suggested that the majority of the housewives preferred self-service. Some of them to the extent that they were prepared to walk an extra distance to shop in a self-service store. Articles repeatedly told of the benefits that retailers would enjoy when introducing self-service, the cost reductions it offered, etc. Indeed, on the basis of the attention it received, one might be led to believe that self-service had already become the dominant retail format by 1951.

However, these attempts to influence the members were not that successful. The discussions in some of the councils of trustees during the early 1950s indicate that the Hakon members were far from convinced about the merits of self-service. At least, in practice! In principle, they could express favourable views. 'Self-service is definitely a good thing...' 'What! A self-service store here, in Arvika! No, I don't think so. You see, the conditions here are a bit special...' These situations had little in common with the way in which self-service was re-presented by ICA Tidningen.

Given this, it is not surprising that Hakonbolaget sought additional ways of promoting self-service. Indeed, the promotion of self-service was connected to a general attempt to become recognised as an actant in a new situation, the organising of retail stores. In the 1940s, the associated retailers recognised Hakonbolaget as an important actant *when it came to purchasing*. For many of them, it was the main supplier. With the advent of the Hakon-deal, this position was further strengthened. But when it came to designing and equipping stores, however, Hakonbolaget was not necessarily recognised as an actant. Largely, the efforts made during the late 1940s and early 1950s purported to change this.

The major tactic employed was to have something to offer. By assisting in securing financial support, Hakonbolaget became recognised as a provider of financial support and hence an entity with a program of action relevant for 'the re-organising of a retail outlet'. This particular aspect shows the importance of ascriptions. Hakonbolaget did not actually provide the financial means, banks did that. Rather, it stood as security. Still, it seems that the resulting ascription was that of a financial provider.

Securing new retail locations for the associated retailers was a second new performance ascribed to Hakonbolaget; providing accounting service, a third; offering inexpensive design service and equipment for the stores, a fourth. In some cases, the new performance was connected to the assembly of a new collectif to which it was ascribed. For instance, the Hakon Accounting centre, the Hakon Store agency, Köpmannatjänst, etc.

Doubtless these efforts led to a growing number of members recognising Hakonbolaget, or some new entity associated with it, as an actant in situations that concerned the organising of their stores. This meant that Hakonbolaget was able to act in the situation rather than at a distance from it, something which must generally be preferable if one wants to influence the situation. But being recognised as an actant came at a cost for

Hakonbolaget. The growing sums for which Hakonbolaget stood as security were perceived to increase the financial risks. Coverage for the costs incurred for securing the retail locations could not be had. The services provided by Köpmanntjänst were not considered worth what was charged, despite modest rates.

This created something of a dilemma for Hakonbolaget. Having something to offer was necessary in order to be able to exert influence over the development of the retail net. At the same time, it led to considerable financial strains. The decision to divest the shares held in retail operations and instead offer to stand as security for the retailer was one way of improving this situation. Another measure taken to attenuate the conflict were the attempts made to limit the investments in each retail outlet.

My interpretation is that the purchasing centre was being re-framed. Hakonbolaget was no longer simply a purchasing department for the retailers, but well on its way to becoming, or at least attempting to become, a general service provider for its members. Despite these efforts, Hakonbolaget's opportunities to directly influence the development of the retail net remained limited. They existed primarily in cases where Hakonbolaget had managed to secure a new store location, and to a lesser extent in cases where an existing store was re-organised. Hakonbolaget could not provide financial support to all the members, even if it wanted to, and all members were not interested in receiving such support.

The political representation of self-service

The adaptability of self-service (see above), is likely to have affected the representation of its spread. What were the criteria for qualifying as a self-service store? Within KF, the first private self-service stores were not held to be self-served in their sense of the term. On the other hand, the co-op Quickshops were not completely uniform either. Most likely, there was considerable variation in the extent to which self-service stores *were* self-served. Still, available representations depict a pattern of stable growth in the number of entities known as self-service stores without ever discussing this variation.

Since available studies were in no way conclusive about the merits of self-service, this begs the question why there was such a focus on the stores being self-served? For this, I believe, the debate about goods distribution, and the public efforts made in the area can provide at least a partial answer. Not least from Government, it was repeatedly asserted that self-service was an important means of rationalisation. Maybe then, the representations were intended for a situation in which self-service retailing was the *sine qua non* of rational distribution? One of the more comprehensive overviews of the development of self-service explicitly stated that the rapid spread of self-service was a good argument to use against the critics of Swedish goods distribution. For such a purpose, a representation of retail development that could accommodate some variation and depict a stable pattern towards increased self-service, was a good representation. And as long as the overflows in terms of manual service were kept at reasonable levels, the representation worked.

Summary: No simple answer to the spread of self-service

Why were the Hakon stores becoming self-served? Through ICA Tidningen, new ideas on retailing were introduced that promoted a view of the retail situation in which self-service constituted a solution. The costs of trials were lowered by promoting a view of the new format as adaptable to a variety of retail situations, making it possible to combine with existing practices, even with manual service. Through its efforts to secure new retail locations, provide financial support, accounting services, and in supplying equipment and design service for the retailers, Hakonbolaget was ascribed a number of new competences and performances. In short, it became recognised as an actant in the sociotechnical situation of organising the retail store. This allowed direct participation in the organising of retail stores, rather than sole reliance on attempts to exert long-distance control.

Are these answers any good?

The proposed vocabulary, I claim, offers a plausible explanation to the development reported in Part II. It was possible to make sense of the events in terms of sociotechnical situations and understand the doings of Hakonbolaget and other actants as efforts to re-frame the distribution of goods, trying to realise a series of new sociotechnical situations. At the same time, these efforts were also unfolding in sociotechnical situations. Hence, it was possible to use the vocabulary as an explanatory hypothesis for some of the recognised *outcomes*, in this way pointing at achievements central to their production.

The inherent instability of sociotechnical situations showed up in a number of overflows that were recognised during the process. In some cases, the actant engaging in framing was able to control the involved entities and reduce the overflow. In other cases, the frame was modified to take the overflow into account.

My arguing in favour of the proposed vocabulary is hardly surprising, of course. The fit between the empirical account and said vocabulary is even less surprising given that they both derive from the principles I advocated in Chapter 2. In a sense, it merely testifies to my consistency when applying these principles. Still, I believe that the answers offered by the proposed vocabulary have relevance for praxis. The concepts of framing and sociotechnical situations, direct attention not only to human aspects of organisations, but to the whole array of materials involved in the process of organising.

9.2. Insights concerning efforts to give direction to business enterprise

The previous section was intended as a first trial of strength for the proposed vocabulary. It purported to show that this vocabulary can be used to explain specific efforts to organise business enterprise. In this section, the empirical account and the proposed

vocabulary are combined for another purpose: to discuss a hypothesis concerning how new directions for a business enterprise are established.

The role of overflowing for organising efforts

The notion of overflowing is inseparable from that of framing. First, framing will lead to overflowing since no frame can take the whole world into account. Second, the recognition of overflows presuppose framing since the boundaries of a situation must be defined in order for something to constitute an overflow.

Overflows trigger efforts to organise

My point of entry in Chapter 5 was the managers' discussion about "our customer contact problem." This seemed to be the starting point for the efforts that subsequently produced the Hakon-deal. The problem discussed by the managers consisted of the associated retailers buying goods from other suppliers. Money and goods were flowing across the boundary of the frame defining the "mid-Swedish retailers' purchasing centre" and in which wholesale-retail interaction was to take place between Hakonbolaget and its associated retailers. These were not giving Hakonbolaget the support it sought (and which the managers felt it was entitled to). At that point, the extent of the overflows was not known.

After the implementation of the Hakon-deal had started, the existence of this overflow continued to be a problem. At one time, Hakon Swenson complained that the "significance of competition" still was "cherished too much" and that Hakonbolaget still had a long way to go before it could enjoy the support it was "entitled to."

The existence of overflowing does not have to be intersubjectively recognised. It is doubtful whether the retailers who were buying from other suppliers shared the interpretation of their behaviour as overflowing. Overflows are discernible only in relation to how a situation is framed by a specific actant.

The crucial role of overflowing for identifying new directions

Throughout the empirical account, new directions were identified as a result of overflowing in existing frames. The perceived customer contact problem – an overflow in the purchasing centre frame – set off the events that produced the Hakon-deal and provided a reason for addressing the efficiency of internal operations. Similarly, the recognition of cost differences between offices, the introduction of novel ways of organising work within the warehouse, and the growing wages for warehouse staff – three overflows in the frame for warehouse operations – set off efforts to increase the efficiency of warehouse work. These efforts subsequently produced the normative warehouse organisation.

This suggests that overflows are central to organising. First, their recognition may set off efforts to devise new frames. In this sense, overflows are a prerequisite for orga-

nising. Second, overflows cause problems for actants engaging in framing by rendering a successful realisation of a situation difficult or downright impossible.

Stepping out to generate representations and establish directions

Besides having been set off by the recognition of overflows, there is another commonality between the Hakon-deal and the normative warehouse organisation: the solutions were sought by an actant removed from on-going activities.

Creating a space to explicate a direction

In both cases, the work of devising a new frame was separated from on-going activities. A solution to the customer contact-problem was to be generated by the two rationalisation committees; a solution to the problem of wholesale efficiency was to be devised by the Organisation Department (see Figure 9-6 a, p.522). A separate problem-solving situation was defined "apart" from the situations for which the new solutions were sought.¹

By forming the two committees and assigning to them the task of deliberating over wholesale-retail interaction, Hakonbolaget assembled two new actants. That is, two new entities were recognised and prescribed specific programs of action vis-à-vis Hakonbolaget. By choosing to assemble two new collectifs for this task, the managers and the shareholders respectively were able to control how the investigation was anchored. That is, they were able to define from scratch what associations the new entities had to the outside world. The program of action that was prescribed from the two rationalisation committees was the only program that anyone had ever prescribed from these entities. Thus, they appeared in the only capacity they had ever appeared in.

However, the entities that were assembled inside the new collectifs – selected retailers and managers – were recognised in a number of other situations. The associations of these entities were temporarily suspended through the use of episoding conventions. The committees were not given a continuous existence in time and space. Rather, they were assembled at specific locations and for specific and limited periods in time on seven occasions from their formation to their dissolution. On these occasions, the committee-meetings, a new kind of situation was realised. A situation where the members of the retail committee no longer were retailers and the members of the salaried co-workers' committee no longer were local directors or central managers.

The formation of the Organisation Department created a corresponding but more permanent space for studying internal operations. From this new entity was prescribed a program of action placing it outside the wholesale buying, handling and selling of goods.

¹¹ This has some obvious similarities to John Law's and Michel Callon's (*The Life and Death of an Aircraft*, 1992) discussion of how a global network can be built up to generate a *negotiation space* – "a space, a period of time, and a set of resources in which innovation may take place." (p.21)

It is my interpretation that the creation of these new entities and the resulting separation of their doings from on-going operations were conducive to the introduction of new frames both for wholesale-retail interaction and internal operations at the warehouses. The ability to “step back” might therefore be an important means for redirecting business processes; by temporarily or more permanently suspending associations that included entities have to the outside world it allows the explication of new directions.

Generating representations

A major result of both the committee-work and the efforts of the Organisation Department was the generation of new representations (see Figure 9-6 b). Indeed, it is likely that the Organisation Department was responsible for collecting and compiling data both on the purchasing behaviour of the retailers and on warehouse operations.

The appointed committees sought to remedy the lack of knowledge concerning the overflow in the purchasing centre frame (the customer contact problem) by generating representations of the associated retailers’ purchasing behaviour. How much did they buy for? How much did it cost to serve retailers of different size (in terms of annual purchases)? To record actual purchasing behaviour, the records kept at the district and affiliate offices were used as monitoring devices. The outcome of these efforts was a representation of how wholesale-retail interaction worked at the time; a series of tables and charts linking Hakonbolaget’s costs to the purchasing behaviour of the retailers. By grouping retailers according to purchasing behaviour, it was shown that retailers who only bought a little (i.e. who were disloyal to their purchasing centre) were the most costly customers.

Similarly, the Organisation Department performed time and motion studies to generate ‘holistic’ re-presentations of the warehouse at work. The work at the warehouse was divided into a number of distinct but related situations. These sub-situations were further defined as consisting of a number of activities, the performances of which were studied by small teams of outside observers. The results were then combined into a warehouse-frame – a representation of the existing situation (or situations) viewed from the outside.

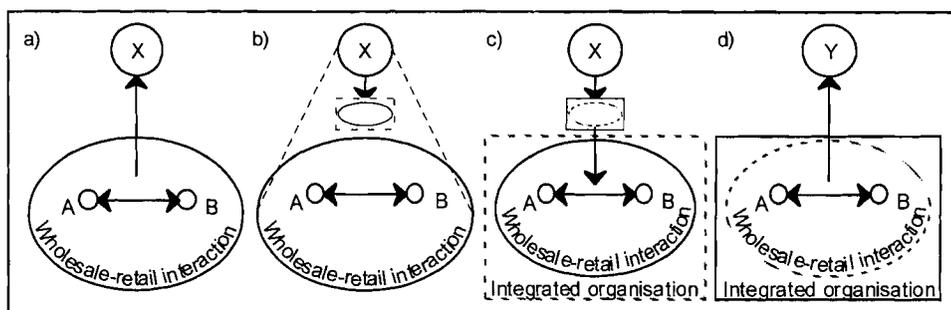


Figure 9-6. a) Changing perspective by stepping out of the situation; b) Generating representations of the situation and establishing a preferred direction of change; c) Stepping back into the situation; d) Back to a).

The perspectives of these representations underscore the distance between the work conducted in the committees and the Organisation Department, and the work carried out in the situations they sought to re-present. The aggregate representation of retail purchasing behaviour was by definition removed from that which it was used to re-frame: the individual interactions between Hakonbolaget and its customers. Similarly, the perspective of the normative warehouse model was a generalisation of the entire warehouse at work.

Establishing directions

The standards used for measuring achievements are linked to the existence of representations. The committees represented wholesale-retail interaction in terms of annual purchases made by the retailers; an important measure of performance under the Hakon-deal was growing annual purchases. Time and motion studies timed the performance of activities; the Organisation Department used the time per order-line to evaluate different ways of performing given tasks. This indicates that for an actant engaging in framing, there is a close link between how it re-presents the situation and the direction of its framing efforts.

The rationalisation committees criticised the existence of the overflow as such – retailers were using the purchasing centre inappropriately – but also found it to have negative effects on distribution efficiency. Their representation suggested that Hakonbolaget spent considerable efforts on selling to the retailers to keep the overflow down. This could be avoided if the retailers started buying (voluntarily) from Hakonbolaget (Figure 9-1, p.498). Reducing the overflow in this way would strengthen Hakonbolaget and make the distribution of goods less costly. Thus, the direction in which to move was evident.

Irrespective of which comes first, the representations or the performance measure, the link between them is important. The Hakon-deal introduced three new bonus scales. One of these, the Hakon-premium, was to reward retailers in terms of their relative performance, specifically their purchasing fidelity. When the Hakon-deal was revised in 1952, this bonus scale was omitted from the program. The Novea committee claimed that although the it was based on a completely correct idea, it had proven difficult to find “a fair and manageable distribution principle.” This suggests that the ability to generate representations, including the setting up of monitors and the establishment of principles for calculation, is central to framing efforts. By rewarding faithful retailers, this premium had been intended to interest those retailers whose scale of operations did not permit annual purchases entitling them to high member-bonus according to the graded scale. Given Hakonbolaget’s failure to realise this intention, it is telling that the existence of retail customers buying only a little remained a problem for the managers throughout the account.

Summary

There is a need to generate structural representations in order to identify new directions. First, you need a representation of the situation at present. Then you need another of the

envisaged situation. Between the two, an envisaged line indicates the preferable direction. This is how structures come into existence. Structures are the result of representations made at a distance. Their creation is based on stepping out of / back from the situations which they are said to characterise. Ironically, they are necessary if one wants to give direction to processes. By comparing the representation of the present situation with an envisaged such situation, a direction can be identified.

But these representations are necessarily removed from the action, generated from spaces such as the two rationalisation committees. This means that the line, the implicated direction, cannot *be* without the process, but also that it must be reintroduced into the process. And for the process, there is generally no representation.

The inevitable (?) step back in

The account of the efforts to realise the Hakon-deal, suggests that the down-side to separating the generation of representations and the explication of new directions from the ongoing activities is linked to the inevitable translation of the resulting vision back into the process. The temporarily reduced restraint of ongoing operations must at some point be re-introduced in order for the envisaged situation to be realised (see Figure 9-6 c).

Re-entering gradually

The Hakon-deal was re-introduced through a number of successive steps: first, the two proposals were merged into one; second, the managers and local directors were allowed to give their views; third, it was discussed in the councils of trustees; and fourth, it was brought up at the extra-annual meeting. Only then was it introduced at the trial offices...

All these steps had one thing in common. They brought the proposal up for discussion in bodies that were removed from wholesale-retail interaction in practice. Just as the two committees were awarded a space for constructing a solution to the customer contact problem, these bodies were awarded spaces for discussing various problems connected to the management of Hakonbolaget locally and centrally. The support that was secured for the merged proposal through these discussions thus remained a support in principle. It came from actants not involved in wholesale-retail interaction as such. True, the *members* of these bodies were all involved in wholesale-retail interaction as well, but they gave their support for the proposal in a different capacity.

The question that remained after the formal approval of the Hakon-deal, then, was whether the bodies whose support had been gained, truthfully re-presented the entities that were to take part in the new situation. Did the approval of the program by the managers conference mean that the local directors would act according to the new program when their offices changed over? Did the approval at the annual meeting mean that the shareholders of Hakonbolaget would act according to the new program as retailers when

the new deal was introduced in their districts? The various problems that arose during the subsequent implementation of the new deal suggest that this was not always the case.

Further, what about the entities that had not been given the chance to speak, e.g., the salesmen, the goods, and the warehouse staff? Or better yet, the entities that were still non-existent, e.g., the order-forms, the goods-catalogue, and the contact-men? Much remained to realise the new and formally approved form of wholesale-retail interaction.

Incompatible frames

A related complication was encountered by Hakonbolaget when seeking to re-organise the members' stores. By securing new locations, Hakonbolaget had something to offer its members. As retailers, the members needed to relocate their stores if their customers were moving. Securing new retail locations was also regarded as necessary for the future viability of Hakonbolaget. In this respect, Hakonbolaget's and its members' frames were highly compatible. New retail locations were an obligatory point of passage for both.

However, moving from this general perspective to a specific new retail location, things became decidedly less straightforward. In the early 1950s, Hakonbolaget had some 4,000 members across its territory. This meant that few of the new locations would leave existing members unaffected. Thus, although an opportunity for one prospective retailer, a new establishment could be an additional competitor in the frames of several others. This led the councils of trustees to resist establishment in certain locations. For Hakonbolaget, the expected outcome of *not seizing* a new location was lost future sales, whereas for members in the area, this would be the expected outcome of *seizing* the new location.

This suggests that obligatory points of passage are sensitive to aggregation and disaggregation. In principle, on an aggregate level, the new retail locations were necessary to ensure continued success for the members. In practice, when they had been disaggregated and a specific location was being considered, local overflows turned this location into something wholly different, a point of resistance rather than a point of passage.

Acting at a distance

Connected to the problem of moving 'back in' from a situation outside on-going operations, is the ability to act at a distance. If an actant can find ways of controlling the situation without being present in it, the practice of establishing new directions from an outside position becomes much more effective. John Law has claimed that long-distance control necessitates undistorted communication between centre and periphery, and that such communication depends on the generation of a structure of heterogeneous elements containing envoys which are mobile, durable, forceful and able to return.¹

¹ John Law, *On the methods of long-distance control*, 1986.

In the empirical account, actants directed much efforts at achieving such long-distance control. Much of the preparations before changing over to the Hakon-deal can be seen in this light. Similarly, the various aids for warehouse work that the Organisation Department designed could have a lasting effect on warehouse work. Finally, by setting up a control organisation connected to giving financial support, and by investing in new retail locations and in the supply of equipment and design services through Köpmanna-tjänst, Hakonbolaget found ways of influencing the organising of retail operations.

One of the more obvious examples of this problem is the controversial subject of whether the Hakon-deal necessitated centralised decision-making. Looking beyond the managers' discussion of the matter in principle, the practice of centralised decision-making was intimately connected to communication, just as Law suggests. The centralisation of the assortment is a case in point. This was connected to the assembly of a new actant which could be sent into a large number of situations and there faithfully represent the centralised assortment. This, of course, was the goods-catalogue. But this entity was not completely durable. It adjusted to local circumstances by allowing local goods lists to become part of it. On the other hand, this adaptability might have been conducive to its acceptance as part of the situations into which it was sent. Thus, an actant seeking long-distance control can actually benefit from its messengers being less than perfectly durable. If the messenger becomes accepted as part of the situation over which the actant seeks control, efforts can be made to gradually increase its durability. (By the mid-1960s, the goods-catalogue had been replaced by pre-printed order-lists.)

The need to interest actants rather than drill people

When it comes to people, Law suggests that the problem of long-distance control has to do with a special aspect of durability, that of fidelity. This, he suggests, can be increased by creating a "structural envelope" in which people are placed, and by preparing them before being sent out, drilling them, to use his term.¹

Even though the efforts to realise the member when implementing the Hakon-deal (an explicit attempt to improve purchasing *fidelity*) fit well with this, I would like to point at an aspect that might get lost in Law's argument. There is no pool of generally drilled people that an actant engaging in framing can tap into; collectifs are assembled for particular situations. Both the need to drill and the drilling are closely connected to framing; they depend on what the entities are to do, as actants in the situation you try to realise.

As an example of this, the managers at one point discussed how former employees of the Consumer Co-operation were performing as members. It was observed that these members were more receptive to the ideas of the Hakon-deal than were members who had

¹ Ibid., p.256.

received their training within private trade. This evaluation was the result of a confrontation between three frames: the current frame for private retail trade, where *retailers* were sovereign and highly individualistic; the consumer co-operative retail frame, where *store managers* were employees subject to supervision from the local Co-operative Society; and the frame suggested as part of the Hakon-deal, where *members* were to act as parts of a collective whose common weal was at the forefront. Respectively, the retailer, the store manager and the member were recognised as actants and ascribed certain competences and performances in these frames. What the managers suggested was that there were fewer differences between the store manager in the co-operative frame and the member in the frame for the Hakon-deal than between these and the traditional private retailer. Whether a specific actant is characterised as 'well-drilled' or not, depends entirely on the ability of the actant to interest it in the situation.

Stabilising frames

In my account of Hakonbolaget's efforts to rationalise goods distribution, there is no grand closure comparable to a single scientific fact or a single artefact being spread routinely across time and space. Rather, actants are constantly engaging in framing, seeking to define, realise and stabilise situations – the business enterprise is continuously in the making. The result is numerous temporary and partial closures, e.g., a Hakon-deal, a Hakonshus, a push-cart called Putte, a consumer that prefers self-service, etc.

A particular insight stemming from this observation is that observed closures may depend more on successfully establishing a metrological system that can generate stable representations of the micro-processes, than on an actual closure of these processes.

Stabilising representations

The only image of seeming stability that I was able to produce was found in the Prologue and Epilogue to the empirical account, where the subsequent development was suggested to display a measure of stability. This image was the result of my stepping back and regarding the development at an aggregate level. However, if I was to approach this period of structural rationalisation at a micro-level, I am convinced that I would find considerably less orderliness. What I am suggesting is that it is possible to generalise the point made by Thomas Misa about technological determinism being affirmed by researchers who assume a macro-perspective.¹ The connection between the level of analysis and observed stabilities, it seems to me, applies generally to all forms of closures (technical, structural, institutional, etc.). We will always find messiness at the micro-level, whereas we will find stability in situations that allow us to assume an aggregate perspective.

¹ Thomas Misa, *Retrieving Sociotechnical change from technological determinism*, 1994.

But, and here I extend Misa's argument further, my account suggests that an aggregate perspective is not always possible to assume. For instance, it was very difficult to assume in relation to food distribution in Sweden during the 1940s. Why? My answer would be that there was no metrological system in place. Gerhard Törnqvist's complaints about the lack of facts concerning goods distribution and the petition for a public investigation of goods distribution made by the Trade Labour Association supports such a view. This interpretation gives credit to Claes-Fredrik Helgesson's assertion that the macro level is not only a question of the level of analysis, but an outcome of the process under study.¹ If it is, the ability or inability to assume such perspectives applies to the actants involved in the events under study as much as to the researcher trying to account for them.

I would suggest that aggregate levels or perspectives are themselves empirical phenomena with considerable import on the issue of stabilisation. Phenomena that are closely connected to the process of framing and to the creation of metrological systems in support of a particular frame. If we take self-service as an example, there seems to have been considerable variation in how it was realised during the first years after its introduction. Self-service stores within the private retail trade came in many shapes: they could be fully self-served, semi self-served, they could have self-selection, or quick-shelves. Comments made within KF indicate that their definition of self-service differed from that which the private retailers used. This suggests that the figures produced concerning the growth of the self-service format among the Hakon-retailers, as well as in Sweden at large, might hide a considerable amount of variation. A variation that is hard to detect if one assumes the perspective created and maintained through the centralised production of these figures by ICA Tidningen, KF and HUI (the Retail Research Institute).

Establishing and maintaining an aggregate perspective (macro or meso, in the case of distribution channels and industries) is a way of stabilising a situation. To do this, actants must engage in framing and in the generation of representations that support the frame they seek to realise. Such representations must be able to contain the overflows that occur at the always messy micro-level. As long as they do the macro-level is there, allowing us to observe stability or stable patterns of change. When the overflows become too large, the representation no longer works and the macro level dissolves.

Further, the representations will direct attention to certain good problems. That is, problems which actants can direct their efforts at, and for which results of these efforts can be shown. This makes for what may seem to be periods of stability and periods of instability. It takes time to establish overflows. Representations are often resistant to them, due to the metrological system put up to generate it. By making use of this representation, the system is further improved, which also increases its longevity.

¹ Claes-Fredrik Helgesson, *Making a Natural Monopoly*, 1999.

Although my account ends at a point where stability or closure is yet to be achieved, a direction was indicated by the realised solutions (the “modern distribution model”). This model was subsequently realised and perfected during the structural rationalisation in the 1960s. A major consequence of this perfection, I would argue, was an insulation against overflows. The high internal efficiency as measured from within the system hampered the adaptability of ICA during the 1970s and 1980s. Somehow, and this development is clearly beyond the scope of my study, overflows in the system were increasingly becoming clear during the late 1980s. Once again, new solutions were being introduced, e.g., a completely new type of wholesale unit (the cross-docking terminal), new measures of store performance (Direct Product Profitability), and new means of communication between wholesale and retail units (computerised information systems). Subsequently, there was also a major reorganisation of ICA's wholesale operations in the early 1990s.

Sequentiality, closed situations and development

I have been reluctant to talk about the character of business processes so far. It might seem as if the vocabulary proposed in Chapter 8 suggests a sequential process. That the entity engaging in framing moves through a series of sub-processes (such as the four moments of translation). In a sense, this image is supported by the events reported in Chapter 5: first, a space was demarcated for the elaboration of a new set of frames (the creation of the two committees); second, proposals were worked out; third, support was sought for these new frames; fourth, attempts were made to enrol / realise the necessary entities; fifth and finally, efforts were made to control the behaviour of these entities.

It seems that the sequential character of these events was connected to the act of stepping out and realising a new situation, separate from the process of distributing goods. These new situations all had carefully specified boundaries in time and space allowing the suspension of on-going operations for some time. But the time was limited. The situations all had clearly specified end-points; points at which the temporary suspension of associations would cease and the participants once again would be subject to the on-going operations. For instance, the work of the appointed committees would end with their submission of proposals; the efforts to secure support for the proposal would end with formal approval (/disapproval?); the preparations before implementing the approved program would end with a change-over. For these efforts, then, sequentiality was part of the plan, and since the space had been awarded, the plan was reality.

From the point at which the change-over was made, however, there is nothing sequential about the development. Then, the new frames, scripts and entities were sucked in to the whirlwind of on-going operations, subjected to the interpretations of those with which they were to inter-act. On and off, problems arose and were brought to the attention of the managers. In response, the managers decided, and decided, and decided,

sometimes restating their position, sometimes modifying it. But the problems kept coming back. Here, then, the process was circular rather than sequential.

This suggests that sequentiality can be maintained as long as the situations close on themselves. At the same time, it is neither desirable nor possible to achieve such closures for any longer periods of time. It is not desirable since it would inhibit development. It is not possible since such situations would have to include all associations that the participating entities have to the outside world. However, the account of Hakonbolaget's efforts suggests that for some limited time, such closures may be both possible to achieve, and conducive to development.

Peer reflection by Per Andersson (who reflects on Chapters 1, 5 and 6 as well):

Quoting Czarniawska (1995, p.26): "Does it work? Is it beautiful? Who is it for?" Or maybe first, What works? The general idea that attempts at organising distribution could be viewed as efforts to seek stability, rather than seeking to achieve change? Maybe some of us "practising researchers" might here be in for a gestalt-switch. But what about the reality of the practitioners (and other "actants") involved in organising distribution, like in the Hakon-deal? Was there a gestalt-switch also among them, and when? What happened from the point at which the change-over in the wholesale-retail interaction of the Hakon-deal was made? I am still somewhat curious about the involved actants' own interpretations of this particular moment or period, that is when "the new frames" encountered the ongoing interactions and distribution operations. It must have been an important moment. That is, when stabilisation meets ongoing processes of (daily) change. Is this maybe one of the crucial moments, when "new directions" of business processes are being established? Is it here that one can encounter the "practitioners' gestalt-switch", in the encounter between stabilisation and change in the making? The stable, ongoing operations and processes of change meet the efforts at stabilising the new frames for ongoing operations. But, what we, the "practising researchers", that is, have viewed as the inherent stability of e.g. distribution organisations are in fact ongoing, stable processes of continuous change. And a "new" and "framed" change is maybe in fact an example of the opposite – to use Hans words, a "whirlwind", of attempts at stabilising? Perhaps it is time to leave our efforts at conceptualising stability and change behind. Are they possible, or perhaps I should ask, can they ever be beautiful?

What can I, the "practising researcher", do about it, the change-stability problem? The case on wholesale rationalisation in chapter 6 makes me think: most of the time the "actants" involved in distribution seem to do about what they are supposed to do. This is perhaps the real beauty of distribution and this is what should be beautifully accounted for in distribution research? Maybe we do not have to look for the "controversies" or the "intervening actions" at all? Judging from this case, the processes of organising distribution entail all that we associate with the prosaic, routine processes of ongoing operations: the conflicts, the problem solving, the ongoing learning, the following and questioning of rules etc., all that which create the ongoing, continuous changes in organisations. Maybe this is what the practising distribution researcher should do? That is, find methods for studying and creating narratives that capture the prosaic details of ongoing distribution operations. Going from the principles to the processes is the first step. Is perhaps the next step to relax the focus on "controversies" and

"interventions", and in a more profound way begin with that which has always been there in front of us: the dull, prosaic micro processes of daily distribution operations? What do we actually know about these routines of daily working life? Shouldn't it be possible to start there, and tell some beautiful stories about them? Would it work?

9.3. The realisation and de-realisation of forms of economic organisation

The re-organisation of Hakonbolaget into the "the mid-Swedish retailers' own purchasing centre" (Chapter 3) and the efforts to realise a new form of wholesale-retail interaction through the Hakon-deal, can be regarded as attempts to establish a new form of economic organisation.¹ The organisation of economic activity can thus be regarded as an outcome of framing. My account suggests that continuous work is needed to maintain a certain form of organisation and that established forms may be de-realised.

Step one: The purchasing centre

In the early 1930s, Hakonbolaget sought to re-frame retail-wholesale interaction by re-organising into "the mid-Swedish retailers' own purchasing centre." A closer link between the retail and wholesale trades would solve the purchasing issue, the argument went. Largely, this was a reaction to the traditional, market-like relation between wholesale and retail trade, where retailers were offered goods from a (large) number of local and regional wholesale companies and generally bought from several of these. The situation envisaged by Hakonbolaget was one based on a more carefully negotiated, long term relationship between Hakonbolaget and the retailers. The *independence* which had marked the market-exchange between wholesalers and retailers was to be substituted for *interdependence* between Hakonbolaget and its new owners, the retailers.

These efforts can be seen as a framing process directed at one of the fundamental conditions for market exchange – that of property rights. By turning Hakonbolaget into "the retailers' own purchasing centre", the exchange between the company and the retailers would no longer be a pure exchange between parties in a market. The goods were already the retailers', Hakonbolaget was merely their purchasing department. Thus, purchases from Hakonbolaget should be regarded as a transfer taking place more or less within the same company. At least four measures were taken to realise this new frame during the 1930s and 1940s. First, the retailers were invited to become shareholders in

¹ John Campbell and Leon Lindberg (*The Evolution of Governance Regimes*, 1991) would perhaps talk of this as a "governance regime." Oliver Williamson (*Transaction Cost Economics and Organization Theory*, 1994) would maybe simply call it "governance."

the company. New issues of shares were repeatedly made during the expansion of the company. Second, the retailers were given a majority influence on the company's board of directors. Third, an advisory body, the local council of trustees, was set up in each district. Fourth, two retail trustees were appointed to act as representatives of the retailers.

On the whole, Hakonbolaget was advocating a move away from the market transactions. This was also brought up by critics, who accused the company of trying to tie up retailers in the same way as the Consumer Co-operation tied up consumers.

Step two: The Hakon-deal

The perceived customer contact problem that the managers discussed in 1947, indicates that the efforts to re-frame the wholesale-retail relationship so far had not been completely successful. During their first discussion of this problem, one of the managers commented on the retailers' "tendency to act according to the economic advantages offered at the point of purchase." This suggests that a market frame, rather than a purchasing centre frame, still characterised retail-wholesale exchange. For in a market frame, the time perspective is the single transaction; this is why markets constantly emerge and re-emerge – and only exist during the negotiations prior to the exchange. The subsequent discussions in the councils of trustees also indicate that many retailers still perceived Hakonbolaget to be similar to other wholesale companies, despite its claim to be a purchasing centre for some 15 years. Some of the proponents of the new deal even referred to the retailers' tendency to use multiple suppliers as a sin that needed to be amended.

The solution devised by Hakonbolaget, the Hakon-deal, and the efforts made to implement this solution can be seen as a further attempt to realise "the purchasing centre" frame. Once again, purchasing was singled out as the main concern. This time, however, Hakonbolaget sought to take into account and settle additional aspects of the commercial exchange prior to the actual exchange of goods with the retailers.

First, a renewed attempt was made to underscore the internal character of the transactions. During the discussions in the councils of trustees prior to the implementation, it was stressed that the boundary between the associated retailers and Hakonbolaget was not the same as that between two companies. Hakonbolaget was the retailers' company and an integrated part of their operations, much like a department or a division. Hence, transactions between the two parties should not be regarded as market transactions but more as internal transfers. It was also asserted that the profits from the new system would end up in the retailers' pockets. The new Membership-institution was a measure that emphasised that Hakonbolaget and the associated retailers were part of a single collective.

Second, with the Hakon-deal, Hakonbolaget sought to alter the time-frame for these exchanges more clearly than before. As noted above, the time perspective for market exchange is the single transaction. Although it can be argued that Hakonbolaget had opted

for a longer time-frame ever since its transformation into a purchasing centre, few concrete measures had been taken to underscore this. The Hakon-deal changed this by seeking a long-term settlement of most aspects of the transactions between Hakonbolaget and the associated retailers. This longer time frame was also made manifest in the new Member-bonus, which was to be based on the Members' total annual purchases.

Third, and related, this long-term settlement included most aspects of the negotiations prior to a traditional market exchange. Only the specific quantities were to be negotiated at each point. The goods offered, their prices and minimum quantities were set in the goods catalogue. Thus, the commercial transactions in the envisaged situation were really just a matter of suborders on call. All other negotiations had been handled in the framing process: Whom the retailers should order from (Hakonbolaget), how these orders were to be made (in writing and sent in the day prior to scheduled delivery), what they were to concern (goods found in the catalogue in certain minimum quantities), how these orders were to be delivered (fixed delivery routes once or twice a week), etc.

The Membership application was designed as a contract drawn up between the retailer and Hakonbolaget. In this contract, the retailer agreed to work under the rules stipulated in the Member-book, which further underscores my reading of the Hakon-deal as an effort to realise a new form of economic exchange. It was an attempt to negotiate and settle (hence the contract) a number of additional issues on a long-term basis compared to those required for a market exchange transaction.

The major argument for the extended frame was that it was a better way of reaching what the retailers wanted, i.e. being able to serve their customers in a satisfactory manner while ensuring a reasonable profit. Rather than buying from several wholesalers, all of which exerted sales pressure, the retailers should become members of Hakonbolaget and let Hakonbolaget do their purchasing. This would allow them to devote more time to their customers and allow Hakonbolaget to save money. The purchasing and sales activities undertaken between wholesaler and retailer in the old, competitive frame, were replaced with a 'rational' co-operation. In short, it was claimed that in order to render the distribution of goods more efficient, the market had to be surpassed.¹

Efforts to sustain competition and re-construct the market

But what about the governance system that these efforts sought to overtake? Had this competing system emerged, and could it be sustained without efforts? Is it only when you try to move *away* from a market-type solution that you need to work hard? Texts in economics sometimes convey such an image. Since my story is about Hakonbolaget's

¹ This argument is remarkably similar to that of Ronald Coase (*The Nature of the Firm*, 1937) who observes that "the operation of a market costs something and by forming an organisation and allowing some authority... to direct the resources, certain marketing costs are saved." (*ibid.*, p.392).

efforts to organise a rational food distribution, I cannot provide an answer as to how the market-type system that they sought to do away with was established in the first place. However, there are some indications that market-type systems are as much the result of intense organising as the non-competitive systems.

First, Hakonbolaget's efforts were resisted by others who consequently were working to uphold the competitive frame. In reaction to the Hakon-deal, competing wholesale companies actively supported the established solution by continuing to send salesmen, some even intensified these efforts. It can be argued that the salesmen, or sales-efforts in general are instrumental to a competitive form of governance. A market is situational, it emerges, disappears and re-emerges as buyers consider alternative suppliers for a purchase. This means that the competitors' salesmen fulfilled an important function by constantly reminding the retailers of the existence of alternative suppliers. For without alternative suppliers, the market and the competition changes character.

Second, the original situation was itself subject to discussions and change efforts. Although it no doubt involved rivalry between wholesalers, there are reasons to believe that it was far from the text-book market where the costless price-mechanism is solely responsible for resource allocation. This was repeatedly brought up during the public debate, where price-competition was suggested to be an important means for achieving a more rational distribution of goods. The lengthy final report of the Business-entry Expert Group, the subsequent legislative measures and the creation of the various bodies needed to enforce this legislation are good examples of the work needed to construct markets.

Summary: the realisation and de-realisation of economic organisation

The Hakon-deal was an attempt to re-frame what hitherto had been recognised as a competitive situation and stabilise a new form of exchange. My focus on an attempt to move from a market to a non-market solution (the de-realisation of a market) may lead some to conclude that markets do not need to be actively realised in the same way as non-market solutions. This is of course not my point. However, since my account concerned a move in this direction, the conditions needed for the market to emerge in the first place, e.g., property rights and freedom of trade, had already been settled at my point of entry. The efforts of other wholesalers to sustain the competitive situation and the public efforts to give price-competition a more prominent position, suggest that markets are just as much the outcome of framing as non-markets.

Chapter 10

Contributions from the study

This study is at one and the same time a modern business history, a study of marketing change processes, a study of business enterprise, and a study of social ordering. I find it most appropriate to characterise it as belonging to the Sociology of Industry, a label which can be said to include all of the above and which has been suggested for studies focusing on order and change in economic activity at intermediate levels of aggregation.¹

In this concluding chapter, I will indicate what I perceive to be the contributions of my study both to this emerging field and to the field of marketing or business studies.

10.1. Contributions to marketing

I find myself in a rather peculiar position as I try to indicate the possible contributions of this study to marketing as an academic subject. Here I am, a researcher who claims that when studying the dynamics of business enterprise one should not make use of pre-established conceptions of the relevant acting entities or activities. This might lead some to believe that I regard previous research on marketing, which in many cases amounts to establishing such frameworks, to be irrelevant for my work. I do not, however. But the relevance I ascribe to it derives largely from its participation in the process under study.

I had no problem in relating, and relating to, the efforts of marketing and distribution researchers as part of my study of the rationalisation of distribution. As I started to work on this chapter, however, things became very different. All of a sudden I found my-

¹ See Mark Granovetter and Patrick McGuire, *The Making of an Industry*, 1998; and Claes-Fredrik Helgesson, *Making a...*, 1999.

self arguing against, rather than looking curiously at, people who were doing pretty much what Lars Persson or Folke Kristensson or Ulf af Trolle had been doing in my story. At times, I even felt angry. Why did things become so different?

An important reason, I think, is that at this point the researchers and the research I am looking at are not part of the story I am trying to tell. Rather, my looking at them is part of another story. A story unfolding in the present; a story of my efforts to round off this thesis. In this situation, without reflecting very much over it, I had assumed a very critical stance towards what others were doing and a somewhat less critical stance towards what I was doing. A comment from a colleague about this made me reflect over my situation and how I should regard others who are struggling in the same field. Should I criticise them for not doing as I do, or regard them with the curiosity of an anthropologist?

In the end I found it impossible to do either of these things. Instead, I settled for making a few recommendations for the study of marketing processes. To set the stage for these, a classic marketing text by Wroe Alderson and Reavis Cox may be cited:

Any market analyst... must grow impatient with the faltering attempts of economic theorists to deal with the dynamic aspects of an enterprise economy. The most acute marketing problems are precipitated by the facts of technological change. ... *The market analyst does not have the luxury of choice as to whether he will adopt a dynamic view. At the very least he must take account of technological change in marketing.* Progressive changes in the technology of distribution, in the methods and channels of marketing, are surely significant for economic theory. They are of the essence of any perspective which might be distinguished as marketing theory. Thus the marketing theorist is obliged to break the economist's taboo on the discussion of technology at least as it applies to the techniques of marketing.

[A]nother aspect of the dynamics of marketing organisation that is fundamental for marketing theory and eventually inescapable, it would appear for economic theory... is the fact that *an organized behavior system is not a neutral framework or container for the actions and evaluations which take place within it. That is to say that a market changes day by day through the very fact that goods are bought and sold.* While evaluation is taking place within a marketing structure, the structure itself is being rendered weaker or stronger and the changes in organisation which follow will have an impact on tomorrow's evaluations. Marketing theory will not provide an adequate approach if it ignores this interaction between the system and the processes which take place within it.

Wroe Alderson and Reavis Cox, 1948, p.151. Italics added.

In relation to this, the present study would seem to be an exploration into the heartland of marketing. However, there are few research traditions in marketing today that fit this description. Similarly, the recommendations I make below have in common that they are not generally adhered to by marketing researchers. In my view, however, adhering to them would improve research on marketing (business) processes. And this is also my concern, marketing processes, not marketing in general.

Recommendation 1: Study change efforts to generate knowledge about marketing processes

My first recommendation concerns the method used to generate knowledge about marketing processes. It is not a very innovative recommendation, but the lack of longitudinal empirical studies reported in the major journals (*Journal of Marketing*, *Journal of Marketing Research*, *Journal of Business to Business Marketing*, etc.) during the past 20 years, suggests it is still necessary to make it. Most of these articles test hypotheses concerning how changes in one set of variables affect another set of variables.¹ However, to my knowledge, there are no studies actually investigating this. That is, rather than being empirical studies of change, these studies are surveys seeking to correlate variables across a sample of say, distribution channel relationships.²

It is in relation to this situation that studies of the kind reported here may contribute. Empirical studies of change processes seem much better suited to refute hypotheses and theories about marketing dynamics, than do static or comparative static studies.³ The present study shows that it is possible to generate in-depth accounts of the development of marketing channels. There is thus no reason for researchers who have expressed the need for such studies to refrain from making them.

Recommendation 2: Shift from an ostensive to a performative definition of business enterprise

Virtually all research on distribution channels is based on the assumption that it is possible, in principle, to identify the entities and the properties that are characteristic of goods

¹ Many articles are surprisingly similar. First, a conceptual framework is presented based on a literature review. Second, a set of hypotheses are worked out from this model. Third, a static mail survey emulating dyadic relationships (only one side is usually surveyed) is presented. Fourth, the hypotheses are tested with some statistical procedure producing a correlational matrix for the included concepts. Fifth, dynamic conclusions are drawn in terms of managerial implications. (The following all fit this description: Rajiv Dant and Patrick Schul, *Conflict resolution...*, 1992; Jakki Mohr, Robert Fisher and John Nevin, *Collaborative Communication in Interfirm Relationships*, 1996; Arnt Buvik and George John, *When Does Vertical Coordination Improve Industrial Purchasing Relationships?*, 2000; Adam Fein and Erin Anderson, *Patterns of Credible Commitments*, 1997; Judy Siguaw, Penny Simpson and Thomas Baker, *Effects of Supplier Market Orientation on Distributor Market Orientation and the Channel Relationship*, 1998.)

Very few empirical studies go beyond the snap-shots offered by mail-surveys. If they do, it is usually by way of "empirical illustrations", e.g., Kenneth Wathne's and Jan Heide's (*Opportunism in Interfirm Relationships*, 2000) conceptual clarification of opportunism. However, none of their illustrations are the result of their own research, but are sketches often taken from business magazines.

² At least there are no studies of change published in the major journals. Some of the studies made at my own department are important exceptions to this, e.g., Susanne Hertz, *The Internationalization Process of freight transport companies*, 1993; Per Andersson, *Concurrence, Transition and Evolution - Perspectives of Industrial Marketing Change Processes*, 1996; and Anna Nyberg, *Innovation in Distribution Channels - An evolutionary approach*, 1998.

³ Ronald Savitt (*Historical Research in Marketing*, 1980, p.52) has argued that historical research can contribute to marketing by verifying and synthesising hypotheses, and "provide a better understanding of how markets and competitors do behave than the current theories based on how they are supposed to behave".

distribution. The typical reaction to perceived deficiencies in a particular model is to add new factors making the model more complete. This ostensive definition, I suspect, is the root cause of the predominantly structural character of marketing channel research.

To some extent, the markets-as-networks approach has moved away from this practice, arguing that the study of marketing channels must be based on how the involved actors perceive their situation. So far, however, this reliance on the views of the actors has been limited to certain aspects of the investigation. The researcher has still imposed a grid of pre-defined categories on the object of investigation.¹ For instance, by including factors previously left unattended in other models:

[I]t is essential to include production activities in any analysis of the distribution channel.

Lars-Erik Gadde and Håkan Håkansson, 1992, p.174.

Although this recommendation might be tractable in principle, it is still problematic. The problem is that it specifies in advance what is an important association and consequently directs attention away from how the involved actors perform their world. In this study, I have suggested that for the study of change, a performative definition of the object of inquiry is more appropriate. That is, to acknowledge that it is impossible in principle to characterise entities such as marketing channels, although actors in practice are able to do this. This has several consequences for the study of distribution channel change and could be viewed as a continuation of the work within the markets-as-networks tradition.

Many of the central ideas of the markets-as-networks tradition are easy to retain under a performative definition. If we take the example above, the inclusion of production activities, the central aspect seems to me to be that such activities may affect the organising of distribution, and hence, that they *should not be excluded* from an analysis. By reformulating the assertion in this way, nothing is lost when approaching a concrete empirical phenomenon. The new formulation has the merit, however, of being compatible with a variable ontology acknowledging that the character of the world is subject to change.

If we take my account of Hakonbolaget's efforts to organise distribution as a concrete example, it shows that production activities, although present at some points in the account, were not 'essential'. They were allowed to enter into the account, yes, but they were not ascribed any particular role at the outset of the study, and neither was anything else. Since production activities, or any other activity for that matter, may be important for our understanding of efforts to organise business enterprise, we should not exclude them as we start our inquiry. On the other hand, since we do not know *a priori* that a specific activity is important, we should not be forced to include it at the outset of our inquiry.

¹ David Ford et. al. (*Managing Business Relationships*, 1998, p.222) criticise the "neat separation of companies into those that manufacture, wholesale or retail *the* product." Since several actors may perform the same activity in the marketing channel, they suggest that the Actor-Resource-Activity model and the analysis of actor bonds, resource ties and activity links is better suited for understanding goods distribution.

The shift from an ostensive to a performative definition is the most general and far-reaching of my recommendations. From it follow a number of others, discussed below.

Recommendation 3: Study fluid networks rather than stable dyads

As noted above, a large share of the empirical research on marketing channels has concerned the relation between pairs of actors, e.g., manufacturers and distributors. This dyadic focus is also prominent in some of the dominant theoretical perspectives, e.g., the transaction cost approach and the political economy paradigm. Close to twenty years ago, Ravi Achrol, Torger Reve and Louis Stern recommended that marketing channel research should be expanded beyond dyadic relationships to the study of networks.¹ More recently, Louis Stern has again asserted the centrality of the concept of “networks” to marketing in general and expressed surprise as to the “paucity of empirical research addressing it.”² To date, the major attempts to heed these calls and break with the dominant design of marketing research as sketched above, are the efforts to address issues of channel dynamics within the ‘markets-as-networks’ tradition.³

The present study contributes to this tradition but it also further specifies the recommendation made by Achrol, Reve and Stern. Implicitly, they were referring to the study of network *structures*. Such an approach might be an improvement over the emulations of marketing channel dyads which dominate channel research.⁴ However, it would not allow marketing research to break free from its implicit structure-conduct-performance model.

To do this, we need to study other kinds of networks. Networks akin to the unit of analysis that Alderson and Cox promoted with their assertion that “an organized behavior system is not a neutral framework or container for the actions and evaluations which take

¹ Ravi Achrol, Torger Reve and Louis Stern, *The Environment of Marketing Channel Dyads*, 1983. Their call has subsequently been repeated by others, e.g., Per Andersson, *Analyzing Distribution Channel Dynamics: Loose and Tight Coupling in Distribution Networks*, 1992; and Charles Patton, *Performance Related Nonresponse Bias in Surveys of Dyadic Channel Relationships*, 1995.

² Louis Stern, *Relationships, Networks, and the Three C's*, 1996. In this connection, Stern also makes clear that his view of network studies is one where the fundamental unit of analysis is the dyad.

³ During the past ten years a number of empirical studies have been reported that go beyond both dyads and statics. See, e.g., Susanne Hertz, *The Internationalization Process...*, 1993; Per Andersson, *Concurrence, Transition...*, 1996; Annalisa Tunisini, *The Dissolution of Channels and Hierarchies*, 1997; Anna Nyberg, *Innovation in...*, 1998;

There are also static-structural network studies. Indeed, I myself contributed to this with my licentiate thesis on quantitative network analysis (Hans Kjellberg, *Formal Analysis of Markets and Industries*, 1994). In a recently published volume (Dawn Iacobucci (ed.), *Networks in Marketing*, 1996) some empirical studies of networks were reported, mostly however, these were static-structural studies. This is not surprising given that the book attempted to bring together the (mostly structural) social networks tradition in sociology with that of the “markets-as-networks” approach.

⁴ Charles Patton (*Performance Related ...*, 1995) argues that few studies are truly dyadic and that most actually are emulations of dyads since they only survey one of the involved parties. Among the exceptions to this are Adam Fein and Erin Andersson, *Patterns of Credible Commitments*, 1997; and Robert Ross and Herbert Lusch, *Similarities between Conflict and Cooperation in the Marketing Channel*, 1982.

place within it” (see excerpt on p.536, above). Networks that are enacted as part of the recursive process of organising the business enterprise. Fluid, elusive networks that continuously form and dissolve. Processual rather than structural networks.

Recommendation 4: Study actants with variable geometries rather than pre-defined actors

Connected to the shift from an ostensive to a performative view of goods distribution is the view of the acting entities promoted in this study. Both mainstream dyadic-static approaches and extant network studies of change in distribution channels are based on ostensive definitions of the actors. That is, they either indicate who the relevant actors are or what characteristics entities must have to qualify as actors.

Within the ‘markets-as-networks’ tradition, actors either “control activities and/or resources”¹, or are defined as entities engaged in (commercial) exchange relationships.² Generally, it is recognised that actors vary as to their configuration:

Individuals, groups of individuals, parts of firms, firms, and groups of firms can be actors.

Håkan Håkansson and Jan Johanson, 1992, p.28.

In practice, however, most empirical studies in the tradition specify a “level” of analysis and a relevant set of actors at this “level.”³ For instance, in their application of the Actor-Resource-Activity model to the analysis of change and stability in distribution channels, Håkan Håkansson and Lars-Erik Gadde note:

Four different types of actor in a distribution channel can be identified. They are the producers, the middlemen, the consumers and other actors. The last group includes all those companies and organisations which directly or indirectly influence the other channel members ...

Lars-Erik Gadde and Håkan Håkansson, 1992, p.171.

They go on to argue that since different actors are likely to have different views on the distribution channel, one should apply an actor perspective rather than a view of the channel as an entity *sui generis*.

¹ Håkan Håkansson and Jan Johanson, *A model of industrial networks*, 1992, p.28.

² Jan Johanson and Lars-Gunnar Mattsson, *Network positions and strategic action*, 1992.

³ For instance, Håkan Håkansson (*Corporate Technological Behaviour*, 1989, p.21) notes that “in certain contexts – and technological development is an example – the very existence of this variety [of actors] is one of the most important characteristics.” Then he asserts: “In the present study, however, we are concentrating mainly on the corporate level, and can thus restrict ourselves to actors in terms of companies.” Similarly, Anders Lundgren (*Technological Innovation and Industrial Evolution, The Emergence of Industrial Networks*, 1991) notes that actors “differ in respect to purpose, scope and scale...” but allows relatively little variation in practice, keeping his account clearly located at the level of firms and research organisations. Susanne Hertz (*The Internatioanlization Process...*, 1993) makes use of a firm-level actor definition both in principle and in practice. One of the few exceptions to this is Alexandra Waluszewski’s (*Framväxten av...*, 1989) study of the development of a new mechanical pulping technique which does allow for some variation (individuals, firms and groups of firms).

To analyse dynamics, however, it is not appropriate to relate the activities to the channel itself, as change is actor initiated and the channel is not an actor.

Lars-Erik Gadde and Håkan Håkansson, 1992, p.174.

This hints at a problem with existing network approaches, at least as applied in practice. In the quote above, producers, middlemen, consumers and others were recognised as actors, whereas the channel as a whole was not. Still, in principle it was suggested that “groups of firms can be actors” in the model. So why not a distribution channel?

In this study I have chosen a different route. Following Bruno Latour’s assertion that when studying change, acting entities come in varying sizes and shapes, I have *allowed* for acting entities with variable geometries.¹ To separate my conception from traditional ones, I have used the term *actant* rather than actor. The resulting account suggests that there was considerable variation in the geometry of the actants.

First, the actants varied in terms of their size at any given point in time, even in a single situation. Second, the actants varied across situations, entities were recognised as actants in some situations only to break up into a host of entities or be subsumed in collectifs in others. Third, the characteristics of the actants changed over time as a result of the events under study. Fourth, there was variation as to the material status of the actants.

My conclusion is that the use of pre-defined actor categories is detrimental to the study of change processes. Entities involved in the process of organising distribution come in varying sizes, with varying characteristics, interests and competences. Further, they are reconfigured as part of this process. Their characteristics depend on the network of associations in which they are involved. To assemble new entities, to prescribe new programs of action and, subsequently, to ascribe characteristics to these entities on the basis of how they perform is central to organising efforts. To understand organising, then, it seems unwise to stabilise at the outset what the acting entities are and what they are not. We need to study networks, but not the kind made up of pre-defined actors. We need to study networks that constitute and connect actants with variable geometries.

Recommendation 5: Recognise the potential role of technology and politics

In models purporting to explain the organisation of distribution, technological, legal and political factors have usually entered as exogenous influences, often lumped together under some contextual label.² Also in this sense, the ‘markets-as-networks’ tradition has been different. “The technological dimension is an integral part of the network, not to be

¹ Bruno Latour, *Aramis, or...*, 1996, pp.24-25, 44-45.

² The political economy framework proposed by Louis Stern and Torger Reve (*Distribution Channels as Political Economies*, 1988 (1980)) is one example of such a contextual approach. Louis Bucklin’s (*A Theory of Distribution Channel Structure*, 1966) micro-economic “Service Output Level model” is an example of a model which treats technology as exogenous to distribution channel change.

separated and analysed in isolation but to be studied in association with the development of the network as a whole.”¹ However, when it comes to goods distribution, technology has often been treated as an exogenous aspect also within this tradition.² It is as if technology and technological development was something separate. Worth studying? Yes. Socially dependent? Yes. Related to distribution? Only as a factor offering new possibilities. Similarly, the political aspect has sometimes been included in the theoretical models but then as something separate, e.g., an institutional sphere.³

The present study suggests that technology and policy may indeed be important to attend to when investigating the process of organising distribution. It also suggests that they can no longer be regarded as exogenous factors. Of course, things that happen elsewhere may affect what is being studied. But, repeating the important point made by Anna Nyberg in her study of the introduction of self-service: such influences are always mediated; they are always brought in.⁴ As a consequence, the effect of bringing something in depends to some extent on the actant bringing it, what its interests are, etc.

My account suggested that the public debate was made part of the process of organising distribution. For instance, the proponents of the Hakon-deal brought in the ongoing debate about goods distribution as a motive for Hakonbolaget’s efforts to increase distribution efficiency. Similarly, Nils-Erik Wirsäll brought Hakonbolaget’s efforts into the debate. The same observation can be made for new techniques. They too have to be brought in, and in the process their character may change. Self-service, for instance, was not the same to KF as it was to the private retailers.

The character and influence of politics and techniques are as much outcomes of the process of organising distribution as is the distribution channel itself. Hence, models purporting to explain change in goods distribution should treat them as endogenous outcomes, rather than as exogenous factors. *If* a new technology is regarded as “given” by those involved in the process under study, an investigation which seeks to explain how it became regarded in this way would contribute more to our understanding of distribution channel change than would any model assuming that all technologies have this character.

It might seem as if I am arguing for an inclusion of additional factors, similar to the assertion made above concerning the role of production activities (see excerpt on p.538), but I am not. To do this, there must be something that can be distinguished as a factor separate from that which it is to be included in. On the basis of my empirical account, I

¹ Håkan Håkansson, *Corporate Technological...*, 1989, p.29.

² For instance, in their characterisation of distribution networks David Ford et. al. (*Managing business...*, 1998, p.193) argue that “Technological development will make new distribution arrangements possible.”

³ This route was chosen by Jan Johanson and Lars-Gunnar Mattsson (*Strategic Adaptation of Firms to the European Single Market: A Network Approach*, 1991) who added an institutional setting in which they placed the network governance of the production system in their industrial system model.

⁴ Anna Nyberg, *Innovations in...*, 1998, p.215.

suggest that when studying change processes, this is neither the case for technologies nor for political/ legislative measures. Thus, rather than a recommendation to include additional factors, this is a recommendation not to *exclude* aspects of the process under study.

Related to treating technological change as endogenous to the process of organising is the issue of performance. Anna Nyberg points out that conventional models of distribution channel change (e.g., the Service Output Level-model presented by Louis Bucklin) assume that there is movement towards the most efficient distribution organisation. Nyberg calls this assumption into question, arguing that “a technologically superior innovation may fail because the necessary supporting innovations and adaptations cannot be mobilised.”¹ I would argue that even this is too strong a statement, for it suggests that there is some way of distinguishing between what is technologically superior and what is inferior. The view taken here is that the definition of efficiency itself, is an effect of the process under study and subject to change along with practice. Hence, there is no way to pass judgement about the technological superiority of an innovation that fails. By what standards should this assessment be made? Who determines these?

Recommendation 6: Recognise the potential role of marketing (business) research

Related to the above, business research itself might be an important part of the process under study. On several occasions in my story, researchers and research results were shown to partake. This involvement seems to have been particularly marked in relation to measuring efficiency, e.g., what the minimum size of an order should be, what the optimum size of a retail outlet should be, whether self-service was more efficient than manual service, whether one-storey warehouses were more efficient than multiple storey warehouses, etc.

The approach I promote suggests that the existence of performance measures is the result of successful organising within the collective which includes researchers and practitioners alike. Many of the “objective” measures now in use, were simply non-existing in the empirical account. The retail accounting practices at the time did not include registering total sales; only gross profits for the goods sold were registered. During the debate about distribution costs, Gerhard Törnqvist repeatedly expressed his dissatisfaction with the lack of facts about wholesale and retail trade. Without an organised collection of statistics there was no way of knowing, e.g., what the market shares for different distributors

¹ Ibid., p.212.

were. The Industrial Organisation perspective, which was intimately connected to the production of census data in the US, had yet to be established in Sweden.¹

A direct exchange of ideas on the Hakon-deal was also said to have taken place between Wirsäll and Gerhard Törnqvist. Even more important perhaps, are Wirsäll's translations of theoretical ideas on goods distribution into distribution practice within Hakonbolaget. For instance, the ideas on wholesale operations which he attempted to introduce and which in many cases came directly from research efforts in the area. Indeed, through his thesis, Wirsäll himself contributed directly to both research and practice.

When studying efforts to organise business enterprise, it might thus be the case that research on business enterprise undertaken at the time should justly be included in that which is being studied. To my knowledge, however, few marketing theories recognise this interdependence of marketing science and marketing practice. I do not mean this as a recommendation for excessive introspection. Rather, it is the joint shaping of marketing theory and marketing practice that needs to be recognised and attended to.

This does not have to be particularly problematic. Nothing needs to be added to do it. By following the actants and recognising that science and society are parts of a single collective, we will be led to that which is of importance for the story, without using pre-defined classes of institutions. Marketing and distribution research, then, constitutes another recommended non-exclusion when studying marketing channel change.

A note on the contemporary relevance of historical studies

In an account of the development of distribution practice and distribution theory, David Ford et. al. have argued that there has been a shift in focus during the past two decades. Previously, they claim, distribution was a matter for the manufacturer, who assumed a channel-captain role – analysing, planning, implementing and controlling its distribution channel. The interactions between the parties involved in these channels were characterised by animosity, and research on distribution channels largely reflected this. In the 1980s, there was a shift in attention to co-operation both by practitioners and researchers.²

Historically, distribution relationships have been managed in two different modes. The first is through ownership and vertical integration, the second through making use of power. ...

¹ At least, there are few references to this tradition in the works I have come across as part of my study. Claes-Fredrik Helgesson (*Making a...*, 1999, p.335) has noted the concurrent emergence in the US of industries as objects of knowledge and census statistics, specifically concentration ratios.

² Confer David Ford et. al., *Managing Business...*, 1995, p. 206-221.

Over the past 10 years there has been a tendency to develop more collaborative supplier-distributor relationships. Instead of relying on manipulation, these relationships take the motivations of the counterparts as the point of departure for relationship building. Also, instead of power which creates tension, they build on trust between the parties involved.

David Ford et. al., 1998, p.202, 205.

The present study suggests that this is an exaggeration: distribution practice has probably changed less than what is indicated in the excerpts above. In practice, co-operation and conflict were both part and parcel of the efforts to organise distribution reported in this study. Further, as the debate on distribution costs in Sweden during the 1940s shows, there was also an academic awareness of this. Neither is it clearly separable whether the building of relationships relies on manipulation or trust. Such statements are often made ex-post. In my account, there were obvious attempts to alter the views of others. However, there seems to be no clear-cut relation between this and the use of power or trust. Trust may still be the reason for accepting a new view of reality. Claims concerning shifts of this kind, I suggest, are more an effect of how researchers seek to position themselves against previous work, than of actual changes in distribution practice.

Sure, there have been changes in fashion. At one point, *vertically integrated distribution systems* bore the unmistakable sign of beauty, at another point this sign was found on *contractual distribution channels*, at yet another point, it was found on *distribution networks*, etc. But very few studies of these systems actually addressed the practice of organising distribution. Had they done so, I suspect, their results would have been likely to have displayed a remarkable similarity in terms of the processes involved.

I do not want to exaggerate my contribution in this respect. There have always been observers with a healthy scepticism towards simplistic historical accounts. What I do want to stress is the importance of perspective in generating historical accounts. To assure contemporary relevance regarding change processes, accounts of previous events must be sensitive to the practices and thinking of those involved. This study shows that the relationist stance is well-suited for generating historical accounts that refrain from passing judgements on the basis of present-day knowledge. This is not to say that it is the only approach capable of this, others may be equally well-suited.

A few critical reflections on the present study

So far, I have assumed a relatively uncritical stance towards my own work and that of those by whom I have been influenced. To remedy this, I will end this section with a few reflections about the drawbacks of the approach I am promoting.

Alternative approaches are necessary

It is important to keep in mind that my complaints about the state of marketing research stem from my interest in a particular aspect of business enterprise – the process of organising. The approach I am proposing is probably not that good if you seek to establish the character of a certain system at a given point in time. In that case, other approaches are much more effective. Paraphrasing Bruno Latour, I could say that you can study anything with classical marketing theory. Anything but processes.

But there is something more to this. Something having to do with the performative role of business (marketing) research. For researchers with an interest in the dynamics of business enterprise, business research in general may be an important part of the process under study. Hence, research which purports to discover principles about and generate representations of marketing practice, and which is directed at the construction of vocabularies that allow for the control of said practice, is important. Irrespective of whether such efforts are undertaken by specialised departments within companies, by consultants or by academics, the kind of approach I am advocating feeds on these others doing their jobs.

A lengthy book

Having just about reached the end of this study, it should be obvious that its format constitutes a problem. Close to 600 pages is simply too much. But here I cannot really blame anyone but myself for the boundaries set. Several studies conducted with approaches resembling mine are of more reasonable scope.¹ Being my first attempt at this, one should at least hope that I have learned something that will allow me to better delimit future studies.

One such reflection is that it is unwise to combine in a single book the desire to produce a historical account with an ambitious methodological and theoretical discussion. This was also the advice given to me by Professor Hans Glimell at the seminar last autumn when I presented a draft of the thesis; “a problematic collage” was the phrase he used to describe the manuscript, I think. So why did I not act on that advice? Actually, I toyed with the idea of presenting a more condensed version of the empirical account interspersed with methodological and theoretical intermezzos covering the central parts of Chapters 2 and 8. There are two reasons why I did not go ahead with this idea. First, it would have resulted in another book, one that I had not intended to write. Second, it would have required a motivation and an energy that I was unable to amass at that point.

¹ These include some of the more frequently cited works in the ‘actor network’ tradition, e.g., John Law, *Organizing Modernity*, 1994; Bruno Latour, *Aramis, or...*, 1996; and Claes-Fredrik Helgesson, *Making a...*, 1999. In addition, there are numerous articles that have been produced in the tradition which manage to combine rich empirical work with challenging ideas on methodological as well as theoretical issues.

Practical difficulties

A central idea in the approach I am advocating is to study organising in action. However, this is not always possible. This became evident to me when working on Chapter 7, the rationalisation of retail operations. For this part of the work, I had to revise my original ambition and focus more or less exclusively on the doings of Hakonbolaget. This was not due to it being more interesting than the doings of the individual retailers. In this case, it is more likely to have been the other way around. Rather, it was due to the lack of sources reflecting the doings of the retailers.

In relation to the developments sketched in Chapter 7, one could probably reach additional conclusions by making use of a pre-established framework when constructing the account. For instance, with an evolutionary approach, such as that used by Anna Nyberg.¹ What is such a clear disadvantage with the approach presented here, the lack of primary sources and remnants, does not particularly affect approaches which are based on a pre-established theoretical framework.

There is also the question of whether the controversies so central to my approach really show up in the sources. Or, when studying a contemporary process, if you are able to get the necessary access. This problem is serious, and I suspect, becoming more so. In the worst case, research along these lines will become restricted to studying organising efforts in areas where there is light, rather than in areas where there is a need for illumination. This goes for historical studies, as well. What is left of today's organising efforts? The ever-shorter time-perspective assumed in business constitutes a problem in this respect. During one of my visits at ICA when collecting material for this study, an official happily announced that his department had thrown away all the old documents and contracts when they moved to their new facilities some years previously. Today, in the age of e-mail communication, few documents survive, except maybe those that result from legal disputes. (It is perhaps fortunate, then, that these seem to become more common.)

10.2. Contributions to a Sociology of Industry

Mark Granovetter and Patrick McGuire recently suggested that there is a need for a sociology of industry; that economic sociology should show more interest in issues related to intermediate levels of aggregation such as industries.² Besides their own study of the making of electricity as an industry in the United States, a number of recent studies contribute to such an endeavour: Michel Callon's analysis of the concept of externalities from the point of view of a sociologist of science and techniques;³ Franck Cochoy's work

¹ Anna Nyberg, *Innovation in...*, 1998.

² Mark Granovetter and Patrick McGuire, *The making of an industry*, 1998.

³ Michel Callon, *An essay on framing and overflowing*, 1998.

on the performative role of marketing knowledge;¹ and Claes-Fredrik Helgesson's study of the making of a natural monopoly in Swedish telecommunications.² I would like to think that the present study adds to this tradition.

The organising of economic activity

The proposed conceptual vocabulary contributes to our understanding of how economic activity is organised at intermediate levels such as industries or distribution systems. It further elaborates on framing as a general concept for understanding organising. In doing so, it brings together several concepts proposed within the sociology of science and techniques into a coherent framework for inquiry about a new object of knowledge.

The discussion in the previous chapter suggested that Hakonbolaget's efforts to realise a modern distribution system were closely linked to the construction of a new economic governance system. Since the proposed conceptual vocabulary seems to offer a plausible theory of this construction, it might be possible to extend this analysis to other forms of economic governance. At this point, it is at least warranted to entertain the hypothesis that established economic governance systems generally are the results of framing and that their maintenance depends on the extent to which individual exchanges are negotiated and effected in a way that reinforces this framing.

This means that the organisation of economic activity is performed again and again, that a distribution channel or a market "must be constantly reformed and built up from scratch: it never ceases to emerge and re-emerge."³ This does not mean that there are no efforts made to stabilise economic activity. Quite the opposite. In a sense, each agreement concerning the exchange of some good or service is a closure. A point at which two parties, through negotiations, temporarily have reached an agreement as to what it is that is going on. But, as Michel Callon observes, all aspects of a commercial exchange are not re-negotiated every time. The possibility of such partial negotiations depends on successful framing, on a settlement of a set of basic issues which limits the number of dimensions that have to be addressed in each individual negotiation.

The efforts made to realise a new form of retail-wholesale interaction through the Hakon-deal is a good example of a re-negotiation of these basic issues. Indirectly, it also

¹ Franck Cochoy, *Another discipline for the market economy: marketing as a performative knowledge and know-how for capitalism*, 1998.

² Claes-Fredrik Helgesson, *Making a...*, 1999. Inspired by the work within the sociology of science and technology, Helgesson adds to Granovetter's and McGuire's ideas a number of aspects that a sociology of industry needs to recognise: i) the relational character of both order and change, with attention to inter-personal and inter-organisational relations as a consequence; ii) the potential influence of science and technology in shaping fields of economic activity; iii) the political embeddedness of industries; and iv) the role of economics (and other social sciences, I would add) as jointly developing with and influencing the shaping of industries.

³ Michel Callon, *An essay...*, 1998b, p.266.

casts some doubt on an assertion made by Ronald Coase concerning the possibility of choosing between the market and the firm (hierarchy) as the organising principle.

[T]he operation of a market costs something and by forming an organisation and allowing some authority (an "entrepreneur") to direct the resources, certain marketing costs are saved. The entrepreneur has to carry out his function at less cost, taking into account the fact that he may get factors of production at a lower price than the market transactions which he supersedes, because it is always possible to revert to the open market if he fails to do this.

Ronald Coase, 1937, p.392.

On the basis of my account, I would raise an important objection to the final statement. It seems that Coase's assertion that "it is always possible to revert to the open market" is not necessarily true. For the market may no longer be there. If others have chosen to solve the problem in a similar way, that is, internalised certain transactions, the market may effectively have been de-realised.¹ If this is so, one has to engage in the construction of a market rather than simply revert back to one.

An unstable object of knowledge?

The present study differs from most studies found within the sociology of science and technology in that it lacks a clear stabilisation. There is no singular grand result, no object that can be pointed at, no established fact. This was noted by Professor Hans Glimell during a seminar last autumn when I presented a draft version of this thesis.

Hans Glimell: What makes me suspicious and what supports my position is an aspect that is central to how the whole constructivist field works which you refer to and "side up with." It is related to the idea of Truth, Efficiency and Profitability as standing there so naked. The point of departure for nearly all these studies, relativist or relationist, is to find a point where there is a closure, where something is stabilised. ...

Usually one tries to find such a point. But in your material there is in each chapter a "point of entry." And I asked myself, why does he write so much about "point of entry"? ... This leads me to believe that you have not chosen a closure, something that has been essentialised – which the constructivist toolbox is used to unlock. Then you can see that when it was not regarded as closed there were a number of interesting things happening. You have not been able to decide where it ends, in any case you do not communicate it to the reader. You start with an interview from '97, where it still does not seem to be closed.

Me: No, but it is a finding that there is no clear closure. I cannot find any such point, it goes on. Then I must choose to end somewhere... but it is a problem which

¹ The development of Swedish food distribution is a case in point: In the 1940's there were thousands of local and regional wholesalers in Sweden. During the following three decades, the integrative efforts of Hakonbolaget and the other purchasing centres (ICA), the consumer co-operation (KF) and the private wholesalers (ASK/DAGAB), resulted in a wholesale structure where in 1987 three national companies accounted for approximately 76.5% of the total wholesale turnover for "daily goods" (Walter Schuster, *Ågandeformens betydelse...*, 1989, p.28). For a retailer wanting to revert to the market, DAGAB would be the only national supplier available, since ICA only delivered to its members and KF only to the co-operative societies.

burdens me. ... Why I talk about point of entry is that there are partial results, partial closures, which are possible to see. For instance, when the Hakon deal and its contours take on some kind of form. But then one can see that there is an official closure, but that there are still negotiations of sorts about what this should consist of and that this changes over time. I end my account in 1952-1953 although I indicate that there is still things happening.

Lars-Gunnar Mattsson: Even as we speak, I mean, I am convinced that somewhere within ICA there are discussions about precisely the same problem, not least after the new Anti-trust legislation and its group-exception. So, the basic problem is still there, probably more or less in the same terms.

Hans Glimell: But then, I must ask you – if this is so, that it still is open – what do you need the constructivist toolbox, that both you and I like so much, for?

Me: Well, because it is a good method for following this process, irrespective of whether it reaches a closure or not. It does reach temporary closures, but this is not a process with a clear end in an artefact or something, but I cannot see that this makes the method a less fruitful way of describing the process.

Per Håkansson: Doesn't this apply to technical development in general, that there will be periods of "rest"? I can't see that this system is particularly different. The only thing we know is that it goes on. It is a question of finding a stable point somewhere.

Hans Glimell: Precisely. As an analyst or researcher you can do this, you can choose to enter into a stabilised situation... My problem is that when it is as open as this, then the world itself is very constructivist or relativist, because nothing is fixed, we do not have this tunnel-vision backwards in time. In that case, a good researcher will find this, irrespective of reading Aramis or not.

Excerpt from seminar notes, October 26, 2000. Trans.

This hints at an issue of considerable importance when expanding the application of the sociology of science and technology to a sociology of industry. It suggests, perhaps, that markets and industries, as objects of knowledge, generally are performed in a different way than the natural scientific facts or technical solutions studied within the sociology of science and technology and that this difference may be related to the issue of stability.

Mark Granovetter's and Patrick McGuire's study of the emergence of the electric utility industry in the US supports this. They find no sign of the industry boundaries solidifying. However, they argue that this is due to their study being both empirically and theoretically incomplete. The end of their story is simply not there:

Were we to follow the industry past its formative years chronicled here, we would find that processes and relationships once shaped by individuals became institutionalized in more formal organizations, institutional alliances, standardized practices and industry norms.

Mark Granovetter and Patrick McGuire, 1998, p.168.

Not only do our accounts end at a point where stability or closure has yet to be achieved, there is also a similar idea concerning the consequence of the way in which the realised solutions (in my case, the "modern distribution model") came to affect subsequent events. Granovetter and McGuire "believe that this suppression of diversity hampered the adapt-

ability of the industry in ways that became clear only in the late 20th century.”¹ I would argue that the “modern distribution model” which was realised and perfected during the structural rationalisation, had similar effects on the development within ICA.² Further, I would argue that this became increasingly clear during the late 1980s, and that it subsequently led to a major reorganisation of ICA’s wholesale operations in the early 1990s.

Despite the fact that our accounts are similar, I am somewhat hesitant as to Granovetter’s and McGuire’s hypothesis that the future development would reveal an institutionalisation of processes and relationships. Instead, I would like to advance an alternative hypothesis. To set the stage for this, I will briefly discuss the “modern distribution model” as a possible stabilisation in my account.

The creation of a distribution system

At times, during the process of writing this thesis, I was advised to assume a systems perspective and provide an overview of what I studied. I was very reluctant to do this, since the actors themselves rarely spoke about their actions in system terms. But there is one obvious way in which a systems perspective fits into this study (which also explains the calls made for my taking it). The view of food distribution as a system, I believe, is partly the outcome of the efforts accounted for in this study. At the outset there was no system. At least none which encompassed what the system did, as was described by my supervisor Lars-Gunnar Mattsson in 1969.³

As Hakonbolaget scrutinised activities for efficiency gains, inter-relations to other activities were identified and in some cases measured. Food distribution changed from a series of discrete activities, to a chain of inter-related activities. Gradually, Hakonbolaget was able to increase its control over this chain of activities by representing them and devising a series of linked frames, a model for modern food distribution. This domestication of food distribution is reflected in the comments made both by Hakonbolaget, as well as in the annual statistics that HUI (the Retail Research Institute) started to produce in the 1960s. It is also evident in public reports on Swedish food distribution produced in the 1960s and 1970s.

Gradually, then, food distribution *has become* a system. Today, it would be daft to argue that it is not a system. The important point is that this is an outcome. The efforts of

¹ Mark Granovetter and Patrick McGuire, *The Making of...*, 1998, p.149.

² My idea of a “modern distribution model” is similar to the notion of an “all-channel” as discussed by Anna Nyberg (*Innovation in...*, 1998). However, my concept is more limited than Nyberg’s in that it only refers to Hakonbolaget (and ICA) and not to Swedish food distribution at large. It differs also in that it is not based on a functional definition (“the all-channel supplies all types of grocery stores with all types of goods” (ibid. p.133)), but is a label for an assembly of entities and associations that encompass wholesale operations, retail operations and wholesale-retail interaction.

³ Lars-Gunnar Mattsson, *Integration and Efficiency in Marketing Systems*, 1969.

Hakonbolaget during the 1940s and 1950s, and subsequently of ICA during the 1960s created a food distribution system.

But this would represent precisely the kind of stabilisation that a constructive study would be able to “take apart.” So why has this not been my central concern? In the Prologue and Epilogue to my story about Hakonbolaget I did hint at this as a possible stable structure. However, it is very difficult to present convincing evidence that it ever pervaded the sector in such a way as to qualify as a closure or stabilisation. A major reason for this, I suspect, is that industries and distribution channels alike are objects of knowledge also to some of the entities defined as making them up. Hence, a study of the micro-processes is likely to find messiness where an aggregate perspective might find stability. This brings me to my alternative hypothesis concerning the stability of objects of knowledge such as industries and distribution channels.

Closures and the realisation of aggregate levels

By expanding on Thomas Misa’s point about the connection between technological determinism and level of analysis, a novel view on the issue of closure, or stabilisation, can be had. Misa observes that researchers who affirm some version of technological determinism tend to adopt a macro perspective, whereas those opposing it tend to adopt a micro perspective.¹ It seems to me that this observation applies to closures or stabilisations at large. Structure and stability is generally observed from a macro perspective, process and change from a micro perspective. The fact that it was only when I stepped back and regarded the development at an aggregate level in the Prologue and Epilogue to the empirical account that I could produce an image of seeming stability that supports this. It is supported also by Granovetter’s and McGuire’s claim that the efforts to achieve isomorphism among firms in the electric utility industry failed partly “because of the varying resources and market attributes in each firm’s locale.”² That is, for reasons found at the micro level.

Building on the ideas about the emergence of macro-actors presented by Michel Callon and Bruno Latour,³ Claes-Fredrik Helgesson has modified Misa’s assertion arguing that this is not simply an effect of the level of analysis. Rather, he argues that the consolidation of actors, machines, institutions, and social relations into the tidy term *technology* at the macro level “is an effect of successful structuring at the micro level.” Large-scale sovereign macro-actors, he argues, are outcomes that elude analysis if we assume them to be essentially different from micro-actors.⁴

¹ Thomas Misa, *Retrieving Sociotechnical...*, 1994.

² *Ibid.*, p.167.

³ Michel Callon and Bruno Latour, *Unscrewing the Big Leviathan: How Actors Macro-Structure Reality and How Sociologists Help Them To Do So*, 1981.

⁴ Claes-Fredrik Helgesson, *Making a...*, 1999, p.42.

I think that this idea can offer an alternative hypothesis concerning stabilisations if developed further. The level of analysis is not just a matter of how the investigation is carried out; it is an empirical phenomena of considerable import for the possibility of achieving closure. To establish and maintain a macro-perspective (or meso-perspective, in the case of distribution channels and industries) is a way of stabilising a situation. But how then, can such perspectives be established?

For this, actants must engage in framing and in the generation of representations that support the frame they seek to realise. Such representations must be able to contain the overflows that occur at the always messy micro-level. When they do, the macro-level is there, allowing us to observe stability or stable patterns of change. When overflows become too large, the representation no longer works and the macro level dissolves.

This suggests that we may find stability in situations that allow us to assume a macro perspective. But, and this is the crux of the matter, we cannot always do this. For instance, it was very difficult to do this in relation to food distribution in Sweden during the 1940s. Why? There was no metrological system in place. Professor Gerhard Törnqvist made several remarks to this effect in his contributions to the public debate about the rationalisation of goods distribution.

This provides an alternative explanation of closure to those offered by concepts such as inertia or path dependence, which explain the macro-outcome as an effect of a stabilisation of a micro-process.¹ I would suggest that what these accounts really depict is the closure, not of the micro-process, but of the representation of this process. It is a matter of establishing a metrological system that depicts the micro-process in a stabilised, orderly way. There will still be messiness, but this does not show up in the statistics, that is, at the macro-level. Only at micro-level can it be observed.

Thus, my alternative to Granovetter's and McGuire's stability-hypothesis is: When a metrological system has been established that can generate representations of the micro-level that successfully contain overflows, there will be closure. That is, there is a closure of the representation, rather than of the micro-process. The latter will continue to be made up of efforts to frame and re-frame, but as long as the overflows are kept within acceptable limits, the representation, the macro-level, and consequently the closure, lives on.

As it happens, this offers a methodological advantage in relation to the need to study things in the making. If the stabilisation of economic organisation really is a stabilisation of a representation, then the micro-level need never display this closure. A researcher interested in the organising of a sector may then choose to enter more or less at any point and still find an on-going process of organising.

¹ See, e.g., Paul David, *Clio and the Economics of QWERTY*, 1985, and *Path-Dependence: Putting the Past into the Future*, 1988; and Susanne Sweet, *Industrial Change Towards Environmental Sustainability*, 2000.

Concluding remarks

This study has shown that when it comes to organising a business enterprise, every day is a working day. Constant efforts are required on behalf of actants that seek to move the enterprise in a certain direction. For the direction of the enterprise is determined not so much by the grand plans as by all the mundane situations that make it up. Still, the grand plans are important – if you want to give direction to the enterprise, that is. Indeed, without being able to step out and reflect over the enterprise and the direction it seems to be moving in, the chances of moving it in a preferred direction seem slight.

Having established a preferred direction, the actant faces the challenge of translating its vision or frame into all the sociotechnical situations that make up the enterprise. It is this work that determines whether an actant can direct the enterprise successfully. Not the character of the plans in themselves – whether good or bad – nor the character of the existing situations as such – whether conducive to change or not – but the ability of the actant to realise – make more real – the situations it envisages.

For this work, far more than the traditional social aspects of organising come into play. The situations that keep the enterprise going are many and materially heterogeneous. Consequently, the repertoire of the actant engaging in framing must be very wide; it must engage in heterogeneous engineering, to use John Law's phrase.¹ The present study suggests that for the organising of business enterprise this repertoire involves politics, science, and technology, alongside the traditional tasks of managing the work force and doing business.

¹ John Law, *Technology and Heterogeneous Engineering: The Case of the Portuguese Expansion*, 1987.

Appendix A

From actors to actants

In Chapter 8, I proposed a relational view of acting entities in which the entities were regarded as outcomes of the process of interdefinition in sociotechnical situations. Here, the reasons for this view are spelled out in more detail.

I start out by making a brief overview of traditional sociological conceptions of actors and actorship. The variable ontology I argued for in Chapter 2, assumes the social to be emergent and materially heterogeneous. This is not compatible with traditional conceptions of actorship where actors generally are assumed to be humans (or in some cases, human collectives), and their actorship derives from some form of intentionality (residing exclusively in humans). Thus, a novel conception of acting entities is required.

My view is based on the idea that all entities are “products of a process of composition”; they are actively realised rather than objectively existing.¹ An entity is a temporarily stabilised *collectif* within a network of associations. These stabilisations depend on the situation and the point of view.² Actorship is something that others attribute to such an entity, rather than something inherent in the entity itself. This places no limit on the material character of acting entities and allows actions to be redistributed to many more entities than in traditional sociological accounts; it allows for actors with “variable geometries.”³

¹ See Michel Callon and John Law (*Agency and the hybrid collectif*, 1995; and *After the Individual in Society*, 1997) for a discussion of the problems created by the individual-society division and the merits of regarding the social as a materially heterogeneous network in which entities are temporary stabilisations.

² Entities become maximally enduring, it would seem, when taken out of context and placed, e.g., in a museum. Bruno Latour (*Aramis, or...*, 1996) has suggested that this is one of the few situations in which we can actually speak of *objects* in the sense of stable unchanging things-in-themselves.

³ Bruno Latour, *On Technical Mediation*, 1994 and *Aramis, or...*, 1996, p.24-25.

A.1. Actorship - essence or attribution?

Can actorship be extended to non-humans? Below, I briefly overview some approaches to action and agency to identify factors suggested to render someone (or something?) actor status. The overview shows that most conceptions of the term actor are based on assumptions concerning the essence of these entities. However, if entities are assumed to prescribe and subscribe to programs of action in the sociotechnical situations they take part in, then actorship can be regarded as something others attribute to entities, rather than an essential part of the entities. This opens up for materially heterogeneous acting entities. To set my vocabulary apart from traditional sociological conceptions of actors, I suggest the term *actant* as a suitable label for the acting entities in the framing model.

Some approaches to actors, action, agents and agency

There is a long tradition in the social sciences which associates the notion of an *actor* with an acting person.¹ Further, it is often held that action presupposes intentions, in short, that an actor is a person behaving purposefully.² This view has been contested, and it has been posited that intention in fact presupposes action.³

Others have wanted to include the possibility of collective actors.⁴ Disregarding the contested logical structure of the intention-argument, this poses additional problems.

¹ My discussion of individualism in Chapter 2 is of course relevant here. It seems that the individual is at the centre of many sociological accounts. For instance, Raymond Boudon (*Theories of Social Change*, 1991 (1986)) argues that the social (change in particular) must be seen as produced by the aggregation of individual actions, that indeed the individual is the only proper unit of analysis. Based on my own brief knowledge of the subject, this view can be found in the writings of Max Weber (*Economy and Society: an outline of an interpretive sociology*, 1978 (1922)), George Homans (*The Human Group*, 1951), Erving Goffman (*Frame Analysis*, 1986(1974)), Anthony Giddens (*The constitution of society*, 1984), Raymond Boudon (*Theories of...*, 1991 (1986)) and Piotr Sztompka (*The Sociology of Social Change*, 1993).

² James March (*Decisions and Organizations*, 1988, p.254) suggests that the idea of the pre-existence of purpose is conspicuous to theories of choice in general. Michel Callon and John Law (*Agency and...*, 1995) suggest that there are two critical components in the traditional conception of agents: intentionality and language use, i.e. that we tend to endow agency to *strategic speakers*. Anthony Giddens' (*The constitution...*, 1984) discussion of the agent, the concept of agency and the relation of agency and power provides an introduction to the tradition, some critical comments and a compilation of ideas.

³ Influenced by Alfred Schutz' phenomenological approach, Anthony Giddens (*New Rules of Sociological Method*, 1993) has argued that "the notion of intention logically implies that of action, and therefore presupposes it, rather than vice versa. As an instance of the phenomenological theme of intentionality, one can say that an actor cannot 'intend'; she or he has to intend to do something." (*ibid.*, p.80) Similarly, Karl Weick (*The Social Psychology...*, 1979) recognises Schutz's influence on his thinking, summarised in his assertion: "Action precedes thought." (*ibid.*, p.194). Empirical studies in the behavioural tradition has convincingly shown that the formation of goals is an on-going process fuelled by, for instance, making decisions (confer March, *Decisions and...*, 1988). Frederic Schick (*Understanding Action*, 1991, pp.43-45) has pointed at a difficulty with the intention-tradition: establishing whether a person has acted intentionally requires more than knowing that the person intended to do something, and subsequently did just that. We must know that the person did what s/he did "under the intention of doing this."

⁴ This tradition is often associated with Durkheim's ideas on collective memory, unitary group consciousness, etc. Mary Douglas (*Risk and Blame*, 1992) downplays the importance of these ideas in Durkheim's

Whereas it seems plausible to argue that individuals can have intentions, the idea of collective intention is less tenable.¹ Two well-known solutions to this problem are Hobbes' social contract² and Durkheim's collective conscience³. A third solution is to argue that actors do not really need to *have* intentions, but rather that others *ascribe* intentions to them.⁴ Obviously, collectives need be no different than individuals in this respect.

An alternative view of actors and action is that which equates action with agency.⁵ In his account of the evolving social theory of agency, Piotr Sztompka argues that the no-

position, arguing that their prominence is an effect of Durkheim's attack on nineteenth century utilitarianism. Douglas also contributes to the position herself, for instance in "How institutions think" (1986). In economic sociology, Smelser and Swedberg (*The Sociological Perspective on the Economy*, 1994) argue that "the analytical starting points ... are groups, institutions, and society. ... sociologists take the group and social-structural levels as phenomena *sui generis*, and do not consider the individual actor as such." (ibid., p.5) In psychology there have been approaches which open up for the possibility of collective actors (see, e.g., Rom Harré, David Clarke and Nicola De Carlo., *Motives and Mechanisms*, 1985).

Collective actors also occupy a central position in the study of organisational decision-making. Disregarding game-theoretical and micro-economic approaches, the organisational behaviour school has occupied a prominent position in this area (see, e.g., Richard Cyert and James March, *A Behavioral Theory of the Firm*, 1963; James March and Herbert Simon, *Organizations*, 1958; Michael Cohen, James March and Johan Olsen, *A Garbage Can Model of Organizational Choice*, 1972; James March, *Decisions and...*, 1988). However problematic the behavioural school finds decision-making, they tend to down-play the problem of organisational actors. E.g., Scott Herriot, Daniel Levinthal and James March (*Learning from experience in organizations*, 1988 (1985)) recognise the issue but brush it aside: "Since allocations within sub-units affect not only the performance of sub-units but also the performance of the organisation as a whole, organisational learning is heavily interactive. The details are omitted here. They parallel the earlier characterisations of learning but include some additional features to link the learning and performance of sub-units with the overall organisation." (ibid. p.223) Instead, the general problem of goals is discussed in terms of individuals rather than collectivities, this despite acting collectivities being the central concern (confer James March, *Decisions and...*, 1988, p.256-259).

¹ It would seem that the notion of collective intention is assumed rather than shown in most approaches. Thus James March argues "Theories of individual organisational and social choice *assume* actors with pre-existent values." (ibid., p.256, italics added). See also Rom Harré et al., *Motives and...*, 1985, pp.66-77.

² "The only way to erect such a Common Power... is, to conferre all their power and strength upon one Man, or upon one Assembly of men, that may reduce all their Wills, by plurality of voices, unto one Will: which is as much as to say, to appoint one man, or Assembly of men, to beare their Person... and therein to submit their Wills, every one to his will, and their Judgements, to his Judgement. This is more than Consent, or Concord; it is a reall Unitie of them all, in one and the same Person..." (Thomas Hobbes, *Leviathan*, 1981 (1651), p.227).

³ Emile Durkheim, *Elementary Forms of Religious Life*, 1995 (1912).

⁴ One example is Daniel Dennet's (*The Intentional Stance*, 1988) Intentional System model which he argues works just as well for persons as collectivities (see also Mary Douglas, *Risk and...*, 1992, pp.211-234). The same reasoning is central to the notion of psychological symbiosis used within developmental psychology. As Rom Harré et. al. (*Motives and...*, 1985, p.75) note: "The mother does not interact with the child as it actually is but rather with a being of her own invention to whom she has *ascribed* quite sophisticated thoughts and feelings. The mother reacts to a composite individual, a dyad she herself forms with the infant. ... As time goes by, the dyad changes its internal structure as more psychological functions are taken over by the infant."

⁵ This is not to be confused with agency theory within economics (see Armen Alchian and Harold Demsetz, *Production, Information Costs, and Economic Organization*, 1972; and Michael Jensen and William Mecklin, *Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure*, 1984). In its basic form this theory views social life as a series of contracts governing principal-agent relations, e.g., between buyer and seller, stipulating what each party must do.

tion of agency has been gradually “secularised, humanised and socialised.”¹ An important contribution to the final stage in this development, Sztompka argues, is the conception of agency found in Anthony Giddens’ theory of structuration.

Giddens stresses the on-going, active character of agency and puts it in direct relation to the notion of praxis.² He suggests as critical aspects of agency: “(1) that a person ‘could have acted otherwise’ and (2) that the world as constituted by a stream of events-in-process independent of the agent does not hold out a pre-determined future.”³ This view stresses the “capability of the individual to ‘make a difference’ to a pre-existing state of affairs”, i.e. action as agency hinges on the ability “to exercise some sort of power.” What, then, makes it possible for someone to “exercise some sort of power”? Giddens himself suggests that power should be seen as dialectical. On the one hand, it rests on individuals bringing resources to bear in “regularised relations of autonomy and dependence.” On the other, these dependencies also provide “resources whereby those who are subordinate can influence the activities of their superiors.”⁴

Most approaches to power seem to associate it, as does Giddens, with some form of resource control.⁵ Power, it is held, rests in the ability to bring to bear resources to help or hinder another in the attainment of desired goals.⁶ These resources in turn enable and constrain the actor. Richard Emerson has criticised the view of power as an attribute of a person or a group (derived from resource control, etc.) and emphasised the relational character of power. Rather than being an attribute of a person or a group, he suggests, “power is a property of the social relation”, and “power resides implicitly in the other’s

¹ Sztompka (*The Sociology of...*, 1993) argues that the theory of agency has gone through five stages: i) located outside the human and social world, in a supernatural domain (deities, gods, etc.); ii), brought down to earth, located in natural forces; iii) located in Great Men, humanised but not socialised; iv) with the birth of sociology, socialised but at the same time dehumanised, located in a society conceived of as a self-regulating and self-transforming whole; v) “agency finally found its proper place: in the actions of social agents. It became humanised and socialised at the same time” (ibid., pp.191-192). However, I am far from convinced about Sztompka’s assertion that agency finally has “found its proper place.”

² Giddens (*The Constitution of...*, 1984, p.81) defines agency as “the stream of actual or contemplated causal interventions of corporeal beings in the ongoing process of events-in-the-world.”

³ Giddens (*New Rules...*, 1993, pp.81-82) stresses that “could have acted otherwise” neither means ‘had no choice’ nor forbearance “which involves the contemplation of a possible course of action – that which is refrained from.” Elsewhere, Giddens (*The Constitution of...*, 1984, p.9) has argued that “Agency concerns events of which an individual is the perpetrator, in the sense that the individual could, at any phase in a given sequence of conduct, have acted differently. Whatever happened would not have happened if that individual had not intervened.”

⁴ Ibid., p.14, 16.

⁵ Richard Scott (*Organizations, Rational, Natural, and Open Systems*, 1992) provides an overview of various approaches within sociology. To the extent that power is an issue in neo-classical economics, it is associated with the ability to affect the price mechanism. The only two ways in which this can be done is by affecting either the supply of or the demand for goods. In either case, power rests on the ability to control resources. Under perfect competition, power is not an issue, for perfect competition by definition implies that no single buyer or seller can affect prices.

⁶ Ibid., p.302.

dependency.”¹ As a consequence, power should be regarded as a *potential* for influence in specific relations.² Agency would then depend on the ability to exercise some sort of potential influence in a given relationship.³ This notion of power *in potentia* has subsequently been criticised for making power an empty term.⁴

This brief overview of actorship/agency has indicated that intentionality is a common, although problematic basis for actorship. Alternatively action can be viewed as agency – the capacity to make a difference – a view which leads to the notion of power, and on to resources as a basis for power. But power is far from straightforward. Resources do not provide for power in general, but only for power in specific power-dependence relations, implying that power is a potential for influence based on the dependence of the other. Agency must then be relational rather than general.

Generally, the terms action, agency, actor, and agent have all been associated with humans. In some cases these humans behave intentionally, in others, they have a general capacity to act, deriving from their control over resources which they can bring to bear on others. Below, I will discuss how acting entities can be conceived of as part of a model of sociotechnical situations which revolves around a process of interdefinition. In this

¹ Richard Emerson, *Power-Dependence Relations*, 1962, p.32.

² Scott (*Organizations, Rational...*, 1992, p.303). argues: “power has its origin in the dependency of one person on resources controlled by another, but power itself is best defined as a potential for influence.”

³ Sztompka (*The Sociology of...*, 1993) argues that the very idea of *agency* is a *potentiality* for actor status. An entity must be given the power to *eventuate* the agency ascribed to it, i.e. to turn it into *praxis*.

⁴ This is the basic argument of Bruno Latour (*The Powers of Association*, 1986) who directs attention to the paradox that “when you simply *have* power – *in potentia* – nothing happens and you are powerless; when you *exert* power – *in actu* – *others* are performing the action and not you” (pp.254-265). Instead of viewing power as a cause of collective action, he suggests, it should be seen as an effect. Obedience results not from power residing in the one being obeyed, but from the wills of others. Unless they act, there is no power. There is no reserve of power that can be tapped into. Instead, it is argued, it must constantly be filled by those others who are acting, and who attribute their action to someone, this someone then becomes ‘powerful’.

A similar line of reasoning can be found in Chester Barnard’s (*The Functions of the Executive*, 1938) discussion of *authority*. Thus Barnard observes: “If a directive communication is accepted by one to whom it is addressed, its authority for him is confirmed or established. It is admitted as the basis of action. Disobedience of such a communication is a denial of its authority for him. Therefore, under this definition the decision as to whether an order has authority or not lies with the persons to whom it is addressed, and does not reside in “persons of authority “ or those who issue these orders. ... In the last analysis the authority fails because the individuals in sufficient numbers regard the burden involved in accepting necessary orders as changing the balance of advantage against their interest, and they withdraw or withhold the indispensable contributions.” (Ibid., p.163-165). Barnard’s ideas were also adopted by George Homans (*The Human Group*, 1951) in his analysis of the human group.

A critical point concerning these ideas has been raised by Charles Perrow (*Complex Organizations*, 1986, p.71): “it is hardly a fiction if one can be fired for disobeying orders or shot for not moving ahead on orders.” But, as Georg Simmel (*The Sociology of Georg Simmel*, 1950), has argued, even in such cases the power can be regarded as arising from the wills of others: “Actually, the ‘absolute’ coercion which even the most cruel tyrant imposes upon us is always distinctly relative. Its condition is our desire to escape from the threatened punishment or from other consequences of our disobedience. More precise analysis shows that the super-subordination relationship destroys the subordinate’s freedom only in the

model, the idea that agency resides in a specific capacity or mental state, is supplanted by the idea that agency is awarded by others as a result of an interpretive effort. For an important part of the process of interdefinition is the awarding of actor status to other entities. The grounds for doing so, however, may vary widely.

Actorship is awarded by others in sociotechnical situations

An initial note to set the reader straight: in this section I will discuss the idea that actors emerge as a result of others attributing actorship to them. Largely actors will be discussed as if they were individuals. This is made out of convenience, for there is a language problem here: it is difficult to speak of non-human actors.¹ In the next section, I will discuss the merits of still trying, in some way, to do this.

In a sociotechnical situation, individuals prescribe programs of actions from each other as part of their general definition of the situation (the frame they apply). This implies that the recognised participants are constituted in terms of a limited set of relations that are deemed relevant for the situation.² Erving Goffman's notion of person-role formula, separates this partial image of the person as a participant (the role), from the identity of the person who is assumed to have some continuity outside of the particular situation:

[W]henever an individual participates in an episode of activity, a distinction will be drawn between what is called the person, individual or player, namely he who participates, and the particular role, capacity, or function he realises during that participation. And a connection between these two elements will be understood. In short, there will be a *person-role formula*. ...

In formulating a separation of some kind between person and role, one should in no way pre-commit oneself to notions about the "essential" nature of each. There is a tendency to assume that although role is a "purely" social matter, the engine that projects it – the person or individual – is somehow more than social, more real, more biological, deeper, more genuine. This lamentable bias should not be allowed to spoil our thinking. The player and the capacity in

case of direct physical violation. In every other case, *this relationship only demands a price for the realisation of freedom – a price, to be sure, which we are not willing to pay.*" (Ibid., p.182. Italics added.)

¹ The very words I use tend to perform the distinction I try to do away with. I say agent, and your mind is set on something like 'human with powers to get things done' and not 'catflap'. As Michel Callon and John Law (*Agency and...*, 1995) has suggested, there may be unspeakable forms of re-presentation. In an attempt to describe deep freeze technology, peas and distribution, I think I found some of these problems. I found that as I tried to write about this, I immediately thought in terms of discourse, I imagined what the peas would say to the machines, etc. But trying to impose a human re-presentation technique on non-humans is of course all wrong. Of course they don't speak... Maybe I have to settle with animating a certain sequence, making it available for discussion, although inappropriately described.

² This is a very different view of the person than the unitary, responsible self-agent prevailing in Western secularised society, which Mary Douglas (*Risk and Blame...*, 1992) has called the "forensic model of the person." Douglas suggests that "the liberal concern with freedom has put around this kind of knowledge [about personhood] a hedge of ineffability. The strategy is to insist that inside the person's physical appearance there is an inner self, the real person who is beyond knowledge." (p.214) My position resembles Douglas's in that I sympathise with "the project for knowing the self through its activities." (p.216)

which he plays should be seen initially as equally problematic and equally open to a possible social accounting.

Erving Goffman, 1986 (1974), p.269-270.

What is the consequence of this for the way in which we use the term actor? It appears that the idea of frames allows the merger of two ways of looking at the actor, those of actor-as-position and actor-as-role.¹ A frame is an attempt to make sense of a world which in principle is boundless – the world of the actor-as-position. Only a limited set of all the relations that a person might be said to be involved in is included in any frame – the world of the actor-as-role. As Goffman explicitly points out, however, there is no reason to assume any essence either concerning person or role. Needless to say, this applies regardless of whether the essence is thought to be social or natural. Thus, Ronald Burt's characterisation of "players" as being determined by an intersection of (objectively existing) social relationships is no better than viewing humans as genetically determined.²

By viewing actors instead, as outcomes of the interpretative efforts of others in any given situation, the temporary and situated character of actorship is pronounced. To be sure, an individual's social relationships can be an important source of identity, but so can

¹ The actor-as-position view can be found in the social networks tradition, where it is argued that the relationships which actors have to others affect their properties (Mark Granovetter, *The strength of Weak Ties*, 1973 and *Economic Action and Social Structure: The Problem of Embeddedness*, 1985; Ronald Burt, *Toward a Structural Theory of Action*, 1982, Nitin Nohria and Robert Eccles, *Networks and Organizations*, 1992.) Due to its embedded character, it is argued, the actions (attitudes and behaviours) of actors can be best explained in terms of their network position (Nitin Nohria, *Introduction: Is a Network Perspective a Useful Way of Studying Organizations?*, 1992). Indeed, Ronald Burt (*The Social Structure of Competition*, 1992, p.84) has argued that the attitudes and (non-relational) attributes of individuals are marginally important in relation to the properties of their structural position. The identity of an actor is held to result from its associations with others, often summarised as their *network position*. Since this position is a reflection of the network and neither the network nor the position can be conceived of independently, it has been argued that a network approach to social analysis offers the possibility of overcoming the dualism of structure and agency (Callon, *The Laws of the Markets*, 1998). However, it is very easy to slip back into a dualism. Thus, in the more structurally oriented social network literature, the relationships of an actor are brought together into a measure of *social capital* (see Burt, *The social structure...*, 1992). The large variety of structural measures found in quantitative network analysis easily lend themselves to such a conceptualisation (confer Hans Kjellberg, *Formal analysis of networks and industries*, 1994). As noted by Michel Callon (*The Laws of...*, 1998), this tendency to 'pry loose' the network character of actors and transform it into a descriptive variable, tends to reintroduce the dualism between structure and agency.

The actor-as-role conception can be found in Giddens' (*The Constitution of...*, 1984) discussion of a *social position*, defined as "a social identity that carries with it a certain range (however diffusely specified) of prerogatives and obligations that an actor who is accorded that identity (or is an 'incumbent' of that position) may activate or carry out: these prerogatives and obligations constitute the role-prescriptions associated with that position" (p.84). Whereas position refers to a structural description of a person's social relationships in the social networks literature, Giddens implies a to some extent normative role-formulation that a person can be accorded. Framing seems to take both notions into account. Under the assumption that individuals frame situations, the identities of other participants are not objectively available as a structural measure of their relationships. Only those associations that are deemed relevant for the situation enter into the actor-definition. On the other hand, as discussed below, relations that did not enter into the definition of the actor may produce *overflowing* which affects the outcome of the situation.

² Confer Ronald Burt, *The Social Structure...*, 1992.

ideas on the essential nature of human beings, or the character of members of a certain profession, class, race, nationality, etc., and moreover, so can the situation at hand. What is crucial is that actor status is something that others award to an entity in a given situation. Sometimes such attributions have very little to do with the 'person' 'playing the part', in other situations, the 'person' might be very important.

The actors in a technological project populate the world with other actors whom they endow with qualities, to whom they give a past, to whom they attribute motivations, visions, goals, targets, and desires, and whose margin of manoeuvre they define... the actors offer each other a version of their own necessities, and from this they deduce the strategies they ascribe to each other.

What are the strategies that the two actors can deduce on the basis of their own reconstructions of the motivations and manoeuvring room of the other actors? ... The methodological rule that consists in letting the actors define each other can accommodate all cases, including the miraculous one of agreement between the one who is defining and the one who is being defined.

Bruno Latour, 1996, p.162-164.

In this way, the term *actor* becomes an un(der)determined and inherently interpretative concept.¹ This interpretative character of actorship can be the cause of much frustration on behalf of someone who expects to be regarded as a full-fledged actor.² In certain situations, individuals may even find that their image is completely beyond their control. Others make assumptions about them and, failing to reflect these assumptions, "the individual can be seen as maintaining a false position... he does not have to *do* anything – merely fail to embody the attributes and standards of conduct expected of him."³

What do I mean by "awarding actor status"? The overview above supports Michel Callon's and John Law's assertion that many models associate actor status with *strategic speakers*, i.e. with entities which can be said to have intentionality and which use a language.⁴ Doubtlessly many of the actors we recognise have this character, although, e.g., unconscious motives may be grounds for awarding actor status, too. Further, using the term "strategic" seems to me to overemphasise a Hollywood-type agency. The sort of agency we like to find in the retrospective accounts of successes in business life as well as elsewhere. One, however, which may have little to do with the way we act in practice. I propose, borrowing a phrase from Bruno Latour, the more modest characterisation that awarding actorship amounts to *recognising entities as having a specific "program of*

¹ This view of actors is similar to the one proposed by Jonathan Turner (*A Theory of Social Interaction*, 1988). The quote from Latour clearly suggests take- and make-processes as part of the interdefinition.

² A personal example is the frustration displayed by Linnea, my five-year old daughter, when she is spoken to indirectly (or rather spoken about) through me or my wife. It seems that many adults tend to regard her as less than an actor, thus not hesitating to inquire about her situation to me or my wife, in her presence: "And how is this little girl doing at kindergarten?" A frustration similar to that of Linnea usually flickers across their face as I disqualify their framing by replying: "I don't know, ask her!"

³ Erving Goffman, *Frame Analysis*, 1986 (1974), p.110.

⁴ Michel Callon and John Law, *Agency and...*, 1995, p.490, 503.

*action” relevant for the situation.*¹ When speaking of humans, we tend to call these programs ‘intentions’ or ‘goals’; when speaking of things, we tend to call them ‘functions’.

Striving to become an actor

An individual may of course attempt to impose herself as an actor. Being successful at this often amounts to having the others redefine (reframe) the situation. Thus, failing to be recognised as an actor, I may sabotage whatever it is that the others think is going on, thus radically altering the situation. (This seems to be my daughters’ typical response as I try to speak to my wife about something else than what immediately concerns them.)

Such attempts do not necessarily result in actor status being awarded *within* the frames that others apply. Rather, they are more likely to produce a *frame break* – whatever the others thought was going on, is not going on anymore. This situation could be thought of as an instance of Giddens’ agency, i.e. as an instance where an individual “exercises some sort of power” and in so doing “makes a difference.” However, assuming that entities frame the situations they encounter, it might just as well be regarded as a failure on behalf of others to realise the frames they have arrived at. Rather than speaking of an ability to discredit a particular frame, we might speak of a failure of that frame. The end-result is the same, that is, the successful communication of the message ‘This situation is not what I thought it was...’ As the others go on to reframe the situation, it is possible or even likely that they will award actor status to the entity producing the frame break. This in no way alters my basic point, i.e. that in the end, it is still ‘their call’.

More problematic are situations where one tries to impose oneself as an actor while *retaining* the basic idea that others have of ‘what it is that’s going on’. This amounts to having the others award actor status also to yourself, as part of the same basic frame, rather than requiring a complete change of frame. Maybe, one can say that it involves a ‘controlled overflow’, one which does not result in a frame break. A way of doing this is to make use of how others frame the situation, for instance, in situations where actor status is awarded based on a set of rules.² This seems to be possible in situations where the programs of action prescribed have the character of roles, that is, when the biography of the individual has relatively little to do with being awarded actor status.

¹ Bruno Latour, *On Technical...*, 1994, p.8.

² The stock-market corner seems to be an example of this. Through implicit or explicit rules, actor status (for governing company X) is awarded to certain share-holders by the incumbents. In Sweden for instance, shareholders with a certain percentage of the shares are entitled to a seat on the board by the law regulating limited liability companies. By acquiring enough shares you may then become recognised as an actor. This in no way changes the others’ framing (governing company X), but neither does it change the fact that they are the ones awarding actor status. Not awarding actor status comes at a cost, engaging in illegal activity, that is all. What *has* changed is the entity aspiring for actor status. It is no longer person P, but person P + 20% of the shares. A new entity has been formed. More on this in the next section.

Summary: Acting entities as results of applying frames

If actorship is regarded as resulting from definitions of the situation made by others – as resulting, that is, from their application of frames – we can move beyond essential actor definitions, whether social or natural in kind, by positing that actorship is the result of an interpretative process. No *à priori* restrictions are placed on the character of the entity being awarded actorship; it may be a human or a non-human.

Still, there is a problem of language which makes it very hard to break free from distinctions of this kind; we seem to seek “human agency” also in non-humans.¹ This suggests that *actor* is a poor term for these entities. The previous section indicated that much has been written in many traditions about actors and actorship and that these terms generally have been associated with humans. To get rid of these connotations, I will use the term *actant*² as a label for an entity which another entity recognises as having a specific program of action relevant for the situation.

A.2. Actants - emerging materially heterogeneous entities

Above I suggested “*recognising entities as having a specific ‘program of action’ relevant for the situation*” as a modest formulation of what awarding actant status amounted to. Assuming that entities apply frames to situations they encounter in no way reserves actant status to humans. It is quite possible that a machine, the weather, a retail concept or whatever, at some point will be treated by others as if it were an actant.

If we move from the application of frames to framing, the translation of frames, an additional and complementary aspect can be added to this conception of acting entities. It is the idea that all entities, humans as well as non-humans, can be regarded as outcomes, as “products of a process of composition.”³ Below, I will first take a look at two actants in action and then discuss the idea that entities are the result of a combination process.

¹ As Michel Callon and John Law (*Agency and...*, 1995) put it: “any notion of agency that we might end up with will derive from some idea about the character of human agency.” (p.482) and “[language] tends to perform people as different in kind. As those entities that have the right to speak and vote.” (p.489).

² This neologism, suggested by Bruno Latour (*Science in Action*, 1987, and *On Technical...*, 1994), seems to me to be the best term available. The term is actually borrowed from semiotics and “describes any entity that acts in a plot, before we attribute to it some figurative role – as in the case of the citizen – or some non-figurative role – as in the case of the gun.” (Ibid., p.7) An alternative definition of *actant* is “whoever or whatever is represented” by a spokesperson. (Latour, *Science in...*, 1987, p.83-84)

³ For a discussion of the problems created by the individual-society division and the merits of replacing it with a conception of the social as a materially heterogeneous network, in which entities are viewed as temporary stabilisations, see John Law and Michel Callon (*Agency and...*, 1995 and *After the...*, 1997).

Two actants in inter-action

Occupying the room facing the copier at work has given me ample opportunity to follow actants-in-action. For Xerox is often recognised as an actant by me and my colleagues. At times, to be sure, we think nothing of it: we press, Xerox copies. We are in complete control. But as one Xerox retires and a new ‘employee’ assumes its role, we realise that these entities control us in very distinct ways, that they place strict requirements on *us* as actants. Moreover, in certain situations, we may lose whatever control we had over Xerox. The negotiations between us and Xerox break down; there is a frame break. This is either due to Xerox not performing the way we expect, or due to us not performing the way Xerox expects. Here are some examples of what might happen:

Susanne (cries out): What is wrong with the machine! Does anyone know how to...? Hans, Ann-Charlotte?

Someone: Have you looked in the manual?

Susanne: Oh, where are my glasses...

So what appeared to be Susanne, now is Susanne + someone in the corridor + glasses, and what was Xerox, is now Xerox + manual. Just as Susanne did, Xerox tends to direct attention to the various parts which make it up:

Xerox (displays on screen): Open left door... (when done) Pull lever B... (when done) Remove all copies... (when done) Return lever B to original position... (when done) Close left door.

Xerox (alternatively displays on screen): Call Xerox Service, error code 093-554-2397...

By sending Susanne to the phone, Xerox directs attention towards some sub-entity which is not physically present, but which is still *represented* by Xerox, and whose phone number Xerox knows. It seems that the entities (Xerox, the user) are stable only as long as they perform the functions others expect. When they do not, the *collectifs* which make them up become clearly visible.¹

Humans as temporary stabilisations of heterogeneous collectifs

So there is more to this than awarding actant status to already existing entities. It is the question of how entities themselves *emerge*. My basic point is that *entities must be kept together*. Entities are outcomes of the *recursive process of interdefinition* which takes place in sociotechnical situations,² they are temporary results of a process of combination

¹ The term *collectif* has been suggested by Michel Callon and John Law (ibid.). The point concerning temporary stabilisations has been nicely made by Claes-Fredrik Helgesson (*Making a...*, 1999) in his account of the construction of the telephone system in greater Stockholm in the early 1900's.

² This *recursive process of interdefinition* was discussed in Chapter 2 as part of my ontological stance. Why choose such a cumbersome label? Interdefinition – because all (temporary stabilised) elements can be viewed as implicitly or explicitly recognising and placing requirements on other elements with which they inter-act. Process – because the social is viewed as an outcome, and so are actors, objects, and relations.

or *translation*. This makes the actant a temporarily stabilised entity regarded by others as having an “action-program” relevant for the situation.

Strange as it sounds, the short example above suggests that Susanne and Xerox are no different in this sense.¹ This line of reasoning has a strong affinity to the work of Rom Harré and others on the psychology of action. Their work questions the basic assumption of the individual as the unit of analysis for psychology, and underscores the social character of the process through which individuals are “manufactured.”²

If so, one may ask to what extent it is possible to speak of a human as having a personal identity, this “self-same object” with a biography.³ Are there situations in which I re-present ‘me, the whole me and nothing but me’?⁴ Probably not, for it seems that what makes up ‘me’ is highly situational.⁵ We take part in performing a large variety of ‘me’. I

Recursive – because nothing is recognised beyond the process, it has no driver, it is self-generating. (Confer John Law, *Organizing modernity*, 1994, pp.14-16)

¹ This was a basic insight of Georg Simmel (*The philosophy of...*, 1990 (1907)): “tools function most directly as extensions of the limbs, and the resistance of the objects against our impulses is usually experienced only at their end-point. The activity factor present in owning tools is greater than for other possessions and therefore, next to the body, they are the possession that is most completely *incorporated into the Ego*. Such an interpretation of property indicates the way in which the world views of idealism and freedom are complemented by their counterparts: *objects must enter into the Ego, just as the Ego enters into objects*. ... One might say that the acquisition of property also reflects a growth of the personality beyond the individual ... the sphere of the individual extends beyond its original limits, and extends into another self, which, however, in a wider sense, is still ‘his’.” (ibid., p.323, italics added)

² “... a human mind does not emerge out of processes internal to the human individual. It is a shaping of the activities of the whole person, including their brain and nervous system, by socio-linguistic influences. In the course of this shaping a person acquires a fragment of the rules and conventions of their society, in accordance with which they form projects for action and choose the means for realising those projects.” (Rom Harré et. al., *Motives and...*, 1985, p. viii.)

³ The expression is taken from Erving Goffman (*Frame Analysis*, 1986 (1974), p.128). The difficulty of maintaining a core human identity has been nicely put by Rom Harré (*Philosophical aspects of the macro-micro problem*, 1981, p.146): “If a human mode of being is defined in terms of emergent properties generated by personal location in networks of social relations then there could be no core of identity by which a human being could be identified as a person independently of the social order...” Similar ideas are also expressed by Peter Berger, Brigitte Berger and Hansfried Kellner (*The homeless mind*, 1974). These ideas were to my knowledge first formulated by Georg Simmel in his “The web of group-affiliations” (1955 (1922)) where he argued that personality emanates from the social intersection that an individual occupies.

⁴ The separation of Me from I is common in phenomenological texts. “I” is the acting subject, existing only in action, while attempts to turn back to reflect on past actions recreates the perpetrator as a “me.” For instance, Alfred Schutz (*Collected Papers I*, 1962, p.216) says that we can “turn back to the working acts performed” or “turn to the stream of our thought” only in *modo preterito*, in the past tense, “as if it had stopped with the last grasped experience.” In so doing “The self which performed the past acts is no longer the undivided total self, but rather a partial self, the performer of this particular act that refers to a system of correlated acts to which it belongs. This partial self is merely the taker of a rôle ... a Me.”

This situational character was noted by Georg Simmel (*On Individuality and Social Forms*, 1971 (1911), p.131.): “A man taken as a whole is, so to speak, a somewhat unformed complex of contents, powers, potentialities; only according to the motivations and relationships of a changing existence is he articulated into a differentiated, defined structure. As an economic and political agent... he is, so to speak, an *ad hoc* construction...”

⁵ Mary Douglas (*Risk and...*, 1992) has argued that the “ineffable self” of Western liberal thought as “A unitary, responsible self-agent must be supposed to exist because it is intellectually, juridically, and morally necessary” (p.220) and has favoured knowing the self through its activities. Maybe, to some

say “take part in performing” for, as the short Xerox-story above showed, many more chip in to perform this *collectif* which at times I am allowed to speak of/for as a ‘me’.¹

Further, as Goffman has observed:

A correctly staged and performed character leads the audience to impute a self to a performed character, but this imputation – this self – is a *product* of a scene that comes off, and is not a *cause* of it. This self, then, as a performed character, is not an organic thing that has a specific location, whose fundamental fate is to be born, to mature, and to die; it is a dramatic affect arising diffusely from a scene that is presented, and the characteristic issue, the crucial concern, is whether it will be credited or discredited.

Erving Goffman, 1959, pp.252-253.

The situated self must be seen as an outcome. Whether it is credited or discredited depends on what the others have included in the ‘me’ that they have awarded actant status to. The biography which underlies this actant-‘me’ is likely to include only a limited number of associations. It is not the entire personal identity, not the self-same object with a biography, that is regarded as the actant. Rather, it is a temporary stabilised *collectif* which is partially overlapping with a number of other such *collectifs* which in *my* mind combine to produce my image of ‘me’. In some cases, others will also face overlaps, e.g., having participated in situations involving more than one ‘me’. This might lead them to include more or less associations in their definition of ‘me’.

Findings within developmental psychology also suggest that the traditional view of human individuals may be grossly inadequate. Psychological symbiosis is a process through which a focal actor assumes a counterpart to have certain characteristics, and interacts, not with the counterpart, but with his or her image of the counterpart, thereby gradually affecting the counterpart in this direction (see Figure A-1).

What about corporeality? In the end, is there still not this individual, re-presented by a body? Needless to say, assumptions concerning corporeality, e.g., that an individual has certain bodily capacities, might be of considerable import for awarding actant status in

extent, my self-image results from a combination of reflections made on all the ‘me’ that I take part in performing. It seems, however, that the forming of this image has relatively little to do with our active participation in the world. Confer Schutz (*Collected Papers I*, 1962), and Berger and Luckmann (*The Social Construction of Reality*, 1966) and the note above.

¹ As Michel Callon and John Law (*Agency and...*, 1995, p.485) put it: “Ce n’est pas du tout un ensemble de personnes déjà-là et qui décident de se lier par une organisation commune. ... Nous formons un *collectif* au nom duquel nous agissons. (It is not at all an ensemble of persons already there and who decide to join in a common organisation. ... We form a *collectif* in whose name we act.)

I, my parents, my brother, my wife and my children, at times perform the family-me; colleagues, texts (mine and others’), my Macintosh, etc. contribute to me-as-a-researcher. For a week each year, a hunting exam, a rifle and the permit for it, a contract for hunting grounds with Korsnäs, my father and his twin-brother, an insurance-policy, dark green clothes, the number of moose shot, etc. perform me-as-a-hunter. This is an interesting “me”, because it is a “me” which I have trouble re-presenting unambiguously. Members of the hunting team perform me and my brother as a single entity, “the Kjellberg brothers.”

many situations.¹ But, as we are becoming aware of in the age of virtuality, only specific aspects of it are usually decisive.² And although corporeality is likely to be an important part of the perception of the human self, it is far from identical to it.³ Furthermore, the process of controlling one's bodily functions seems to be similar in kind to that of controlling other objects.⁴

The discussion so far can be summarised in the following way: (1) A human actant is *less* than an individual. The entity which is awarded actant status will be but part of what the human perceives as his/her self. (2) A human actant is *more* than an individual. In addition to the mind and the body (or the relevant parts/aspects of them), the entity which is awarded actant status in a given situation will be one which re-presents certain materials, other human or non-human entities, etc.⁵

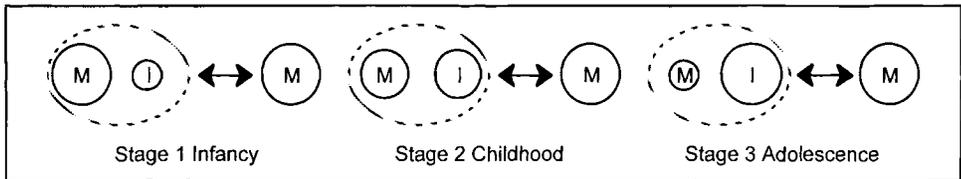


Figure A-1. Psychological symbiosis between the mother and a child during the development of the child into an individual human. Source: Rom Harré et al., *Motives and...*, 1985, p.76.

¹ Anthony Giddens (*The Constitution of...*, 1984), has made this point, stressing the import of the material constitution of the agent, and its embeddedness in time and space, besides control of extrasomatal resources. "Corporeality imposes strict limitations upon the capabilities of movement and perception of the human agent." (p.111).

² Daniel Dennet's (*Brainstorms: Philosophical Essays...*, 1981) funny story "Where am I?", in which he leaves his brain behind when going on a dangerous mission and subsequently 'loses' his body, brings forth some interesting ideas on this.

³ Peter Berger and Thomas Luckmann (*The Social Construction...*, 1966) has suggested that the relationship between the human organism and the human self is an *eccentric* one. "On the one hand, man is a body... On the other hand, man has a body. That is, man experiences himself as an entity that is not identical with his body, but that, on the contrary, has that body at its disposal." (p.50)

⁴ This is one of Georg Simmel's (*The Philosophy of...*, 1990 (1907), p.324-25) major points: "The body obeys psychic impulses only within the laws of its own constitution and certain movements and performances cannot be requested by our will with any success at all. Such is the case with all other objects. The freedom of my will in relation to a piece of wood that I own extends as far as my being able to care all kinds of tools out of it, but as soon as I want to make a tool that requires the elasticity of rubber or the hardness of stone my freedom diminishes. What our will is able to do with things is comparable with what an artist can elicit from his instrument. No matter how deeply his emotions and artistry may penetrate his instrument, no matter whether the limits of his powers are predetermined, somewhere such limits do exist. Beyond a certain point, the structure of the instrument does not permit any further yielding to the power of the soul. That is the point at which things no longer 'belong' to us. ... By and large, the will is so adjusted to our conditions of life that it does not expect from objects what they cannot perform, and the limitation of our freedom by the inherent laws of possession does not result in positive experiences."

⁵ I am sure that I have seen the formulation "more than / less than" in some other text, but I cannot find the reference. Since I find the formulation useful, I take responsibility for it, but I do not claim it.

The limitations of non-human entities

There are a few objections which can be anticipated in reaction to the idea that the framing of an entity as an actant places no limit on the material status of that entity.¹ Arguing for a strict dichotomy between humans and non-humans (animals) has been criticised and it has been suggested that there is a continuum involving degrees of behavioural capacities.² But here I am suggesting that we allow the further step of extending this continuum also to things. On what grounds? and Why?

First, the objection that things cannot behave intentionally, or something to that effect: I noted above that the intentionality argument is problematic in itself. Anyway, no more than I want to treat humans as mechanisms do I want to extend intentionality to non-humans.³ The point is rather that the identities and roles of entities need not be fixed *a priori*, particularly since they still might be subject to negotiation.⁴

Second, there is a set of objections concerning the capability of non-humans. For instance: things are inherently limited by the physical properties they have been given; things are only capable of what their makers intended them to be; things are designed to carry out a function, nothing more, etc. To be sure, there are limits to what any entity can be up to. But to what extent are human and non-human entities different in this respect?

Being awarded actant status in a given situation does not necessarily “divest individuals of their social baggage.”⁵ Thus, a person may attempt to draw, or may be thought of as drawing, upon capacities that she/he has acquired in other situations.⁶ In some cases,

¹ Most of them, I think, can be found among the unique behavioural capacities that George Herbert Mead (*Mind, Self and Society*, 1934) argued humans to have: 1) signs communicated among humans “mean” the same thing to both the sender and receiver; 2) a capacity to “role-take”, interpret signs and assume how others will respond; 3) a capacity for “self”, i.e. view themselves as objects; 4) a capacity for “mind”, i.e. they can “imaginatively rehearse” alternative actions and outcomes; 5) 2 and 4 allow humans to assume the perspective of “generalised others.”

² Jonathan Turner, *A Theory of...*, 1988, p.75. Bruno Latour’s and Shirley Strum’s discussion of social interaction among baboons, provides support to this assertion. Of course, the very origins of the notion of framing – Gregory Bateson’s (*A Theory of Play and Phantasy*, 1973 (1955)) study of animal at play – also suggests this.

³ See Michel Callon and Bruno Latour, *Don’t throw the Baby Out with the Bath School! A reply to Collins and Yearley*, 1992.

⁴ Confer Claes-Fredrik Helgesson, *Making a...*, 1999, p.36-37.

⁵ The quote is from Erving Goffman, *Frame Analysis*, 1986 (1974), p.291. However, Peter Berger and Thomas Luckmann (*The Social Construction...*, 1966 p.91) has argued that specific roles may be *reified* to the extent that individuals may disclaim personal responsibility for actions undertaken in this role.

⁶ One source are minimum requirements placed on individual humans to qualify as a fullworthy members of a social community. A recurrent topic in Goffman’s texts is that we do entertain such ideas and that we become aware of them when we encounter humans who we consider to be less than “full” (children, mentally ill, criminals) (e.g., *Stigma: Notes on the Management of Spoiled Identity*, 1963). But as Goffman (*Interaction Ritual: Essays on Face-to-Face Behavior*, 1967, p.45) observes: “Universal human nature is not a very human thing. By acquiring it, the person becomes a kind of construct, built up not from inner psychic propensities but from moral rules that are impressed upon him from without. These rules, when followed, determine the evaluation he will make of himself and of his fellow participants in the encounter, the distribution of his feelings, and the kinds of practices he will employ to maintain a specified and obli-

specific training will also be required before full-fledged actant status is attributed to an individual. For instance, the local co-operation councils responsible for trying retail establishment applications (discussed in Chapter 4) required “knowledge of accounting” before awarding the applicants status as (able) retailers. Once again, the attribution of actant status rests with others, rather than in the mind of the self or in any capacities or intentions that an entity allegedly has.

Moreover, limits to action are often a significant *part* of the actant status awarded in a given framing. Here, a nice illustration is provided in Chapter 5, concerning the Hakons deal: replacing the travelling salesmen in part with written orders based on a catalogue and in part with contact-men. The contact-man was a new acting entity constructed as part of the deal. It was given certain rights and obligations, all of which were codified in a special instruction. This instruction was the result of negotiations between others as to what this new acting entity should be entitled to do, i.e. what the actant status included.

Further, performing a new entity requires a new series of negotiations. In some way a collectif has to be kept together and made to perform the rights and obligations of the new entity. In the case of the contact-man, this proved difficult and repeated attempts were made to re-educate the employees that were to be part of this collectif. Neither in this respect can a principal difference be seen between humans and non-humans. The realisation of that which has been attributed is conditioned on how the entity is performed.

As a human, the contact-man can be thought of as having acquired certain qualities during childhood and adolescence.¹ Further, his (in this case, only men were considered) training to handle the tasks of a contact-man, can be regarded as a systematic alteration of the collectif which he represented.² Part of this alteration was the adding of the written instructions – the script provided by those who ascribed actant status – and the correct assembly of forms to fill out after visits to retailers. In a similar fashion, the collectif which was to perform the goods catalogue had to be put together. The goods had to be classified as belonging to this or that category, a directory had to be made up, a binder had to be designed, the loose leafs had to be printed, and all the components had to be

gatory kind of ritual equilibrium. The general capacity to be bound by moral rules may well belong to the individual, but the particular set of rules which transforms him into a human being derives from requirements established in the ritual organisation of social encounters.”

In addition, individuals may draw on more particular competencies (I’m not only a nurse, I’m a mother too...) This line of reasoning is reflected in, e.g., arguments for parental leave among male executives, or executives-to-be. Thus, a few Swedish companies officially hold the experience gained from being an active parent to be valuable when assuming an executive position.

¹ Here, the notion of a general human status is relevant. Not all humans manage to acquire this. For some, the limits of physical and mental abilities may prohibit the acquisition of ‘full human status’. Others may temporarily or permanently lose this status due to illness, physical disability or whatever.

² First, the requirements placed on the collectif making up a contact-man-to-be went beyond a ‘general human status’. Thus, it was openly stated during the discussions prior to the Hakons-deal, that only the best salesmen were to be considered as potential contact-men. Second, their training added further associations creating a to some extent new collectif which was performed as, e.g., contact-man Andersson.

associated. Usually, we say that the catalogue had to be designed and produced. But, as should be fairly obvious, so had the contact-man.¹

Performing entities as an on-going interpretative process

My main point is that although we may find considerable variation in terms of the limits of entities as actants, they emerge in the same way regardless of whether they are performed as humans or non-humans. The idea that there is a difference in kind, rests on a misconception of these entities as being stable, pure, either/or. This is not to say that they are no different. Regarding humans and non-humans as being constituted in the same way, as re-presenting collectifs, heterogeneous networks of associated materials, does not posit what these collectifs are like, but only how they come to be. Thus, an important reason for labelling entities differently, e.g., as humans and non-humans, is likely to be differences in their composition and previous performances.

The process of *inscription* has been suggested as a characterisation of the construction and stabilisation of entities during which social and political values can be built into artefacts.² Further, it has been suggested that in constructing a new entity, there is also a sense in which those that are to interact with this entity are simultaneously constructed. For instance, Keith Grint and Steve Woolgar has spoken of this as “configuring the user” in connection to the construction of machines.³ The point is that entities are constructed to recognise only a limited variety of others, although there can be considerable variation as to how limited a variety this is.

I want to stress that the framing model posits two interpretative processes at work here. First, during the process of inscription, those who are constructing the entity do so on the basis of interpretations of how they are to inscribe whatever it is they want to inscribe in the entity. As suggested by the notion of user configuration, these interpretations include expectations concerning how the new entity is to interact with others, and what these others are like. Second, there is a process of interpretation also as the entity is being performed in interaction with others. Needless to say, else we would end up with a strictly deterministic account of the entity as completed. To the ones having constructed the entity, their intentions will in some way be reflected in it. The point is that there is necessarily an interpretative element involved also in its associations with others.

¹ The retailers must also be performed accordingly. Rules corresponding to those given to, e.g., the goods catalogue must be added to the actant performed as a retailer (human + retail store). These rules must state the same relation between catalogue entries, forms and behaviour, as those performed in the catalogue. Indeed, this presented some special requirements since the organisation of the catalogue and the organisation of the stores in the retail outlet preferably should correspond for the new system to work smoothly. See Keith Grint's and Steve Woolgar's (*The Machine at work*, 1997) discussion about “configuring the user.”

² Confer Madeleine Akrich, *The De-Scripton...*, 1992. Langdon Winner's article ‘Do artefacts have politics’ (1980) that tells of the low bridges constructed by Robert Moses, is an oft-quoted work on this.

The reason that there seems to be two interpretative processes is that we have distinguished in the first place between construction and use. Such distinctions are also outcomes and there is nothing essentially different in the two. They may both be regarded as processes of translation (see above). So even construction is a very social activity:

The problem is, the innovator has to count on assemblages of things that often have the same uncertain nature as groups of people. ... Some of these actors and actuators, are docile, loyal, disciplined old servants; they don't cause any trouble: "I say 'come,' and here they are; I say 'go,' and they leave." ... But other elements have to be recruited, seduced, modified, transformed, developed, brought on board. The same sort of involvement that has to be solicited from [organisations] now has to be solicited from [things]. They, too, have their conditions; they *allow of forbid* other alliances. They require, they constrain; they provide. ... I may as well say it: we have to *negotiate* with them.

Bruno Latour 1996, p.57.

To what extent can we say that there are processes of construction which result in completed entities? If every entity is subject to further interpretations and is awarded a certain status as part of how others frame a given situation, the work of construction is never over. Any stabilisation of an entity must be regarded as temporary, its characteristics being acquired from the way the collectif making it up has performed during trials.

At the beginning of its definition the 'thing' is a *score list* for a series of trials. ... each performance presupposes a competence which retrospectively explains why the hero withstood all the ordeals. The hero is no longer a score list of actions; he, she or it is an essence slowly unveiled through each of his, her or its manifestations.

Bruno Latour 1987, p.89.

The quote suggests that the characteristics of entities may move from score lists to essences. This transformation brings up a recurrent theme in discussions concerning the role of objects in the social process; the issue of *reification*.¹ How is it possible that we may come to experience as objectively existing that which is subjectively created?

A.3. Summary: Acting entities in the framing model

In my symmetrical vocabulary entities are situational and emergent. Their characteristics are determined in relation to others. Further, they are outcomes, the result of a process of translation, through which a collectif becomes represented by someone (or something)

³ Keith Grint and Steve Woolgar, *The Machine...*, 1997.

¹ Peter Berger and Thomas Luckmann (*The social construction...*, 1966, p.89) offers the following definition: "Reification is the apprehension of human phenomena as if they were things, that is, in non-human or possibly supra-human terms. Another way of saying this is that reification is the apprehension of the products of human activity *as if* they were something else than human products – such as facts of nature, results of cosmic laws, or manifestations of divine will. Reification implies that man is capable of forgetting his own authorship of the human world, and further, that the dialectic between man, the producer, and his products is lost to consciousness."

acting as its spokesperson. If the entity fails to perform as expected, the collectif becomes visible. In this sense, entities are both points and networks. If no attempts are made to keep them together, they fall apart. Sometimes literally, always metaphorically.

Further, the model suggests that acting entities result from the prescriptions made by others. Typically, a collectif which is performed as an entity and awarded actor status is a combination of human and non-human parts (which in their turn may be combinations of...) This is a very different conception of acting entities than the traditional sociological view of actors. In order to set my vocabulary apart, I use the term *actant* to denote a temporarily stabilised entity which is awarded actorship. An actant, then, is a recognised participant regarded as having a “program of action” relevant for the situation.

An important characteristic of actants as defined here, is that they may take on any shape or form, thus satisfying the basic assumption that entities have no predetermined essence. In short, they have *variable geometries*.¹ No doubt, individual humans will often be part of the actants, but there will be other elements as well. The account in Part II, suggests that humans at times act merely as spokespersons for other forms of entities, e.g., collectivities such as firms and other formal organisations, artefacts such as physical products and texts, systems of ideas such as self-service or the Hakons-deal, etc.

Finally, I want to stress that the purpose of the view taken here is analytical. By providing for the possibility of non-humans as acting entities, I am not suggesting that things have intentionality nor that humans are mechanisms. What I propose is that the terms human and non-human can be *regarded as* distinctions arising in the social process. That entities can be seen as outcomes. Using the vocabulary suggested here will allow me to avoid essentialist distinctions, avoid “fixing the identity and role of participating elements if these are still being negotiated.”²

¹ See Bruno Latour, *Aramis, or...*, 1996, pp.24-25. The idea of variable actors has also been central to the markets-as-networks tradition (e.g., Håkan Håkansson, *Industrial Technological Development*, 1987; Anders Lundgren, *Technological Innovation and Industrial Evolution*, 1991; Jan Johanson and Håkan Håkansson, *A model of industrial networks*, 1992). Usually, however, analyses tend to focus on one type of actors, e.g., business firms or individuals within such a firm. Moreover, the variability of actors has been restricted to the human sphere; materials have been regarded either as a separate category, *resources*, or as being part of a technological or production system.

² Claes-Fredrik Helgesson, *Making a...*, 1999, p.37.

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