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## **Sesión: Foreign Investment and the Development of Local Entrepreneurial and Managerial Capabilities**

**Título de la comunicación:** Between foreign influences and local traditions – effects from internationalization and multinational firms on managerial recruitment and managerial profile in Finland in the 20th century

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## *Between foreign influences and local traditions – effects from internationalization and multinational firms on managerial recruitment and managerial profile in Finland in the 20th century*

### *The aim of this paper*

The aim of this paper is twofold. Firstly, I will give a brief historical overview of the educational background of managers in Finland in a historical perspective, with a specific focus on their foreign studies and experiences. I will study how new knowledge and new models from abroad reached Finnish companies and how company managers and professionals already early actively aimed to acquire skills and competencies from other, more advanced, countries. I will also ask how increasing international interaction, global interdependence and internationalisation and globalisation of business affected managerial skill formation and the education of top managers in the latter part of the 20<sup>th</sup> century.

Secondly, against this historical background, the aim is also to open up for a study in which I look more closely at the role of multinationals and their contribution to managerial skill formation – and the perception of what managerial skills are - in Finland in a long time perspective. This has been the focus of little attention previously. One obvious reason for this is that there were few multinationals and foreign-owned companies in Finland before the 1990s. However, it has lately been shown that their number was larger than has been known previously.<sup>1</sup> It can also be assumed that already a few key multinationals can influence local traditions and local attitudes quite significantly. Moreover, the number of MNC grew extremely swiftly in the last decade of the 20<sup>th</sup> century. Thus the “break” of the 1990s can be seen as particular significant. Finally, we can see that Finns until the 1980s – and especially in the early decades of the 20th century – went abroad to study and work for multinationals in other countries. This clearly ‘made up’ for a lack of opportunities on the Finnish soil.

### *Background and outset*

Although Finland is a typical example of a small, open economy, heavily dependent on export-led growth, both inwards and outwards FDI flows were small until the mid-1990s. One reason was a strict regulation of foreign capital movements in the post-war period. But also earlier periods, when foreign capital movements were less restricted, the in- and outflow of capital were modest. Finnish firms did not have any specific advantages to exploit abroad, nor did Finland attract foreign

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<sup>1</sup> Hjerppe 2004. S

companies to any considerable extent, for instance in comparison to Sweden. Finland was a small, remote country, with a strange language, which until the 1970s was clearly a late-comer in a European perspective. Prior to independence and again after WWII there was also certain political risk attached to Finland, due to its sensitive position between the east and the west.

Since the 1990s, the inflow of foreign capital grew rapidly, however, and foreign companies entered the country at increasing pace. These companies have been considered significant for bringing in technological know-how, but also for transforming business and governance traditions. Foreign companies were both more productive and more profitable than Finnish domestically-oriented ones and as a result these companies had a welcomed and overall positive effect on Finnish companies, business culture and governance traditions.<sup>2</sup> Strong resistance to foreign ownership existed for long, however.<sup>3</sup> In the post-war period, the economic policy was marked by an active growth policy based on investment and state involvement in industrialization. However, irrespective of the political 'colour' of the government, the attraction of foreign capital was not high on the agenda. Thus, new technology and foreign models had to be acquired by going abroad.

In spite of being a late-comer, Finland developed rapidly since the latter part of the 19<sup>th</sup> century and especially in the inter- and post-war period. One of the explanations for this rapid catching-up has been considered the country's active strives to raise both the level of education and to acquire foreign technology and know-how, but the way to acquire new technology and know-how during early industrialization was to go abroad to study and/or work. The studying in foreign technical and commercial institutions was important to raise the level of competence, while study visits to specific companies was an important direct link to acquire the latest know-how and also in management and organizational issues. The employment of foreigners in various positions in the firm was also an instrument during early industrialization. Although foreign engineers, technicians, and skilled workers were 'imported', this was not a very common way to acquire managerial skills in individual companies, however: in top management in Finnish business, native Finns formed by far the majority.

Although the number of FDI in Finland was without doubt low in number and of little significance from a macroeconomic perspective until the 1990s, it has for instance been shown by Riitta Hjerpe that the number of foreign companies prior to WWII was larger than previously known.<sup>4</sup> Before independence (1917) several Norwegian, Swedish, and Russian companies were established on the Finnish soil. In the interwar period, especially Swedish, German, British companies were quite frequent. And in spite of the strict so called 'restriction law' law of 1939, some multinationals and foreign ownership did enter the Finnish market. Especially since the late 1960s the number of foreign firms in Finland grew steadily. Again companies from Sweden and the other Nordic and European countries were the most frequent, but also e.g. US companies grew in number. The legislation did not by any means totally prevent the in- and outflow of capital, but made investing a troublesome process. It is also doubtful if Finland would have been an attractive host economy anyway. Until the 1990s foreign companies were thus overall of little significance in the Finnish economy as a whole, although they could in specific industries have an impact.<sup>5</sup> The very strict restrictions of foreign capital implemented in 1939 remained with small changes in force up until

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<sup>2</sup> Ylä-Anttila et al 2005.

<sup>3</sup> KM 1985:49. *Ulko- ja kauppaministeriön mietintö*. Komiteamietintö 1985:49. Helsinki 1985: for a lengthier discussion see Fellman 2013.

<sup>4</sup> Hjerpe 2010.

<sup>5</sup> Pajarinen 1997.

the 1980s, but was finally abolished only in 1993.<sup>6</sup> When the borders opened, the inflow was very rapid, however.

As a result, it could be concluded that Finland until the last decades of the 20<sup>th</sup> century received new models and influences later and more slowly in comparison with many other western countries. This has previously been discussed concerning management education and management consulting. For various reasons - for example Finland declining the Marshall aid - the country received new ideas in the management field later than many other western countries. However, as has been shown, these ideas did, in fact, not reach Finland much later than other western European countries, but that a general adoption of these 'novelties' was slow. New models have fairly early and easily landed or 'come ashore' in Finland, but the diffusion and penetration of these new models within society and the firms on a broader and deeper level was slow and met with obstacles. This was largely due to domestic resistance and lack of ability to adopt them. For example, although the first management training programs emerged fairly early, management training of the foreign type was in the 1960s and 70s often overlooked or regarded with suspicion by a large part the managerial elite. Domestic models were long preferred to such 'mumbo jumbo'.<sup>7</sup> Thus, although the new models did not arrive particularly late, their impact in Finnish society was limited for long. In a similar way, it has been claimed that those foreign countries and multinationals which came to Finland in the late 19<sup>th</sup> and early 20<sup>th</sup> century, contributed with both know-how and other capabilities, but that this occurred slowly and concerned only a small part of the companies.<sup>8</sup>

So why did foreign models, like 'modern' (read: American) management training or management practices meet with neglect or even resistance? Although Finland – or rather Finnish firms, managers and experts – are usually seen as having been a fairly successful copier of foreign technology and models (legal, institutional, educational, why, then, did these model of management have difficulties to penetrate Finnish society?

Obviously, it is important to study WHAT is transferred, as some models appear to be more easily adopted than others. The difficulty for in particular management ideas to penetrate Finnish society and the Finnish firms on a broader level stemmed from the historical and cultural heritage. There was a persistent tradition of an orientation towards Germany (and Sweden) for models. Moreover, many managers of the older generation had difficulties in accepting that junior managers would be away on courses for a couple of weeks, not to mention 8 or 12 weeks. There was clearly a shortage of 'good men' after the war, but, perhaps more importantly, managerial experience was according to the majority of top manager at this period acquired on the work place, not on some obscure courses.<sup>9</sup>

Moreover, the language skills of the pre-war generation of managers, which still was in power in the 50s and 60s, clearly left something to be desired. Managers from this generation had commonly studied German as a first foreign language at school, while their knowledge of English often was poor. However, they in a way also lacked the "scientific language" for adopting the American models. In Finland the prominent role of the engineers both as a professional group and in top

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<sup>6</sup>There was occasionally also an awareness of possible positive effects from foreign capital also earlier. For instance in the 1980s when the discussion of a more liberal attitude towards FDI was on the agenda, it was clearly stated that the employments effects could be positive, that many companies could receive new and much-needed capital and there could be positive effects on technology and managerial skills. But the conclusion of the committee was still in 1985 that the Government should tread carefully in this issue. *Ulkomaansijoitustoimikunnan mietintö. Komiteamietintö* 1985: 49, 81.

<sup>7</sup> Tienari & Ainamo 2001.

<sup>8</sup> Myllyntaus 1992.

<sup>9</sup> 'Monen viikon johtajakurssi on ennenkuulumatonta!' [A management course of several weeks is unheard of!] Interview with the former managing director of Suomen Unilever Oy, Orvo Lehmus. Published in *LIFIM* no 3, 1988

management, also influenced the reception of management education. The “scientific language” of the foreign management intellectuals and consultants was not accessible for the average Finnish manager often trained as an engineer or as a lawyer, and in any case with a very rudimentary knowledge of management studies and in the economic field.<sup>10</sup> The following quotation shows a similar outlook in the 1970:

‘...in the autumn a great number of American and European “social scientists” and “management consultants” will again arrive, presenting new futuristic ideas. The arguments and ideas presented by these smooth-tongued lecturers are often thin and do not necessarily present anything new’.<sup>11</sup>

The objection among Finnish managers to management training was not, like for example in the case of Great Britain, that managers regarded education for managerial candidates as something negative *per se*. On the contrary, the belief in education as a source to growth has been a prominent phenomenon for long. But management training, contrary to e.g. technical training, was not seen as anything useful. Management training was the WRONG kind of education.

There were occasionally strong resistance towards foreign companies and foreign ownership in general, but also against ‘foreign’ models.<sup>12</sup> I have elsewhere argued that the ‘Taylor model’ fairly early landed (or stranded) on Finnish soil, but that it took ample of time to penetrate on the company level. Thus, to study only how specific models or ideas were discussed in journals or professional associations is not enough to understand their influences on company level, as this does not tell much about the implementation of these models.

In spite of occasionally strong resistance towards anything ‘new’ (read: especially American), there was at the same time also new generations, especially after WWII, who were eager for new ideas and new models to lift Finland from its backward position. It became among ‘a handful’ of young students to go abroad to search for new ideas and models, and these individuals established the first management education, the first Finnish management consulting business and they brought in new tools in the companies they took over. However, it took time to spread to a larger population of firms as these ‘novelties’ were strongly opposed by many in the older generation and in companies outside the rapidly modernising export industry.<sup>13</sup>

The situation changed rapidly in the 1980s and 90s, when the Finnish economy went through substantial transformations. Big changes in the Finnish model of capitalism occurred. Finland went from being very coordinated to a much more liberal market economy in a short period of time. The most profound transformation occurred in the financial markets, when the strict regulation of the financial markets and capital flows went through a swift liberalization. This led to a partly uncontrollable development, with overheating, credit expansion and ‘bubble’ in housing and stock prices, which, however, suddenly burst in the beginning of the 1990s. Simultaneously, the significant Soviet trade stopped with the breakup of the Soviet Union and, as some industries had relied heavily on this trade, there was a wave of bankruptcies. This, in combination with an overvalued currency (Finnish *markka*) and a looming recession in western markets, plunged the Finnish economy into a deep crisis. The wave of bankruptcies and sharply rising unemployment, followed by a rapid fall in the stock market and housing prices, also led to a severe banking crisis.

<sup>10</sup> Fellman 2007; Tienari & Ainamo 2001.

<sup>11</sup> This was presented in a business journal and was quoted as an example of the negative attitude still persisting in Finland. *Liikkeenjohdon koulutuksen strategia* 1980, 1 (my translation).

<sup>12</sup> Foreign is here in quotation marks, as it is interesting to observe that things which occasionally in nationalistic rhetorics are seen as ‘domestic’ actually are part of international trends. And vice versa, what is seen as foreign, is something quite similar to domestic institutional models. Thus such notions have to be problematized.

<sup>13</sup> On this see Fellman 2007; Tienari & Ainamo 2001.

After a large devaluation of the *markka* in 1991, and finally letting it freely float in 1992, the road to recovery started. The last regulations concerning foreign capital flows and foreign direct investments were removed in 1993 and Finland joined the EU in 1995. At the same time there was rapid growth in new industries, most notably the ICT sector with the expansion in mobile phone production in Nokia. Finland entered a period of favourable growth and the both the outflow and inflow of foreign capital grew swiftly. Finnish companies became truly international, while foreign capital boosted the economic development.

The opening up of the Finnish market and the internationalisation of Finnish business life brought with it new challenges for all actors, however. It was for example repeatedly stressed to bring about new demands on managerial competence. Managers were to be better prepared to meet with internationalisation and globalization. A very strong and persistent narrative existed that Finnish managers' preparedness to meet with the global environment left much to be desired. Issues concerning managerial development and management education thus became to the fore and management training programs became since the mid-1990s been one of the fastest growing forms of education.<sup>14</sup> The goal to improve management skills were also in various forms integrated in completely new fields of education and 'managerial qualifications' and 'experience' became a requirement in a most wide range of jobs. This was not a feature typical only for Finland, but has been the focus of attention in many other countries and the interest in management education and managerial background became pronounced.<sup>15</sup> However, the development process appears to have been particularly subversive in Finland.<sup>16</sup> Overall, the 'demand' for management training, life-long learning and adaptability were seen as one of the answers to globalisation: many of the Finnish firms became truly international, while the Finnish market was to be competitive and attractive for foreign multinationals.

### *Multinationals and transfers of skills*

Foreign multinationals have been considered as important carriers of know-how and models to less developed areas and countries. Knowledge spill-over from multinationals on research and development and on technological capabilities is a fairly well-researched area. Less attention has been put on multinationals effects on managerial competencies or on management models, although also this issue has been focus of discussion.<sup>17</sup> Research in the field of management and organization has often concerned transmission of ideas and know-how through specific agencies and especially the question of the transfer, reception, adoption and implementation of American models has been the target of research.<sup>18</sup> It is, however, often argued that multinationals in general tend to be better managed, than purely domestically oriented firms and as a result multinationals can have significant positive effects on the host country also within this field.<sup>19</sup>

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<sup>14</sup> Fellman 2007.

<sup>15</sup> See e.g. Byrkjeflot 2000; Engwall & Pahlberg 2001. The work force, but particularly highly qualified, top-level experts, were expected to be adaptable, flexible and always willing to learn new things. Individuals became at the same time growingly responsible for making their own career moves and by participating in management training the individual also shows willingness to adapt and demonstrate career ambitions. Byrkjeflot 2000, 8.

<sup>16</sup> Fellman 2007

<sup>17</sup> For overview, see e.g. Fu, Helmers & Zhang 2012; Bloom & van Reenen 2010; Engwall & pahlberg 2001; Bloom et al 2013; Ariás & Guillén for earlier studies.

<sup>18</sup> Djelic 1998; Ariás & Guillen 1997; for a detailed historical study, see for example Bonin & De Goey (eds.) 2009

<sup>19</sup> Dunning & Lundan 2009; Bloom & Van Reenen 2010.

To pinpoint at direct influences of such capabilities - and especially in a historical perspective – is, however, complex.<sup>20</sup> As Bloom and Van Reenen stress, this process also tends to be slow as a result of many factors (active resistance, lack of skills, clash with local situation etc.). The reception of 'new' ideas and models is for example highly dependent of the human capital level in the receiving country.<sup>21</sup> This is obvious especially in the case of technology, but can also be an obstacle in the field of management. There might, for example, be a lack of 'appropriate' competencies to receive such ideas.<sup>22</sup> This is a very relevant issue when studying the case of Finland in the post-war era, when managers were mostly skilled engineers, and thus quite well prepared to take in new technology, but lacked the "scientific language" to understand the language of managerial gurus.<sup>23</sup> Moreover, there was also active resistance to ideas and models which were considered 'American'. Managerial practices and organizational models are deeply embedded in local cultural and institutional context. Thus, no universal 'best practice' exist. Finally, it has also to be remembered that the diffusion from MNC to host country is by no means a one way process, but the multinationals also adapt to local context.<sup>24</sup>

On the other hand, as Bloom and Van Reenen emphasize, there are specific issues which are universal expressions of 'bad management'. There is actually a persistent narrative that Finnish companies have been, and still are, badly managed. This is interesting, as Finnish managers have traditionally had a very high level of education (see below). Thus, it there seems to be an underlying idea in this narrative is that this is a result of something inherent in the Finns. Or in the domestic education. Although domestic education has had a strong position and today in international comparison seems to be competitive, it is not uncommon to view it as still as somehow backward and weak.

Overall, scholarly work discussing the inflow of foreign technology and its effects on the Finnish economic and industrial development in historical perspective exists.<sup>25</sup> There are especially studies of FDI's and multinationals effects on R&D and technological improvement, while the role of multinationals on the Finnish soil as 'carriers' of managerial capabilities, management and organizational models in a historical perspective has not been the focus of attention of systematic investigations. Obviously, one reason for the little interest is that the number of foreign multinationals in Finland was very low until the liberalization of capital flows in the 1990s. Thus, their influence on the intellectual climate in general and on managerial thinking and models in particular was inevitable small until the 'break' of the 1980s and 1990s. At least until the 1960s and 70s, Finns had to go abroad to get the newest knowledge and the newest technology. Which they also did! One of the most important ways to receive new competencies in the field of management and organization, especially during early industrialisation was by travelling and studying abroad or, occasionally, by employing foreigners in the companies. Thus, the out- and inflow of ideas and models were probably more extensive than could be concluded by only looking at foreign companies and multinationals on the Finnish soil. Finns went abroad to search for both for the newest technology and the newest 'fashions' within the field of management and organization.

However, no conclusive studies of the effects from these trips outwards either exist. The role of foreign management consultants and experts - those which perhaps best could be called

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<sup>20</sup> Something I struggled with when studying the influence of Michelin welfare program in one of the most elaborate company welfare program in Finland in the 1920s. See Fellman 2012.

<sup>21</sup> Jones 2005, 261,

<sup>22</sup> On this see e.g. Guillen 1995.

<sup>23</sup> Tienari & Ainamo 2001; Fellman 2007.

<sup>24</sup> For a discussion, see e.g. Engwall & Pahlberg.

<sup>25</sup> Myllyntaus 1996; Hietala; Grönberg 2008.

*management intellectuals*<sup>26</sup> – in the establishing and formation of ‘modern’ management consulting<sup>27</sup> and in the development of management education<sup>28</sup>, has been investigated. Moreover some minor studies on specific fields of management have also been the focus of attention. E.g. the adoption of new models on work organization and labour management especially from Swedish companies in Finnish big business<sup>29</sup> and the (possible) influences from *Soci t  Michelin’s* company welfare program on the welfare provision model in one specific Finnish company form a few examples of such studies.<sup>30</sup> *One important point of departure for this paper is that, apart from some anecdotal evidence, we know close to nothing about the role of multinationals as transmitters of managerial models and skill formation in Finland in a historical perspective.* Especially not of those few that did enter the Finnish market during the country’s early industrialization.

### *What do we already know about managerial skill formation in Finnish big business?*

Finnish management has in an international perspective showed some interesting specific characteristics of its own, the most notably was that they have had a high level of (formal) education in an international perspective, and, given the late-comer characteristic of the country, also at a very early stage.<sup>31</sup>

In my dissertation I studied the professionalisation of management in the Finnish manufacturing sector during the period 1900-1975, and how this was reflected in top managers’ educational and career background.<sup>32</sup> From Table 1 it becomes evident that managerial background changed remarkably. As I discussed at length in the dissertation, this was primarily a consequence of the rapid industrialisation and growth in firm-size, the development of the educational system and the emergence of the professional society. However, also cultural factors influenced the development. For example formal education has been highly valued in Finland. A first ‘professionalisation wave’ occurred in the first two decades of the 20<sup>th</sup> century, which was with respect to education observed in a rapidly increasing level of education increased. A second ‘professionalisation wave’ took place since the 1960s. At that time more or less all managers’ in large firms, irrespective of ownership relations to the firm, completed a higher education. Moreover, since then most top managers had completed an academic education intended for business life, i.e. they had primarily a degree in business, engineering or law and to a growing extent they had also completed some form of ‘modern’ management education.

What happened after the 1970s? As top management in large firms in the 1970s in practice was dominated by managers with a higher education, no large changes in the level of education could occur: top managers in big business had completed a higher education, which in Finland meant a master’s level education. Many had actually two exams, either as engineers or law, combined with a degree from a domestic business school.

What was clear from the data is that there was an increasing role of MBA and other types of management training programs. Prior to 2000, about one fourth to one third of the managers in

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<sup>26</sup> Guill n 1994.

<sup>27</sup> Tienari & Ainamo 2001.

<sup>28</sup> Fellman 2007.

<sup>29</sup> Fellman 2011.

<sup>30</sup> Fellman 2008.

<sup>31</sup> On this see more in Fellman 2000; Fellman 2003.

<sup>32</sup> Fellman 2000. Managers’ career patterns and the recruitment and selection process in the firms changed, but we leave this aside in this paper.

these 50 largest companies had been abroad to study and had at least completed a short executive course or other management training program. In the last cohort in 2004, managers with MBAs and executive programs formed a majority and a considerable extent had completed the course/degree abroad. This type of training was to a large extent acquired abroad, however. A 'break-through'-period of management education occurred in Finland in the 1970s, although the first proper MBA-program did not start until the early 1980s.<sup>33</sup> However, foreign management training programs were often preferred. One reason was that it was seen as a way to prepare for internationalisation and for managing the modern, multinational company,<sup>34</sup> but it was also often – at least implicitly- seen as an advantage in the career.

*Table 1a. Professional education among top managers in Finnish manufacturing industry, 1900-1975, by highest degree\*. Number of managers according to year of birth*

Education	1829-1874		1875-1904		1905-1940		Total	
	N	%	N	%	N	%	N	%
Doctoral or licentiate	4	4,4	9	6,4	7	7,5	20	6,2
Higher technical	23	25,6	61	43,3	44	47,3	128	39,5
Law degree	7	7,9	7	5,0	12	12,9	26	8,0
Business school	-	-	7	5,0	19	20,4	26	8,0
Forestry	-	-	4	2,8	2	2,2	6	1,9
Agricultural	-	-	3	2,1	1	1,1	4	1,2
Military academy	5	5,6	2	1,4	-	-	7	2,2
Other higher education	2	2,2	8	5,7	5	5,4	15	4,6
<i>Total higher</i>	<i>41</i>	<i>45,7</i>	<i>101</i>	<i>71,7</i>	<i>90</i>	<i>96,8</i>	<i>232</i>	<i>71,6</i>
Lower, vocational technical	4	4,4	3	2,1	-	-	7	2,2
Lower, vocational commercial	11	12,2	10	7,1	-	-	21	6,5
Other lower, vocational education	4	4,4	8	5,7	1	1,1	13	4,0
<i>Total vocational</i>	<i>19</i>	<i>21,0</i>	<i>21</i>	<i>14,9</i>	<i>1</i>	<i>1,1</i>	<i>41</i>	<i>12,7</i>
No formal professional degree	28	31,1	15	10,6	2	2,2	45	13,8
Unknown	2	2,2	4	2,8	0	-	6	1,9
<b>Managers: total number</b>	<b>90</b>	<b>100,0</b>	<b>141</b>	<b>100,0</b>	<b>93</b>	<b>100,0</b>	<b>324</b>	<b>100,0</b>

Source: Fellman 2001

\*Several managers had two or more professional degrees. In case they were on same level, the last completed degree is counted as highest degree.

*Table 1b. Professional education among top managers in Finnish manufacturing industry, 1900-1975, by highest degree\*. Number of managers according to year of appointment.*

Education	1856-1918		1919-1945		1946-1975		Total	
	N	%	N	%	N	%	N	%
Doctoral or licentiate degree	7	6,1	5	4,6	9	7,3	21	6,0
Higher technical training	34	29,6	47	43,1	61	49,6	142	41,1
Law degree	8	7,0	10	9,2	11	8,9	29	8,4
Business school	-	-	4	3,7	23	18,7	27	7,8
Forestry degree	-	-	4	3,7	2	1,6	6	1,7
Agricultural degree	-	-	-	-	4	3,3	4	1,2
Military academy ( <i>kadettiskola</i> )	5	4,3	2	1,8	-	-	7	2,0
Other higher education	2	1,7	7	6,4	6	4,9	15	4,3
<i>Total, higher education</i>	<i>56</i>	<i>48,7</i>	<i>79</i>	<i>72,5</i>	<i>116</i>	<i>94,3</i>	<i>251</i>	<i>72,3</i>

<sup>33</sup> Fellman 2007.

<sup>34</sup> Liikkeenjohdon koulutuksen strategia: Varautuminen yhä vaativampiin tehtäviin. 1980. [The strategy of management education: to prepare for increasingly demanding tasks.]

Lower or intermed. technical training	7	6,1	-	-	-	-	7	2,0
Lower or intermed. commercial training	12	10,4	9	8,3	1	0,8	22	6,3
Other lower or intermed. Training	5	4,3	6	5,5	2	1,6	13	3,7
<i>Total, lower or intermed. training</i>	<i>24</i>	<i>20,8</i>	<i>15</i>	<i>13,8</i>	<i>3</i>	<i>2,4</i>	<i>42</i>	<i>12,1</i>
No professional training	33	28,7	12	11,0	2	1,6	47	13,5
Unknown	2	1,7	3	2,7	2	1,6	7	2,0
<b>Total number of managers,</b>	<b>115</b>	<b>100,0</b>	<b>109</b>	<b>100,0</b>	<b>123</b>	<b>100,0</b>	<b>347</b>	<b>100,0</b>

\* In case the manager has completed two degrees on the same level, the later degree is considered as highest degree.

Source: Fellman

However, in spite of the increase in MBAs, the top managers still as a rule had first one (or two) degrees from a Finnish university first. Thus, the MBAs did not “crowd out” academic-level degrees from a Finnish business school or engineering.<sup>35</sup> Moreover, those with a foreign professional education did not increase remarkably either, however (Table 2),

*Table 2. Educational background of managing directors/CEOs in Top-50 Finnish companies, 1974–2004. Number of degrees\*.*

<b>Education</b>	<b>1974</b>	<b>1984</b>	<b>1994</b>	<b>2004</b>
Engineering (university level)	17	17	20	18
Business school	18	18	18	27
Law degree	8	7	3	4
Other higher education.	4	8	7	7
Lower technical training	1	1	0	0
Business institute	2	2	1	0
No formal professional training.	2	1	1	2
Unknown	1	0	3	0
<b>Total amount of degrees</b>	<b>53</b>	<b>54</b>	<b>53</b>	<b>58</b>
<b>Number of managers with foreign professional education (in addition to a domestic degree) **</b>	<b>13</b>	<b>12</b>	<b>10</b>	<b>14</b>
<b>Number of managers with part of career abroad **</b>	<b>8</b>	<b>10</b>	<b>9</b>	<b>NA</b>

*Source:* data collected by the author, based on personal information about managers in the top-500 firms in Finland. A list of the top-50 firms has been published by the weekly business magazine *Talouselämä* since 1973.

\* Several managers had two university-level degrees, which is quite typical in the Finnish educational culture. As a result the number of degrees exceeds 50. Cf. Table 1.

\*\*preliminary numbers due to some missing information.

Although the level of education rose quite and converged toward education intended for business (business, engineering), Finnish manager’s background changed actually quite little. Engineers have dominated, while a law degree has been quite common. And although business school graduates

<sup>35</sup> Some remarkable changes can be found in the careers patterns, but I leave for the moment this analysis aside.

have increased, they were by no means to take over top management. Furthermore, although managers in the latest cohorts often have an MBA or the like, the management education of this type has not replaced the domestic master-level degrees. Instead it has taken the form of an additional ‘top-up’ education.

*Foreign experience and working for multinationals among Finnish managers – period prior to the 1960s*

Some managers had completed their professional education abroad (Table 3), but the most common pattern was to take a domestic exam and then go and add up with a foreign exam or at least study one or two years abroad. Table 3 shows the number of managers who had taken a degree abroad, but they were not very many. One striking feature when studying the Finnish business elite in a historical perspective - in spite of the strong persistence of domestic higher education as their basic professional education - was that more or less all had spent some longer or shorter periods abroad. At the turn of the century 1900, it was seen as vital – or even a ‘must’<sup>36</sup> - to supplement the domestic education with foreign studies or work experience as the domestic education was still not on the same level as elsewhere. Many sons of family firms, who did not have a formal education, travelled also abroad, and stayed for longer periods often with companies, the family had long lasting relations with.<sup>37</sup>

Usually these foreign visits consisted of a combination of studying, practice periods and some periods of employment. Salaried managers usually completed some studies and practiced and worked for some time as employees. There was, however, only a couple Finnish-born manager prior to the 1960s who had had their entire their career (or most of it) abroad.

*Table 3. Number of managers with degrees from abroad*

	1829-1874	1875-1904	1905-1940	Total
Type of education	N	N	N	N
Higher technical degree	5	22	4	31
Business school (academic)	-	1	-	1
Other higher university-level degree	-	1	2	3
Lower commercial school	8	-	-	8
Other lower education	6	4	1	11
Total	19	28	7	54
Total number of managers in cohort	90	141	93	324

Source: Fellman 2000.

If one take a look at examples of foreign companies they worked for, some interesting notions can be made. Firstly, many managers, especially those who were not heirs to any family firms, had worked for big industrial companies as engineers and technical experts and usually during the early career. Russia, and in particular, St Petersburg was a common place to go work during a few years. Obviously, geography proximity was an important factor, but the country was in the late 19<sup>th</sup> century considered something of a ‘land of opportunities’. Interestingly, Russia was less common place to go for heirs to family firms. In Russia, especially the Nobel companies in Baku or St Petersburg employed many young engineers. Among my sample of managers, the Nobel companies

<sup>36</sup> Myllyntaus 1996.

<sup>37</sup> Fellman 2000.

stand as an exception. Of the early managers, recruited prior to 1918 (Table 1b) *at least eight*<sup>38</sup> had gained experience in one or several of the Nobel factories. For example, Felix Hedman managing director of *Kemira Oy* had long worked within the Nobel companies from 1902 until 1920. Since 1914 he worked in the head-office in Sweden. Thus, multinationals could be seen as forming some kind of ‘breeding ground’ for future top managers, although not in Finland.

Some Finnish engineers which later became top managers in Finnish industry also had quite senior positions abroad. Edvard Cedercreutz worked for three years (1900-03) as head chemist (*överkemist*) in German company, Gunnar Bonsdorff, besides having studied and practice abroad in his early career, later became managing director of a French paper and carton factory *Cartonnerie de Honfleur*, France, for a few years in the early 1900.

Several Finnish engineers worked for mechanical workshops or electro technical companies in Germany, Switzerland or Sweden. Several managers had been employed in ASEA, in Brown Boveri or in Siemens. Within mechanical engineering and electro technical industries, which were infant industries in Finland, working in one of the big international companies seems to have been – if not ‘a must’ – at least a great advantage. For example Gottfrid Strömberg had worked in Brown Boveri before he set up his own electro technical company, *Gottfr. Strömberg Ab* (later *Oy Strömberg Ab*). ASEA and Brown Boveri later owned shares in Strömberg, and, finally, Strömberg became part of ABB. The owner and top manager in the Kone lift company, Heikki Herlin, had worked in Otis for a few years, but earlier on also in *Brown Boveri & Cie* in Switzerland. Also director from a later period, Aarne Härkönen, had as a young engineer worked for Brown Boveri. Managers in the forest industry had often worked in Sweden. In the interwar period, it became more common to go to the US, both for study trips and work. For obvious reasons working periods in Russia then disappears from the career history data, while Sweden and Germany continued to be important countries both for work and study throughout the 20<sup>th</sup> century.

Among those early managers (recruited prior to 1918), who had spent more or less their entire career abroad, we can mention Carl Gustaf Sundell who worked aboard more or less his whole career in various textile factories before becoming a manager in *Björneborgs Bomull*. Most of this period he worked as skilled technician (occasionally with the title ‘engineer’) and later foreman and manager in various textile companies in England. Another example of manager from a little later period was Lauri Helenius (CEO of *Fiskars Ab*) who had worked a considerable share of his career abroad. He had started out as a young engineer in Ludvig Nobel in St Petersburg and after that he worked for three years in Switzerland. In 1914 he went to the US where he worked as machinery engineer (*maskiningenjör*) until 1918. Between 1919 and 1921 he worked in France.

The need also for working abroad in order to get practical experience was considered among many as especially important. Thus, there were stipends to be applied for, but for the Government and private associations and beneficiaries. Funding for foreign studies and practice increased especially in the inter-war period, when also the number of students in Polytechnics and first business schools grew. Thus, also those not coming from wealthy families could go abroad. A young future, Napoleon Wesander had spent time in Germany studying accounting while another a young business school student received a grant to study German factory organization (*fabriksorganisation*) and the central office administration in German firms.<sup>39</sup> Robert Lavonius, future manager of *Maskin och Bro*, worked in 1905-1906 in German firms where he received in-depth knowledge of steam engine technology.<sup>40</sup> Later, he received a stipend from the Ministry of trade and industry, to study

<sup>38</sup> Not detailed information for all managers about which companies they have worked for in their early career.

<sup>39</sup> Reseberättelse av J. E. Thomé år 1933. Reseberättelser. SHH arkiv.

<sup>40</sup> Biografiska uppgifter i andledning av Lavonius 50-årsdag. *Hufvudstadsbladet* 14.12.1929.

the work organization in American mechanical engineering workshops.<sup>41</sup> Occasionally there were government and various organizations which provided finance for such periods, but it was not uncommon that the employers financed these practice periods abroad, often including the clause to stay in the domestic firm for a few years after the return. These employees were probably considered 'attractive' on the Finnish labour market after such periods. However, according to Pasi Tulkki, who has studied the early engineering education, claim that the eagerness of young Finnish engineers at the turn of the century to go abroad early was a result of them having difficulties to find employment in Finland. On the other hand, there were also complains about lack of skilled engineers. Thus, the evidence is inconclusive, but at least it is safe to say that there probably a mismatch on the labour market for highly educated. Nevertheless, according to Tulkki's data of around 2/3 of the engineers trained in the Polytechnical Institute/Helsinki University of Technology found their first employment abroad prior to 1900.<sup>42</sup>

What about foreign firms in Finland? Their number was as mentioned few. However, some of the managers had worked for some of the bigger multinationals on the Finnish soil. Based on the data of top managers, one such firm is Siemens, which seemed to have formed a 'breeding ground' for several in Finnish top managers in new sectors. Several Swedish multinationals, like ASEA, established subsidiaries as well, as did the German-owned saw mill company Waldhof. These companies appear several times also in my material. This needs to be investigated in more detail, however.

### *Foreign experience and working for multinationals among Finnish managers – period after the 1960s*

As mentioned, since the 1960s managers, foreign studies and especially in MBA and executive education became increasingly significant. However, somewhat surprising, top managers from this period had not spent long careers abroad. Some exceptions can be found, like Henrik Öhqvist (*Vuoksenniska*), who had worked abroad more or less during his total career, but so had some exceptional managerial recruits also done in the early 20<sup>th</sup> century. In a similar way as prior to the 1960s, many young ambitious manager-to-be went abroad to work for big multinationals abroad, but no remarkable growth in this respect seems to have occurred.

If we look at multinationals in Finland as breeding ground for future managers, no large changes seem to have occurred in the late 20<sup>th</sup> century. Those reaching top positions within some of the few multinational companies in Finland had as a rule a career within the same multinational: good examples are managers in Shell Finland, and Esso Finland, while some scattered multinationals companies like Swedish AGA appear to have been a 'stepping-stone' for some of the top managers during their early career. Interestingly, AGA, was one of the few significant foreign 'players' on the Finnish market prior to the 1990s; the company had more or less a monopoly in industrial gases.<sup>43</sup> On the other hand, also similar examples are also to be found earlier.

The minor role of multinationals as a "breeding ground" for future managers in Finland is, obviously, not surprising. Until the 1990s foreign companies were of little significance in the Finnish economy and as the inflow of multinationals became significant only in the 1990s, the phenomenon was too recent for having any visible effect on these managers yet. It takes time to reach the 'top'. (Thus, one more recent period could be of interest to include in the study).

<sup>41</sup> Teollisuushallitus. Nuorille tekniikoille jaettavien apurahojen anomukset. Ei 27. Riksarkivet.

<sup>42</sup> Tulkki 1996, s. 149, 175.

<sup>43</sup> Pajarinen 1997.

*Challenges for the next step: an in-depth study of the effects from multinationals on managerial skill formation and the perception of managerial skills*

As the research is still in its initial stage, I will conclude by lifting up the challenges to this project and how to proceed. A study of the effects from multinationals on host countries managerial capabilities and managerial models are labeled with several methodological problems. My aim is primarily to take a micro-perspective. As the multinationals that – possible – had some effects for managerial capabilities were few, their significance remain on macro-level inevitable minor. But also the institutional and macroeconomic context is to be considered in order to understand how firms and individual managers react and respond to foreign influences.

I know quite a lot of the transformation in managerial background, but this - at best – only *reflect* influences from globalization and foreign models. Thus, I need to search for new material to answer specific questions.

One important and interesting – but difficult - question is to study through which mechanisms such transfers occurred, and why and to what extent the models were adopted. Firstly, it would be important to investigate how the multinationals interact with local institutions and actors.<sup>44</sup> Secondly, one should aim to look for local mechanisms of transmission (both from multinationals and foreign influences). Who were the transmitters, consultants, educational institutions or even government agencies who spread and propagated for new ideas? Or did the transmission occur spontaneously through observing and ‘copying’ and later ‘carrying’ with them knowledge and skills to the Finnish company?

Furthermore, one has to be aware that what is adopted can also be quite different from what was originally ‘exported’ or ‘transmitted’. Judging from above about Finns’ scientific ‘language skills’, this can be considered an important question. Moreover, based on previous studies on management education and management consulting, we know that it is difficult to judge how much was direct influence from specific actors and –in this case – companies, and how much were part of international trends spreading on a global scale by means of other channels.

Which firms could be the focus of attention? It seems evident that the period should be divided into various sub-periods. The first period is the one prior to independence, when some of the early successful firms were foreign-owned and some multinationals established subsidiaries in Finland. Companies like Swedish Rörstrand could be investigated. During the period from independence until the strict regulation of foreign ownership implemented prior to World War II multinationals for example Swedish and German big companies and multinationals established subsidiaries. This seems, in fact, to be a more interesting period with respect as there were specific firms working on the Finnish soil which appear to have formed important employers, like Siemens and ASEA, which also were – in Finnish industries – infant industries. After WWII, in spite of the strict regulation and Finland’s sensitive position between east and west, foreign multinationals and also smaller firms entered the Finnish market. One notable group was Swedish firms establishing production units in Finland to take advantage of the cheap labour. These companies were, however, as a rule small in size and appear not to have formed ‘models’ or sources for skill formation. However, some big American multinationals like Standard Oil, Ford etc. entered the Finnish market. The problem of gaining access to material can be significant in these cases.<sup>45</sup>

<sup>44</sup> On this see more Dunning & Lundan 2009.

<sup>45</sup> These companies occasionally used Finnish legal bureaus to cope in the Finnish environment and there exist some material in some firms.

Concretely, one type of material will be 1) company material concerning managerial skills and competences from various Finnish companies, in which there is some mentioning of what can be learned from foreign companies and foreign models. I have this type of material from several Finnish companies, but have not at this stage had the time to go through it; 2) debates around transformations in business and management education, due to increasing globalization and international competition, and what Finns could learn from foreign models. I have some good sources collected also about this, but this material needs to be complemented, read and interpreted with these questions in mind; 3) individual biographical material, like business managers' memoirs and material from Finnish National Biographies can occasionally be illuminating; 4) possible material from foreign companies. This is the most challenging material, as these exporters of them have left very little – if anything - behind. From the latest period 5) interviews could be carried out. Moreover, I will also look at the organization of top management in early multinationals in Finland. Did they employ Finnish nationals or brought in heads for their subsidiaries from the mother company?

### *Concluding remarks*

In the case of Finland, it has been argued that the opening up of the markets to foreign firms and FDI in the 1990s had favourable 'spillover' effects also on Finnish firms. Foreign owned firms were more productive and were more profitable than domestically-owned and the competition they brought with them had positive effects on the Finnish firms.

Until the 1990s their role was overall quite small, but although rare, we can note that some single multinational companies (in Finland, but mostly abroad) appear to have been quite important as employers of young ambitious Finns already at an early stage. Thus, it could also be asked if they were - or at least considered to be - a 'breeding ground' or 'greenhouse' with respect to skill formation. Although few in number, it does not mean that their role was negligible, but the influences on management and managerial capabilities call for a deeper investigation.

Furthermore, was the strong narrative claiming that internationalisation required new competencies correct? Has Finnish top managers' skills and profile undergone significant changes since the opening up of Finnish borders to free capital flows? And have globalisation and global influences made them become more and more alike managers in other countries?

Managerial background and career and recruitment patterns have indeed shown some tendencies to converge, but international, comparative studies also clearly show that there are prominent national characteristics in the managerial profiles as well.<sup>46</sup> Management and managerial training, recruitment and career patterns are indeed deeply embedded in the institutional and historical environment. Finnish managers in 2004 looked, after all, very much alike Finnish managers in the inter- and post-war period. The typical Finnish manager up until today had a domestic professional education – on master's level - and then filled up with international experiences and additional studies. The few foreign born managers' educational background could, obviously, look a little different. Local educational traditions, thus, seem to have been strong.

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<sup>46</sup> Cassis 1997; Amdam (ed.) 1996. For a recent discussion on international variations in managerial practices, see Bloom and Van Reenen 2010.

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