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The decline of managerial capitalism and visionary leadership literature:

Revisiting the writings of an automotive industry leader

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The decline of managerial capitalism and visionary leadership literature

Decline of
managerial
capitalism

Revisiting the writings of an automotive industry leader

225

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Abstract

Purpose – In the recent literature on financialization and the rise of investor capitalism, the successor of managerial capitalism, which dominated until the 1970s, suggests that the firm is today enacted as a bundle of financial assets managed to create value for the shareholders. This paper aims to demonstrate how such views are established relatively recently by examining leadership literature published in the 1970s, representing an entirely different view of leadership work, the role of the firm and capital–labour relations.

Design/methodology/approach – Two books and one Harvard Business Review article published by the Volvo CEO Pehr G. Gyllenhammar, one of the most prominent Swedish industry leaders of the past century and one of the architects behind Volvo's internationally renowned Kalmar and Uddevalla plants in Sweden, are examined. Based on a critical discourse analysis framework, these two volumes are treated as representatives of what Alfred Chandler speaks of as the regime managerial capitalism, today largely displaced by the regime of investor capitalism.

Findings – Gyllenhammar's discourses stresses the role of the corporations as serving a wider social community than merely the shareholders, and regard the manufacturing industry as the legitimate site for the development of new production systems better suited to a more educated workforce demanding more qualified work assignments and greater autonomy. This argument, in favour of a view of the corporation as being socially embedded and responsive to wider social needs, can be contrasted against the contemporary view of leadership and corporate governance practice.

Originality/value – The paper addresses the shift from managerial capitalist regime of the post-Second World War period to the investor capitalism of the financialized economy and the financialized firm by contrasting leadership writing of the 1970s against today's strong focus on shareholder enrichment and the enactment of CEOs and directors as the servants of the capital owners. A long-term perspective on the changes occurring over the past four decades may enable a better understanding how leadership, governance and industry are subject to ongoing re-interpretations and understanding in the face of novel economic, social and political conditions.

Keywords Organization change, Leadership, Automotive industry, Pehr G. Gyllenhammar, Quality of working life

Paper type Research paper



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Introduction

In the early 1970s, the Western economic system of coordinated capitalism anchored in Keynesian economic policy and the belief in the Welfare state encountered a series of

difficulties, including the decreasing profit levels in industry, soaring energy costs caused by the first and the second oil crises, high inflation and high unemployment, political turmoil and social unrest (Mizruchi and Kimeldorf, 2005; Prechel, 1994; Vogel, 1983). Beginning in the mid-1970s, the managerial capitalism regime of accumulation and regulation (Chandler, 1977, 1984; Davis and Greve, 1997) was fiercely criticized and in the 1980s and 1990s, it was overturned and displaced by what would later be called *investor capitalism* (Useem, 1996; Khurana, 2002) when financial markets rather than salaried managers and directors were advanced as the principal mechanism for the control and regulation of industry. In this transition period, free market theorists trained in the neoclassic economic theory tradition, for a long time operating in the fringes of the economics discipline (Fourcade and Khurana, 2013), rose to prominence and became enrolled as advisors to the new generation of politicians being elected in the UK and the USA (Burgin, 2012; Jones, 2012; Mirowski and van Horn, 2009). While President Richard M. Nixon had famously declared, “We are all Keynesians now” in the early 1970s (Jones, 2012, p. 221), the coming years would be characterized by the gradual shift to monetarism, supply-side economics and free market solutions to a series of economic maladies as advocated by dedicated anti-Keynesians such as Friedrich von Hayek and Milton Friedman (Jones, 2012; Peck, 2010). In the period, the Chicago School of Economic Theory became widely recognized as long-term defenders of unregulated capitalism and the critique of “collectivist solutions” to economic problems, and both Hayek and Friedman were awarded the new Bank of Sweden’s Prize in Economic Sciences in the Memory of Alfred Nobel in the 1970s (Chabrak, 2012, p. 466).

In hindsight, the years in the mid-1970s were in many ways revolutionary, as they were the period when the coordinated Keynesian welfare state and its accompanying economic system of managerial capitalism were de-familiarized and restructured. One way to acquire a more comprehensive understanding of the scope of these changes is to return to articles and books published in this period to explore how novel management ideas were advocated, or, on the contrary, how the changes in the control of the corporation and their roles in society of the 1980s and 1990s rendered certain ideas and beliefs regarding the firm obsolete in a relatively short period of time. This article examines three publications of the CEO of Volvo Car Corporation, Pehr G. Gyllenhammar, and how his work to further develop the automotive industry beyond the contributions of Henry Ford (Ford, 1929) made in the first decades of the twentieth century can be seen as the past few innovative attempts to renew the regime of managerial capitalism before its gradual decline in the 1980s and 1990s, dominated by shareholder value creation policies and finance market control. The automotive industry was in many ways the industry with a capital I of the twentieth century (Womack *et al.*, 1990), and the car was perhaps the foremost symbol of the virtues and possibilities of modernity and the capitalist market society, enabling the mobility of millions of families and being a status symbol underlining both individual achievements and collective accomplishments (Franz, 2005; Gartman, 2004; Urry, 2004). In the early 1970s, Volvo opened their world-famous Kalmar plant, where the assembly-line production methodology championed by Ford was complemented by team-based production of cars in work stations. The Volvo model was for a time widely recognized as a forceful competitor to the Toyota production system (Liker, 2004; Cusumano, 1985), and Gyllenhammar was widely portrayed as a great visionary (Berggren, 1994). Hosting political ambitions beyond industry leadership,

Gyllenhammar published a number of book including *I believe in Sweden* (written in Swedish, 1973) and *People at Work* (1977a) – the principal arguments of the book are summarized in a *Harvard Business Review* article (Gyllenhammar, 1977b) – wherein he discussed not only the work organization innovations implemented in the Kalmar plant, but also more widely addressed the role of the corporation in society. As Gyllenhammar represented the industry most closely associated with the managerial capitalism regime and as he expressed thoughts and ideas extending outside of the more narrow sphere of industrial production, his books can be fruitfully read, now today, more than four decades in hindsight, as representing one of the few last attempts to create an industry that not only added financial and economic value to the owners of the corporations but to a wider set of stakeholders and society at large. Only one decade after *I believe in Sweden* was published, entirely new managerial practices were implemented in American corporations in the face of the novel threat of hostile takeovers (Davis and Stout, 1992; Franks and Mayer, 1996; Davis and Greve, 1997; Schneper and Guillén, 2004; Dobbin and Zorn, 2005). The new forms of finance market-based control disciplined managers to secure a return for the shareholders, grounded in the ideological and political decisions to de-regulate finance markets to “support business”, led to a situation where visionary industry leaders such as Gyllenhammar were not so much hailed as contributors to the development of a more sustainable and resilient industry and welfare capitalism, but were, on the other hand, criticized for “wasting resources” and “squandering capital” by free-market protagonists such as Jensen (1993, 2002). The last generation of high-brow contributors to managerial capitalism including Gyllenhammar were therefore never fully recognized as innovators and creative thinkers but were instead, in the face of the new ideological and political landscape, treated as self-indulgent and concerned about building stable corporations that would protect their own positions from external economic downturns and shocks.

As this history of the shift from managerial capitalism to investor capitalism has been only written in short sketches, this article examines the three (also including one text published in the 1990s) publications of Gyllenhammar in the context of the waning managerial capitalism, a political, economic and social change that few, if any, could fully foresee and anticipate. The article contributes to the literature examining the financialization of the economy and industry (Van der Zwan, 2014; Palley, 2013; Lin and Tomaskovic-Devey, 2013; Epstein, 2005; Krippner, 2005; Martin, 2002) and demonstrates that by the mid-1970s, there were no longer any possibilities for reforming companies from within as such projects were rendered illegitimate in the eyes of the new generation of influential free market capitalism protagonists. The consequences of this shift are today, four decades later, well documented. The loss of blue-collar jobs (Lazonick and O’Sullivan, 2000), the decline of labour power (Hacker and Pierson, 2010), lower economic growth (Deutschmann, 2011), high unemployment (Cohen and Centeno, 2006), increased economic inequality (Zalewski and Whalen, 2010; Piketty and Saez, 2003) and, as a consequence, soaring household debt (Montgomerie, 2009).

This article is structured as follows:

- the macroeconomic, political and ideological changes occurring in the 1970s will be addressed, many of which would be complicated to predict by the time of the publication of Gyllenhammar’s (1973) first book.
- the leadership writing of Gyllenhammar will be examined; and

- some theoretical and practical implications will be discussed, in particular the relationship between the declining regime of managerial capitalism and the loss of visionary leadership writing, enacting the corporation as a socially embedded institution working to benefit society.

The paper concludes that texts such as Gyllenhammar's two books published in the mid-1970s are representative of an industry leader role that have been gradually abandoned and that today is more or less antiquated as CEOs and directors have been disciplined to think like shareholders (Mizruchi, 2013).

The economic, political and social transitions of the 1970s

Gyllenhammar took over the role of the CEO of Volvo Car Corporation in 1971, at only 36 years old. Only two years later, he published his book *I Believe in Sweden* presenting his ideas about industry and its role in society. It is a bit ironic that an automotive industry leader published this kind of forward-looking and positive account of both the industry he represents and society at large on the cusp of the first major economic crisis in post-Second World War capitalism, the first oil crisis, also closely associated with the automotive industry *per se*. In the years to come, the political and economic landscape would look entirely different, but few would be able to anticipate these changes. In the period after the war, the Western capitalist economic system had been characterized by high growth and economic stability, grounded in Keynesian economic theory giving the state a key role in both supporting and regulating the economy. However, by the mid-1960s, the after-tax profit rates for all non-financial corporations started to decline from its peak in 1966 at 13.7 per cent in the USA (Akard, 1992, p. 601). This "profit-squeeze" was accentuated by the time of the first oil crisis in 1973, a response from the Organization of the Petroleum Exporting Countries to armed conflicts in the Middle-East. In the USA, the political instability increased with the Watergate scandal, and, in the 1973-1974 period, the Dow Jones Industrial Average lost nearly 40 per cent of its value (Stout, 2013, p. 2007); in fact, adjusted for inflation, the Standard&Poor 500 corporations lost more economic value between 1973 and 1977 than they did during the great depression starting in 1929 (Fox, 2009, p. 163).

For the conservative community in the USA, the first half of the 1970s was a period of increased mobilization to counteract what they regarded as an excessive regulation of industry and Friedrich von Hayek's concept of economic freedom was again brought into the debate as a liberty to be defended. William E. Simon, the Secretary of Treasury of Nixon and his successor Ford, argued, for instance, that "freedom" is not a "presence" but an absence – an absence of governmental constraints" (Asen, 2009, p. 277). In the first half of the 1970s, in the response to what they regarded as a weak support for the American business community, neoconservative actors mobilized and think tanks and institutes serving their interests, such as The American Enterprise Institute, the Heritage Foundation, Hoover Institution at Stanford University and the John M. Olin Foundation, were either boosting their budgets or were founded in the period (Himmelstein, 1992). After the Watergate scandal, many new Congressional Democrats elected in 1974 and 1976 represented relatively affluent, formerly Republican suburban district, and were fiscally more conservative and "less sympathetic to the interests of organized labor than traditional New Deal Democrats" (Akard, 1992, p. 610). When Jimmy Carter was elected president in 1976, he encountered a more difficult situation

than perhaps any other post-Second World War president: high inflation, rising unemployment, increased political unrest and a strong neoconservative community that wanted to restore American industry. In many ways, the Carter presidency was the overture of what would become the neoconservative so-called Reagan revolution of the early 1980s. Carter announced in a State of the Union address, that “government could no longer solve people’s problems” (Jones, 2012, p. 254), and was otherwise being portrayed as “a fiscal conservative who was eager to balance budgets” (Madrack, 2011, p. 146), Carter was generally blamed for a series of problems in American society, but in many ways, as Van der Zwan (2014, p. 106) argues, Carter began the change in economic policy that would be further pronounced during the Reagan era: “the Carter Administration ultimately reinforced the movement of capital away from the real economy and thus solidified the deinstitutionalization of the American economy”.

During his term, Carter named Paul Volcker the chairman of the Federal Reserve to curb the inflation rate by any means necessary. Volcker quickly announced the plan to keep interest rates high until inflation came down, a policy loosely based on monetarist theories (even though Volcker himself did not really believe in the underlying theories of the monetarist model) (Van Arnum and Naples, 2013, p. 1161). One of the consequences for this high inflation policy was an unprecedented inflow of capital from overseas countries such as Japan, with high savings rates and positive trade balances. The so-called “Volcker shock” was also a form of indirect “anti-labour policy” as manufacturing jobs were eliminated (Van Arnum and Naples, 2013, p. 1162). The increasingly influential pro-business and neoconservative community welcomed these changes, as they by and large blamed the trade unions for the soaring costs of American industry. By the early 1980s, when Carter was succeeded by Ronald Reagan, the new administration quickly learned that the world was all too eager to pipe their savings into the American financial sector (Krippner, 2005). The oversupply of capital in combination with the new pro-business ideology and the new academic innovation of finance theory convinced the Reagan administration, to a substantial degree recruited directly from the new pro-business and neoconservative think tanks and institutes funded in the 1970s (Jones, 2012), to de-regulate the financial market. Theories about market efficiency assume that finance markets were the most effective mechanism for pricing assets and, therefore, agency theorists deduced, finance market actors were in a better position than salaried manager and directors to determine where to invest the profits generated by the corporations (Fama and Jensen, 1983). After the 1970’s bear markets, American corporations were both low valued and they were also organized into horizontal conglomerates (Davis and Greve, 1997; Dobbin and Zorn, 2005), an effect of the anti-trust legislation (Stearns and Allan, 1996) and the preaching of portfolio planning by business consultants (Zorn *et al.*, 2005). When Reagan permitted the issuing of junk bonds to finance hostile takeovers (Stearns and Allan, 1996) – an effective way to discipline companies to perform better in the eyes of the new pro-business community, free marketers argued (Jensen, 1993) – a wave of such financial operations swept over the American industry. Contrary to what the proponents of this financial operations predicted, it was not the poorly operated companies that were targeted but the best companies (Davis and Stout, 1992), putting the underlying idea about economic renewal in a new perspective. As the CEOs and directors of corporations were increasingly anxious to keep their stock evaluations high to counteract hostile bids on their companies, they were disciplined to think in terms of shareholder enrichment

(Dobbin and Zorn, 2005, p. 187). Agency theorists and other pro-business spokespersons further justified such corporate governance policies, suggesting that creating value for the customers was the only legitimate objective for the corporation.

The long-term effect of the shareholder value policy was a shift in the balance of power between labour and capital favouring the latter (Lin and Tomaskovic-Devey, 2013, p. 1317; Mizruchi, 2010, p. 132). After 1973, wages and productivity growth did no longer develop in tandem (Kristal, 2013, p. 383), but, in the new era, productivity growth was primarily benefitting the shareholders and the CEOs and directors, received proportionally higher economic compensation for their work (Bebchuk and Fried, 2004):

Although productivity grew 80.4 per cent between 1972 and 2011, expanding total income, average hourly compensation, which includes the pay to CEOs, increased only 39.2 per cent and – even more strikingly, the median worker’s hourly compensation grew just by 10.7 per cent (Kristal, 2013, p. 383).

In addition, between 1973 and 2007, union membership in the private sector in the USA declined from 34 to 8 per cent for men, and from 16 to 6 per cent for women. This loss of wage-bargaining power translated into an increased wage inequality in the private sector by over 40 per cent (Western and Rosenfeld, 2011, p. 543). Third, and finally, as the emerging finance markets provided quicker return on investment and as the manufacturing industry was by and large portrayed by many neoclassical economists and media pundits as “being on the way out”, there was a decline in investment in production capital in the industry, thereby making prediction become true on basis of its own assumptions (Orhangazi, 2008; Stockhammer, 2004). “One-third of the 500 largest manufacturing firms disappeared during the decade [1980s]”, Mizruchi (2010, p. 132) reports.

Gyllenhammar, writing in the early 1970s, did of course not know about all these changes in the making, and he was also operating in a politico-economic context widely different from the USA. Sweden was industrialized relatively late, in the second half of the nineteenth century and, as opposed in many European countries, the Swedish labour movement was no radicalized but split into a small group of communist sympathizers and a substantially larger group of reform-oriented Social Democrats that would dominate the most of political life during the twentieth century. In the post-Second World War period, Sweden developed a so-called *coordinated capitalist economy* (as opposed to the Anglo-American *liberal capitalist economies*. See Hall and Soskice, 2001), characterized by the so-called “solidaristic wage bargaining” where the export-oriented and thus competitive industry set the wage levels for other sectors and where negotiations and bargaining were favoured over conflicts (Rueda and Pontusson, 2000). In 1938, the consensual industrial relations being named “the spirit of Saltsjöbaden” (after the coastal town outside Stockholm were the policies were enacted; Wallace, 1999, p. 27) were decided and, for most of the post-Second World War period, this system worked as planned, favouring both economic equality, free enterprises and innovation. In the 1950s and 1960s, Sweden created a welfare state that was widely recognized as being progressive, yet competitive. To this date, Sweden sides with other Nordic countries as a competitive industrial nation with a high level of creative and innovative industries (Lerner and Tåg, 2013, p. 168) and with low economic inequalities and an elaborate welfare state (Quiggin, 2010, pp. 160-161). Beginning in the 1980s and continuing throughout the 1990s, the Swedish economy has, in many ways, been

de-regulated while keeping much of the political commitment to the welfare state intact, also during periods of centre-right governments. Gyllenhammar's industrial leadership and his writings need to be understood within this institutional and economic context. The free market revolution and the advent of investor capitalism was still in its infancy, and Gyllenhammar, by and large, despite his foresight and willingness to recognize changes in the economic system, in many overlooks what would happen in the decades to come. In that respect, he is one of the last great visionaries of managerial capitalism and the automotive industry, the industry that put its marks all over the twentieth century.

Methodological issues

The empirical section is based on a critical discourse analysis methodology (Weiss and Wodak, 2003; Fairclough, 1995), wherein a corpus of texts, in the case the books and articles of Pehr. G. Gyllenhammar, are carefully examined. Discourse analysis is widely used in organizational studies (Hardy, 2004; Chia, 2000; Oswick *et al.*, 2000) and there is a significant literature addressing organizations on basis of a discursive methodology. The term "critical" in critical discourse analysis is debated, but in this context, this prefix denotes the study of how ideologies (Barley and Kunda, 1992), institutions (Maguire and Hardy, 2009; Philips *et al.*, 2004) and historical conditions (Prasad, 2001) have served to render certain managerial practices and accompanying beliefs widely recognized and taken for granted for periods of time. The term "critical" thus denotes the practice to de-familiarize what is taken for granted and no longer subject to active reflection.

As a methodological practice, critical discourse analysis boils down to the detailed hermeneutical analysis (Gadamer, 1960/1975; Ricoeur, 1974) of key texts, a corpus that is claimed to represent a specific idea or perspective on, in this case, managerial practices. Such an analysis can include a variety of texts such as classical works in the field of management writing (O'Connor, 1996); popular management texts (Grint and Case, 1999); literature (Sliwa *et al.*, 2012); and popular culture texts in the widest sense of the term, including, e.g. movies (Godfrey *et al.*, 2012) or pieces of art (Sørensen, 2010). When reading popular management texts such as the two books and papers of Gyllenhammar, what Moretti (2013) refers to as a *distant reading* may be helpful – a understanding of the text that is rooted in the institutional and cultural distance brought by time and change (Czarniawska, 2009). In the passages and sections presented below from Gyllenhammar's work, ideas that appear as widely out of joint with contemporary everyday managerial work and corporate governance are selected to indicate how the discourse on and ideology of management has changed over the past four decades, today making what was once visionary ideas, aimed at creating social and economic well-being for a larger set of organizational constituencies, appear as, by and large, outmoded and/or illegitimate managerial programs.

I believe in Sweden and People at work: thoughts and arguments

Introduction

Pehr G. Gyllenhammar is the most well-known industrialist of the Swedish post-Second World War era, competing only with the Scandinavian Airline Systems (SAS) CEO Jan Carlzon who made the expression "tear down the pyramids", a slogan for the advancement of flatter and less hierarchical organizations, and the long-term CEO of the

Swiss-Swedish manufacturing company ABB, Percy Barnevik. Being born into the local Gothenburg upper-bourgeoisie elite, Gyllenhammar became widely known in Sweden when he took over the CEO role in Volvo in 1971 at the age of 36 years. Gyllenhammar, thereafter, served as the CEO of the company for 12 years until 1983 and thereafter he was the chairman of the board of directors between 1983 and 1993. Gyllenhammar championed the Volvo production system that for a period of time were competing with the well-known Toyota production system in terms of renewal of the assembly-line production design dominating the industry since Henry Ford adapted the assembly line model from the Chicago slaughterhouses and the meat industry in the first decades of the twentieth century. Gyllenhammar received honorary doctorates from universities in the UK, the USA, Canada and Finland, and at the school of Business, Economics and Law at the University of Gothenburg, the city where Volvo was founded and still resides. In addition, he has received orders from Sweden, Belgium, France, Finland and Norway, and is a member of the Bilderberg group.

Given these experiences, years of service and credentials both in Europe and North-America, Gyllenhammar sides with automotive industry leaders such as Henry Ford and Alfred Sloan (and not to mention the countless Japanese industrialists and engineers examined by [Cusumano, 1985](#)) as a key figure in the development of the industry in the century of the car. Ford emerged as a highly visionary industrialist who raised the pay for industrial workers and revolutionized the production of automobiles, but his reputation was tarnished by his strong rejection of organized labour and the trade unions and his unwillingness to participate in Roosevelt's New Deal program. *New York Times* addressed Ford as an "industrial fascist" and as "the Mussolini of Detroit" ([Beynon, 1975](#), p. 28), and his image did not improve by the event of what is called the "Dearborn Massacre" on 7 March 1932, where Ford's so-called "service men" opened fire on a march of laid-off Ford workers at the River Rouge Plant, killing five protesters ([Grandin, 2009](#), p. 243). Sloan, on the other hand, is primarily renowned for his memoirs *My Years with General Motors*, being a classic in the literary genre of industry leaders telling their side of the story ([Sloan, 1964](#)). While Ford is commonly associated with staunch union opposition, there is little evidence of conflicts and controversies in Sloan's account. General Motors were also involved in conflicts with the labour movement during the depression ([Fine, 1969](#)), but, in 1950, General Motors and United Auto Workers signed what was called the "The Treaty of Detroit", a contract between the union and the company that was, [Davis \(2010, p. 335\)](#) argued, "the Magna Charta of the society of organizations". In fact, while Ford is exemplary of what [Suárez \(2014, p. 92\)](#) refers to as *personal capitalism* of the first and second generation of American industrialists, Sloan is a representative of the emerging *managerial capitalism* ([Chandler, 1977](#)) of the post-Second World War period. This transition from personal to managerial capitalism had begun by the turn of the twentieth century and continued in the interwar period. First, there was a growth of anti-trust legislation aimed at creating effective markets, benefitting economic efficiency and growth ([Dobbin and Dowd, 2000](#)), but leading economists such as [Veblen \(1904\)](#) were still worried about the technocratic nature of engineers and the emerging managerial class dominating American corporations. In the 1920s, policymakers and legal scholars such as [Berle and Means \(1934/1991\)](#) provided more systematic reviews of the governance of the large-scale American corporations ([Mizruchi, 2004](#)): if the personal capitalism had its advantages and blind-spots, so did also the new regime of managerial capitalism.

Compared to his two North-American peers, Gyllenhammar is more willing to take on a statesman-like persona and to speak on behalf of either industry in its entirety, or even society. Over the course of his years at Volvo, Gyllenhammar also demonstrated his political ambitions, trying both to create alliances with the emerging Norwegian oil industry and with the French (predominantly state-owned) automotive producer Renault, the latter project in fact leading to his downfall in the 1990s. In fact, by the mid-1970s, it was speculated in political quarters whether Gyllenhammar would be willing to serve as the party leader of the liberal Folkpartiet, a party he sympathized with and was a member of during his career. Gyllenhammar never claimed this position, and, after he withdrew from Volvo in 1993, he settled in London and, by and large, remained outside of the attention of Swedish media while still serving industry and participating in political projects. Every now and then when Gyllenhammar appear in Swedish newspapers and industry publications, he is greeted as an indisputable member of the business aristocracy of the highest ranks and an international business icon always to some extent being too large for the small country of Sweden and more naturally operating on the international scene (Gyllenhammar, 1993). During his years at Volvo, Gyllenhammar's great charisma and determination helped him create a unique and almost, to this date, unprecedented position in the company and in Swedish industry at large, creating an entourage of followers and epigones – a condition that rendered him the moniker “the emperor”. In the politically progressive environment of 1970s, a delayed response to the events of 1968 in France and the USA, industry representatives with high media visibility such as Gyllenhammar were naturally sources of criticism and were portrayed as puppets of American imperialist capitalism. For instance, one left-wing a theatre company in Gothenburg executed by hanging a mannequin resembling Gyllenhammar in one of their plays, causing some media attention.

Themes and rhetoric

To start with, the choice of the title of the book and its cover design is worthy of some attention. The title of the first book is *I believe in Sweden* (*Jag tror på Sverige* in Swedish), a title that indicates that Sweden has significant challenges ahead of the nation, but that there are good chances in the author's assessment to come out favourably from the process. The title is printed in blue and yellow, the quite conspicuous colours of the Swedish flag, underlining a form of patriotic commitment from this internationally renowned figure being widely known in the Swedish public for carrying two wristwatches, one showing local Swedish time and one showing New York time. The cover also includes a photograph of the author, being clean-shaven and dressed in a dress shirt and a jacket and having a short haircut, almost military in its features. The author looks into the camera, determined yet relaxed but with a somewhat dreamy expression on his face, as if he is already elsewhere, eager to take care of other issues. The face that encounters the reader is in many ways creating confidence despite Gyllenhammar being no more than 38 years of age by the publication of the book, but it is also a face that expresses a sense of sovereign isolation from the everyday matters that is actually discussed in the book.

The language is precise and unornamented; it is not devoid of literary qualities but is based on statements not being further explained or justified in detail. This is arguably the modes of expression of someone used to be listened to carefully, needing no further

justification beyond the first statements of aims and beliefs. The book covers a wide area of topics, including social and urban planning, housing politics, schooling, the relationship between the political system and industry, international trade, environmental issues and international politics. There are few particularly spectacular statements being made in the book, and in many ways, this is a fair and balanced view of the Swedish society in the first half of the 1970s, a society that has demonstrated remarkable economic growth and the development of what is an internationally renowned welfare state. Gyllenhammar is somewhat impatient with the by-then close to hegemonic Social-Democratic party, ruling for the entire post-Second World War period, but there is little of the ranting about socialism and “repression” being present in some of the liberal and conservative press and debates in the mid-1970s. Gyllenhammar was himself a member of the liberal party and not the conservative party as many industry leaders would be predicted to be, a fact that both underlines his own political convictions and the strong local liberal tradition of the city of Gothenburg, founded in 1622 and engineered by Dutch, British and German merchants and industrialists and therefore having few native aristocrats of the *ancien régime* in its population. Being Sweden’s historical port to the West, the gateway to the liberal parts of the world – The Netherlands, the British Isles and the North American continent – the Gothenburg elites, in many ways, turned its back to their conservative peers of Stockholm in the Eastern and much older parts of the country, located by the Baltic Sea.

The role of industry

Gyllenhammar’s narrative spans over a wide number of topics, but he is concerned about industry’s role in everyday society and wants to create work opportunities that offer more than merely the bread and butter of the workers. Revealing his social liberal convictions, corporations are here the means rather than the goals to the great society, and consequently, he is critical of industry leaders that merely emphasize their own interests in public debates: “Industry leaders have engaged themselves as defenders of the free enterprise and their own values” (Gyllenhammar, 1973, p. 32. Author’s translation from Swedish). In *People at Work*, Gyllenhammar, 1977a, p. 26. Emphasis in the original) explicitly states, “I believe the purpose of private enterprise is to serve the public”. In serving this purpose, one of the key challenges for society is to overcome the mutual “suspicion” between industry and public sector representatives:

The private sector nourishes a long-standing suspicion that public administration is inefficient and operates in idyllic circumstances free from pressure. One of the many corresponding illusions entertained in the public sector is that the private sector in its drive for efficiency invariably gives economic objectives priority over human objectives. In my opinion, both views are excessively categoric, and consequently mistaken. (Gyllenhammar, 1977a, p. 139)

One of the consequences of this stated belief, that “business exists to serve the public” (Gyllenhammar, 1977a, p. 137), is that “there is no single interest group to which business is uniquely accountable” (Gyllenhammar, 1977a, p. 26); furthermore, Gyllenhammar (1977a, p. 26) suggests that “very few people today hold to the traditional view that the sole justification for business endeavour is to gain profits for the shareholders”. It is worth noticing that only a few years later, after the US finance market had been de-regulated and during the first wave of hostile takeover swept over

American industry, the exact opposite beliefs was frequently articulated, that the sole and only legitimate purpose of corporations is to create economic value for the shareholders.

Even more radically, Gyllenhammar is critical of what later would be widely known as offshoring, multinational companies taking advantages of differences in production factors, and explicitly calls for international regulations:

[Multinational] companies should not be able to freely establish themselves overseas for the sole purpose of reducing costs of wages, social costs and social fees. In each country, there should be laws and regulations that delimit the localization of the firm. The same goes for the international level. (Gyllenhammar, 1973, p. 75. Author's translation from Swedish)

Gyllenhammar (1973, p. 75) continues:

International capital movements and investments should be subject to detailed control [...]. Capital should not be able to follow "the path of least resistance" but should be used as a resource for societal systems.

Furthermore, not only should corporations' investment decisions be subject to regulatory control, but even more radically, Gyllenhammar (1973) suggests that the very level of profitability should be subject to state control and negotiations:

There is a need for an international localization and taxation authority. This authority should consider what under determinate conditions could be a reasonable profit for a corporation. The authority should also consider the need for regional development support when assessing the taxation levels [...]. This kind of authority should mediate the exploitation of differences in national fiscal policies and even out these differences, and more broadly create better possibilities for creating better possibilities for international trade. (Gyllenhammar, 1973, p. 76)

In an article published more than two decades after *I believe in Sweden*, Gyllenhammar (1993, p. 64) still addressed the key importance of mechanisms that regulate market activities:

We need more cooperation with politicians to shape and apply ground rules for limiting excesses in the way our market systems work. You have to have rules for freedom. Freedom without rules is chaos and uncivilized.

By the mid-1970s, the Volvo Conglomerate was the largest private sector employer in Sweden, accounting for almost 3 per cent of total employment in the country, and representing between seven and nine of the export values of the Swedish industry. Yet, around 70 per cent of the shareholders owned 500 shares or less (Gyllenhammar, 1977a, p. 30), making the company a firm of great national interests. Gyllenhammar (1977a), thus, knew what he was talking about when he underlined the "enormous power" of corporations in the contemporary economy: "A few companies have enormous power. They can, in isolated cases, endanger even governments in local politics. At present, the largest international corporations are virtually unaccountable to anyone" (Gyllenhammar, 1977a, p. 36).

Gyllenhammar (1973) also, in many ways, anticipated changes to come in the future, when, e.g., the universities play a most central role as hubs in innovation and research networks leading to new ideas and developing technologies (Berman, 2012): "The state should actively support practical research work and technological development. This includes innovation, production technology, and work

organizations". In his social liberal framework, the corporations are what generate economic value benefitting not only the owners of capital but also provide meaningful work to citizens and provides the state with taxable incomes, and therefore, these three stakeholders, the state, owners of capital and the labour community, should jointly establish mechanisms and routines to determine how their relations should look and how conflicts should be handled. This is a view that is deeply rooted in the Saltsjöbaden spirit and its favouring of stability at the expense of, at least theoretically, the dynamics of the economic system.

Improving everyday work in the automotive industry

Writing in this tradition of thinking, the key interest for Gyllenhammar (1973) is how to effectively modernize the long-standing assembly-line production organization of his industry and to create work opportunities that enables the co-workers to fully utilize their intellectual and emotional capacities and the creativity. Gyllenhammar (1977a, p. 7) reports that, in Sweden, employee turnover were at its highest point in the early 1970s, peaking at 50 per cent "in certain metropolitan industries". This shortage of labour led to a pressure on manufacturing industry to create more attractive work opportunities. In addition to competition over skilled workers, Gyllenhammar expresses a wider understanding for the need to modernize industry: "People don't want to be subservient to machines and systems", Gyllenhammar (1977a, p. 4) writes. He continues: "People entering the workforce today have received more education than ever before in history". "In today's world the strains of work are more often mental than physical", Gyllenhammar (1977a, p. 147) remarks and suggests that a key concern here is the boredom and lack of intellectual stimulation derived from repetitive and monotonous tasks, leading to not so much – in Hirschman's (1970) terms – *voice* in the form of complaints or strikes as *exit* from the industry:

People tend to go on strike or express grievance about matters that have to do with money, but the things that really frustrate them with work tend to concern working conditions of subtler sort. You don't go on strike if you are bored with your job. (Gyllenhammar, 1977a, pp. 7-9)

In *People at Work*, Gyllenhammar, with great pride, presents the fruits of his and his colleagues' visions and work, the new production facility based on a novel set of assumptions. There are two principal ideas underlying to the new Volvo plant located in Kalmar. First, "in a new factory, we broke up the inexorable line to which the workers were subservient, and replaced it with individual carriers that move under control of the workers" (Gyllenhammar, 1977a, p. 13, 1977b). When eliminating the assembly-line system and working in the so-called dock stations, the worker's pace is no longer set by the logistic system, which, in turn, leads to a sense of greater autonomy. Second, "the new system relies on teamwork, which allows the individual worker to have a greater influence on the overall work situation" (Gyllenhammar, 1977a, p. 12, 1977b). Being integrated into not only a technical system but also into a social, peer-based system, the individual worker arguably feels a greater sense of involvement and commitment to the work. Gyllenhammar does not deny that the ambition to modernize industrial production is a highly demanding project. First, because change is approached with scepticism among the co-workers, in many ways being ungrateful for the new ways to organize work, and second, because:

[...] big organizations simply do not welcome change; it disrupts their stability. Nor do they foster new ideas about management, because change would influence the working routines of most members of the hierarchy (Gyllenhammar, 1977a, pp. 131-132, 1977b).

Regardless of the challenges involved in the project, the Kalmar plant became widely recognized for being one of the most ambitious attempts to modernize and change manufacturing work, even though there were also sceptics (Hauck, 1979a, 1979b). Its design was based on thorough research in a series of academic disciplines including industrial psychology and ergonomics and the plant represented a new orientation in the automotive industry. Gyllenhammar championed the work to move beyond Henry Ford's assembly-line system, and the final passage of *People at Work* captures both the enthusiasm of the Volvo CEO and chairman of the board and the scope of his ambitions:

If I could give the worker back his ease, his liberty and his happiness, or at least provide the conditions under which he can find term for himself, I believe we are closer to a healthy, human, "postindustrial" society (Gyllenhammar, 1977a, p. 164, 1977b).

Discussion

In hindsight, Gyllenhammar's two books and articles accounted for in this article are exemplary of the managerial capitalist regime being in decline since the early 1970s. After the various changes of the late 1970s and early 1980s, executives and top managers have been given a narrower, perhaps even parochial role as actors that should preferably do little more than to guard and secure the generation of economic value benefitting shareholders. In conducting this work to increasingly "think like shareholders" (Rock, 2013, p. 1910), executives have been generously compensated in terms of increased wages, bonuses and pension fund packages (DiPrete *et al.*, 2010). CEOs and industry leaders who nourish any ambitions beyond finance market objectives are by definition, agency theorists such as Jensen (2002, p. 242) proposes, "pursuing their own interests" at the expense of "society" and "destroying firm-value". The work of Gyllenhammar and Volvo in the 1970s to create new forms of work organization would certainly be portrayed as a waste of the shareholder's money within the emerging shareholder value governance model; CEOs and directors revealing such ambitions are purportedly acting in their own best interests and the owners of stock are thus the key victims to such self-indulgent and self-interested managerial activities, Jensen (2002) argues. The more than four decades of active deconstruction of the of legal and regulatory framework of managerial capitalism and the advancement of the successive framework of investor capitalism, enacting the firm no more no less than a bundle of financial assets that can be invested more of less wisely for the benefit of the shareholders, has effectively excluded CEOs from serving any role similar to that of Gyllenhammar in the automotive industry in the 1970s and 1980s – at least in public companies having their stocks traded on the finance markets. The free market capitalism being advocated in the 1970s to overcome what was treated as excessive regulations of industry (Akard, 1992; Vogel, 1983) gradually led to a situation where the CEOs and industry leaders could no longer express any legitimate ideas regarding the role and the regulation of industry beyond the generation of shareholders value.

In many ways, the “pro-business ethos” of free-market protagonists and the neoconservatives being in charge in the 1980s in the USA served, somewhat paradoxically, to disqualify the traditional role of the CEO an industry leader that negotiates relations with a variety of stakeholders and interests. The “pro-business” label is thus a misnomer, as it effectively advocates a “pro-capital” agenda, treating industry as a means to circulate and generate finance capital. This principal concern for finance capital accumulation has led to a situation where the role of regulatory agencies is downplayed, and where the control of corporations are instead wielded by “market based actors such as credit rating agencies” (Rom, 2009; Frost, 2007; Partnoy, 1999), auditors (Mennicken, 2010; Sikka, 2009) and professional service raters (Clark and Newell, 2013) who have intimate business relations with their paying clients (Mathis *et al.*, 2009; White, 2009; Robson *et al.*, 2007). Such “regulatory capture” (Piketty, 2014), critics contend, reduces the efficiency of supposedly self-regulating markets. The enormous and unprecedented growth of the finance industry leading to the much debated 2007-2008 finance industry collapse (Blinder, 2013; Mirowski, 2013; Friedman and Kraus, 2012; Stiglitz, 2010; Gorton, 2010) also indicates that finance market actors and theorists advocating the finance market as the purest form of capital accumulation have lost their patience with, e.g., the manufacturing industry, as profits have been generated more quickly and safely through the issuing of new financial instruments rather than being invested in the manufacturing industry (Crotty, 2009).

Alfred P. Sloan, Pehr G. Gyllenhammar and other representatives of the automotive industry, the managerial capitalism industry *par excellence*, are increasingly portrayed as an outmoded model for industry leadership, wherein CEOs and industry representatives addressed their concerns regarding a wider set of socio-economic challenges. If industry leaders express such interests or concerns today, they are at a risk of being rejected as romantic idealists wasting the residual cash-flow that shareholders have contracted for, an attitude that undermines everything but short-sighted financial enrichment of a smaller proportion of social actors. Whether investor capitalism represents a sustainable economic regime is increasingly doubted, especially as there is an growing number of economic bubbles, crises, collapses and meltdowns since the early 1980s when the finance markets started to be deregulated (Calomiris and Haber, 2014; Gorton, 2010; Black, 2005), and perhaps we will see a new generation of industry leaders being concerned with a wider set of societal issues regardless of what neoliberal and neoconservative economic theorists claim they are rightly entitled to do.

Conclusion

In today’s economic climate, it is very hard to understand how Gyllenhammar’s writings about the role of industry could be treated as an overtly pro-business statement in the 1970s in Sweden. Rather than advocating a “predatory capitalism” where the capital owners are given the free reign to control all the economic resources generated in industry, Gyllenhammar, in many ways, carefully anchors the corporation not only within the socio-economic context of the coordinated capitalism of Sweden, but also stresses the meaning of work for the millions of people working in manufacturing companies. Few of the critics of Gyllenhammar’s work, mostly on the left-hand side of the political spectrum, who are too ready to

dismiss Gyllenhammar as an industrialist nourishing illegitimate political ambitions, were able to foresee that, in the new regime of investor capitalism, being in the making in the Anglo-American economies from the mid-1970s, industry leaders such as Gyllenhammar would be their allies rather than their adversaries. If industry leaders advocating Gyllenhammar's role of the corporation as what counteracts increased economic inequalities would have been more influential, perhaps there would have been more roads ahead for welfare capitalism. Instead, this managerial capitalism view of the corporation and its emphasis on a low unemployment policy and economic well-being had to give way for a low-inflation inflation policy and other finance market interests (Palley, 2013, p. 6; Van Arnum and Naples, 2013, p. 1161; Martin, 2002, p. 11). In the period after 1970, characterized by the dominance of neoliberal and free market ideologies, many of the accomplishments of post-Second World War era have abandoned. In this perspective, the visionary leadership writings of, e.g., Pehr G. Gyllenhammar appear to be almost utopian in its insistence on both economic well-being and meaningful work for not only highly skilled and educated workers but also for *all* workers. In politico-economic system wherein unemployment is treated as a secondary economic fundamental, derived from inflation and interests rates, but no longer being a primary political objective as for most of the post-Second World War period, and where economic inequality is widely tolerated, at times even actively encouraged (Mirowski, 2013, p. 63), the mid-1970s visionary leadership writings of Gyllenhammar is indicative of the seismic shifts in economic policy and the theory of the firm over the past four decades. Today, as detailed by Mizruchi (2013), there is a conspicuous lack of initiative from industry and corporate elites as such groups no longer have the power or the ambition to actively modify competitive capitalism: such initiatives today reside with finance market actors (Zorn *et al.*, 2005). Today, it is widely preached that industry leaders should stick to their knitting, i.e. generate shareholder value, and they can therefore no longer legitimately express any ideas regarding the role of industry in the wider society. Many commentators – but certainly not all – would treat that as an unfortunate consequence of the decline of managerial capitalism. In light of these political, economic, social and cultural changes, a detailed and critical reading of the work of the industry leaders of the managerial capitalism era can serve as an impetus to revitalize the role of the corporation in contemporary capitalism.

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