

# **Keeping Good Companies:**

## **A NORWEGIAN ARTISAN ELITE MAKING A LIVELIHOOD**

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PhD (Management)

London, 2010

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Keith Postler, 23<sup>rd</sup> September 2010

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## Abstract

The thesis examines the establishment of an original business model and the institutions which enable and perpetuate it. An alliance of elite Norwegian artisan builders and interior designers develops the model in catering to a market of bespoke manufacture for Norway's elite. The thesis argues that the originality of the model derives from the artisans' creative use and adaptation of institutions in the Norwegian Welfare State and its business and local environment, forming a distinctive entrepreneurial lifestyle that results in a thriving network of companies and in the achievement of 'the good life'.

Drawing upon literature that posits the intertwining of social and economic activity, the thesis identifies and analyses the part played by artisans' families, associates, friends and firms engaged in making a livelihood. A dual economy characterises the functioning of these units: capitalist market exchange and closed market exchange. Two social codes govern closed exchange, one for the alliance, the other for its clients, with whom the artisans develop the institution of 'friends' and 'family' central to how the artisan network creates its wealth and well-being. The social codes regulate the network's entrepreneurial expansion and its limits by economies of scope rather than scale. This business model of keeping good companies departs from capitalist models of growth and the model of *homo oeconomicus*. Rather, lifestyle, 'the good life', structures the network's making a livelihood. This new finding contributes to an understanding of, and impetus for research into, accounting, business models, business strategy, entrepreneurship, innovation, international business, marketing, organisation, creating wealth and well-being, craftsmanship, and interdisciplinary research method.

The visual and manual orientation of the craft workers warranted several methods of research: statistical measures, silent and semi-participant observation, cognitive linguistic analysis, and what one might call 'research conversation'.

## Acknowledgements

I owe my greatest and irredeemable debt to Professor Martha Mundy, Department of Anthropology at LSE, for overall supervision of this thesis far beyond the call of duty.

The Department of Social Anthropology at my *alma mater*, the University of Oslo, contributed to my thinking during fieldwork for this thesis. I consulted Professor Fredrik Barth six times during my initial fieldwork. Professor Aud Talle granted me permission to participate in her doctoral seminar on Readings in Contemporary Ethnographic Writing. Visiting Professor Juliet Corbin's course in Grounded Theory put to the test interpretation of my data. The Norwegian School of Management welcomed me back to participate in their doctoral seminars Qualitative Methods: Data and Analysis (under Professor Svein Andersen) and Innovation Management and Entrepreneurship (under Professor Tore Bakken).

LSE provided a grant throughout my research and appointed me to teach and examine under- and postgraduates in four of its departments: Accounting and Finance, Management, The Methodology Institute, and Statistics. These opportunities supported my cross-disciplinary orientation to research and teaching. Contact with coordinators for these courses—Professor Alnoor Bhimani (Accounting), Dr Jouni Kuha and Professor Colm O'Muircheartaigh (Statistics), Professor Peter Abell and Dr Raphael Gomez (Management)—strengthened my cross-disciplinary direction.

I would like to thank the anonymous artisans for making this research possible.

Attila Marton, doctoral candidate in LSE's Information Systems and Innovation Group of the Department of Management, contributed timely expertise as an IT consultant.

Rodney Mantle, MA (Oxon), a native-born Londoner, afforded companionship on country walks.

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## List of Abbreviations

BI	<i>Bedriftsøkonomisk institutt</i> The Norwegian School of Business Administration
CEO	Chief Executive Officer
CUP	Cambridge University Press
ed	editor(s)
FT	Financial Times
GINI	Gini coefficient
GCR	Global Competitiveness Report(s)
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
HDI	Human Development Index
HDR	Human Development Report
HGV	Heavy Goods Vehicle
INSEAD	<i>Institut Européen d'Administration des Affaires</i> European Institute of Business Administration
MBA	Master of Business Administration
MP	Member of Parliament
NGO	Non-Governmental Organisation
NOK	Norwegian Kroner (Crown)
OECD	Organisation for Economic Co-operation and Development
OUP	Oxford University Press
PCO	Public Carriage Office Chauffeur Licence
PE	Private Equity
PPP	Purchasing Power Parity

**SMB**      **Small and Medium-Sized Business**

**SWF**      **Sovereign Wealth Fund**

**UN**      **United Nations**

**UP**      **University Press**

**VAT**      **Value Added Tax**

**WEF**      **World Economic Forum**

**WDI**      **World Development Indicators**



# 1 'The Good Life': The Lifestyle of a Journey

The firmament showeth his handiwork. Ps. xix.1.

As the little siblings of famous corporations, small businesses typically attract wider attention when they 'grow up'. The media, in particular, lap up stories of up-and-coming entrepreneurs who, after starting small, 'make it big-time' and expand into lucrative big business, or 'make it rich'. Such an entrepreneur may stay with their company and retain the wealth they have created or else 'cash out' to a leading corporation which buys out its junior.<sup>1</sup> In either case, the media often put the spotlight upon the entrepreneur: the wealth created can capture the public imagination. The financial media follow the relative sizes of firms and their buy-out power in the world of business. The wider media then pick up and sensationalize the story of the entrepreneur made good—as the one who gets rich—despite the relative economic and social importance of small and medium-sized businesses. The story attracts interest, too, as a potential force for changing the status quo. In profiling an entrepreneur, a story identifies a person who shapes the world of business and influences society at large.

Such contemporary stories generally feature start-ups in nanotechnology, genetics, biomedicine, and energy. Familiar, routine almost, they hardly raise comment in and of themselves: they are one of the commonplaces of a so-called open-market system. For the public, the interest lies not in that they happen but to whom they happen and upon what scale. The pathways of these stories - and their twists and reversals - find expression in a series of oppositions that have become so familiar that we barely stop to

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<sup>1</sup> Cash out: to convert noncash assets to cash. The Merriam-Webster Dictionary Online dates this usage to 1971. Accessed July 2000

Q.v. Financial Times (London, England), July 9, 2001 Monday, Surveys MAM1; Business as usual after boom and bust; SURVEY-MASTERING INVESTMENT,p10:... Venture capitalists have to cash out before their partnership expires.

question them. They show an opposition between big business and small business, between an enterprising founder and large corporate manager, between modest wealth and - in current media cant in such stories - ‘serious’ wealth, and between junior, adolescent businesses and fully-grown, adult ones.<sup>2</sup> A dominant narrative opposition in the story is that of *small/large* - in terms of business size, ambition, wealth, and growth - and it is summed up in the cliché ‘from rags to riches’.<sup>3</sup> The media’s fondness for this overarching story has the effect of unduly distorting the way in which business deals are customarily done.<sup>4</sup>

Such a story from the real world becomes a myth as well as a reality, but in a neutral sense, in that myths supply ways of comprehending experience: they give order to lives and are necessary for making sense of what goes on around them.<sup>5</sup> However, the degree to which people recognize stories as myths varies, because with constant repetition one may not think of them as anything special or noteworthy. They become second nature and fade from reflective awareness by their very familiarity. In everyday behaviour, one

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<sup>2</sup> For the flavour and context of the phrase ‘serious wealth’ cp. e.g. Financial Times (London, England), Weekend Edition, London Edition 1, p9, Saturday June 23,2007: Richard Donkin heads for Norway in search of a very big prize. Vide The Times (London) Features, p16, Monday September 10,2007: Money Changer. The Nexis database’s earliest citation of the phrase is PR Newswire, September 30, 1985, Monday, DATELINE: BOSTON.

<sup>3</sup> U.S. Multinationals See Jump in M&A Activity Over Next Two Years: Nearly 70 percent expect to make deals, PricewaterhouseCoopers Finds. Barometer Surveys, Management Barometer, PriceWaterhouseCoopers, NY May 21,2003

See, for instance, Dagbladet Pluss, kultur, 24. des. 1999, byline Per Thorvaldsen, Et liv i sus og dus forbruk (accessed at

<http://www.dagbladet.no/tekstarkiv/artikkel.php?id=5001990070361&tag=item&words=kjell%3Bing%3Br%F8kke>).

The tabloid Dagbladet, Norway’s third largest newspaper, carries human-interest stories, such as those highlighting the ambition and wealth from making good in business from initially ordinary circumstances. In its archive for year 1999, for instance, it carried 470 articles alone focussing on the entrepreneur Kjell Inge Røkke (Dagbladet’s archive, accessed at

<http://www.dagbladet.no/tekstarkiv/index.php?string=kjell+inge+r%F8kke&tag=item&created%5B%5D=19990101&created%5B%5D=20000101>).

<sup>4</sup> The replays and continual new series of Dragon’s Den on BBC Two is a case in point, as is its extension into a new TV programme Dragon’s Den Online.

<sup>5</sup> Barthes (1957)

brings such stories into play more or less automatically, without thinking. Thus an important characteristic about myths, as in the stories under discussion, is that people are not normally aware of them; they take them for granted, they go unnoticed. Another important quality of myths is that what they highlight necessarily downplays, omits, or hides other stories, or parts of stories. In other words, the presence of myth is often veiled. Such omissions pertain to smaller firms, where more does not always mean bigger. Indeed, what these media stories underplay is the inherent interest of small firms that remain small.

According to the myth, small firms are bit players in the story, viewed merely as boring subcontractors or suppliers, or even worse, as failed businesses doomed to be consumed in some future merger.<sup>6</sup> In reality there are a variety of good reasons why small companies remain small. Most obviously, this is because they lack the capital and funding, as well as the managerial, technical, and marketing expertise to expand. They are not, in short, in a position to cope with factors such as Porter's Five Forces (the threat of entry; the pressure of substitute products; the bargaining power of both buyers and suppliers; and rivalry among existing competitors) that prevent them from realizing a competitive advantage that would allow them to progress from a 'small-time' to a 'big-time' business.<sup>7</sup> This lack, however, is not notably the case in the network of small firms that forms the unit of analysis in this thesis. The thesis explores (1) bespoke manufacturing in the luxury interior design market; (2) an ethos of making a livelihood that nevertheless keeps the network of firms small; and (3) why the usual reasons for typical non-expansion do not always hold for this group of firms. I argue

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<sup>6</sup> Most mergers and takeovers fail:

Habeck, Max M., Kröger, Fritz., and Traim, Michael. 2000

How To Merge: After the deal. *The Economist*, January 9<sup>th</sup> 1999:21-23

CEO Overconfidence and the Urge to Merge. *Knowledge@Wharton* newsletter, Wharton Business School, 27/02/ 2002

Christofferson, Scott A., McNish, Robert S. and Sias, Diane L. Where mergers go wrong. *McKinsey on Finance*, Winter 2004:1-7

<sup>7</sup> Porter 1979

that the apparently offbeat way in which the group goes about making a living, one linked to its lifestyle, is one of the factors that explain the dimensions of the network in addition to such factors as Porter puts forward.

This thesis explores the unexpected ways in which craftspeople—related by consanguinity and affinity—in a small affiliated network of successful and in large measure publicly anonymous businesses in the luxury interior decoration sector create their own way of making a livelihood among Norway's elite, to which these craftspeople themselves belong.<sup>8</sup> It demonstrates that their way of making livelihoods is complex, and crucial to interpreting the form of unconventional organization that in good measure suspends a conventional separation of work and non-work. I argue that the particular form of emergent organization this set of businesses develops suspends a constraint to enlarge: the businesses as a group reach a state of equilibrium while retaining the capacity to expand or contract. The thesis focuses on understanding, in terms of *gestalt*, the type of day-to-day activity and interaction of the group's various members and their development of an emergent experiential knowledge and skill in organization.<sup>9</sup> In turn, this understanding contributes to explaining the competitive advantage of the grouped businesses and why other reasons for expansion do not necessarily come into play.

A central issue in the group's building-up and sustenance of its livelihood is that its success has been achieved through an accommodation between factors or priorities that may at first seem at odds: those of craftsmanship, of operating in a competitive market environment, and of leading 'the good life'. This issue is important because the market in luxury goods is expanding worldwide.<sup>10</sup> The current investigation contributes to an

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<sup>8</sup> Affinity: The relationship created by marriage between a husband and his wife's blood relatives or between a wife and her husband's blood relatives; Martin and Law ed 2006

<sup>9</sup> Gestalt: an organized field of specific properties that can not be derived from the simple summation of its component parts; a unified whole.

<sup>10</sup> The World Market For Luxury Goods: Executive Summary, Key Trends, Euromonitor Report, 1 Nov 2001, Euromonitor International

awareness of how such goods come to market in the first place by means of a special form of exchange that helps shape the group's organisation. It is also important because as an ethnography of entrepreneurship, organisation, and marketing it offers a detailed case study that falls within three categories that admit of generalisation: that of producing and marketing luxury goods, that of making a livelihood and creating wealth, and that of creating interior designs and exercising craftsmanship. Furthermore, the investigation of this artisan group is important because its activity has power-political and ethical implications. Unlike the dominant story of small firms going from rags to riches in the public limelight, this network of firms and its clients operate behind the scenes, avoiding public exposure (although the companies do appear in the Company Register of Norway, to be looked up by those in-the-know). The network puts into place a way of attracting select customers largely by devolving this undertaking upon its clients, who market the firm restrictively by word-of-mouth, but only on certain conditions which the ethnography later describes. This distinctive form of marketing preserves the closed nature of the network despite the firms' publically visible store fronts. The thesis will make clear that the group's public anonymity is a consequence of its business model. Thus the thesis focuses upon the social order amongst its participants that preserves the anonymity necessary to perpetuate their business and their way of life and earning a living.

#### **A Different Story: Research Focus and Conceptual Framework**

The story of the elite artisan network is one of a JOURNEY, but it is not one of rags to riches: the JOURNEY moves from the rich to the richest. It is also one of starting SMALL but of not growing LARGE. This study is, for that reason, devoted to the research question of why this group of elite artisans in Norway

thrives with its particular model.<sup>11</sup> This study attempts to enrich our understanding of how social and kinship ties shape the economic motivations and actions of members of the artisan network. A central task of the thesis is to describe and analyse how making a livelihood within the network creates its own emergent organisation and how institutions of the Norwegian Welfare State contribute to the development of the network's organisation, so placing the social code that supports the network's making a livelihood in the context of its own business model and that of the capitalist welfare state. An investigation of this network also seeks to show how the network members' ethos of making a livelihood leads to 'the good life'. This aspect of the thesis thus raises further research questions:

- i. What does 'Making a Livelihood' as a way of achieving 'the good life' mean to the group of artisans, and how does it relate to the development of their preferred business model?
- ii. What kind of entrepreneurship does the network put into practice and why? Why does it create a semi-closed market?
- iii. How do institutions of the Norwegian Welfare State and the business environment within which the network exists favour the network's creation of wealth?
- iv. How does the network institute an emergent social code to coordinate, control, and integrate its working and non-working life?

Each of these areas implies further questions that are addressed in the thesis and an inner logic will be seen to connect the four questions. Living 'the good life' - following a lifestyle - in making a livelihood occupies the energies of the networkers and leads to the creation of wealth through their business model (research question one). In making their livelihood, the network's members

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<sup>11</sup> This model departs from *homo oeconomicus*. *Homo oeconomicus* (universal economic man): refers to the neoclassical portrayal of economic agents or individuals as rational actors who maximize their profits or welfare in the marketplace. ...individuals possess complete and fully defined preferences, or tastes, perfect information, and no limit to their abilities to calculate advantage and disadvantage. ...*Homo oeconomicus* is a stylized ideal, defended as an element of economic modelling not on the presumption that individuals really do behave so precisely, but that their learned behaviour over time approximates that of the rational economic actor. See Calhoun, ed 2002

draw upon and benefit from the resources of the Norwegian welfare state and the traditions of the Norwegian business environment (research question three). Through the interaction of its members' backgrounds and circumstances as pertaining towards making a living, the network develops a social code that directs its socioeconomic organisation (research question four). This socioeconomic organisation enables it to engage in serial entrepreneurship, while at the same time circumscribing the networkers' way of life according to the components of their lifestyle (research question two).

The research focus of this thesis directs attention to conceptual frameworks pertinent to answering the questions posed. In one tradition of economic anthropology, Károly Polanyi provides an inclusive framework for investigating livelihoods. He takes the argument linking society and economy forward by means of the concept of livelihood in order to investigate and differentiate the nature of markets.<sup>12</sup> The concept of livelihood is a theoretical keystone for him because the term allows for linkages between an economy in some shape or form in a society and its other institutions.<sup>13</sup> Polanyi uses the term livelihood to avoid generalizing the framework of heavily market-organised economies to other or all economies.<sup>14</sup> This use of the term permits accommodation of both market-oriented societies that Polanyi considers 'ours', i.e. capitalist market economies, and those that are not.<sup>15</sup> Besides enabling generalisation across different societies, the concept of livelihood, as Polanyi sees it, allows one "...to formulate the problems of livelihood in terms fitted as closely as possible to the actual features of the situation in which we operate."<sup>16</sup> Thus his concept of livelihood is suited to illuminating the way social and kinship ties shape the economic motivations of members of the

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<sup>12</sup> In the posthumous work by Polanyi 1977[1954]

For Polanyi, see Gaillard, Gérald 2004

<sup>13</sup> Polanyi 1977[1954]:xlv. He most famously stated this linkage in his chapter *The Economy as Instituted Process* in Polanyi, K et al 1957:243-269.

<sup>14</sup> Polanyi 1977[1954]::xl

<sup>15</sup> Polanyi 1977[1954]::xl

<sup>16</sup> Polanyi 1977[1954]:liv

artisan network to make their living. I use this concept in a new context: Polanyi applied it only indirectly through the linkage of economy and society in historical markets.

The cognitive framework of George Lakoff and Mark Johnson aids in deepening an understanding of the network's making a living through their formulation of what they term *conceptual metaphor*. Lakoff and Johnson demonstrate that metaphors in languages can reflect the conceptual system of its speakers: human thought processes are metaphorical.<sup>17</sup> Early experience of spatial and other relations gives rise to metaphor in the language one learns. Because metaphors constitute people's conceptual systems, their thinking, experiencing, relating to others, and everyday activity is a matter of metaphor. That experience is so neurologically ingrained that people remain largely unaware that they think, speak and act through metaphors.<sup>18</sup> For the formation of the network's distinctive social and business organization to be possible, a common cognitive framework had to arise and develop by which the group created the organization to make its livelihood. Lakoff and Johnson provide a framework that helps in analyzing cognitive patterns of the people in the network.

A metaphorical framework is important because 'making a livelihood' is, in Lakoff's terms, a conceptual metaphor: the word 'make' normally refers to physical objects; one does not talk of 'making' an idea, for instance. 'Making a livelihood' is an overarching metaphor which subsumes certain conceptual metaphors found in the network which connect three conceptual domains that the people of the network experience themselves as living within: namely (1) the wider economic arrangements of the capitalist Norwegian welfare state; (2) the sphere of the family; and (3) the firms in the circle. An investigation of the

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<sup>17</sup> Lakoff and Johnson 1980:xi

<sup>18</sup> For the study of physiological grounding of and evidence for metaphors that Lakoff and his associates inspire see Katz [et al.]1998 and as an example of more recent work Rohrer, Tim, Image schema in the Brain in Hampe ed 2006 which specifically explores the evidence from cognitive neuroscience and cognitive linguistics for the neural underpinnings of image schemas.



common metaphors in each of the three domains helps explain how the artisans come to organise their lives.

The anthropologist Stephen Gudeman sets up a framework for modelling livelihoods in terms of metaphor.<sup>19</sup> Like Polanyi, he aims for his framework to be universal and capable of framing livelihoods in any culture, without partitioning off an economy from other institutions of a given society:

...economies and economic theories are social constructions. The central processes of making a livelihood are culturally modelled. [...] constructions of livelihood are metaphors or extended metaphors. The activities of livelihood are enacted through a symbolic scheme which is drawn from known features of the social world.<sup>20</sup>

Lakoff and Johnson's presentation of metaphor suffices, as it deals with examples from modern Western culture. Although Lakoff and Johnson and Gudeman do make universalist claims for metaphor, these claims go beyond the scope and purposes of this thesis.

Gudeman also ties a dual economy into his framework of metaphor, and in doing so sets the scene for exploring the type of culturally grounded economic activity that this thesis investigates.<sup>21</sup> To argue for his model of metaphorically based dual economic activity, he analyses the Mistassini Cree, North of Montreal, Canada, whose model of economy in summer matches a market economy in which "...the Cree live in villages, earn wages, eat food of the white man, and observe Christian rituals. In winter they disperse into smaller groups, capture game which serves as their primary foodstuff, and practice traditional Cree rituals." Their livelihood then follows a subsistence economy, which is structured according to a metaphoric relationship between humans and animals. Gudeman's argument for the universality of livelihood models suggests that exploring the suitability of the dual economy model for a group of people, the artisans in the so-called highly developed society of Norway, to be a fertile pursuit.

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<sup>19</sup> Gudeman 1986

<sup>20</sup> Gudeman 1986:viii,vii

<sup>21</sup> Gudeman 1986:148-150: Chapter 8, Metaphors, Models and Reflections, Bemba, Bisa and Cree.

The conceptual framework of the economist William Lazonick, like that of Gudeman, also helps make sense of the network's making a livelihood in terms of a dual economy: that is, its own business model within the economy of the wider capitalist welfare state.<sup>22</sup> Lazonick argues that the capitalist market economy does not exist in any pure form; rather, a variety of exchanges involving various degrees and kinds of social dealing occur in a market economy.

The work of the anthropologist Michael Stewart takes us a step forwards from the approaches of Polanyi, Gudeman and Lazonick in understanding the social code of the artisan circle. He frames his study of the Harangos Rom Gypsies in Hungary in terms of the concept of livelihood, but with an eye to the links of society and economy, of metaphor, and of the dual economy in a way that recalls Polanyi, Gudeman and Lazonick respectively. In particular, Stewart's study uncovers a social code which informs the livelihood and dual economy of the Rom. His treatment of social code provides the foundation for making sense of the principal focus of this thesis - the social code that supports the artisan's network - and his notion of social code is helpful in showing how the network creates an emergent regime that coordinates, controls, and integrates its working and non-working activity.<sup>23</sup> The social code of the network encapsulates the cooperation that the network institutes in its making of a livelihood. Stewart's secondary contribution to this thesis is that he develops Polanyi's concept of livelihood in a study of a contemporary European social group that offers an applicable parallel to the Norwegian artisans.

Furthermore, Stewart's introduction of a social code to explain the integration of the Rom's social world with its economic activity introduces a more holistic concept that the similarly long-standing but more restricted concept of routines within the discipline of management lacks. While the

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<sup>22</sup> Lazonick 1991

<sup>23</sup> Chapter, Sons of the Market in Stewart 1997

In this thesis a distinction is maintained between coordination and control in line with standard management usage.

concept of routines has not to any significant or informative degree been applied to networks, one nonetheless needs to keep it in mind as a point of reference, and it therefore requires attention.

The concept of routine might seem to address the question of how the network institutes order so as to coordinate, control and integrate its working and non-working life, and yet routines as they appear in management literature deal only with working life and tend to centre on functions in a firm that lie outside high-level management, i.e. only those operations in a firm which are subject to routine.<sup>24</sup> The concept initially posed a problem by imposing rigidity: routines could obstruct the performance of work as well as enable it.<sup>25</sup> Scholars redress this theoretical impasse by arguing that people's reactions to the results of earlier reiterations of a routine make routines a source of flexibility and change,<sup>26</sup> and it is this revitalised concept of organisational routine that fits with an understanding of organising as an ongoing accomplishment, and therefore with the emergent quality of the artisan network's way of creating order. The retread of the concept of routine leads no further than this: even this revamped concept of routine only extends to parts of a firm's organisation and does not link social with economic activity. The concept of routine does not entail a social code; a social code entails the concept of routine. The final point that favours using the concept of a practical social code in place of the concept of routines is that the latter concept has no adequate definition and therefore falls short of having theoretical cogency, while one can more readily characterise social codes, lending them more utility as theoretical tools.

The conceptual framework of the economist Yoram Ben-Porath adds a dimension to understanding economic activity by providing an explanation of wealth creation in terms of the social aspects of organising exchanges. One notes here his Polanyian assumption, outside the realm of *homo oeconomicus*, of the inseparability of social and economic activity, which the title of his

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<sup>24</sup> Stene 1940:1129

<sup>25</sup> Feldman 1983; published as Feldman 1989:111

<sup>26</sup> Becker 2004:6,643-678;Feldman 2000: 611,611-629;Feldman and Pentland 2003:102,94-118

article *The F-connection: Family, Friends, and Firms and the Organisation of Exchange* flags up.<sup>27</sup> To these 3 'Fs', I add a fourth 'F' - for Funding - because it also plays an integral part in the organisation of exchange. This conceptual framework of four Fs breaks down the overall concept of securing a livelihood into four themes that are explored in the ethnographic section of the thesis.

Finally, modern political economics provides a conceptual framework for investigating the role of the capitalist welfare state in creating wealth, through the statistical testing of hypotheses concerning social indicators and a state's level of economic achievement.<sup>28</sup> International organisations, NGOs, national bureaux of statistics, and researchers in political economics use this framework to track the success of states in providing for its citizens. Seven variables measure that success and help to position Norway as a successful modern capitalist welfare state. The salient markers of the Welfare State, i.e. a model of government in which the state takes responsibility for the comprehensive welfare of its inhabitants, includes (1) universal health care; (2) unemployment benefits; (3) education; (4) social insurance; (5) pensions; (6) defence and security, and (7) legal protection of human rights. These markers closely correspond to the seven variables that the economist Richard Layard identifies as the factors across cultures that affect one's happiness.<sup>29</sup> Six of them according to Layard can explain 80% of the variation in happiness.<sup>30</sup> This framework therefore lends itself as a suitable one for investigating the factors that promote wealth creation and achievement of the good life in Norway. These variables correspond to social and economic institutions, and the framework thus contributes to answering the research question of how institutions of the Norwegian Welfare State and its business environment

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<sup>27</sup> Ben-Porath, Yoram 1980:1-30

<sup>28</sup> Peter Burnham "political economy" in *The Concise Oxford Dictionary of Politics*. McLean, Iain and McMillan, Alistair ed.2003.

"political economy" in *Dictionary of the Social Sciences*. Craig Calhoun, ed. 2002

"social indicators": Easily identified features of a society which can be measured, which vary over time, and are taken as revealing some underlying aspect of social reality. Scott and Marshall 2005

<sup>29</sup> Layard, P R G (P Richard G) 2005:62,67

<sup>30</sup> Layard 2005:71

contribute to the development of the network's organisation and to its creation of wealth.

### ***A Note on Conceptual Frameworks***

The conceptual apparatus of this thesis draws together seven mutually compatible analytical frameworks: one linking society and economy bi-directionally; one of cognition (metaphor); one of a dual economy; one of 'F'-Connections; one of modern political economies; one of wealth creation and well-being; and one that favours a social code as a framework over one of routines. The result fills a gap in the scholarship of the organisation of groups that engage in economic activity. The method of the anthropologist Michael Stewart comes closest to filling this gap in that it deploys most of the approaches and integrates them; however, he makes only some of the approaches explicit while others lie implicit or receive less than full development in his presentation. In this thesis, I keep the conceptual framework above water in its entirety.

These approaches are all built on the basic axiom that social factors affect economic activity.<sup>31</sup> One can consolidate these frameworks into a unified approach because they are consistent with one another, and this has several advantages. First, as trends in scholarly modishness move on, a danger exists that significant results may lie moribund. If social science is cumulative, it needs to build on its results: profiling such an approach in this thesis should demonstrate its efficacy. Second, a consolidation provides the opportunity of testing the approach and later modifying it if required. Third, closely related frameworks appear in disciplines barely aware, or unaware, of each other's frameworks and their interconnection. Featuring this approach can contribute to the awareness of it in mainstream management study and an awareness of the relevance of the frameworks that comprise this approach, largely bypassed

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<sup>31</sup> Q.v. for instance Watson 2008. In Anthropology and Economic Sociology, the relation of social factors to economic exchange has been articulated in various ways, see e.g. Granovetter 1985, Callon 1998, Miller 2002, and Browne and Milgram 2009.

in management studies.<sup>32</sup> Likewise, higher profiling of this approach can make those in the field of anthropology and of economic anthropology aware of the contribution an integrated framework can make to the field of management. Moreover, featuring an integrated approach can also encourage scholars in the field of economic anthropology to build on earlier traditions in their own discipline.

### ***Structure and Research Questions***

Material relevant to answering the four research questions appears throughout the thesis. There is therefore no hard and fast match between questions and chapters. Nevertheless, one can indicate chapter counterparts to the research questions. The ethnographic and analytical material required to address research question one appears in chapters 2-3 and 5-10. For question two, relevant material occurs in chapter 5 concerning the institution of Friends, 7 concerning the semi-closed market, and 8-9 concerning entrepreneurship. Chapters 2 and 3 answer research question three, while Chapters 8-10 answer research question four. Chapter 10 points to the achievements that the lifestyle of the network enable and constitute. Chapter 11 concludes the thesis *inter alia* with an evaluation of the significance of the network's achievements in terms of a chain of cause and effect.

### ***Structure of the Thesis***

Aside from this introduction and the conclusion, the chapters of the thesis fall roughly into two parts: first the ethnographic chapters, then the analytical ones. This is an artificial distinction, as any description assumes an analytical viewpoint. The distinction here is a matter of emphasis: the analytical chapters focus to a greater degree upon analysis. The analytical chapters rest on the empirical foundation that the chapters of ethnography provide.

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<sup>32</sup> Introductions to management present, in Kuhn's terms, the basic and mainstream paradigm of management study. See, for instance, Schermerhorn 2010 and Kuhn 1996.

## **Ethnographic Chapters**

The next two chapters (2 and 3) draw upon the framework of modern political economics to describe the Norwegian business environment within the framework of the Norwegian Welfare State. These chapters highlight factors that have directly affected the possibilities and potential of the artisan group to develop its current organisation and 'The Good Life'. These two chapters also set the scene for the subsequent ethnographic chapters on the artisan group's constituent parts in chapters 4 (The Artisan Families), 5 (Network Associates), 6 (Friends of the Network) and 7 (Firms of the Network and their Evolution). These chapters explore the Polanyian assumption of the inseparability of social and economic exchanges that informs Ben-Porath's framework of F-connections—Family, Friends, and Firms. Chapter 4 sets out the preconditions the core families of owner-managers had for developing their businesses. Chapter 5 sets out the preconditions associates of the network had for joining up with the core families and their firms and explores why network members relate to each other in terms of associates not employer to employee. The categorisation 'associates' in this chapter signals one of the key features of the artisan network. The network creates its own categories for social interaction, combining social and economic relations in order that network members, as well as their clients, may lead 'The Good Life'. Chapter 6 explores 'The Good Life' in a description of the institution of Friends, the network's clientele, whose interaction with the network almost assimilates them into a kind of 'family'. The framework of conceptual metaphor explains how a concept of family is available for structuring 'Friends'. Chapter 7 lays out the two stages of the network's evolution as an explanation for the institutionalisation of exchanges that occur with Friends through the policies in the business model of one particular firm. The chapter delineates the benefits that accrue to this firm from the institution of its policies, which, as we see throughout later chapters, spread to other firms in the network. These ethnographic chapters establish the building blocks from which, in the remaining chapters, the emergent network goes about constructing its livelihood and developing a lifestyle for their version of living 'The Good Life'.

## **Analytical Chapters**

The remaining chapters, 8-10, analyse material in the more ethnographic chapters while at times introducing supplementary material to deepen the analysis. Chapter 8 analyses the network's approach to the two types of market in which it operates. The chapter moves from the institutionalisation of exchanges in Chapter 7 to explore the organisation of exchanges within the network and between the network and its clientele, showing that the organisation of these exchanges creates a market in terms of the conceptual framework of dual economies. The chapter explains how the creation of a semi-closed market bestows a corporate brand on the network. A case study of a court case illustrates the dilemma a Friend's infraction of the standards of the network market causes, and the case testifies to the need of the network to uphold the standards of the market that it institutionalised and that sustain its corporate image. Chapter 9, through the conceptual framework of social coding, analyses the sources and exercise of power that govern decisions in the network and in the coterie of Friends, through an investigation of five critical events in the evolution of the network. Four of these events stem from the ethnography of Chapter 6. The chapter demonstrates that the pivotal events contributed to the network corporate brand as an asset and a source of wealth for networkers. Through these pivotal events, in which the same particular firm has a decisive hand, a social code tacitly emerged that governs action in the network by means of six principles. We see here that the concept of routines limits an explanation of behaviour unlike the broader concept of social code. The chapter goes on to analyse how the six axioms of the social code act as a prerequisite for the network's serial entrepreneurship. The investigation of assets, corporate brand, social code and entrepreneurship carries into Chapter 10 where these components figure in the lifestyle of the network. Chapter 10 gathers the themes of previous chapters in a characterisation of the networkers' lifestyle and the achievements it enables. The lifestyle is seen to consist of sixteen components. The analysis also draws on the conceptual framework of conceptual metaphor in order to explain



network sources of lifestyle behaviour in the areas of work, well-being and creativity.

The rest of the present chapter outlines the reason for using ethnography as a way of understanding the artisans’ making a livelihood. This upcoming section on method outlines my deployment of methods appropriate to investigating an artisan alliance.

### ***Methods***

Although a chapter on method does not appear separately, matters such as the scope of fieldwork, investigator-informant relations, and the like also are discussed in the ethnography of the thesis at appropriate occasions. Even so, a few remarks follow concerning how the aims of the study tempered its method and how its method affected its results.

### **Raison d’être of Methods**

The ethnography attempts to document a circumscribed group and its social system (organisation); the artisan network is such a group. Ethnography aims to convey what people in a group do, i.e. cultural behaviour; what they make and use, i.e. cultural artefacts; and what they say, i.e. linguistic communication, in order to understand the group. One constructs an interpretation from the regular patterns in these domains. The main thrust of the thesis concerns gaining an understanding and interpretation of the motivations, actions, and activity in a group’s economic pursuits—that of making a livelihood as artisans—the mainspring of which depended upon close and long-standing social connections.

The three domains explored by ethnography (behaviour, artefacts, and communication) generate a holistic view of an entire sociocultural group and its social system. The social system can include the group’s history, religion, politics, economy, and the like. The activity of a contemporary artisan group offered an exemplary instance wherein economic activity unmistakably appeared to derive from institutional roots. The questions the thesis posed

concerning linkages between an economy and social organisation require a holistic view of a group's activity, the institutional basis of the artisan alliance.

The answer in anthropology to the question of the most robust procedure for discovering a group's ways of living lies in an ethnographer's experience of living in it. Mastery of the group's ways entails constant physical presence at the site of the group and immersion in its activities. These two primary conditions together, sustained participation *in vivo*, *in situ*, underpin fieldwork in ethnography and are unique to it. Ethnographic method suits the investigation of the nature of the artisan alliance's firms because the inferences drawn concerning the principles of alliance organisation, from studying the alliance in its natural setting, differ from standard management concepts of organising which remove the natural setting. By contrast, ethnographic fieldwork seeks to understand the point of view of the group studied. This characteristic arises because an ethnographer must discover the group's ways of living from its own point of view rather than that of the ethnographer. This particular characteristic matters for three connected reasons. 1) It is crucial for making new discoveries. Ethnographic fieldwork can do so because, in setting aside the social conditioning and preconceptions of the ethnographer, it comes closest to reporting social reality as a group lives and conceives it. 2) This feature is also crucial for testing theories. Should the native point of view match a theory from the literature of social science, one then has independent confirmation of the theory. 3) Moreover, this feature limits investigator bias by providing a result close to the representation of the social reality of the group in question. No other method replicates this characteristic of ethnography.

This thesis is an ethnography because it meets the standard canons for one: it treats the three areas of ethnographic investigation holistically and does so with reference to the native point of view through fieldwork of not less than one year's duration. The alliance of artisans constitutes, as the unit of analysis, a bounded group and thus fulfils the criterion of holistic study in treating an entire group. While treating the three aspects of an ethnography in relation to

the group, it does so chiefly in reference to the theoretical focus of the linkage between the economic activity of the alliance and its social formation and organisation. In placing the alliance in the context of the wider society of the Norwegian welfare state, the study incorporates ethnographic holism, but in its restriction to the social formation of the alliance's economic activity the thesis is a microethnography.

Ethnographic method in this thesis is thus a core means of establishing the degree to which, in what ways, or whether, a connection between economies in a society and society itself holds true. The investigation of the nature of this linkage, which the aims and research questions of this thesis address, rests upon one case (the unit of analysis of which is an alliance of artisan firms). The results of the study, nevertheless, do not rely exclusively on the study of one artisan or artisan firm. The inclusion of a number of firms in alliance provides a circumscribed opportunity to explore closely the variation in the nature of the linkage between economy and social organisation in the firms of the alliance. Again, an ethnography provides the scope to carry out such an exploration.

In-depth lengthy fieldwork performance furnishes a better and different insight into the conduct of business-in-context than do other methods. It does so because it captures more of a context than other methods can, therefore furnishing better and thus different conclusions. In this study the method sheds light upon the alliance group's own construction of its organisation, facilitating the discovery of two social institutions that underpin its economic activity, one of which is new, the other a confirmation of a previously documented instance. The method also demonstrates economic embedding in social institutions.

Other methods could support an investigation of the artisan circle at the expense of sacrificing the holistic and native point of view, both unique to ethnography, that supply the *raison d'être* for investigating the theoretical

issue of coupling an economy with the social structure that embeds it. Other methods reduce the prospect of realising the contribution to interpretation and theory that the holistic and native point of view enable.

### **Eliciting, Recording and Presenting Data**

Because clauses in the insurance contracts of network firms apparently ruled out participant observation in the strict sense of the word, two elicitation techniques held sway: silent observation and what I dub 'the guided research conversation'. Silent observation consisted in the main of observing people and their interaction, places, and the interaction of people and places, in the firms of the network and in clients' dwellings in the course of networkers' work in them.

Silent observation, conducting observations solely as an observer, does not stand in total opposition to conducting observations as a participant (participant observation). The distinction is a matter of degree in that one observes the group and can become a participant in the setting. The silent approach suited those occasions in which networkers were going about their business—either in discussion with clients, otherwise engaged with woodworking equipment or in a production phase, or in group discussion as at meetings, at lunch and breaks. The other technique consisted of picking and following up a lead in a natural conversation or in a silent observation that might illuminate any of the four research questions, or, more generally, the focus of the main question of the study or its aims.<sup>33</sup> The main question was why this group of elite artisans in Norway thrived when its business model seemingly contradicted capitalist models of growth and a model of people acting as a contemporary version of *homo oeconomicus*.

Informally, nevertheless, a networker's interest in skis gave me an opportunity to make a pair of wooden skis on the shop floor, as well as two knives. Because I had practical artisan skills, this opening helped me win the confidence of the networkers; in their eyes I knew what I wrote about. I

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<sup>33</sup> This technique closely parallels the conversational interview that occurs in Fog 1994

looked upon this activity as semi-participant observation. Gradually the matter of insurance receded into the background: as long as the firm's owner-manager, Helge, was on the shop floor, no restrictions were put on me. I also helped a few times with floor surfacing to understand the innovative surfacing process of one particular network firm. The joinery owner gave me the keys to the workshop so that I could work there alone on weekends if I wished or use the office. The owner did this as a sign of trust, of friendship, of wishing to insure that I gained a good idea of their work, and of wanting to expedite my investigation.

Two techniques for recording data prevailed. One I dub 'unabridged recall accounts' of my research conversations in Norwegian with informants or just those among informants when I observed silently. On the basis of handwritten or occasionally laptop field notes, I reconstructed what informants and myself said and did, unabridged and by nightfall the same day.<sup>34</sup> In the thesis, the reconstructions of speech appear translated into colloquial English, excerpted, but not rearranged, for the purpose at hand. Aside from recall speech accounts, I kept field notes of daily observations in bound volumes, noting place, time, setting, events and participants. To these I added comments upon the substance of the observations. These principal means of eliciting and collecting data sprang from the imperative of pursuing a holistic view, which entails collecting holistic data. As I have argued, one requires in-depth fieldwork for such data.

The elicited and recorded data date from (ethnographic) fieldwork undertaken for eighteen consecutive months, all of 2000 and into 2001 in Oslo, the capital of Norway. A workday alternated between production at a firm and a trip to ongoing work or installation at a client's dwelling. Typically, I spent weekdays from 07:30 in the morning to 17:30 – 18:00 hours early evenings at the firms and in the dwellings of clients. Some days lasted well beyond 20:00 hours because clients had come home after work and wanted to speak with

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<sup>34</sup> This technique brings to mind that of Yanagisako 2002:196.2, where her speech accounts, however, derive from interviews.

Helge concerning a job about to start or in progress. I spent weekends alone at the workshop office, or at premises which the Department of Anthropology at the University of Oslo kindly put at my disposal, writing up and reviewing field notes for the past week. I also reviewed these notes in terms of their sufficiency to answer the research questions and pondered upon situations I might need to observe or that could lead to conversations for exploring the research questions.

A day mainly followed two patterns. In the first, Helge picked me up mornings in his work van at my flat in the Frogner district, where I loaded my bicycle, and then we drove to a job at a client's place, stayed there no later than 16:00 hours, when we drove to the workshop complex to do paperwork, hear the foreman Geir report on any matters he hadn't had a chance to air by mobile with Helge, and/or sit, smoke, and chew the fat. If I did not bicycle back home, Helge dropped me off there, only a few minute's drive from his own flat. Convenience dictated this pattern: we went straight to work at a client's in the Frogner area, Bærum, or western side of Oslo. The second pattern reversed the first in that we started out at the workshop complex, where we might be a half day or more depending on work-in-progress, then out to the client's place, and return to the workshop or return home directly from the client's location.

All names of firms in, and members and clientele of, the network are pseudonyms in line with my assurance of anonymity to informants. Consequently I thank but cannot identify them. Precise locations of network firms likewise remain anonymous.

## **Methods and Results**

Two aspects of the nature of artisanship affect the choice of methods for its investigation: craft training and artisanal pride. These traits of craftwork affect method for investigating artisanship generally and in this study.

The training of artisans proceeds through a predominately non-verbal and visual process: one learns an artisan skill by doing it, by hand and eye as it were, by trial and error, and by observation of a master craft worker. The

difficulty of describing what goes on in the exercise of a skill stands in the way of providing exacting enough written instructions for any skilled operation. This difficulty is the reason for apprenticeship. The provision of detailed description required to master an artisan skill would be overwhelming, and therefore one only learns through hours of practice. One estimates about 10,000 hours practice for full mastery. By training, therefore, artisans primarily convey what they do and why through demonstration rather than verbalisation. One suspects that artisans who can convey their artisanship with the accompaniment of explanation are in the minority. This feature of artisanship virtually rules out surveys and interviews as methods to investigate craftwork. Questions on craft worker occupation through survey methods and interviews are alien and off-putting to a craft worker, and their perception of such questions as alien stems from craft training being the communication of craft skills by demonstration rather than verbal or written explanation. Because questions on craft processes invite incomprehension on the part of artisan respondents, questionnaires and interviewing have limited worth. Besides incomprehension, discomfort may attend filling out a questionnaire or undergoing interview for a craft worker. Craft workers are used to making and interpreting plans and drawings rather than making formulations in writing or responding to questions outside the context of practical ongoing work. The written part of examinations for master craftsmen attracts hostility, in contrast to producing the masterwork for presentation before taking the written examination. Oral examination does not form any part of craft examination. Pride of craftsmanship also limits the usefulness of a questionnaire. Top-notch craft workers are not inclined to reveal, in the medieval phrase, the mystery of their craft to the uninitiated. The violins of Antonio Stradivari remain an example to this day. Craft workers will communicate with and may allow sustained access to those whom they judge as worthy peers. However, this communication will only exceptionally take an expository form.

The ethnographic method of observation, however, fits into procedures familiar in an artisan's training. Because artisans learn through observation, they find observation by an ethnographer an unremarkable and natural way

for the ethnographer to understand them. The method of research conversation also fits in with the background of an artisan's training. Questions posed on current and concrete work also appear natural to them because such queries arise in relation to a process in a concrete situation rather than in relation to an abstract situation that has no connection to ongoing work. In this context, artisans are therefore more inclined to respond and are capable of doing so without the embarrassment of not knowing what to say and thus saying something merely to please an interviewer. These considerations thus determined the choice of observation and research conversation as the methods most likely to yield useful data.

This characteristic communication of artisans affected the verbal elicitation and collection of data and thus the method in this thesis of interpreting the activity both within the group and in its activity in relation to its clients. The next paragraph explains the difference in technique.

Ethnography traditionally analyses language usage in a group to elucidate its social and economic organisation. I include extracts of research conversation dialogue in natural settings as a technique for understanding the group. Yet as the communication natural to the artisans pointed towards a visual orientation, I chose to highlight language patterns otherwise common in the Norwegian language. This serves the objective of showing from what source the artisans could draw and shape their conception of artisanship and the institutions they shaped around it, and to what purpose they did so. The exponents par excellence of cognitive linguistic data collection and analysis are Lakoff and Johnson, referred to earlier in the presentation of frameworks above. We may now turn to the topic of the soundness of the ethnography.

## **Verification**

Sanjek has proposed three **canons of validity** by which one may evaluate ethnographic writing. Although these are not exhaustive, they are basic.<sup>35</sup>

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<sup>35</sup> Sanjek 1990:393–404



The first is theoretical candour, meaning the openness with which the ethnographer addresses both significant and local theories that structured the fieldwork. The beginning of this chapter has identified the analytical frameworks. The second canon calls for clarity of method: from whom the ethnographer obtained information, in what ways, and the relationship of informants both to the wider population the field observation study concerns and to each other. Chapters 2-7 exemplify this canon besides the discussion of method earlier in this chapter. The third canon concerns the evidence of the field notes, i.e. the relationship of notes and records to the written ethnography. Some ethnographies make use of field notes directly and copiously; others, for rhetorical or narrative purposes, do not, and need not. According to this canon, the ethnography needs to make clear what the ethnographer did and why, who they talked to and learned from, and what they brought back to document it. I have used quotes and dialogue directly from fieldwork to document just main points rather than structure the exposition of the ethnography for rhetorical or narrative purposes. I now turn to data triangulation because it increases confidence beyond these basics.<sup>36</sup>

Triangulation occurs here in my use of the three different methods to gather data, namely observation, research conversation, and cognitive linguistics. Each method generates data in its own way. Crosschecking the result from the data each method produces counts as data triangulation. The thesis applies eight types of triangulation: the three basic canons of validity and five traditional ones explained below.

Employing theories from different disciplines and/or perspectives, known as theory triangulation, appears in this thesis in its use of multiple frameworks from different social science disciplines. Although some scholars argue that triangulation in qualitative research establishes an alternative to traditional

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<sup>36</sup> Triangulation in social science refers to the treatment of social phenomena from (usually three, sometimes multiple) differing vantage points. It aims to increase confidence in results if different treatments lead to the same or a similar result.

criteria of soundness, I have endeavoured to abide by such traditional criteria in addition to Sanjek's basic canons. I have therefore undertaken to achieve construct validity by referring to the facts of artisan network practices rather than imposing functional concepts of managerial economics as a matter of course. I have not, however, shied away from constructs in accounting and management where these coincide with constructs I developed independently in fieldwork. The reader will see examples of this type of validity in the analysis of the artisan corporate brand in terms of asset specificity and of the institution of Friends in terms of Ben Porath's 'Family and Friends' in chapters 9 and 6, respectively.

I have sought face validity—gaining answers to the research questions in a reasonable way—by arguing for the selection of the methods of silent observation, of research conversation, and of identifying cognitive constructs, independently of whether or not I have depended upon established theories for support.

I have striven for content validity—the relevant area of content the research covers—by establishing the construct of making a livelihood, a notion that I extend from a work of Karóly Polanyi, who uses the phrase but leaves space for development of it.

In the thesis, constructs such as lifestyle, well-being, social code and the like show convergent validity, i.e. constructs that should relate to each other do in fact relate to each other: and I show that they do so causally.

An example of criterion validity—the accuracy of a procedure by comparison to another procedure demonstrated to be valid—occurs in the use here, for instance, of Lakoff's procedure for demonstrating cognitive linguistic structures that corroborate results from the procedures of silent observation and research conversation. Chapter 10 exemplifies this type of validity. The congruence of the statistical variables with the components of artisan lifestyle further instance this kind of validity.

Finally, the thesis shows concurrent validity—the ability to distinguish between (very similar) groups that one should theoretically be able to distinguish. For example, it appears in the construct for grouping people as

associates of the network of artisans, e.g. grouping them into work and professional associates, as found in chapter 5.

We may now turn to the context in which the artisan alliance participates, that of the Norwegian welfare state and Norwegian business environment (in chapters 2 and 3) before the thesis turns its focus to the microethnography.

## Part I Norway

### 2 The Norwegian Welfare State

Although the network of artisans fashions its own special institution for regulating itself and its relationship to its customers, this chapter deals with the institutions of Norwegian society that form the preconditions for the network's enterprise and upon which the network draws for its organisation and for its creation of wealth. Here, modern political economics frames the discussion of these preconditions in answer to research question three. The legal institutions upon which the formal organisation of the companies in the network rests appear in Chapter 8. The chapter begins with measures characterising Norwegian society, continues with measures of the Norwegian business environment, and ends with the relevance to the network of the political environment in Oslo, where the network is situated.

#### Part I

#### ***Norway as a Welfare State: Indicators of National Success***<sup>37</sup>

Life in Norway, as well as its business environment, exists within the capitalist and welfare institutions of the Norwegian State. Amongst the top-ranking richest nations, Norway's welfare policies and institutions spread the nation's wealth and welfare evenly throughout its small, dispersed population. During the period of thesis fieldwork, Norway ranked as the richest country in the world in terms of Gross National Income (GNI) per capita.<sup>38</sup> This was not a fluke: Norway has remained so and had moved from third to second richest

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<sup>37</sup> Welfare State: a state in the form of a capitalist society in which the government commits to ensuring its members free of cost a minimum standard of living and well-being cradle to grave in housing, education, labour-market support, medical services, and social security. Subsequently, I present figures from databases publically accessible online; increased access to the databases is restricted to subscribers. Commonly, the data in reports of indicators precedes publication or accessibility date by several years.

<sup>38</sup> Compiled from raw data extracted from World Development Indicators (WDI), World Bank, World Bank database, <http://devdata.worldbank.org/data-query>, accessed November 2006.

nation in the half decade prior to my fieldwork.<sup>39</sup> According to the same source, it moved to the richest nation per capita worldwide in 2005 and has since remained among the top three richest nations. The high level of income, moreover, is evenly distributed. Income equality—the narrowness of the wealth gap between highest and lowest income—in Norway at the time of my fieldwork ranked second highest worldwide on the UN's GINI index.<sup>40</sup> The spread of income equality too is one of the narrowest worldwide: the difference between the richest ten percent and poorest ten percent is six percentage points.<sup>41</sup> In this sense one might deem Norway a welfare state par excellence.

Several measures indicate the quality of life in Norway. Factors that do so are: 1) level of employment (3.4% unemployment in 2000; 3.6% in 2001) for work<sup>42</sup>; 2) public health care expenditure (6.5% of gross domestic product in 2000; and \$2,769 per capita at purchasing power parity [PPP]) for health<sup>43</sup>; 3) quality of government (in top rankings worldwide) for personal freedom<sup>44</sup>; 4) level of trust (score: 2 out of 5, 1 best) for community and friends<sup>45</sup>; 5) importance of religion (score: 1 out of 5, 1 most important) for personal values [philosophy of life]<sup>46</sup>; 6) marital status (88% agree that family life is very

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<sup>39</sup> WDI Indicators, years 2000 – 2005, for GNI per capita accessed at <http://devdata.worldbank.org/data-query/>. HDI Indicators, years 1995–1999, for GNP per capita Purchasing Power Parity [PPP], compiled from <http://hdr.undp.org/en/reports/global/>. Norway occupied third place in 1995 and in 1997, then moved up to second place in 1998 and 1999. Figures for 1996 are missing in the Human Development Reports global series.

<sup>40</sup> The UN GINI Index measures income or consumption (in)equality: a value of 0 represents perfect economic equality and 100 perfect inequality. Source: HDR 2003:285. Norway's score in 2000 was 26 in a UN Survey; few nations score lower.

<sup>41</sup> UN data

<sup>42</sup> Central Bureau of Statistics, Norway, [http://www.ssb.no/vis/english/subjects/08/05/kt\\_en/main.html](http://www.ssb.no/vis/english/subjects/08/05/kt_en/main.html)

<sup>43</sup> HDR 2003: Human Development Index, Table 1:254

<sup>44</sup> For instance, Norway received the top rating (1) as the best state overall for good governance and the top rating on the six political indicators (numbers 7-12) of the index. Source: Failed States Index 2006. This was the first year Norway appeared on the index; the data stem from 2005.

<sup>45</sup> Level of trust: an indicator from Global Peace Index 2007, the first year of this index, in which Norway ranked most peaceful with an overall rank of 1 out of 121 countries. Source: [http://www.visionofhumanity.com/rankings/show\\_country/76](http://www.visionofhumanity.com/rankings/show_country/76). Norway comes out a tied best with Denmark on the rate of returned wallets as a test of the degree to which people trust each other. Sources: <http://www.gocurrency.com/international-travel/2007/02/12/69/>, Reader's Digest Survey and Guardian. .

<sup>46</sup> In 1996, 38% rated religion as important in life. Source: World Values Survey 1996

important and cumulatively 98% that it is important; 86% disagree that marriage is an outdated institution; the divorce rate is 5%) for family relationships<sup>47</sup>; and 7) membership in non-religious organizations (in 2001, 26% and 14% of Norway's population 16 years old or more belonged respectively to a sports or outdoor activities club).<sup>48</sup> Richard Layard identifies these seven as the factors that across cultures affect one's happiness.<sup>49</sup> Six of them can explain 80% of the variation in happiness.<sup>50</sup>

The World Bank has devised the factor intangible capital when it posed the question, *Where is the Wealth of Nations?* in the title of its publication by the same name.<sup>51</sup> The whole of the report focuses upon this new factor, which it says constitutes most of a country's wealth. As it also applies to Norway, I will briefly unpack this variable because I shall want to explore whether or to what extent it has a relationship to characteristics of education, skill, and life satisfaction one finds in the ethnography of the network.

The answer to the Bank's question in the report title can at one level be found in Norway. The Bank's calculation ranks Norway eighth of the ten top countries from 120 on its new indicator for total wealth.<sup>52</sup> The Bank introduces this measure by incorporating into the variable of intangible capital what it terms human capital, social capital, and quality of institutions and which for the first time places an economic value on intangible capital.<sup>53</sup> Subtracting

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<sup>47</sup> Source: WVS 1996. Cumulatively, 70% live together as married, and cumulatively 30% as separated, divorced, widowed, and single (never married).

<sup>48</sup> Statistical Yearbook 2003, Table 285

<sup>49</sup> Layard 2005:62,67. The factors that Layard identifies remind one—perhaps suspiciously—of salient markers of the Welfare State i.e. a model of government in which the state takes responsibility for the comprehensive welfare of its inhabitants: this includes universal health care, unemployment benefits, education, social insurance, pensions, defence and security, and legal protection of human rights.

<sup>50</sup> Layard 2005:71

<sup>51</sup> *Where is the Wealth of Nations?* 2006

<sup>52</sup> *Where is the Wealth of Nations?* 2006, Table 2.1:20. Total wealth, vii: includes produced, natural, and human and institutional capital. "Natural capital is the sum of non-renewable resources (including oil, natural gas, coal, and mineral resources), cropland, pastureland, forested areas (including areas used for timber extraction and nontimber forest products), and protected areas", 43

<sup>53</sup> *Where is the Wealth of Nations?* 2006: xv, xvii, xx, 98

produced and natural capital (non-renewable natural resources) from total wealth yields intangible capital: it is a residual—the intangible capital residual.<sup>54</sup> This variable is interesting because, “Cross-country monetary measures of human capital are not available in the literature.”<sup>55</sup> Furthermore, the measure of intangible capital accounts for the largest share of wealth in almost all countries.<sup>56</sup> Together, human capital and governance explain 90% of the variation in intangible capital; in high-income countries, such as Norway, intangible capital constitutes 80% of total wealth.<sup>57</sup> Thus the Bank considers this variable paramount for capturing what wealth means.

To measure human capital, the World Bank uses expenditure on education and school years per capita as indicators; for governance, an index of the rule of law. This human capital accounts for 35 percent and governance 60 percent of the variation in the intangible capital residual.<sup>58</sup> For human capital according to this definition, Norway ranked eighth (amongst 175 countries) for public expenditure on education as a percentage of GDP in 1998-2000, the years just prior to and including the first year of fieldwork; Norway spent 6.8 percent investing in education.<sup>59</sup> Subsequent to the final year of fieldwork—2001—in the period 2002-2005 Norway upped this investment to

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Intangible capital: xx: “intangible capital, consists of an amalgam of human capital, governance, and other factors that are difficult to value explicitly.”

“Intangible capital includes raw labor, human capital, social capital, and other factors such as the quality of institutions”, 4.

“*intangible* capital, which encompasses raw labor, human capital (the stock of human skills and know-how), social capital, and the quality of institutions”, 19.

Educational expenditure and years of schooling measure human capital, 19, 28; and a rule of law index measures governance, 28; q.v. this report for other measurements of indicators.

Human capital is defined as: “...human capital—the sum of knowledge, skills, and know-how possessed by the population”, 23.

Social Capital is defined as: “...social capital—the level of trust among people in a society and their ability to work together toward a common goal”, 23.

<sup>54</sup> “Intangible capital is calculated as a residual, the difference between total wealth and the sum of produced and natural capital”, 23. Fig. 2.1:43 shows the components of wealth.

<sup>55</sup> Where is the Wealth of Nations? 2006:98

<sup>56</sup> Where is the Wealth of Nations? 2006:vii, 28

<sup>57</sup> Where is the Wealth of Nations? 2006:28

<sup>58</sup> Where is the Wealth of Nations? 2006:98

<sup>59</sup> HDR 2003, HDI:266

7.7 percent, which in turn raised its place to fourth highest amongst 177 nations.<sup>60</sup> So again, Norway's performance in human capital is not a fluke. Furthermore, in the education index of the Human Development Index, Norway scores 98 (out of 100) in the year 2000 and 99 (out of 100) for the year 2001.<sup>61</sup>

I have already noted above those indicators of social capital on which Norway rated top for measures: 3) quality of government and 4) level of trust in Layard's 'Big Seven' factors of happiness. Although Layard's scheme of seven factors has left out education because of its weak correlation with happiness, the inclusion of education turns out to affect people's long-term well-being in the UN's HDR, and as an indicator of human capital, it affects intangible capital in the World Bank's report on the most important source of wealth.<sup>62</sup> The World Bank thus finds that the greater a country's wealth, the greater its intangible capital and that the less wealth a country has, the less its intangible wealth.

Thus too the World Bank on objective grounds considers intangible wealth and its components most important as the source of national development and life satisfaction of a nation's inhabitants. In order to demonstrate this (new factor's) importance, the Bank reconceptualises and redefines total wealth so that it can show human capabilities and social cohesion to form the largest part of a nation's total wealth. To do so it operationalizes human capital as school years per capita and educational expenditure and social capital as level of trust and governance. The merit of this reconception of wealth is that it links indicators of welfare and happiness to those of skills and know-how, providing benchmarks for intangible wealth. These benchmarks provide points of reference for human capabilities, social

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<sup>60</sup> HDR 2007/2008, HDI:265; this is the most recent data. The World Bank report itself does not include the quantitative data for school years and refers to a working paper for it. Q.v. OECD Education at a Glance 2002, School years per capita of 15-29 year olds 2001, Table A12.1, Norway, at <http://www.oecd.org/dataoecd/7/62/1962669.xls>

<sup>61</sup> HDR 2002, HDI:149 for the year 2000 and HDR 2003, HDI:237 for the year 2001

<sup>62</sup> Where is the Wealth of Nations? 2006:110: "Human capital is the result of investments in improving the skills and knowledge of the labor force."



cohesion, and happiness in Norway. Because Norway scores highly on values for the indicators of human and social capital, one could expect to see these factors at work in the success of the artisans in creating their wealth and well-being. In what way do the artisans acquire and deploy skills, know-how, trust, and an ability to work together? In the ethnographic part of the thesis, I shall address what these scores mean in a Norwegian context and vis-à-vis the circle of artisans studied.<sup>63</sup>

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<sup>63</sup> The high level of welfare in Norway appears in the country consistently scoring amongst the top places in diverse indices of development and frequently makes international headlines on that account—“Norway rated world’s most peaceful country...Norway comes top of the table” (Guardian, Wednesday, May 30, 2007, citing the Global Peace Index.) In 2000, Norway topped the Human Development Index; Norway tied for top place in the first Worldwide Press Freedom Index; and it had the third highest quality of life score in the Quality-of-Life Index (Respectively: HDR 2002, HDI, Table 1:163 at

<http://hdr.undp.org/en/media/complete.pdf>; Worldwide Press Freedom Index 2002, Reporters without Borders, at [http://www.rsf.org/article.php3?id\\_article=4116](http://www.rsf.org/article.php3?id_article=4116); Quality of Life Index, Economist Intelligence Unit, 2005:4, at [http://www.economist.com/media/pdf/QUALITY\\_OF\\_LIFE.pdf](http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf). (The EIU Index uses data from 1999/2000). In the twenty years before my fieldwork in 2001, Norway ranked and rose from sixth to third place on the Human Development Index time series of five-year intervals (HDR 2002, <http://hdr.undp.org/en/media/complete.pdf>, Table 2, Human Development Index Trends, p167. The figures are: 5th, 1975; 6th, 1980; 5th, 1985; 6th, 1990; and a tied 3rd, 1995). Subsequently, Norway has held first place, both in the five-year interval of the time series and in every year since 2000 (In the trend index, the figures are: 1st, 2000; 1st, 2005: in, respectively, HDR 2002, <http://hdr.undp.org/en/media/complete.pdf>, Table 2, Human Development Index Trends, p167 and Human Development Report 2007/2008, Table 2, Human Development Index Trends, p234 at [http://hdr.undp.org/en/media/hdr\\_20072008\\_en\\_complete.pdf](http://hdr.undp.org/en/media/hdr_20072008_en_complete.pdf)).

The annual figures are from HDR 2003, Table 1, Human Development Index, p237 for the year 2001 at [http://hdr.undp.org/en/media/hdr03\\_complete.pdf](http://hdr.undp.org/en/media/hdr03_complete.pdf); HDR 2004, Table 1, HDI 2002:139 for the year 2002 at [http://hdr.undp.org/en/media/hdr04\\_complete.pdf](http://hdr.undp.org/en/media/hdr04_complete.pdf); HDR 2005:219, Table 1, HDI for the year 2003 at

[http://hdr.undp.org/en/media/hdr05\\_complete.pdf](http://hdr.undp.org/en/media/hdr05_complete.pdf); and HDR 2006:219, Table 1, HDI for the year 2004 at <http://hdr.undp.org/en/media/hdr06-complete.pdf>).

Layard’s goal of identifying what makes people happy and “...how we can live better” compares with the United Nations’ effort, through its series of global Human Development Reports with its indexes, first started and stated in 1990, to “...going beyond income to assess the level of people’s long-term well-being... The Report discusses the meaning and measurement of human development, proposing a new composite index” (Layard 2005:ix; and HDR 1990 website, retrieved at <http://hdr.undp.org/en/reports/global/hdr1990/>). The annual series of Human Development Indicators still use 3 indicators to measure the goal of people’s long-term well-being: longevity measures (good health); literacy and levels of education measure knowledge; and purchasing power parity (PPP) adjusted GDP/GNP per capita or GNI per capita measure living standard (HDR 1990, Chapter 1, Defining and Measuring Human Development, p12, retrieved at

### ***The Measure of Norway***

Values for the indicators of the factors of wealth, welfare and well-being place Norway as a welfare state well up amongst other welfare states. Norway is a country that in recent history always figures close to the top in league tables of wealth and well-being. The figures indicate an environment in which the artisans possess a high degree of education, skills, ownership of and access to wealth, and in which distance to the super-rich was close. At issue is how these factors of human capabilities and social cohesion affect the artisans' way of organizing in order to earn a livelihood. One could well expect circle members to fit into a Norwegian pattern of a high-skill, high-income work force, in full employment, oriented to family and a religious life, and active in non-religious associations, but how? Circle members fit, for instance, into the Norwegian pattern of a highly skilled workforce, but in what way? In what does their 'intangible capital' consist?

### ***Oiling the Norwegian Welfare State***

To the general question *Where is the Wealth of Nations?*, Norway provides answers that the reader has already seen. Norway is a prime location of wealth and its wealth lies overwhelmingly in a particular form—intangible wealth. From the above question a second follows: who holds the wealth of nations? One answer lies in so-called Sovereign Wealth Funds.

One measure of national wealth besides intangible wealth resides in so-called Sovereign Wealth Funds (SWFs). By 2008 these had emerged as one of

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<http://hdr.undp.org/en/reports/global/hdr1990/>). Reassuringly, the results of nation's rankings match quite well, whether one uses some different or a fuller complement of factors, such as Layard does, or fewer of them, as does the United Nations: they produce practically the same results and do so for Norway. This congruence provides confidence in Norway's place in such rankings. One notes that health and living conditions are common to both Layard and the UN. Living conditions are more finely isolated in Layard to include work, financial situation, community and friends, and personal freedom and values. Layard's 'Big Seven' factors as he calls them does not, however, include education, which correlates weakly with happiness, though, as he points out, by raising one's income, it raises happiness (Layard 2005:62). In the ethnography, I broach the question of the artisan members' education, as it plays an important role in the social and professional aspects of their life.

the most important factors in global financial markets,<sup>64</sup> and Norway is a major player in this field.<sup>65</sup> It holds the second largest SWF assets in the world.<sup>66</sup> Moreover Norway is one of the leaders in SWF management, partly due to its long involvement in managing national wealth.<sup>67</sup> That involvement points to 'a' rather than 'the' source of Norway's capacity and ability to forge and sustain a top-notch welfare state. A common misconception is that Norway owes its wealth to petroleum extraction, and that that wealth is the basis of the modern Norwegian welfare state. This correction is important to my argument that the network, judging from its own behaviour and testimony, has an outlook on life not entirely determined by Norway's enjoying considerable oil revenue, the development of which during the circle's lifetime nevertheless serves to bolster the circle's confidence that it works in a rich environment.

Norway had the means to support a welfare state, and established one, long before oil became part of the Norwegian economy.<sup>68</sup> Since Viking times, the steady accumulation of wealth from huge stocks of natural resources (water power, timber, and fish), a skilled labour force, new technology, and a

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<sup>64</sup>Wyman, Ann, *The Wealth of Nations*, Financial Adviser Section, The Financial Times, November 22, 2007 accessed through the Nexis database. SWF assets match those of global hedge funds and the private equity industry combined.

No definition of this class of investment has yet entered authoritative reference works for the reason, according to Wyman, that "...understanding these funds can be challenging...". In addition, they are poorly researched. I propose a provisional characterization: Sovereign Wealth Funds are state-owned and controlled investment vehicles (funded from accumulated national wealth surpluses sourced from macroeconomic, trade and fiscal positions under long-term planning and spending restraint). Thus the term does not, in this view, cover public-pension funds and reserves backing up national currencies, although some SWFs have their origin in such funds. An inspection of the twenty major SWFs reveals that 13 have their origin in oil and 7 in a non-commodity source. Why they are called 'sovereign' rather than 'national' is not clear to me.

The term does not seem to appear in print in the English-speaking world until 2006 upon inspection in the Nexis database although financiers were using the term before then.

<sup>65</sup>Conway, Edmund (Byline), *Petrodollars start searching for better returns*, The Daily Telegraph (London), City Section, June 16, 2007, p. 33, accessed through the Nexis database.

<sup>66</sup>Rozanov 2005::52-57, 54

<sup>67</sup>Pringle and Carver ed 2005:1-2,1

<sup>68</sup> For anthropological works on the Norwegian Welfare State, see e.g. Bakken and Vike 2004 and for a broader view on cultural peculiarities Lien and Melhuus 2009. For Political Science, see for instance Christensen 2003 and Einhorn and Logue 2003.

merchant fleet since Hanseatic times, had made Norway a prosperous and wealthy country by 1870.<sup>69</sup> By then, GDP per capita exceeded the European average and that of Sweden.<sup>70</sup> Annually from 1830 to 2003, GDP by expenditure (in fixed 2000 prices) increased with few noteworthy fluctuations.<sup>71</sup> Despite setbacks, Norway developed the above advantages, and turned setbacks to account, largely through an entrepreneurial spirit that took advantage of resources to hand. Besides the accretion of wealth down the centuries, another spur to the formation of the Norwegian welfare state lay in the Great Depression, from the late summer of 1930. Norway experienced this depression in a milder and shorter form than most Western countries. The deflationary monetary policy of the 1920s had forced Norwegian companies to become more efficient in order to survive. When the international merchant fleet then contracted under the decline in international trade during the depression, Norwegian shipping magnates nevertheless expanded the Norwegian merchant fleet and did so by pioneering a changeover from steam to diesel engines, from tramp to line freight, and by moving into a new niche—oil tankers—almost 40 years before Norway discovered oil. In office from 1935, the Labour Party seized the opportunity to establish a tight social democratic regime with an expanding public sector and extensive central economic planning that became the mainstream of political life, which the economic position of Norway financed. The public sector turned into and still is among the largest in the world as a percentage of overall GDP. Moreover, after first declining financial aid from the United States after WWII, from 1948 until 1952 Norway received 400 million dollars under the Marshall Plan: in per capita terms Norway was one of the largest recipients. In fact, the years from 1950 to 1973 are widely considered not just by economic historians the golden era of

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<sup>69</sup>In 2007 Norway ranked 15 (out of 163 nations) in the size by total number of ships in its merchant marine. Source: The World Factbook, ranking retrievable at

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2108rank.html>

<sup>70</sup>Grytten 2005. Two works in Norwegian treat more fully the modern economic history of Norway, both by Hodne, Fritz and Grytten, Ola Honningdal 2000, 2002

<sup>71</sup>Grytten 2005:Figure 2 and Grytten, Ola Honningdal 2004:241-288

the Norwegian economy rather than any time before or since.<sup>72</sup> However misleading the term 'Nordic Model' which gained currency during this time may be, this period saw the development of the model of social democracy and welfare. The discovery of oil did not alter this state of affairs.

Philips Petroleum discovered petroleum resources in the Ekofisk Field, part of the Norwegian continental shelf, on August 21, 1969. That field produced Norway's first crude oil in 1980. Since this discovery, the Norwegian state and Norwegian governments have involved themselves heavily in formulating and executing petroleum and gas policy with an eye to the continual welfare of Norwegian inhabitants. Norway exercised that policy, and still does so, through certain organs of state that at various times have controlled and continue to control up-, mid-, and down-stream oil and gas activity and the considerable revenues from it. Oil and gas revenues add a layer to an otherwise solidly functioning welfare economy well in place before any oil bonanza. The discovery of petroleum resources was a windfall in the sense of an unexpected acquisition. Nevertheless, the discovery was not a windfall in the sense that it was treated simply as an unexpected profit from a business and/or a bonanza of huge profits.<sup>73</sup> Oil revenue was manageable thanks to a tradition stemming from Viking times of basing a rich economy on raw materials and natural resources. Unlike many other countries rich in raw materials, natural resources have helped Norway become one of the most affluent nations worldwide. The intangible capital is the most important factor in Norway's capacity and ability to convert resource abundance into affluence.<sup>74</sup> One notes here the equivalence of intangible capital with the wealth measured by the SWF in the case of Norway.

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<sup>72</sup> This account reflects the views in the works of the collaborating economic historians Fritz Hodne and Ola Honnindal Grytten.

<sup>73</sup> Einhorn and Logue 2003:233 where they make the point that Norway's oil boom was more than a lucky windfall and that Norway before the discovery of oil had 30 years of sophisticated economic planning and policy that had created a cadre of skilled administrators who dramatically proved the strengths of Norway's administrative and technological resources.

<sup>74</sup> Grytten 2005, for documentation of the argument on the historical tradition from the Viking Age in Norway concerning the relation of economic prosperity and natural resources and the managerial acumen to exploit them.

The Norwegian historical experience of building up wealth from raw materials was part of the environment of circle members: they experienced the development of the national success of Norway's petroleum age into its present culmination in Norway's impressive SWF. The circle had experienced 10 years of the forerunner of the SWF, the Government Petroleum Fund, approved in 1990, before my fieldwork started in 2000 and had experienced its effects during the four years before my fieldwork when the initial capital transfer to the fund took place in 1996.<sup>75</sup> Norway's long tradition of creating wealth thus offered a model to circle members, a model in which entrepreneurship and the careful disposition of intangible capital predominated and with which the artisans grew up.

## Part II

### ***The Norwegian Business Environment in the Welfare State***

Because the artisans are products of the institutions that create human and social capital, in terms of the World Bank, the artisans contribute to the production of Norway's wealth and welfare. Nevertheless, the business institutions which exist within the Norwegian welfare state set preconditions for the network's making a livelihood, in addition to the more inclusive institutions of the Norwegian welfare state already discussed.

From the NGO and institutional reports, one may draw an important conclusion: Norway as a welfare state provides a stable and generally predictable environment in respect to human capital, social cohesion, and governance. Stability, predictability, and the rule of law are chief amongst the many features that make an environment favourable for business. Ease of doing business depends, for instance, on stability and predictability in the

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<sup>75</sup> The Government Petroleum Fund, Annual Report 2001, Norges Bank Investment Management, The Government Petroleum Fund 1990-2001, retrievable at

[http://www.nbim.no/Pages/Report\\_\\_\\_47734.aspx](http://www.nbim.no/Pages/Report___47734.aspx). No surplus was allocated the first 6 years until 1996; the fund then recorded 47, 476 million NOK net; in 2001 it was 251, 519 million NOK net.

environment. Business competitiveness also depends on predictable governance, which, as we recall, makes up 60% of the variation in the intangible capital residual. Two other factors are relevant here: the ease of doing business and business competitiveness. Several indexes in worldwide reports from the World Bank, the World Economic Forum, and Economic Freedom of the World treat these two overarching factors. The World Bank (WB) publishes a separate annual report—Doing Business—that contains an Ease of Doing Business index. The World Economic Forum (WEF) publishes, also annually, (1) The Global Competitiveness Report that contains indexes of extraordinary competitiveness; (2) an overall Business Competitive Index; (3) indices of innovative and technological achievement and (4) a Start-up Index of business start-up activity. One can thus form a comprehensive and detailed idea of a nation's performance concerning these two factors. Table 2.1, 'Norway Doing Business Competitively', sets out these indexes and Norway's ranking on them for the years the fieldwork of the thesis covers—2000-2001—and other years when an index either started up or lacked data. Further to the ease or difficulty of undertaking business is the matter of running a business successfully. Thus some topics appear in indices of both ease of doing business and success in doing so.

A word of caution is in place concerning the figures. In the following assessment, I occasionally cite figures before and after the period of fieldwork. This citation adds a diachronic view of the stability of particular features of Norwegian business or can serve to fill in lacunae for figures, because the long-term figures, from the 1980s to 2000 have been relatively stable for the top-performers in the indexes.<sup>76</sup> The date of index publication typically lags from one to three years after the year of the statistics cited in a report. A published report may also recalculate a previous year's index, causing some confusion, although that change usually affects a ranking by only a few places. Not infrequently, discrepancies occur between the explanatory text of figures in

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<sup>76</sup> GCR figures

the report and the indexes of the report. In such cases I refer only to the tables of the report.

### ***Ease of Doing Business in the Welfare State of Norway***

The World Bank's Ease of Doing Business Index ranks countries according to degree of business regulation and the degree of protection of property rights; a high ranking on this index means the regulatory environment is conducive to the operation of business.<sup>77</sup> This World Bank index focuses "...especially on small and medium-size domestic businesses..." and "...the indicators refer to a specific type of business—generally a limited liability company operating in the largest business city."<sup>78</sup> The circle comes close to matching these traits in that most of it is comprised of small businesses operating in or from the largest business city, the capital Oslo, as limited liability companies. In January 2004, Norway ranked in the top ten—number six out of 145 countries—and remained in the top ten at the latest report of 2007.<sup>79</sup> Some of the rubrics in Tables 2.1-2.3 correspond to processes we shall encounter in the ethnography, such as ease of starting a business, employing and firing workers, getting credit, and enforcing contracts. Against these objective assessments of

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<sup>77</sup> Several indexes measure scope of economic liberty according to their own definitions; all of them assess and rank Norway roughly the same. In 2000, Norway placed number 24 out of 123 countries; on a scale of 1 to 10, where 10 means maximum economic freedom, Norway scored 7.3 in a range of 8.8 to 3.2: *The Economic Freedom Ratings 2000, Economic Freedom of the World: 2002 Annual Report, Exhibit 2,p.11*; on a tied score basis, Norway placed number 12: retrieved at <http://www.freetheworld.com/2002/1EFW02ch1.pdf>

The Index of Economic Freedom ranks countries on a scale from 0 to 100, where a score of 100 signifies maximum economic freedom. In 2003, Norway ranked 30 out of 157 countries and scored 70 out of 100; the highest score was 89: retrieved at

<http://www.heritage.org/research/features/index/countries.cfm>

<sup>78</sup> <http://www.doingbusiness.org/Documents/DB2004-full-report.pdf>, pviii;

[http://www.doingbusiness.org/documents/DoingBusiness2007\\_FullReport.pdf](http://www.doingbusiness.org/documents/DoingBusiness2007_FullReport.pdf), piv (Contents)

<sup>79</sup> Retrieved at <http://www.doingbusiness.org/documents/DoingBusiness2005.PDF>, Table 1.2,2. The first year of the report, *Doing Business in 2004*, does not provide overall rankings; it ranked only regulation, where Norway placed fifth out of 133 countries; accessible at

<http://www.doingbusiness.org/Documents/DB2004-full-report.pdf>, Table 7.2,p89, p86. In 2005, Norway ranked 6th out of 145; accessible at

[http://www.doingbusiness.org/documents/DoingBusiness2006\\_fullreport.pdf](http://www.doingbusiness.org/documents/DoingBusiness2006_fullreport.pdf), Table 1.2,p3; in 2006, Norway ranked eighth out of 175 countries; accessible at

[http://www.doingbusiness.org/documents/DoingBusiness2007\\_FullReport.pdf](http://www.doingbusiness.org/documents/DoingBusiness2007_FullReport.pdf), Table 1.2,p6; in 2007, Norway ranked ninth out of 175 countries; accessible at

[http://www.doingbusiness.org/documents/DoingBusiness2007\\_fullreport.pdf](http://www.doingbusiness.org/documents/DoingBusiness2007_fullreport.pdf), Table 1.2,p6



regulation, the ethnography explores how circle members perceive and deal with Norwegian business regulation. The rubrics in these tables also form a progression in the establishment of an entrepreneurial undertaking.<sup>80</sup> Since all companies in the artisan alliance except one are non-dynastic and start-ups, this progression mirrors the establishment of their firms. One therefore has a pattern against which to compare the entrepreneurial activity of the circle and elements of the same pattern which the circle itself expresses.

### ***Business Competitiveness in the Norwegian Welfare State***

In Table 2.1 the Global Competitiveness Reports (GCR) of the World Economic Forum (WEF) lend support to an assessment of Norway as a business environment conducive to success. Selected indices and sub indices from the reports for the years 2000 and 2001 bear this out. Four indices are relevant to that success; these are: (1) the 'overachiever' index; (2) the Business Competitive Index; (3) the Economic Creativity Index, and (4) Country Performance Indicators. These indexes are important because they focus on traits that characterise the firms in alliance. A short explanation of these indices follows before I turn to Norway's scores on these indices.

(1) The index of GDP per capita income relative to business competitiveness tracks overachievers—those nations where per capita income is highest relative to and exceeds microeconomic competitiveness. This measures who gets relatively most money out of competing. It also provides some measure of the sustainability of a country's prosperity.<sup>81</sup>

(2) The Business Competitive Index (BCI) provides an overall indication of business competitiveness.<sup>82</sup>

(3) The Economic Creativity Index (EC)—published only for the years 2000 and 2001—registers economic creativity measured as economically effective innovation and effective technology transfer as decisive contributions

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<sup>80</sup> This is one reason that the World Bank itself decides to treat and measure these topics.

<sup>81</sup> GCR 2002-03:38; GCR 2003/2004:47

<sup>82</sup> GCR 2003-2004:44,45

to competitiveness.<sup>83</sup> Three indices under the EC sum up economies' engagement in an environment of innovation (in an innovation index), in transfer (import) of technology (in a technology transfer index), and in start-ups (in a start-up index).<sup>84</sup> Whether the competitiveness comes from innovation or transfer is immaterial: all that counts is adding value.<sup>85</sup> The environment of innovation measures such inputs to innovation as private and public spending on research and development (R&D), quality of scientific research institutions and their collaboration with industry, openness to absorbing new technology, and intellectual property rights protection. The innovation index also measures outputs of innovation—technological leadership worldwide, development of own unique products and of local product design. The technology transfer index quantifies which countries most actively pursue international transfers of technology to their own countries. The start-up index quantifies the overall ease of starting a new business domestically, taking into consideration the possibility of obtaining a loan with a business plan and no collateral and the availability of venture capital for new business development.

(4) The WEF's GCR reports for 2000 and 2001 also contain country performance indicators although these sometimes appear in one and not the other of these years. These indicators concern matters sometimes outside, sometimes within the above indices, such as government or public body support for business development. I refer to these because, as in the case of the World Bank's Index on the Ease of Doing Business, the members of the circle raise such matters themselves later in the ethnography, and because some of these indicators confirm index results of the World Bank's Index on the Ease of Doing Business. I now turn to Norway's placement on the scale of these competitiveness indicators in the order of the indexes just explained.

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<sup>83</sup> GCR 2000:17,28

<sup>84</sup> GCR 2000:17; GCR 2001/2002:120

<sup>85</sup> GCR 2000:30

### ***Norway Scores on Competitiveness***

Norway showed itself as a competitor at the upper end of competitiveness in 2000 and 2001 according to the first three indices. Below, Table 2.1, 'Norway Doing Business competitively' presents the scores of the first three indexes. The fourth index appears in Table 2.2 'Competitiveness Features: Norway 2000' and in Table 2.3 'Competitiveness Features: Norway 2001', which show the finer inputs and outputs of innovation and these country performance indicators as they relate to Norway.

	RANK										
		2000	2001	2002	2003	2004	2005	2006	2007		
<b>Ease of Doing Business</b>						5 (155)	6(145)	8 (175)	9 (175)		
<b>Global Competitive Report</b>											
<i>Overachievers</i>		1	1								
<i>Business Competitive Index</i>		20 (58)	19 (75)		22 (80)						
<i>Economic Creativity Index</i>		20 (59)	16 (75)								
Innovation Index		19 (59)									
Technology Transfer		30 (59)									
Startup Index		13 (59)									
<b>World Economic Freedom Report</b>											
<i>Economic Freedom Index</i>		12 (123)									
Ease of Doing Business : World Bank											
Global Competitive Report: World Economic Forum											
World Economic Freedom Report: Economic Freedom of the World											
Note: Figures in parentheses indicate lower limit of the ranking range i.e. the number of nations in the ranking											

Table 2.1 : Norway Doing Business Competitively

In Table 2.1 we see:

(1) Of the 6 nations that qualify as overachievers—where per capita income is high relative to microeconomic competitiveness—Norway is number 1 and the only Nordic nation in this group in the year 2000.<sup>86</sup> In 2001 Norway again holds first place, now out of the ten nations in the overachiever group, which another Nordic country, Iceland, now enters.<sup>87</sup>

(2) On the Business Competitive Index (BCI) for the year 2000, Norway ranks number 20 out of 58 nations, and in 2001 it ranks number 19 out of 75 nations.<sup>88</sup>

(3) On the Economic Creativity Index for 2000, Norway ranked number 20 out of 59 nations and number 16 out of 75 nations in 2001.<sup>89</sup>

(4) On the component indexes of the EC for 2000, the figures are as follows: Innovation Index (II), number 19 of 59; Technology Transfer Index (TT), number 30 of 59; and the Start-up Index (ST), number 13 of 59; most rankings for 2001 are similar to 2000.<sup>90</sup>

Before I summarize the significance of the results in these indices, further information in the WEF's GCR 2001-2002 serves to back up the results in the indexes so far. The Global Competitiveness Report for 2001-2002 (GCR 2001-2002) and subsequent years also provides further confirmation of competitive performance in Norway, in Tables 2.3 and 2.3-1 below, and a check on the Economic Creativity Index.

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<sup>86</sup> GCR 2000, Table 4,p54

<sup>87</sup> GCR 2001-2002, Table 5, p71

<sup>88</sup> GCR 2003-2004, Table 1, p37

<sup>89</sup> GCR 2000, Table 6,p33 and GCR 2001-2002, Table 1,p121

GCR 2000, Table 2,p30, Table 3,p31 and Table 5,p32 respectively. GCR 2001-2002:122

2001										
			<i>Rank 1-59</i>		<i>Score 1 to 7</i>		<i>Range</i>		<i>Mean</i>	<i>Table</i>
<b>INNOVATION</b>										
Research Collaboration			21		4.6		6.1 - 1.6		3.9	3.09
Local Competition			22		5.5		6.5 - 3.3		5.1	8.01
Technical Sophistication			20		5.5		6.8 - 1.8		4.2	3.01
Firm-level Innovation			16		5.7		6.4 - 3.5		5.3	3.02
Firm-level Technology takeup			19		5.6		6.6 - 3.0		5.0	3.03
Gender Participation			23		5.1		6.3 - 2.6		4.6	3.13
<b>TECHNICAL TRANSFER / INNOVATION</b>										
Patents/population			19 (1-64)		59 patents		314 - 0		N/A	*3.15
<b>STARTUPS</b>										
Loan Access			5		4.9		6.8 - 2.0		4.2	2.08
Venture Capital			7		5.1		5.8 - 1.3		3.4	2.09
Access to Credit			23		4.6		5.7 - 1.8		4.1	2.03
Burden of Regulation			51		2.9		6.6 - 2.1		4.5	6.08
Red Tape			5		1.5		1.4 - 3.9		2.3	6.10
Unreported Profits/Wages			4		1.1		1.0 - 4.2		2.1	6.13
<i>Source: GCR 2001 - 2002</i>										
<i>*Source: GCR 2002 - 2003</i>										

Table 2.3 Competitiveness Features: Norway 2001

											Score		Mean	Table
	<b>2001</b>										strongly disagree		strongly agree	
											1		7	
<b>INNOVATION</b>														
Research Collaboration		Companies collaborate closely with local universities in their R&D activities									4.6		3.9	3.09
Local Competition		Competition in local markets is intense; market shares fluctuate constantly									5.5		5.1	8.01
Technical Sophistication		Your nations' technology is among the world's leaders									5.5		4.2	3.01
Firm-level Innovation		Steady innovation plays a major role in generating revenue in your business									5.7		5.3	3.02
Firm-level Technology takeup		Firms in your country want to absorb new technology									5.6		5.0	3.03
Gender Participation		Women's participation in the economy equals that of men									5.1		4.6	3.13
<b>TECHNICAL INNOVATION / TRANSFER</b>														
Licensing of Technology		Pioneering own new products is a common way to get new technology									4.7		3.8	10.04
Patents/population		Patents for invention per million population									N/A	[59]	N/A	*3.16
<b>STARTUPS</b>														
Loan Availability		Possible to get a loan with only a good business plan & no collateral									4.9		4.2	2.08
Venture Capital(VC)		Entrepreneururs with innovative & but risky projects can generally find VC									5.1		3.4	2.09
Access to Credit		Gaining access to credit has become easier this last year									4.6		4.1	2.03
Burden of Regulation		Administrative regulations in your country are not burdensome									2.9		4.5	6.08
Red Tape		Senior management spends too much time on government regulations									1.5		2.3	6.10
Unreported Profits/Wages		In your country, firms typically keep profits and wages "off the books"									1.1		2.1	6.13
Source: GCR 2001 - 2002														
*Source: GCR 2002 - 2003														

Table 2.3-1

KEY TO DATA: Norway 2001

The GCR 2001-2002 (report) initiates an index of growth and stages of competitiveness—the Growth Competitiveness Index (GCI), half of which comprises a Technology Index, one quarter a public institutions index, and the remaining quarter a macroeconomic index. Below, Table 2.4, ‘Growth Competitiveness Index’ sets out the components and rankings of the index. As the measures pertaining to quality of life have earlier made clear, Norway has a high level of social protection and quality of government. Since those results match those of the public institutions index, I shall bypass it here and assume its relevance in favour of looking briefly at the Technology index (TI) and Macroeconomic Environment Index (MEI).<sup>91</sup> The Technology index (TI) incorporates an Innovation sub index and the Macroeconomic Environment Index (MEI) indexes of macroeconomic stability, national credit rating, and government expenditure.

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<sup>91</sup> GCR2001-2202, Table 7, Public Institutions Index,p47



				The Growth Competitiveness Index			
				RANK			
				2000	2001		
<b>GROWTH COMPETITIVE INDEX</b>				15(58)	6(75)		
<b>Technology Index</b>				U	7(24)		
<b>Innovation subindex</b>				U	7(75)		
				U			
<b>Macroeconomic Environment Index</b>				U	5(75)		
<b>Macroeconomic stability</b>				U	2(75)		
<b>National Credit Rating</b>				U	7(75)		
<b>Government Expenditure % of GDP</b>				U	≤ 20(75)		
<p>Note: Figures in parentheses indicate lower limit of the ranking range i.e. the number of nations in the ranking  U: ='Unavailable' indicates that the data were not registered in the GCR 2000 or GCR 2001-2002</p>							

Table 2.4 Index of Growth and Stages of Competitiveness

The TI measures technological development, the most crucial element of competitiveness.<sup>92</sup> In the year 2001, Norway ranked number 7 of the 24 nations deemed technological core economies, i.e. those nations of which 18 registered more than 15 US utility patents per million population each year from 1980 through 2000. The group of 18 includes Norway; the remaining 6 nations reached the patent criteria by 2000.<sup>93</sup> Ranking within the core group partly uses an Innovation Sub index that incorporates country performance data, as did the Economic Creativity Index (in Table 2.1). This innovation sub index measures technological sophistication such as skilled human resources, interaction between science and business sectors, and product development.<sup>94</sup> On this Innovation Sub index, Norway ranks number 7 out of 75 countries, just as it ranks number 7 on the technological core rankings of 24 nations referred to above. Within the Global Competitive Index, Table 2.4, the sub indexes belonging to the Macroeconomic Environment Index (MEI) measure macroeconomic stability, national credit rating, and government expenditure as a percent of GDP. Of the 75 countries rated for 2001, Norway ranked number 5 overall on the MEI, number 2 on macroeconomic stability, number 7 for creditworthiness, and within the top 20 for government expenditure.<sup>95</sup>

The figures in the GCI and ECI indexes yield similar placements; by and large they are quite close—15<sup>th</sup> of 58 nations for 2000 on the GCI and 20<sup>th</sup> of 58 nations for 2000 on the ECI, a result that upholds the standing of Norway as competitive in the upper tier of nations. Moreover, the figures for 2001—a GCI ranking now of 6<sup>th</sup> of 75 nations and an ECI ranking of 16<sup>th</sup> of 75 nations—shows that on this index Norway has significantly progressed in competitiveness within the period of a year. The figures for the ECI and GCI technology indexes between the years 2000 and 2001 also show sustainment and improvement in competitive clout, even though the calculation of these components differs somewhat. The Macroeconomic Environment index 2001

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<sup>92</sup> GCR 2001-2002:29,38

<sup>93</sup> GCR 2001-2002:38; Table 6A: Technological Core Economies,p44

<sup>94</sup> GCR 2001-2002:40

<sup>95</sup> GCR 2001-2002, Table 8, Macroeconomic Environment Index,p49

(MEI) reflects extreme stability in placing Norway 2<sup>nd</sup> out of 75 nations in economic constancy—a figure that is congruent with the overall stability of Norway that I elaborated earlier—and 5<sup>th</sup> on the overall MEI out of the 75 countries.

WEF's Global Competitiveness Reports from the year 2000 onwards also evaluate national competitiveness in terms of microeconomic basics. The report for the year 2000, in devoting a chapter to microeconomic competition, concludes: "A nation's prosperity depends on its competitiveness, which rests on its microeconomic fundamentals."<sup>96</sup> However, indexes covered so far have already incorporated many of the type of ingredients that go into the regressions of microeconomic fundamentals and competitiveness—such as uniqueness of product design, which was noted earlier as one of the components of the innovation index in the ECI (Table 2.2). These indicators appear in slightly different guise in the country performance data of the Economic Creativity Index and address, for instance, the matters of the Innovation sub index, the Technical Transfer and Start-up Indexes. Norway belongs in the top league of competitiveness on the measures of these indices, as presented in the four indexes of competitive success (i.e. the overachiever index, the Business Competitive Index, the Economic Creativity Index, and Country Performance Indicators), the Growth Competitive Index, along with their respective component indexes and sub indexes, and summed up in the Tables and Keys to Data 'Competitive Features: Norway 2000', 'Competitive Features: Norway 2001', 'Norway Doing Business Competitively' and 'Index of Growth and Stages of Competitiveness'. The indicators of these indices correspond to the concerns of circle members and provide an ambience of established views in Norwegian society concerning which network members position themselves. The substance of these indicators appear as popularised topics of conversation among circle members in the course of their work and among the wider public.

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<sup>96</sup> GCR 2000:55

One may ask whether or not the features of commercial life in Welfare Norway that I have foregrounded add up to a favoured company strategy of Norwegian firms. On the basis of Norway's high rankings in technical innovation and transfer, and start-ups, one would predict that firms would favour producing products innovative in design or image. That is the case, as the Table 2.2 'Company Strategy: Norway 2000' shows below: 41 % of Norwegian firms, the greatest part, pursue differentiating a product in design or image from competitor's products in the year 2000.<sup>97</sup>

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<sup>97</sup> GCR 2000

2001										
			<i>Rank 1-59</i>		<i>Score 1 to 7</i>		<i>Range</i>		<i>Mean</i>	<i>Table</i>
<b>INNOVATION</b>										
Research Collaboration			21		4.6		6.1 - 1.6		3.9	3.09
Local Competition			22		5.5		6.5 - 3.3		5.1	8.01
Technical Sophistication			20		5.5		6.8 - 1.8		4.2	3.01
Firm-level Innovation			16		5.7		6.4 - 3.5		5.3	3.02
Firm-level Technology takeup			19		5.6		6.6 - 3.0		5.0	3.03
Gender Participation			23		5.1		6.3 - 2.6		4.6	3.13
<b>TECHNICAL TRANSFER / INNOVATION</b>										
Patents/population			19 (1-64)		59 patents		314 - 0		N/A	*3.15
<b>STARTUPS</b>										
Loan Access			5		4.9		6.8 - 2.0		4.2	2.08
Venture Capital			7		5.1		5.8 - 1.3		3.4	2.09
Access to Credit			23		4.6		5.7 - 1.8		4.1	2.03
Burden of Regulation			51		2.9		6.6 - 2.1		4.5	6.08
Red Tape			5		1.5		1.4 - 3.9		2.3	6.10
Unreported Profits/Wages			4		1.1		1.0 - 4.2		2.1	6.13
<i>Source: GCR 2001 - 2002</i>										
<i>*Source: GCR 2002 - 2003</i>										

Table 2.2 Competitiveness Features: Norway 2001

											Score			Table
2000											strongly disagree		strongly agree	
INNOVATION											1		7	
Research Collaboration		Companies collaborate closely with local universities in their R&D activities										4.7		7.06
Local Competition		Competition in local markets is intense; market shares fluctuate constantly										4.6		10.01
Competitive Advantage		Competitive Advantage is due to unique products and processes										4.6		11.01
Technical Development		Companies pioneer their own new products or processes										4.8		11.04
Product Design		Product designs are developed locally										4.8		11.05
Production Process		Production processes employ the world's best and most efficient technology										5.6		11.06
TECHNICAL INNOVATION / TRANSFER														
Licensing of Technology		Licensing foreign technology is a common way to get new technology										4.6		7.08
Patents/population		Patents for invention per million population									N/A	[55]	N/A	3.16
STARTUPS														
Loan Availability		Possible to get a loan with only a good business plan & no collateral										4.6		8.05
Venture Capital(VC)		Entrepreneururs with innovative & but risky projects can generally find VC										5.4		8.13
Starting New Business		Starting a new business is generally easy										5.0		10.04

Table 2.2-1 KEY TO DATA: Norway 2000

Yet few do the same when it comes to service—only 17%. That leaves an open opportunity to seize a competitive advantage in differentiation of service. Nevertheless, at 58 %, product differentiation, whether in design, image, or service, is the preferred way to go. Low cost tactics are not preferred. The price of labour, including that of skilled workers, in high-income welfare states rules out low cost based on low wages or natural resource availability. Nor is low cost based on process technology viable in Norway. The extraction of oil and timber, for instance, is costly and risky in terms of skilled labour and an expensive process technology in an Arctic drilling and felling environment. Thus natural resource availability and process technology in Arctic and Welfare State conditions make low cost a less viable proposition. One of the questions concerning the circle is what ploy to pursue amongst these tactical paths. How does the circle face these constraints on directions in which to compete, and given these, which way does it go? The question is interesting because the circle does not follow a line of planned, articulated and conscious strategy and yet is highly successful.

Two caveats apply to the survey of the WER. Firstly, the reports of the indexes announce their title series as Global Competitiveness Reports (GCR). Because the indicators of GCR indexes aim to provide richer information than just hard data, the survey source for the data is important. The survey source has a bias: in each country it solicits “the opinions of senior managers with international perspectives.”<sup>98</sup> The reports thus make the questionable assumption that only internationally oriented senior managers could and should and would best report on global economic matters. The reports thus adopt a view that non-globally oriented senior managers would know too little of their own country’s global competitive capabilities and performance. Senior managers not internationally oriented could, however, still supply interesting viewpoints on international competition from the perspective of their own country and business. Senior globally-oriented managers in Norway, on the GCR’s standard of international orientation, should have a propensity to view the economic conditions of Norway in international terms—while senior

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<sup>98</sup> GCR 2001-2002:176

managers in Norway could supply a view of Norway's international competitiveness without that propensity. The business of the networked circle of artisans has a primary orientation to its customers in Norway, where the majority of its business takes place; secondarily, the circle services the needs its Norwegian customers have abroad. One will therefore need to assess to what degree circle management orients itself internationally. Nevertheless, the GCR bias does provide a benchmark from which one may position the activity of the circle. Secondly, the report overstates the case for causality amongst the variables: "We provide provocative evidence of causality..."<sup>99</sup> However, the issue of causality may be ignored since I am simply using the statistics as general indicators.

The GCR reports claim a special and unique status for the Nordic states: they produce social justice and competitiveness at an unprecedented level. However, identifying Norway as part of a Nordic Model adds little otherwise to my argument of what the circle does to achieve 'The Good Life', or how and why it does so, or the role the construct of 'The Good Life' plays in the social organization of their entrepreneurial activity. The model is unnecessary and adds nothing beyond what are necessary conditions in welfare states for wealth creation. In the eyes of many, the welfare state has taken shape in the form of, or calls up the idea of, the Scandinavian Model—and when it includes Finland, the Nordic Model—often as a paragon or nonpareil of welfare states. The Norwegian social scientist Lars Mjøseth mischievously denies and asserts its existence in the title of his article, *The Nordic Model Never Existed, but Does it Have a Future?* He convincingly argues that one cannot isolate features constituting a model specific to Scandinavia (or The Nordic Area). He supports an argument that key indicators, institutions, and mechanisms over

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<sup>99</sup> Michael Eugene Porter's contribution on competitiveness in Chapter 1.2, GCR 2001-2002:61. The results, although often showing high correlations, do not meet the strict three conditions for claiming causality, which he defers to the future: "...more years of surveying will be required to establish definitive cause and effect relationships"; see Agresti, Alan 1997:357-359.

Michael E. Porter is an internationally recognized academic specializing in Competitive Advantage. He is important enough to merit a biographical entry in *Who's Who in America 2008*, 62<sup>nd</sup> ed., v.2:3727. Q.v. Global Leaders at

<http://www.globalleadersevents.com/event-speakers/Michael-Porter.cfm>, and Boyett 1998



the whole span of the state, economy, and social structure that people take as defining for a common Nordic model in fact show that the Nordic countries are more dissimilar than similar according to the definitional criteria. Furthermore, the similarities that do exist also prevail in non-Nordic countries.<sup>100</sup> One can only identify a number of Nordic peculiarities without these forming a comprehensive and coherent model with common mechanisms.<sup>101</sup> Mjøseth concludes that the Nordic Model has a future because intellectuals and politicians use it, can use it, and may do so in future, all in a political context.<sup>102</sup> His prediction has proven true for more than intellectuals and politicians: academics and scholars too have kept the concept alive and well in policy fora. For instance, an academic, extensively interviewing Anthony Giddens in 2006 about the Hampton Court summit, introduces the term Scandinavian model in a discussion of what Giddens calls “...the future of the social model... [and] problems of the European social model...” with a view to the successful reforms Nordic countries have introduced in combining social justice with competitiveness as a way forward for Europe.<sup>103</sup> But the term and concept has not been respectable enough to merit an entry in standard encyclopedias of the social sciences.<sup>104</sup>

The Nordic countries may be unique in their level of social and economic achievement, but that achievement has its roots in the microeconomic level of an economy based on the sophistication of actual firms and in the quality of the microeconomic business environment. As I have already dealt with such indicators in indexes of innovation, etc., introducing a Nordic model has little point. However, part of the microeconomic business

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<sup>100</sup> Mjøset 1992:661,663

<sup>101</sup> Mjøset 1992:661,663

<sup>102</sup> Mjøset 1992:661,663

<sup>103</sup> In the Guardian Unlimited of March 23, 2006; also retrievable in the Nexis database.

The interviewer appears on the website <http://www.londonmet.ac.uk/depts/dass/staff/nicholaswatts/>.

Lord Giddens appears on the website <http://www.lse.ac.uk/Depts/global/stafflordgiddens.htm>

<sup>104</sup> Smelser and Baites, 2001. Retrievable at

<http://www.sciencedirect.com/science/referenceworks/0080430767>

environment is the network's location in Greater Oslo, the capital of Norway, in the heart of the welfare state.

### Part III

#### ***Greater Oslo in the Welfare State***

Both the location of political power in Oslo and a political-party divide in Norway between socialist and non-socialist blocks impinge upon the circle's making a livelihood. To see how this is so, one requires an explanation of the political circumstances in which the circle operates. The Norwegian Parliament sets the welfare policies of the Norwegian state. Public political institutions—the Parliament and its administration, the civil service, and party political headquarters—are located in the capital Oslo. After its return to government in 1935, the Labour Party essentially ruled without interruption (excepting Quisling's collaborative rule with the Nazis of 1940-1945) until 1965 and then again from 1971 until 1997 with four limited interludes of non-socialist government in that latter period.<sup>105</sup> Norwegian politics was then, and still remains, split into two camps holding power alternately—a social democratic party, Labour, and the non-socialist parties, which had to form coalitions because they could never command a majority individually.<sup>106</sup> During this extended period (1935 – 1997) the Labour party created the modern welfare state in Norway from its headquarters at Youngstorget in Oslo, which became a byword for Labour power and the welfare state. Nevertheless, whether socialist or non-socialist, all five of the parties holding power have always supported a welfare state, however much they differ in ideology and the political measures they employ in achieving it.

The Christian Democratic Party maintains a distinct Christian religious profile that informs its family, educational, business, and foreign aid policies. This non-socialist party played a pivotal role in Norwegian politics: it headed two ruling (non-socialist) coalitions from 1997 that broke the long stretch of

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<sup>105</sup> A non-socialist coalition ruled from 1965 – 1971.

<sup>106</sup> The main Non-Socialist Parties are: Centre, Christian Democrats, Conservatives, and Liberals.

Labour rule (1935 -1997). The two coalitions held sway almost entirely from 1997 until 2005<sup>107</sup> The widely popular parliamentary leader of the Christian Democrats (Kjell Magne Bondevik, 1947-) served both terms of the coalition as Prime Minister, making him Norway's longest serving non-socialist Prime Minister since World War II.<sup>108</sup> In his second term he did two things of national import that were well received by the artisan circle: his government introduced welfare reforms and he appointed, and kept on during the whole of his second term, a Councillor of State, Kristin Clemet (1957-), Chief of the Ministry of Education, Research and Church Affairs, on 19 October 2001 (to 31 December 2001) and as Chief of the Ministry of Education and Research from 1 January 2002 – 17 October 2005. As a former MP for Oslo, she had a good understanding of the welfare needs of the city and also the needs of its business community; she had headed the Ministry of Labour and Administration, and she had served as Vice-President of the Confederation of Norwegian Industry, an employer's interest organization.<sup>109</sup>

Thesis fieldwork took place during the latter part of the first coalition term and all of 2001 in the second term, in which the Bondevik government introduced welfare reforms and in which the Prime Minister appointed Kristin Clemet. The introduction of these measures had several positive effects on the circle: (1) The circle as a whole perceived the election of a non-socialist government as a recognition of their own political leanings, a long-awaited

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<sup>107</sup> Labour intervened from 17 March 2000 – 19 October 2001. The first coalition ruled from 17 October 1997 – 17 March 2000 and the second from 19 October 2001 – 17 October 2005.

<sup>108</sup> Kjell Magne Bondevik (1947-) is an ordained minister in the Church of Norway: this made him a minister in a double sense. Q.v. <http://www.regjeringen.no/en/>, Kjell Magne Bondevik, in English; likewise his CV in Norwegian at <http://epos.stortinget.no/Biografi.aspx?initialer=KMB>.

Kjell Magne Bondevik was one of Norway's most prominent politicians.

<sup>109</sup> Q.v. Kristin Clemet's details in Norwegian at

<http://epos.stortinget.no/biografi.aspx?initialer=KRCL>, likewise in English at

<http://www.regjeringen.no/en/>, Kristin Clemet. She graduated from a high school of commerce (1976) and then from a business school, The Norwegian School of Economics and Business Administration in Bergen (NHH) as an economist (1981), served as a member of parliament for Oslo for the Conservative Party (1989-1993), was Chief of the Ministry of Labor and Administration in a Conservative-headed coalition government (1989-1990) before the Prime Minister appointed her, and was Vice President of the Confederation of Norwegian Industry from 1997 to 2001 coinciding with the Prime Minister's first period of government.

good omen of things to come, and something in their best interests; (2) Because of their Christian religious commitment, and because of their previous support for the Christian Democratic Party, two key managers in the circle (married to each other) had reason to feel that one of their own, the Prime Minister, was now at last in power and had enough authority and backing to see through reforms that would benefit family life, strengthen private Christian secondary schools, and be friendly to business; (3) This married pair trusted the Prime Minister to keep his word and keep to his program of reform: the Prime Minister was an ordained minister—a man of his and God’s word; (4) The Prime Minister had a well-received record in politics as a politician of long standing. He had the know-how and experience of the cut and thrust of political life to lead and to get things done; (5) The Prime Minister had put in place Kristin Clemet, another effective and popular politician, conversant with commercial conditions in Oslo, and the needs of business; she was approachable and available in Oslo; (6) It was not uncommon for members of the public to request a meeting with a member of parliament or minister. The married pair of managers felt that they now had better opportunity to be heard; (7) The circle felt justified in its confidence that the non-socialists would make a difference: in fact the Bondevik government did get its reforms through in its second term; (8) Another member of the circle who co-managed a circle firm served as a civil servant in a government agency providing help to developing countries. The policies of the non-socialist government backed by the Christian Democratic Party gave this member assurance of continued employment and confirmation that the government had its heart and priorities in the right place.

Thus the political environment of the time buoyed up various circle members’ social outlook on family, educational, business, and foreign aid policy. The political environment promoted their idea of the good life.

### **Summary**

An array of institutions tracking national development, such as the United Nations, the World Bank, the World Economic Forum, and the like, classify

Norway as being among the top tier of those states providing for the comprehensive economic and social well-being of its inhabitants. Figures show that Norway is a quintessential welfare state in providing welfare in terms of seven factors that cross-culturally affect happiness. The seven factors affecting happiness create a stable and predictable environment for human capital, social cohesion, and a wealthy citizenry. The figures that document Norway's favourable economic and social conditions reveal that the stability and predictability of the social conditions of the Norwegian Welfare State provide an environment for conducting business easily and for doing so as a world-class competitor, to which the figures of the Ease of Doing Business, the Overachiever, Business Competitiveness, Economic Creativity and Growth Competitive Indexes and their sub indexes attest. The wealth of Norway has more to do with these factors than with Norway's discovery and exploitation of petroleum resources. Norway's wealth predates its petroleum era. The sub indexes of the ease of doing business index outline a progression of establishing and running a business. The circle therefore has before it an example of the good practice that Norway's credible performance on this index signals. This progression forms a model that the circle parallels in the development of its firms. This holds for most firms that start up. The sub indexes of innovation, know-how, and start-ups highlight the importance of such processes in Norway. Further, circle members can draw upon a moneyed population for their livelihood and benefit from some or all of the seven factors in pursuing that livelihood and in maintaining a high quality of life. The circle's geographical location at the centre of political, social, and financial power in Norway, in which they perceive themselves to have a stake, adds to the resources upon which they can draw and increases their chances of success. These socio-political and economic factors constitute the context in which the circle makes its livelihood. The institutions of the Norwegian welfare state and its business environment thus offer an opportunity for the artisan network to do well out of Norway's success in that the artisans participate in the institutions of the Norwegian welfare state that creates the wealth of Norwegian society. In this regard, the characteristics of the

Norwegian welfare state form the basis for answering research question three. The seven factors of life quality and a high degree of intangible capital that typify the Norwegian welfare state provide an impetus for the artisans' way of achieving 'the good life' through the development of their preferred business model, the focus of research question number one.

The next chapter takes up measures of who owns Norway's tangible wealth and continues with a brief overview of the network as it fits into the profile of Norway's owners of tangible wealth and Norway's economic geography.

### 3 Norwegian Business Ownership

#### *Keeping Good Company and Keeping Good Companies*

This chapter presents ownership as a background for an understanding of making a livelihood as artisans among Norway's elite and as alliance members. The artisan owners and managers of the circle can make their livelihood amongst the elite because they share certain characteristics with the owners of Norway's wealth. The alliance takes the exceptionality of its business organization and way of life from its roots in servicing Norway's elite. The ethnography in the ensuing chapters, four through seven, details the alliance's organisation. This chapter opens with a thumbnail overview of the owner-manager firms in alliance before turning to their place in the ownership structure of Norway's business world.

The artisan group shares commercial and private individual clients, for whom they can offer architectural modifications to property, interior decoration, and hand-made furnishings to custom order. These clients, most of whom are legally resident and work in Greater Oslo, typically own and maintain for their own use three or more houses: a home in Oslo; a sea-front residence with a quay for a yacht or motor cruiser, often with a heliport besides; a mountain residence for winter skiing and summer outdoor activities; and homes abroad in either continental Europe, most often France and the Riviera, or on the Eastern seaboard of the United States. The British (business) press terms such people 'the super-rich'. The artisans too largely share this background. This parity of background has consequences for the members of the artisan group's construction and conduct of their lives.

Along lines of consanguinity, affinity, and acquaintance, the artisans, have grouped themselves into 5 limited-liability companies, closely held: (1) an interior decoration firm, *Décoration*; (2) a furniture and general joinery, *The Furniture Factory (Møbelverkstedet)*; (3) a furniture resurfacing firm, *Furniture Finished, Johnsen ASA*; (4) a furniture specialty restoration firm, *Restauration*; and (5) a surface technology firm, *Élégance*. Broadly, these

appear listed in the order artisans in the group founded them. In addition, a few independent companies provide services to the five companies above and have done so since their inception, on the basis of long-standing links. One limited liability accountancy firm, Regnskapet, serves both (1) and (2); (3), (4) and (5) each have their own accountants. Norway's largest transport company, Transportcentralen, provides goods transport for (1) on a contract of long-standing. In that all the firms and the accountancy firm Regnskapet act in concert to various degrees, I also refer to this network hereafter as 'the circle' or alliance. Each company in it stands on its own as a going concern; in fact each is now a 'gold mine' or 'money machine'.<sup>110</sup>

### ***Tangible Wealth: Who Owns Norway?***

Besides asking where the wealth of nations is and finding it in Norway's intangible wealth and sovereign wealth funds, a further question follows: 'Who holds Norway's Tangible Wealth' in addition to the Norwegian State's assets and as part of the Norwegian Welfare State? A seminal study has addressed this question that helps put the circle in the context of Norwegian businesses. That context also contributes to explaining why the circle can organise in the way it does.

What type of ownership characterizes the circle and what place does it have in the Norwegian context? Grünfeld and Jakobsen address the question of ownership and management in Norway in an empirical study for the year 2003.<sup>111</sup> Their book presents the most comprehensive and complete investigation of this topic so far and develops a typology empirically. The following discussion presents the authors' findings and locates the circle in terms of those findings. Although the data derives from the years just after the fieldwork for this study was undertaken, it is nevertheless the best available.

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<sup>110</sup> Money machine: a person or institution which makes a seemingly endless amount of money or has no purpose other than making money; a lucrative business, product, etc. The OED dates this usage to 1833. Q.v. *The Globe and Mail (Canada)*, October 25, 2000 Wednesday: As an industry...the mutual fund industry is a **money machine**...USA TODAY, August 1, 2007 Wednesday, MONEY;p1B: CNBC is a money machine.

<sup>111</sup> Grünfeld and Jakobsen 2006



## ***A Typology of Ownership***

According to the authors, Norwegian business ownership consists of 4 basic groups: ultimate owners, owners' agents, financial investors, and strategic owners (p48). The first two belong together. Ultimate owners are the actual owners; those who act as owners on behalf of actual owners are the owners' agents. Owners have both residual control and are accountable for profit and loss statements. Owner's agents are share companies and other organizations owning shares in other companies. The next two groups belong together, the terms financial investors and strategic owners distinguishing between those who have real influence over the running of the company, i.e. the size of the share they possess in the company, and those who do not. The distinction rests on the international statistical standard that share holdings under ten percent are financial, those greater than ten percent are strategic. These four groups encompass 300,000 owner holdings in over 150,000 Norwegian businesses—all those businesses that must register their annual reports with the Register of Norwegian Companies (in Brunøysund; p16). The five main companies of the circle fall into this registered category and belong in this ownership context. In their census of registered firms, Grünfeld and Jakobsen exclude most independent businessmen and women, single-owner firms, and companies limited by guarantee—types of businesses in which just one of the circle companies belongs (p16). The census also excludes households (p17).

Despite the exclusion of households, the ethnography will later show the key importance they have in the circle's creation of wealth. Nevertheless, the holdings of these registered companies represent 95% of all wealth creation in Norway (p97). Core alliance firms generally fall within the typology so far: each firm, except one, has multiple rather than single ownership; the companies are registered; they belong to the 95% creating Norway's wealth; and they have ultimate owners, i.e. there are no owner's agents, financial investors or strategic owners. We now turn to what the typology can tell us about the wealth of Norway. After this general survey, I turn to the other categories of ownership in the typology because they directly impinge on the context in which the circle does business.

## ***Owners and The Wealth of Norway***

In Norway registered companies in private hands create more wealth than state-owned and foreign companies (p97). Registered companies make up the vast majority of wealth creation and capital in Norway—940 billion NOK for 2003 (p 17)<sup>112</sup>. The gross national product (GNP)—the total creation of wealth in Norway—was 1,200 billion NOK for 2003 after subtracting for public services. In 2000 GDP amounted to 1,400 billion.<sup>113</sup> Thus the authors deal with more than three-fourths of all wealth creation in Norway. In 2003 the market value of this Norwegian business sector amounted to c. 3,000 billion NOK—a figure that indicates how much owners' future investments yield (p17). That figure is the capital that owners of the Norwegian business sector command. The figure is small compared to Norway's total national wealth—the value of all national resources—which amounted to 30,000 billion NOK in 2003.<sup>114</sup> On these figures then, the value of the Norwegian business sector is minor compared to Norway's total national wealth: it is one tenth its size.

In market value the state is the largest owner in the Norwegian business sector with 900 billion NOK in total wealth in 2003, which is 30 percent of the market value of the Norwegian business sector as a whole (p97). 22,000 billion NOK of the total national wealth, i.e. three-fourths of it, consists in what the authors term human capital. Therefore the greatest wealth in Norway amounts to the value of the Norwegians' abilities, know-how, and work effort (p 17). However, the authors increase the value of the largest business sector by adding its wealth—3,000 billion in market value—and the value of human capital in order to give an overall impression of the value of the Norwegian business sector for Norwegian society. Since 6 of every 10 people in the work force engage in market-oriented activity, they reckon the value of 3,000 in the

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<sup>112</sup> NOK= 8.91 USD for 2003.

<sup>113</sup> Grytten 2004:280, Table 6 retrievable at

[http://www.norges-bank.no/upload/import/stat/historiske\\_data/en/hms/c6.pdf](http://www.norges-bank.no/upload/import/stat/historiske_data/en/hms/c6.pdf). This figure virtually matches Statistics Norway, Statistical Yearbook 2008:290 retrievable at

<http://www.ssb.no/english/yearbook/tab/tab-290.html>. There is no simple source for Norway's GNP. The GDP in Table 6 for 2003 is 1,500,000.

<sup>114</sup> Greaker, and Walle 2005.

business sector to increase to 16,000 billion NOK. The value of the business sector thus amounts to 53% of Norway's total national wealth of 30,000 billion NOK. Owners therefore have at their disposal just over 20% of the value of the business sector; employees the rest at 80%. In passing, one should note that Grünfeld and Jakobsen's enlarged calculation here confuses ownership of capital with labour as a form of capital. I should now like to turn to the wealth of the dominant owner type in Norway. A closer inspection of ultimate owners is informative because the firms of the circle belong to this group.

### ***The Wealth of Ultimate Owners: Who are they?***

Ultimate owners control, as we noted above, more than 100,000 companies in Norway (p70). Of these ultimate owners, the category personal owners refers to Norwegian individuals who directly or indirectly own shares in Norwegian companies; personal owners hold 69 percent of all registered share holdings.<sup>115</sup> Although private individuals own only c. 4% of the value of the Oslo Bourse, they own 27 percent of the value of the Norwegian business sector, as defined, as a whole.<sup>116</sup> A large number of these owners are in fact small companies—a type to which the companies of the circle belong—so that the percentage of the total national wealth belonging to personal owners is considerably lower. This private wealth amounted to 86 billion NOK in 2005, ranked as follows: the richest person owns c. 38% of that wealth—c. 33 billion NOK; the next three richest own c. 10 billion NOK each. The ten richest have a total of 124 billion NOK, the 100 richest 300, and the 400 richest 434 billion NOK. Thus the 400 richest Norwegians have on average a little more than 1 billion NOK each in wealth, i.e. c. 2 percent of total national wealth (p41,p55).

The composition of that wealth centres on a limited number of specific industries. The largest part of private ownership in Norway occupies those sectors most protected from international competition—retail trade, real

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<sup>115</sup> Although an act concerning the administration of wealth (stiftelsesloven 1980,nr11, superseded by stiftelsesloven of 2001,nr91) covers trusts, ¶108 of the Norwegian constitution partially limits setting up trust funds for the purpose of benefiting one's family and their descendants.

<sup>116</sup> There appears to be a problem with the authors' figures: 27% of, presumably, 3000 is 840 billion, not 940.

estate, and construction. Although no branch of business is entirely protected from international competition, particularly not factor markets such as labour and capital markets, retail trade is mostly restricted to local service provision, real estate is geographically tied, and construction also has a local character. Shipping is the sole international branch that personal owners dominate. This sheltered ownership is reflected in the wealth of Norway's six richest individuals, where three of the six operate in the retail food trade, two in shipping, and one in real estate (p41).

Each circle owner belongs to the economic, and social, group of private owners; as members of this group of owners, they have a 'natural' affinity with it. The circle, in its business of interior design and house remodelling, is a part of the construction industry, which is one of those protected industries where wealth is concentrated. The business of the circle is thus positioned where a serious part of Norway's wealth is located, and its furnishings and interior design business caters largely to the richest of Norway's private owners. The wealth on which the circle depends has its foundation in the sheltered sector of the economy, protecting the circle from any adverse economic dislocations in the Norwegian economy. The circle too, then, is part of the sheltered economy.

### **What is the age of private owners?**

Most owners in Norway are of the age range 40–70 years of age. This has a direct connection with long life expectancy in Norway—the highest amongst nations. Those aged 30–39 own just over 11 percent of Norway's total market value of ownership, those aged 40–49 own c. 27 percent, and those aged 50–59 just under 30 percent. Those in the age span of 40–70 years own the companies that create the greatest wealth (p79). Grünfeld and Jakobsen assume that the association they establish between age and concentration of wealth is due to the ability to create wealth and that the age group 40–70 thus creates the greatest wealth. One may well question this assumption. The ages of owners and employees in the circle fall in the range 30–49 years and the artisan owners specifically in the 40–49 age group, one that owns just over a

quarter of Norway's total market value. The circle's connection to this group also bears on the organization and activity of the circle. It is not unusual that circle owners are of an age that starts peaking in riches, as are the majority of their clients who are also owners. Age parity adds market credibility to the circle. To do business with each other, for both clients and circle, thus appears 'natural' to both parties.

### **The Size of Owner Businesses: Turnover and Owner-Managers**

The size of private-owner firms according to turnover varies inversely with the firm's market value: the smallest businesses have the largest market value (p 68). The circle belongs to a type—a medium-sized enterprise in Norway—that has a turnover of between 10 and 50 million NOK. That group represents a total market value of c. 112 billion NOK, where private owners' share of business ownership is 61 percent in firms with less than ten employees and where private owners own just under 80 percent of the total number of firms (p68-69)<sup>117</sup>. Once a firm passes 50 million NOK in turnover, indirect ownership takes the upper hand; private owners' proportion of ownership then falls to 40 percent (p68). In firms with the largest turnover—500 million NOK and higher—only 5 percent have private owners and a total market value for those owners of c. 10 million NOK. These figures show that private individuals have their largest ownership in medium-sized enterprises; that the bigger firms get, the more indirect ownership prevails; and that private owners go from being the predominant type of owner of small and medium-sized firms to having almost no presence in firms with more than 500 million NOK in turnover.

An inverse association also exists between creation of wealth and companies whose biggest owner is also its manager (p77). In the circle, owners are managers. Of 93,000 Norwegian companies which have a managing director and a dominant owner, more than 50,000 have a managing director who is also the largest owner, i.e. 54 percent of the companies (p77).

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<sup>117</sup> Ten employees work in the firms of the circle.

Owners appointing managers open themselves to potential conflicts of interest between owner and manager, which increases the need for control and management. When split ownership prevails, owners have weak incentives to manage the management (p77).

Combining both owner and manager in the same person thus avoids two potential problems. In part, the owners of the circle firms are its managers because of these two circumstances. Once again, a cut-off point of a turnover passing 50 mill NOK shows a division between owner-manager and split-owner management. Companies with less than a 5 million NOK turnover and an owner-manager make up the largest group according to turnover, c. 60% ; those over 50 billion NOK make up c. 2% ; those over 500 billion make up c. 8 thousandth of a percent (3 of 397 companies). Thus these figures indicate that the smaller the company the greater the probability that the same person owns and manages it (p78, Figure 2.18). In the turnover group 5-50 million NOK, to which the circle belongs, just over 20% consists of owner-managers. The largest owner-manager group in turnover at c. 60%, plus the group in which the circle belongs at 20%, make up 80%—the largest block of firms. This fact provides the circle with further scope for wealth creation. Firstly, it puts them on the same footing to the group of owners who also manage their own firms, as is the case with the firms of the circle, and secondly to the subdivision of that group, owner-managers in whose companies the manager is the biggest owner. This factor allows the circle to deal with clients in the same economic block as themselves, another circumstance making it 'natural' in the eyes of the circle and their clients to do business with each other.

### **Geographical Proximity: Owner and Firm**

Geographical proximity between company and owner has a positive effect for growth in turnover, growth in wealth creation, and profitability (independent of the age of the company and size of the company, p133). Geographical proximity has the statistically greatest effect on wealth creation. The younger the company and the shorter it has advanced in its development, the more

important is proximity between owner and company (p154). This factor is relevant for the establishment phase of the circle's companies and its subsequent achievement of wealth. The firm established earliest in the circle did business where one of its owners resided. Otherwise, alliance companies were within one half-hour's commuting distance from each other in peak traffic.

### ***Other Categories of Owners***

According to the authors, private ownership and wealth also exist amid several other types of ownership. These types also add to an understanding of Norway's wealth and the role of private owners in it. The circle makes certain ownership choices partially because of the existence of certain other groups of owners. These groups are the Norwegian state, Private Equity (PE) funds, management companies, and foreign investors. A brief characterization of these now follows in accordance with the authors' figures before returning to private owners *per se*.

As we have seen, companies owned by ultimate owners produce the greatest wealth in Norway (p60), of which companies owned by individual owners produce the greatest wealth through their (share post) ownership (c. 240 billion NOK). Private owners represent c. 40 percent of all wealth creation in Norway's business sector, excluding the petroleum sector (p63).

Then, in descending order of wealth, come the state (c. 220 billion NOK), foreign ownership (215 billion NOK), cooperatives (c. 26 billion NOK), trusts (c. 15 billion NOK), and unknown ownership (c. 15 billion NOK; p62-63). These figures, which Table 3 displays, indicate that private, state, and foreign owners own roughly equal portions of Norway's business sector. Although private owners are the largest category according to wealth creation, the state is the largest in terms of market value, which excludes state ownership in gas and oil fields, and in the state Petroleum Fund, which exercises no ownership in Norway and places its investments solely abroad (p66, p90). The descending order of owner groups according to market valuation is the state (c. 900 billion NOK), private owners (c. 805 billion NOK), foreign owners (c.

715 billion NOK), cooperatives (c. 22 billion NOK), and trusts (c. 20 billion NOK; p 67). As the second largest owner group in terms of market valuation, private owners represent c. 30 percent of all market value of Norway's business sector (p68). This is the group to which the firms of the network belong and to which they primarily turn for their custom.

	Market Valuation	Wealth Creation
State ownership	900	220
Private ownership	805	240
Foreign ownership	715	215
Cooperative ownership	22	26
Trust ownership	20	15

Source: compiled from Grünfeld and Jakobsen (2006). Figures in billions, NOK

Table 3 Ownership and Wealth in Norway

## Foreign Ownership in Norway

### Geographic Barriers

Norway has a small open economy with significant ownership (p49, p68) by foreign companies (p51). These foreign owners belong to the category of 'owner's agent'. Foreigners engage in buyouts of Norwegian businesses rather than in new investments (p95). Their presence can increase competition but not as a consequence of an increase in a greater number of actors in the market. The reason for lack of new investment in Norway by foreign owners lies in Norway's position as a small country on the periphery of Europe.

Because it is a long way to foreign markets, it often does not make business sense to position new businesses in Norway by starting from scratch. It is better to link up with an already established company serving Norway and possibly other countries besides (p95). Thus Norway's geographical position further shelters the economic activity of the circle in its start up phase. In that phase, foreign investors would have no interest in the circle as a buyout. A possible threat to the circle as a going concern is that growth in foreign companies in Norway occurs in service industries, i.e. banking—an



explanation for why there are few new investments in Norway (p95). On the other hand, one would expect a greater number of new investments in Norway because of its rich natural resources relative to the number of buyouts that occur (p96). The environment of low-level foreign buyout serves to insulate the circle from the threat of a foreign buyout, despite its already limited potential as an object for acquisition. The association of geographical propinquity referred to above holds too in the case of the circle. Because geographical proximity effects growth in turnover positively, wealth creation, and profitability, and because the younger a company the less it has advanced in its development, a foreign company would have little interest in uprooting or acquiring the circle as a business.

Geography, institutional support, and need for foreign competence play a further role in foreign ownership in Norway. Norway loses out in Nordic competition for green-field (new) investment, which predominately occurs in the Stockholm or Øresund regions, which are better known and closer to the biggest population concentrations in the Nordic Area (p96). This concentration makes it easier to get a hold of relevant competence precisely because of the size of the population. With less accessible relevant competence in its Oslo location, the circle faces less potential competition. The circle thereby enjoys a further sheltered advantage. Additionally, unlike Sweden and Denmark, Norway lacks a policy and an investment office to attract new investment under favourable terms, which weakens Norway's capacity to attract new investment. This works to the advantage of the circle, who thereby do not have to fear new competitors. Again the circle thereby gains a sheltered advantage. A further factor is the exigency of small companies which then need a bigger international partner with which to cooperate. The circle does not require such cooperation because it achieves its own through its social contacts and attendance at exhibitions. These facts that isolate Norway work to the advantage of the circle. Although isolated in the above terms, the circle ensures its access to competence through its social organization while at the same time enjoying the advantage of independence and stability that sheltering provides. While Norway pursues a policy of

withholding support for institutional foreign investment and remains geographically peripheral, and while the circle meets its own needs for cooperation, the circle is sheltered and virtually proof against the threat of foreign acquisition. Private Equity (PE) and management companies could pose a possible acquisition threat, one that I address after first identifying the nature of PE ownership.

### **Private Equity (PE) Owners: Strategic Owners**

The authors outline a handful of types of funds—seed, venture, and buyout—that acquire ownership at particular phases in the development of a business (p45, p126). These financial institutions are a relatively new form of ownership that began in the 1980s in Norway but play a modest but increasing ownership role in the country (p129). The largest of these institutions is the venture fund for which by the end of 2005 total investment capital stood at 26 billion NOK (p46). This largest investment institution appears modest indeed if one recalls that the total wealth creation of Norway's cooperatives is worth c. 26 billion NOK or that the richest person in Norway is worth c. 33 billion NOK. These funds are active in the sense that their purpose is to maximize the wealth creation of a company at a particular stage and then to withdraw. They share this purpose with serial entrepreneurs as the authors define them; the latter is a type of owner that bears upon circle owners. The serial entrepreneur owner is a subtype of the owner-manager category of ownership. As the circle consists of owner-managers, I discuss serial entrepreneur ownership under the next subheading.

Venture and Private Equity (PE) capitalists look to acquire bigger companies. Thus it seems likely that, as a medium-sized group of companies, the circle would not attract their attention as an investment object. Therefore the circle is in principle protected from ownership threats from this quarter. Seed funds offer help in the start up phase of a business and therefore could have relevance to the establishment stage of the circle. However, at the time of the circle's early phase such funds were new, generally little established, and hardly known. They also were pitched towards the new technology industries

of high potential growth at the time. The circle consequently would not appear as an attractive investment object to seed funds, nor would the circle have the motivation to approach such. Here one has a factor that shelters the circle as an independent economic entity.

### **Serial Entrepreneurs**

Grünfeld and Jakobsen have noted that in the over 150,000 registered companies in Norway, 93 000 have a managing director and a dominant owner, i.e. 62 percent of registered companies. In 50, 000 of these, owners with the largest share in the company are also its managing director, i.e. 54 percent (p15, p77, p135, p147; cp the sections above A Typology of Ownership and The Size of Owner Businesses). As we saw, private owners directly and indirectly control the majority of Norwegian companies, the majority of which are entrepreneurial companies in that the same person has established, controls, and has the responsibility of running them. Norway is amongst the top leaders in entrepreneurship (p 147, fn. 47), as seen earlier in Tables 2.1, 2.2-1, and 2.3. Norway ranks third place after first-placed Ireland and second-placed Iceland—the latter another country in the Nordic Area.<sup>118</sup> In the simplest sense, serial entrepreneurship consists of the same owner manager establishing one company after another. The circle exemplifies this variety of serial entrepreneurship. Grünfeld and Jakobsen, however, define serial entrepreneurs more narrowly as those who specialize in nurturing companies with potential for growth before selling them on when they no longer have an edge as an owner (p 147). This definition assumes that companies are a commodity to be sold in a market for companies. They are to be passed on foremost for the benefit of the seller and the satisfaction of a buyer. In the ethnographic part of the thesis, one sees that serial entrepreneurship has a different cast to it than this narrow definition entails. In the circle, serial entrepreneurship involves keeping a company once it is established—a fact mirrored in the first half of the title of the thesis: ‘Keeping Good Companies’.

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<sup>118</sup> The authors quote Kolvereid et.al. 2005.

Several owners of companies in the circle contribute input to founding a new company that becomes the domain of a contributing owner-manager in the circle and of another associate of the circle. In the ethnography, I explore the reasons for this hybrid: joint serial entrepreneurship.

The authors argue that serial entrepreneurs steadily gain more experience and competence (p148). If serial entrepreneurs remain in their companies long after they have lost their ownership advantage, their competence would remain locked away instead of being put into new companies where they have greater potential ownership advantages. Serial entrepreneurs then achieve lower yields. This lock-in of competence also weakens the company's possibilities of development and thereby the emergence of profitable work places. The circle prevents such stagnation by expansion without selling; it puts the experience it gains from new development back into the pre-existing companies. It creates a feedback loop of competence to keep companies in the circle strong and viable.

The circle solution to countering entrepreneurship stagnation helps the circle overcome the thin market for selling and buying companies: there are few avenues open for selling off companies, as indicated under the PE heading above because of the modest development of fund companies to close such deals. PE-equity funds are limited in Norway. This circumstance limits the chances for entrepreneurs to sell their company businesses in order to finance a new start-up or realize the value of their businesses. Seed companies have less than 1 billion NOK in all (p148). Norwegian entrepreneurs have few exit possibilities as a consequence of little developed ownership markets. This circumstance further shields the network from selling out and provides a motivation for keeping its companies running well.

The ethnography makes clear that the limited scope of private investment vehicles for start-ups and buyouts at the time of fieldwork enters into the reasons the network engages in serial entrepreneurship. Furthermore, the heritage and record of entrepreneurship in Norway, as attested in the previous chapter, sets an example for the artisans to engage in entrepreneurship. Because a pattern and role model exists, it appears 'natural'

that the artisans follow it and 'natural' to the circle's clients that the artisans have done so. The clients of the network run successful businesses like the artisans: this puts them on a par and it makes it 'natural' for them to deal with each other. Yet the roles of savvy business people and of crafters presents a potentially puzzling combination to clients. The ethnography clarifies the measures the artisans put in place—those of lifestyle—to counter lingering uneasiness on this account.

### ***Private Owners and Profitability***

In another work of theirs, Jakobsen and Lien cite evidence that there is no positive relation between growth and profitability: the reason being that growth is both risky and expensive (p107). It is profitable to be a large company but not to become one.<sup>119</sup> The lack of an association between growth and profitability is due *inter alia* to the fact that ambitious companies are willing to accept negative profitability in their initial phase of establishment in order to harvest rewards later (p107). In the ethnography one sees that the circle circumscribes its growth in favour of profitability. The circle uses cross subsidy from the original two firms for establishing the surfacing firm; the cross subsidy occurs through the sharing of tools, know-how, etc.. Figures for the owner types show that privately owned companies have the highest profitability and weakest growth (p113). The circle, however, creates strong growth.

Profitable growth is difficult to realize (p107). To solve the dilemma between growth and profitability companies turn to another relationship that is also problematic—the relation between market share and profitability. The authors state that there is a positive relationship between market share and profitability: because it is profitable to be a big company, and because it is attractive for managers, many companies will strive to capture market share and to employ resources on marketing to win new customers. This creates a situation where the cost of winning market share is high—so high that any

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<sup>119</sup> Jakobsen and Lien 2005

advantage evaporates (p107). Because it is time- and resource-consuming to exercise ownership, the level of profit on invested capital in the company owned is insufficient, in relation to time and other resources expended (p107). Therefore owners are not only interested in percentage profit but also in absolute profit in NOK. PE funds are aware of this; it poses the biggest challenge for seed funds. Because of this imperative for absolute profit by private owner-managers, investment is so minimal that a potential for growth has to be large for it to be profitable to commit resources as an owner. The circle tackles and accommodates the conflict between growth versus profitability and the problematic relationship between market share and profitability through its marketing strategy. This strategy, as the ethnography illustrates, consists of eliminating the need to throw money at winning market share. The circle lets its customers co-opt the circle's marketing function in order to create a monopolized, circumscribed, and profitable market. On the one hand the circle's creation of this monopolized market shelters the circle from funding problems and, on the other, allows it to strike a balance between market share, profitability, and growth.

### ***Summary Analysis of Ownership***

The structure of Norwegian ownership establishes, and goes a good way towards explaining, the overall conditions, constraints, and opportunities within which the circle does business. Norway has in place a solid structure of thriving private ownership; these owners create the largest share of Norway's considerable wealth and control the majority of Norwegian companies. The private owners and entrepreneurs who create that wealth are the richest in Norway. These owners control the most important block of companies in turnover and market value and constitute the largest and richest market in Norway, a country that has managed a transformation of societal conditions into a favourable business environment through cultivating innovation, technical sophistication, and start-ups. Norway can effect this because it has a long-standing tradition of successful management of natural resources and a spirit of entrepreneurship in turning available resources to economic

advantage. Norway's entrepreneurship places it amongst the top three in the world. Entrepreneurial owner-managers run small and medium-sized businesses (SMBs) that form the largest class of business in Norway. As sole owner-managers, these owners avoid the problems of split ownership and divergent owner and management interests. By and large, such business people share the same age range. These businesses trade and offer services in a relatively sheltered economy. Foreign companies and PE funds pose little threat to takeover of Norway's Small and Medium-Sized Businesses (SMBs), whose geographical isolation and advantage of localization also dissipate the danger of a foreign takeover. Due to this, the retail food and construction industries fall into the sheltered sector of the Norwegian economy.

These factors play to the advantage of the circle. First, private entrepreneurial business ownership constitutes a well-established, successful, pervasive, financially attractive, and competence-rich institution in Norway. The existence of this institution as it is constituted in Norway is necessary for the circle to exist and take the form that it does. Serial entrepreneurship is part of that institution. Second, the circle does business as a group of owner-managers, thus mitigating divergence of interests in ownership and management. Third, belonging to the richest business block opens the possibility for the circle to create a lucrative market. Fourth, the circle participates in the sheltered sector of Norway's economy where it is protected from economic shocks and cycles and enjoys a safe, reliable market. Fifth, because of Norway's geographic position and localization effect, the circle avoids a risk of takeover. Finally, the existence of owner-managers, who make up the largest class of businesses (SMBs) in Norway, provides a category of people upon whom they can draw as resources and to whom the members of the circle themselves, in belonging to this category, have easier access than those outside it. This category of people furnishes a group with whom the circle feels it 'natural' to associate and *vice versa*. That the circle's owner-managers fall in the same age range as the wealthiest private owners also makes it 'natural' for them to associate with other private owners and the

converse. Consequently, circle members belong to an ownership group and branch of industry in Norway that places them favourably to do business.

Some of the advantages and opportunities of private ownership can also impose restraints. The pervasiveness of the private ownership institution could mean that the circle might drown in a plethora of small companies and go unnoticed. The circle responds to this potential weakness by paradoxically adopting a strategy of isolation from instead of exposure to the open and free market. It creates a closed market, as we shall see. This step removes them from any crowding out within their industry: they create a unique and unassailable market. Because the circle depends exclusively on trust with its clients, its chief asset is its goodwill. Relations between clients and the circle are so close, and so locked into the personality of circle members that an offer to sell circle businesses would not attract potential buyers as a viable business proposition. The circle's network of firms can survive just as long as current members inhabit it; a blood relative or affine relation might substitute for a member. This factor makes the circle too risky for others to take over or for the circle to sell; only its fixed and current assets could be realized. This closed nature of the circle's business model hinders it from attempting foreign expansion or attracting foreign business competence through ownership.

The modest market for selling businesses in Norway, even if the circle business were saleable, limits the business life of the circle. The geographical location of the circle also limits the circle's current business model to its current market. Besides the difficulty of selling, starting up the circle business requires funding. Because of the requirement and priority of the circle for absolute profits in preference to measuring profits by percent, PE funding is not a viable option for the circle. The ethnography explores the way the circle overcomes this hindrance. The circle faces a potential dilemma of obtaining resources in order to balance growth, market share, and profitability so as to remain a going concern—issues and resolutions that come to the fore in the ethnography.

Three of the companies have two owner-managers. This arrangement does not split ownership and management: it doubles it. The advantage lies



in the availability of either one of the paired owner-managers to run the business. In this regard, it reduces the firm's vulnerability to the loss of its management, and it may in some respects reduce the burdens of shouldering the responsibility of running a firm single-handed. Yet the arrangement presumes the ability of each to share and perform the roles of owner and manager and to do so equally with the other owner-manager. These are questions of management control and coordination. The ethnography will explore the circumstances of common and shared education, marriage, intermarriage, social code, lifestyle, corporate identity, and power relations that put this type of management in place amongst firms in the alliance.

This chapter has continued to address research question three by examining the structure of ownership within the business environment of the Norwegian welfare state. The conditions, constraints, and opportunities in that ownership environment raise questions about the ways in which the network faces these features of its environment, features which broaden the inquiry to questions concerning the kind of entrepreneurship the network can exercise, i.e. research question two, and questions concerning the kind of management control and coordination that the network exercises through its social code in order to face the features of its environment, i.e. research question four. These latter research questions tie into the first research question of the development of the network's business model and making a livelihood. The ensuing ethnography investigates the mechanisms that provide explanations to these questions.

## Part II Families and Firms

### 4 The Artisan Families

The economist Yoram Ben-Porath has proposed that: "...the identity of the people engaged in a transaction is a major determinant of the institutional mode of transaction."<sup>120</sup> Ben-Porath treats identity in terms of Families, Friends, and Firms. We shall therefore distinguish the identities of the people in the network and, in the following chapters, the role of their identities in the institutionalisation of the network's business model within the political economics of the Norwegian Welfare State.

People in the network of firms belong to either three core families of the network or to a group of social intimates, professional associates and work associates of the three core families. In this latter group, people can be social intimates and professional associates at the same time, or work associates without being social intimates. Because a number of people in the network play a role in more than one of the firms in the network, one needs to have a clear idea of which people belong to core families and which to the group of associates. While the families and associates could exist without the firms, the firms could not exist without the families and associates. The firms entail the existence of the families and associates rather than the reverse. I shall therefore leave a treatment of the network's firms until after a description and characterisation of the people in the two main groups, leaving one in a position to explore the relationship between families, associates and firms. This chapter treats the core families and the next associates of the core families. The three dominant families are: the first family—The Christensens; the second—The Johnsens; and the third—The Rosenborgs. There are 3 generations: one I label 'Grandparent Generation', the other 'Parent Generation'; the final 'Child Generation'. In the presence of their children, the second generation calls the first generation "Grandparents"; in the presence of

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<sup>120</sup> Ben-Porath 1980:1.

adults, the second generation calls the first “parents”. Table 4 lays out these relationships. People in the text of this chapter not family, i.e. not in Table 4, have their place in chapter 5. Firms named here have their place in chapter 7. Let us now trace the members of each family by generation with Table 4 in mind.

### The Three Core Families

Christiansens  
The First Family

Johansens  
The Second Family

Rosenbergs  
The Third Family

#### Three Generations

	Maternal	Paternal	Maternal	Paternal	Maternal	Paternal
Grandparent	Gunnar Gunnhilda	[*]	Gunnar Gunnhilda	[*]	[*]	Erik Elin
	Elder Johansens	Elder Christiansens	Elder Christiansens			Elder Rosenbergs
Parent	Heidi (43)	Helge (45)	Haldor (46)	Hilda (42)	Kristina (34)	Dag (40)
	(The Younger Christiansens)		(The Younger Johansens)		(The Younger Rosenbergs)	
Child	Holgar (4) Harald (15) Hanna (18)		[Frederik (16)] [Frode (15)]		Marie (4)	Frederik (16) Frode (15)

\* Not Mentioned

**Table 4 Core Families**

Numbers in brackets indicate age.

For the row **Child**, text justification indicates consanguinity to column **Parent**: Heidi and Helge's children are Holgar, Harald, and Hanna; Hilda and Dag's children are Frederik and Frode.

Holgar, Harald, and Hanna live with their parents, the Christiansens; Frederik and Frode formally reside with Dag, their father, in the Rosenberg family.

Marie is the daughter of Kristina by her former husband.

## ***The First Family—The Christensens***

### **Parent Generation**

The Christensen family consists of "Heidi", 43 years old and "Helge", 45 years old. They were formally married in a Christian church ceremony, just after their sweetheart days when they were students at Frogner High, a public secondary school of high academic standing in an exclusive area of Norway's capital. The couple has 3 children: a daughter of 18, "Hanna" and two sons—"Harald", 15 and "Holger", 4. The couple has no expressed interest in having a larger family. Ever since becoming parents, a string of trainee governesses cum kitchen helpers have lived with the family, in a separate room in the family's apartment.<sup>121</sup> The Christensens recruit trainee governesses cum maids through a Christian organization providing such help from girls of Christian background. The Christensens are regular churchgoers, active in the congregation and attend Sunday church services on average twice a month. Hanna and Harald attend the same Christian-sponsored independent school; Hanna is in her final year and Holger attends a private Christian crèche.<sup>122</sup>

Heidi works as an interior architect in an interior furnishings shop, *Décoration*, owned with the interior decorator Hilda of the Second Family and now her sister-in-law. Heidi's additional vocation is her family. Helge's vocation, in addition to his family, is as a furniture maker with proprietorship of a joinery—The Furniture (Joiners') Factory.<sup>123</sup>

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<sup>121</sup> The institution of young Nordic women, predominately just through with upper secondary school, serving as live-in child minders within the Nordic region is distinguished in Norwegian by the term 'praktikant' as opposed to the Norwegian usage of the term '*au pair*'. *Au pair* in Norwegian refers only to such young women who child-mind outside the Nordic area. Depending on the terms of agreement, duties may include light housework. The 'praktikant' during my fieldwork came from Sweden, as did the previous one. Her Swedish boyfriend came to visit her weekends every three weeks or so and stayed in her room.

<sup>122</sup> Helge's Christian grounding has implications for his conduct of business in his own firm and in the circle of firms, q.v. chapter 5, section Haldor's Associates: A Tale and Trail of Workers.

<sup>123</sup> Q.v. Chapter 7, Firms of the Network for *Décoration* and The Furniture Factory. Chapter 7 details all firms in the thesis.

Until recently the Christensen family consisting of Heidi, Helge and the 3 children have lived in a self-owned apartment in a block that Heidi's parents own in the capital. Helge has one younger sister. Heidi has one sibling, her younger brother "Haldor", who does not live in this household; his arrangements are included in the second family. Heidi, née Johansen, uses Helge's last name as her married name.

As native Norwegians, this family speaks Norwegian amongst themselves. Helge speaks English but admits to having no French whatsoever. In addition to English, Heidi speaks fluent French and more than passable Italian.

## **Members of Family Christensen**

### **Helge**

Helge grew up in the 2-storey single-family house of his parents, which the private Christian Hospital provided them, virtually free on the Church-owned property just beyond the hospital buildings where five such houses stood adjacent to each other facing the street. Helge maintains little contact with his one sister. Only on the rare occasions when the extended family meet does he see her. Otherwise he makes two or three telephone calls to her a year. She does the same.

### **Helge's Schooling**

On leaving elementary school, Helge entered the General Studies Stream at the municipally run prestigious Frogner High School, where he didn't get on particularly well academically. He had problems concentrating, disliked theoretical subjects, and in his second year took on an apprenticeship as a carpenter while continuing at school, where he had to repeat some subjects of his final year in order to graduate. During that year of redoing subjects, he met Heidi, now in the same class as he was, and they started going steady. He had one other girlfriend at the same time at the school, but Heidi put her foot down and said he would have to choose. He stayed with her and when they graduated, they were married in a Christian (church) ceremony.

Helge was popular at school and stood out: he was 6' 7" tall, lanky, with light-brown hair, and hazel eyes.<sup>124</sup> Sociable, he was the type that everybody liked; one couldn't help but like him. He participated in social activities and proposed such activities but didn't assume leadership in organizing them. He did not play much soccer but was an avid fan. As an active ski jumper and ski enthusiast, he earned a high reputation that made him known and well-liked. Helge has a knack of putting people at ease. His health difficulties, to be discussed below, shed some light on his schooling background and performance.

### Helge's Secret

Already at school Helge had medical problems, the specifics of which he kept to himself and which medically precluded him from drinking alcohol. Congenitally he suffered severally from the rare conditions of Horton's Syndrome, Celiac Disease, and the then less well recognized condition of dyslexia, for which he received no care or help. Nor had he asked for any in his adult years. No cure, medication, or regimen alleviates Horton's Syndrome.<sup>125</sup> One day in the course of meeting me for a drive in his van to a customer, the following conversation took place:

Helge: How are you today, my good man?

Keith: Just fine. You all right? Raring to go, I take it...

Helge: Yup. But despite that, well...actually...didn't sleep much last night, got to bed about 2 or 3 in the morning, got up about 5 am.

Keith: You know, you've mentioned that in passing a few times. Can't you get that fixed up, do something about it?

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<sup>124</sup> Average male height in Norway is 179.9 cm /5'.10.8"(Source: Statistics Norway). Average height of conscripts in 2000 was 179.6 (Source: Statistical Yearbook, Statistics Norway, Table 106, retrievable at <http://www.ssb.no/english/yearbook/tab/tab-106.html>).

<sup>125</sup> Adams, Raymond D et al., Principles of Neurology, 6th ed., London: McGraw Hill, 1997:181. The medical dictionary at <http://www.online-medical-dictionary.org/> defines it as: "A syndrome characterized by daily episodes of intense periorbital pain that recur over a period of 6-12 weeks that may be followed by a period of remission of months to years. The pain is non-throbbing, has a duration of 30-60 minutes and tends to occur at night or at regular intervals during the day. Unilateral rhinorrhea, conjunctival injection, lacrimation, facial flushing, and miosis frequently accompany the headaches, which primarily affect young adult males."

- Helge: I've got Horton's Syndrome.
- Keith: Oh? Uh... Doesn't mean a thing to me, never heard of it, what's that?
- Helge: Look it up on the web sometime.
- Keith: OK, but what's that involve?
- Helge: Can't sleep at night, splitting headache night and day, lasts a few weeks to a few months, then disappears. Never know when. No cure.
- Keith: Gorbimey!<sup>126</sup> Sounds horrible, I don't know if I could cope with that.
- Helge: Yeah, less than 1% of the (Norwegian) population has it, most die before they are 40.
- Keith: It's fatal?
- Helge: Put it this way, most who have it commit suicide by then, they have the highest suicide rate in Norway.
- [Keith]: (Silence)
- Helge: In the beginning I was in the Society for Horton's Syndrome Sufferers. Depressed me, you see people giving up, disappearing, you ask about so-and-so, haven't seen them at gatherings for a while. You hear they did themselves in. I left when I was getting to be the oldest one there. I left it, to join my own society—the Society of Syndrome Survivors...
- Keith: (Laughter)
- Helge: You never learn to live with it. You have to live with it.
- Keith: I see.
- Helge: My wife's... she's amazing. I don't know how she manages it, never a word.
- Keith: You are goddamn lucky—I mean there with her on this.
- Helge: Yeah, she's salt of the earth. Worst thing about being Horton's, celiac or dyslexic is that it doesn't show like an outward physical disability. You don't see headaches.
- Keith: So what do you do when you can't sleep, if I may ask?
- Helge: I write nice emails to my daughter (in Australia). We carry on a lively correspondence.

Despite his health disadvantages, Helge was popular with both sexes, eager to please and win the acceptance of others at school. He did not want to be excluded socially and did not let himself become an outsider because of his health complications. He had the stature and physical prowess to make people think twice about bullying him, though did not use his size and strength to take out any feelings he might have harboured about the state of his health on

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<sup>126</sup> The Norwegian expression was 'jøss!'



others. He kept his condition to himself and dealt with it as a way to gain maturity. He maintained this attitude into his adult life.

I had no inkling of the gravity of his health complications until he broached the subject indirectly. I had previously attributed, when I now thought about it, his mentioning of a bad night as merely the occasional insomnia everyone experiences at one time or another. Helge has never seen himself as a victim. In the dialog above he focuses upon how others would react; he doesn't want to upset others. Therefore Helge diverts discussion from himself by referring Keith to the web about the affliction. He doesn't over dramatize the effects of its complications that are dramatic enough in themselves, but turns to something he considers positive, such as corresponding with his daughter. He won't allow depression to take an upper hand. He turns a potentially sombre topic into a light-hearted matter in making his reaction to the Syndrome Society a joke with a serious point. Once more he exercises the tactic of diverting attention from himself to how others would react when he mentions his wife. He does not want people to give him quarter or make allowances for his affliction. He forces himself to lead a normal life—or what looks like or may be looked on as one—and to appear normal in his demeanour.

Helge focuses on his family, to which he is devoted, and his business to keep his mind off his health burdens. He actively engages in family life and in his business. When I asked him what entertainment he enjoyed or pastimes he pursued, he looked blank. Then I asked:

Keith       What movies do you like?

Helge       I don't know...

Keith       Oh? What was the last movie or theatre performance you saw?

Helge       Can't remember, so long ago. Don't go to the movies or theatre... Heidi and I never go out like that, we just go skiing or walking together, attend church, socialise with friends...

Nevertheless, Helge does permit himself to relax outside the context of his immediate family. In late winter, for a week or two, he joins an Alpine skiing party of a handful of men, at any one of the standard ski resorts on the Continent. The party usually consists of former Frogner High school chums

and graduates. In summer he joins the same men on a river fishing expedition for trout and salmon. He is also a member of an all-male secret society made up of about 20 members formerly of Frogner High School, about which I shall now provide some detail as it bears on research question one regarding achievement of 'the good life'.

One spring mid-afternoon Helge said that we were going to take a break after having completed a stabilizing primer on a kitchen floor of the house of a client, who were at their chalet in France in order to be out of the way of the ongoing re-flooring. Sitting on a living room sofa, Helge then took out an A4 envelope, and asked me to promise not to reveal its contents to his wife. I therefore assumed that Heidi did not know about the charter he pulled out. Helge announced that he was going alone to an annual all-male dinner that evening of the Secret Society and asked me to read the charter, which contained *inter alia* Articles of Association. The charter swore the undersigned to congregate once a year for the sole purpose of eating, drinking, and making merry and to perform certain rituals of a humorous nature. I recognized some of the names of the undersigned as members of the circle and of the annual all-male late winter skiing party and summer fishing expedition in which Helge participated. A good number of the signatories were Frogner High School graduates. These recreations provided occasions to put aside and forget the cares of family and business life and the gravity of his health complications.

Again, early in my fieldwork and after he'd hired a new worker, Lasse, and on their first day of work together, Helge took me aside when Lasse went out to buy some lunch and said: "You know there's no reason to mention my medical condition."<sup>127</sup> I assented and the matter never came up again. During the course of my fieldwork, Helge never missed one day of work on account of these health matters nor did he make any doctor's appointments on account of

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<sup>127</sup> For Lasse, q.v. Chapter 5, Associates of the Network, Work Associates of the Christensens and Rosenborgs: Lasse

them.<sup>128</sup> Others experienced him as gentle, kind, positive, considerate, even-tempered, and always in good humour. I didn't observe any occasion when anyone managed to knock him off balance in demeanour or behaviour. Customers, when out of his earshot and initiating some conversation with me, invariably spoke well of him. One just couldn't help but liking him. His manner of putting people at ease was infectious.

Helge's aversion to putting people in a tight spot or difficult position had its roots in the manner in which he dealt with his somatic background. Precisely because he did not want others to make allowances for his difficulty, he made allowances for other's problems or failings. As we shall see later, this capacity for making allowances and dealing gently with people had repercussions for his dealing with customers generally and in a court case with one of them.

Helge's desire to please others and be on their good side expressed itself in his hobby—the pursuit, collection, and giving away of vintage wine, of which he had an extensive collection in his wine cellar at the family lodge in Sweden. He took pleasure in visiting French vineyards and wineries. Since his medical condition prevented him from drinking the wine itself, his enjoyment came from making gifts of it and seeing others enjoy its consumption. Besides drinking fine green teas, his one indulgence was smoking cigarettes, as dietary restrictions curtail his scope as a gourmet.

### **Realizing a Charmed background**

Helge comes from a secure and privileged background in his home upbringing, schooling and working life. His happy, unworried home upbringing took place in one of the best parts of town in a prosperous and comfortable environment. In a school of high academic standards where academic achievement conferred prestige, his teenage peers might have considered that he had shortcomings—his exceptional height, his lack of academic prowess and concentration, and his dietary restrictions. His health

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<sup>128</sup> At the time of my fieldwork, Helge also had lower back problems.

problems such as Horton's Syndrome and dyslexia could have been sources of suffering and embarrassment, yet Helge saw these through and did not accept them as sources of marginalization. He harvested the successes of seeing himself recognized as popular, sociable, a good athlete in one of the two most prestigious Norwegian sports, and as a charmer, especially of the girls. He never lacked for friends or girls. He certainly continued to exert a pull upon and fascination to women. One day Helge and I were walking downtown on a break to pick up a new suit Helge had had fitted at a clothiers, for the fiftieth birthday party of an acquaintance. As a striking, well-dressed, and stylish woman came toward us, we immediately stopped talking and fell silent. Both of us felt the air go electric. After she passed by, I spoke:

- |       |  |
|-------|--|
| Keith | Gorblimey... Did you notice that? And it wasn't me she ate up in every way. (eye contact with Helge) (broad grin)<br>What's it you got?      |
| Helge | (an even broader grin) Wouldn't have the slightest idea; don't take it too hard—or to heart. Some of us are just lucky, just have the air... |

**Helge's Early Working Life**

The condition of Horton's Syndrome qualified Helge automatically for a full disability retirement allowance. He could have received it at the end of his schooling. Although aware of his qualifying for the retirement scheme on grounds of chronic disability, in his mind there was no question of doing so. Instead he took a job as an apprentice carpenter in a firm, in the division that installed various models of kitchens. He worked there for 8 years, applying himself all the while to qualifying as a journeyman carpenter. Feeling that this work was becoming routine and at times boring, he progressed from journeyman to receiving his accreditation as a master furniture maker. The content of that qualification mostly involved the business side of running a joinery rather than demonstrating woodworking skills. Helge said he hated the predominately theoretical part, which appertained *inter alia* to marketing, accounting, business law, taxation, and personnel administration. During those 8 years he saved as much as he could and with that capital and capital from Heidi's parents, set up his own joinery. The business went well and he

paid back the capital he had borrowed for capital investments in machinery for the joinery.

### **Implications of Helge's State of Health**

In 1998, when 43 years old, Helge suffered a heart attack; the doctors ordered a year's recuperation on full leave from work. He underwent no surgery but took a series of medications while under recuperation. Helge found this period frustrating primarily because inactivity and rest let his symptoms of Horton's Syndrome loom larger in his consciousness than when he occupied himself actively. Before his myocardial infarction, Helge had been thinking of winding down a bit and had spoken to his foreman Geir about Geir's gradually stepping into the job of general manager of The Furniture Joinery Factory and perhaps buying him out. As a start, Helge had sold a few shares in the joinery to Geir before the heart attack occurred. As Helge said: "Most of those in manual work pretty much start to wear out by the time they get to my age and should start to wind down a bit."

Ministry of Health regulations required granting a permanent disability allowance to those incapable for medical reasons of working again or of making a full recovery. After his full year of recuperation, Helge obtained a referral from his physician to the Office of Rehabilitation at the Employment Office, which initially declared him permanently unfit for work. Helge convinced his doctor that he could start working just a few hours a week part time to see how things would go and, if they went well, he would gradually take on a little more work. The Office of Rehabilitation, on the strength of the application of Helge's doctor, ruled in favour of Helge against the medical opinion of its own examining doctors. The Office put him on a partial return-to-work scheme and on full-scale pay with an incrementally increasing number of work hours per week calculated on a stepwise percentage of full working capacity, then deducted the percentage of work earnings from his full-scale pay. The Office of Rehabilitation ruled too that this scheme should apply for a year, after which the office would adjudicate whether Helge should

receive an incapacity allowance permanently or return to full-time employment.

In this situation Helge's wife Heidi played a crucial role, offering support of whatever decision Helge made about how he wanted to continue with his life. On the one hand she did not want him to just give up and feel that it was not worth doing anything, on the other she did not want him to continue his former level of activity and jeopardize his health. The question of what Helge decided to do coincided with Heidi and Hilda calling Helge's attention to a new surfacing technology that was to form the basis for the resurgence of an semi-dormant firm—*Élégance*.<sup>129</sup>

### Heidi

I never received a chance to hold any extended research conversation with or interview Heidi to any great extent.<sup>130</sup> My point of contact with her on an almost daily basis was always her in her boutique, *Décoration*, which she co-owned and ran in partnership with Hilda, her girlhood friend and now sister-in-law. Therefore the description below builds on slighter contact than with Helge and more upon her doings that reveal her.

Heidi grew up in a condominium built in Edwardian days (1902) in a sought-after part of town though not fully as exclusive as that in which Helge and Dag, the husband in the third family, the Rosenborgs, grew up.

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<sup>129</sup> For more on this firm q.v. the sections Dag's Study, Dag's Schooling and Post-Schooling Experience, and Dag's Burden and Challenge in this chapter, in Chapter 7, *Firms of the Network: Élégance*, and in Chapter 9 the sections Power, Social Code and Entrepreneurship: *Élégance*, Floors Finished and Entrepreneurship; Serial Entrepreneurship: Power in Play; and Analysis: Themes of Organisation. On his return to Norway, Dag kept his company dormant as a shell company, through which he made some minor textile transactions until the company's business centred on interior surfacing technology. The terms shell and dormant company are technical terms, ODBW 1993:245 dormant company "company that has had no significant accounting transactions for the accounting period in question. Such a company need not appoint auditors [sic]; shell company, 1993:772: "a non-trading company, with or without a stock-exchange listing, used as a vehicle for various company manoeuvres or kept dormant for future use in some other capacity." Q.v. online

www.oxfordreference.com for these terms otherwise.

<sup>130</sup> Fog 1994 for the definition and technique of the research conversation

### Heidi's Schooling and Post-Schooling Experience

On leaving elementary school, Heidi entered the Language Studies Stream at Frogner High School. She completed her studies credibly, in the upper ⅓ of her class, in English, French, and Italian, with Spanish as a subsidiary subject. She was not academically inclined. Although participating in sports during school hours, she especially enjoyed recreational cross-country skiing with her girlfriends, with whom she socialised outside school hours. She liked sketching and making designs in her free time too.

After graduation she decided to qualify as an interior architect. The state fees for this line of study and training were low; she lived with Helge in the apartment that her parents had presented her and Helge as a marriage gift on graduation. Although not requiring the low-cost student loans from the State Student Loan Fund, she took out her loan allowance, which went toward paying, along with Helge's contribution, their share of the outlay for common expenses of the condominium and which formed her part of the start-up capital with Hilda for their second business venture together, which she pursued while qualifying as an interior architect.<sup>131</sup> When she and Hilda had got their shop *Décoration* on a sound footing, she worked up to receiving her license as an antique dealer and as a second-hand and scrap trader and merchant too.<sup>132</sup>

### Heidi's Pastimes

Heidi liked to be physically active and keeps in good trim, mostly through walking outdoors in woodland. She maintained a subscription in The Holistic Health Hall, offering a full range of health and training services—studio gym with techno gym equipment, massage parlour, steam and mud baths, sauna, tanning facilities, physiotherapists, osteopaths, foot care, etc. It was a close walk from her store and on her way home. She would have liked to

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<sup>131</sup> Q.v. chapter 7, *Décoration*, Early History: Heidi and Hilda started their first business venture—a sewing salon All in Stitches—at Frogner High School.

<sup>132</sup> Q.v. chapter 7, *Décoration*, A Watershed: Graduation to *Décoration*, for Heidi's activity in this regard.

use it more often, particularly at lunchtime, but did not have a great deal of time to do so. If she did go, she preferred to go with Hilda; in any case she tried to go once a week for a massage session. She liked The Hall because she happened often as not upon old female school friends who also frequented it. There they could always keep up with the doings of their former school chums who frequented the establishment at other times through the proprietress, herself a graduate of Frogner High School in the cohort of Heidi, Helge, and Hilda. The proprietress, whose clientele is predominately female, has a predilection for taking in partners or hiring her employees from Frogner High School cohorts who have qualified as chiropodists, masseuses, acupuncturists, and other specialists. Heidi and Hilda jogged together in woodland for an hour if they got a chance on the weekends, with a quick trip by car out to the forested parts of Bygdøy or up to the edge of Oslo's North Marches.<sup>133</sup> Best of all for Heidi was a long walk of up to 5 hours with her husband on a weekend up in the North Marches.

Driving is the other activity that Heidi liked. She enjoyed driving fast new cars at top speed and she drove well. Heidi currently had a top-range Audi almost 2 years old and was looking for a new model. She rarely let more than 2 years go by without leasing a new top-performance car. The models she chose were devoid of flashy exteriors; she preferred dark and saturated exterior colours. Her current Audi was dark, non-metallic green. According to Helge she drove at extremely high speeds and her skills as a driver were legendary among her acquaintances. On trips to the family lodge in Sweden, she did the driving rather than Helge.

### Heidi's Appearance

Heidi is c. 5' 8" tall, large-boned, with neck-length brown hair, brown-green eyes, and a solid figure.<sup>134</sup> In her store Heidi almost invariably dresses in dark woollen single- or mixed-colour skirts, occasionally ones in subdued patterns, coloured blouses, and scarf or two about her neck and shoulders over

<sup>133</sup> The North Marches—'nordmarka' in Norwegian—is a forested wilderness area behind Oslo.

<sup>134</sup> Average female height in Norway is 167.2 cm /5' 5.9" (Source: Statistics Norway).



a sweater in colder weather. I never saw her wear a two-piece suit, woollen or cotton, or a two-piece business suit.

### **Their Children: Hanna, Harald, and Holgar**

#### **Hanna**

Although Hanna, like her brother, attended an independent Christian High School in Oslo, she was spending her last year of High School in Australia. Following her mother, Hanna was studying languages, albeit in an academic stream. After her imminent graduation from high school, Hanna wanted practical training in the hotel industry, preferably in Switzerland, as she thought of running her own hotel in the Norwegian countryside, despite having grown up as an urbanite. She chose Australia because she wanted the international experience of familiarising herself with another variety of English and with Australian outdoor tourist activities. Hanna was slightly shorter than her mother and dressed like her except for occasionally putting on long trousers.

#### **Harald**

Harald also entered the Language Studies Stream and had a passion for French Culture and language. He had decided to study law after high school with an eye to joining a law firm. He dressed for school—which has an open dress policy within informal strictures—in a sports coat, slacks, shirt and tie—not the attire of his peers or the dress register of Helge. He sang in the boy's youth choir of the Norwegian Broadcasting Corporation. Since he was 12, he had insisted on going off every summer to stay for a few weeks with the family of one or another of the Norwegian customers of the network's firms *Décoration* or The Joinery who maintained holiday homes on the French Riviera, in order to attend French language courses there and to keep his French polished. His father, Helge, finds all this amusing and entertaining, although he never lets on to Harald, whom he and Heidi support totally. Harald is a pleasant and serious chap with an academic bent.

Harald's two best friends are Frederik and Frode, the sons of The Third Family—The Rosenborgs. These boys are all Francophiles through their schooling, and together they attend tennis lessons, play tennis, go cycling in the summertime, and go cross-country skiing in the winter. During the school year and summer holidays, it is not uncommon for them to stay at one another's houses for up to a week in turn, or just the weekend.

### **Holgar**

Holgar is in a private Christian crèche, to which his current Swedish nanny delivers him, picks him up, and then fixes him something to eat. He does not go everyday, preferring to play and be with the nanny indoors or outdoors, or stay over on visits to his grandparents on either side of the Christensen family—the latter particularly on weekends. A large park is nearby for him and the nanny to enjoy. When I asked Helge what ambitions he had for Holgar, he replied: "None. But I do see a practical interest and bent in him that Harald lacks and Hanna has to a considerable extent."

## ***The First Family 'Grandparent' Generation: Helge and Heidi's Parents***

### **Helge's Parents: The Elder Christensens—Paternal Grandparents**

Helge's parents (The Elder Christensens), devout Christians, were employed until retirement in social work at a private but partially public-supported Christian Hospital, which provided them a hospital-owned spacious 2-storey single-family house nearby at subsidized token rent. The hospital and house are located on Oslo's exclusive West Side, the same pleasant part of town in which The Third Family, the Rosenborgs, live. Because of their parents' former close proximity to their workplace, Helge and his sister didn't grow up with nursemaids. The parents put them in the hospital's crèche for its staff, the same crèche Holgar now attends.

In retirement, Helge's parents now live in their own home on the west side of Oslo. Helge stopped by on average about twice a week during daytime. This was often at the end of a day to pick up Holger, who liked to stay

overnight with his paternal grandma and grandpa. Besides Helge, they had a daughter. The elder Christensens were stay-at-home people. They might travel within Norway, but lived at home throughout the year.

### **Heidi's Parents: The Elder Johansens—Maternal Grandparents**

Heidi's married parents, now retired, had the reputation of being well-off and big players as residential property-owners collecting rents. Her married parents came from what Dag characterizes as a patrician family.<sup>135</sup> Heidi's father, Gunnar, was a retired, major property owner and developer mostly of apartment house complexes in Oslo. Her mother, Gunnhilda, was a retired housewife. They maintained an apartment in a block of apartments they owned in Oslo where the two siblings, Heidi and her older brother Haldor, grew up in the presence of occasional home help. As a high school graduation gift, each sibling got their own apartment on the floor below their parents, Haldor directly below Gunnar and Gunnhilda, and Heidi adjacent to Haldor. As a married couple, the Christensens moved in immediately to Heidi's apartment and Haldor to his.

In 1999 Gunnar and Gunnhilda for all intents and purposes moved to their cottage, which was in the community of Drøbak, not more than an hour's drive from Oslo.<sup>136</sup> The cottage, perched on an elevated side of the Oslo fjord, of which it has a 180° view, was within a short walking distance down to the Oslo fjord. The cottage sat parallel lengthwise to the fjord and had virtually wall-to-wall windows facing the it. Outside the windows are several acres of garden with apple trees. The grandparents kept their cabin cruiser down at the local yacht club on the fjord: a few minutes' walk and they were out on the water.

When possible, in freer moments such as long weekends, Heidi and Helge's trainee governess and kitchen helper often took Holgar to this cottage.

<sup>135</sup> Dag used the Norwegian word 'patrisierfamilie' for patrician family.

<sup>136</sup> Drøbak is situated fiord side at the entrance to the Outer Oslo Fiord and a watering hole for yacht and motorboat folk during the summer, besides tourists on day visits. Aside from its maritime facilities and cottage environment, some of its inhabitants commute to Oslo, to which a regular coach service connects it.

At times she did so for Holgar to see his maternal grandparents, at others to just be alone or together with Holgar when the grandparents were away. Holger and the governess' trips to Drøbak freed up time for Heidi and Helge to be together. When not in Australia, Hanna sometimes took Holgar, on whom she doted, off to Drøbak when the governess had time off.

At the beginning of the field study, The Elder Johansens offered to give off a section of their spacious cottage lot in Drøbak and give it to The Younger Christensens, because the elders knew the younger couple would now like to start building the dream home that they have been planning for years. Both couples liked the idea of the two generations living in proximity, as they did before in Oslo. At the same time, The Elder Johansens transferred the ownership of their Oslo apartment to Haldor, who made plans to knock out a section of his ceiling up to their apartment and put up a spiral staircase with an auxiliary lift. This would integrate the already two spacious homes into one immense flat.

The Elder Johansens come from a Christian background and although not regular churchgoers attended church more than the few times a year normal among the Norwegian population.

### ***The Second Family—The Johansens***

#### **Parent Generation**

The Johansen family consists of "Haldor", 46 years old, and his wife, "Hilda", 42 years old, who married late 2000 in a civil ceremony after having been a couple for two years.<sup>137</sup> The Johansens do not interest themselves in church at all. Hilda has two sons—"Frederick", 16 years old and "Frode", 15 years old by a former marriage to her then husband, Dag, now of the Third Family—the Rosenborgs, with whom these sons currently live. Haldor had

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<sup>137</sup> A definition of family is "a group of people who are generally not blood relations but who share common attitudes, interests, or goals and, frequently, live together." The Random House Unabridged Dictionary, Retrieved December 16, 2002, from <http://dictionary.reference.com/browse/family>

been single before he met and married Hilda. The Johnsons themselves are childless and have no desire to have (or adopt) children. After remarriage, Hilda moved in with Haldor in his expanded apartment and became Heidi's sister-in-law. Haldor doesn't engage himself in the doings of his stepchildren, who hold no interest for him. Hilda has her sons stay over once or twice a week, when they want to come, or when Dag and his wife make arrangements that don't include the boys.

Haldor's vocation was as a furniture painter and decorator with sole ownership and proprietorship of a furniture surfacing and re-surfacing workshop—Johansen's Furniture Finished. Hilda's vocation was as an interior decorator in part ownership of the firm *Décoration* with Heidi, and Hilda interests herself in mothering her children by Dag.

Hilda used, as her own surname, her maiden name hyphenated to Haldor's last name. She has no siblings. Hilda also grew up in the capital and attended the same secondary school as Haldor, Heidi, and Helge.

Daily parlance took place in Norwegian. Both partners speak English, and Hilda fluent French, besides Spanish and Italian.

## **Members of Family Johansen**

### **Haldor**

Haldor and Hilda knew each other initially from school days at Frogner High, although they did not date then, but married later. At Frogner, Haldor was finishing up his studies while Hilda was just beginning hers. Haldor knew Hilda as more than just another student at the high school because his sister Heidi, a class above Hilda, became best friends with Hilda. He was part of the same high school crowd as Heidi, Helge, and Hilda, who, for instance, all went cross-country skiing together. Although part of this crowd, Haldor remained a loner and single until he married Hilda. He did not involve himself in any of the activities at Frogner High School nor did he date anyone there or elsewhere until Hilda separated from her first husband, Dag.

At least from his high school days onward, Haldor was 'his own man': he cultivated the image of the strong, silent type, un beholden to anyone, and

appeared to communicate with others in accordance with this image. He avoided speaking unless spoken to and kept speaking to a minimum; ideally, he preferred to speak and reply in monosyllables. His utterances can often appear cryptic, and he keeps body language to a bare minimum.

Haldor has dark brown hair, dark complexion, a muscular build, and is 6'5" tall; he makes a fit and athletic impression. He owns a 32-foot Omega sailboat, which he likes to sail solo. Hilda likes to sail too; I heard she had been out twice with him. He owned his own ski lodge in mid-Norway, where he liked to take his weekend ski breaks and which he liked to visit occasionally in summer besides his holiday sailing. Like Helge, he took part in three parties of a select group of former Frogner High School chums—the annual winter all-male Alpine ski trip, the annual summer fishing trip, and the annual gathering of the secret society. His overriding interest was his own firm, in which he engaged as an apparent workaholic. Haldor held certification as a master furniture painter, a qualification he had worked up to directly upon leaving high school. He took inordinate pride in workmanship, and he wanted matters just so. Nothing but the status of 'best in the business' would do. He was happy that Dag took custody of Hilda's boys, whom he tolerates when they come over to his place to stay a day or two each week with Hilda. He never invites his stepchildren sailing, for instance; he wants his free time for himself.

Haldor rarely visits his parents in Drøbak; he prefers to telephone them, but only when something is on his mind, according to Helge. Haldor likes to keep to himself and does not intend to move to Drøbak.

At the time Heidi and Helge decided to go ahead with their plans of building their dream house on the plot of land in Drøbak that the Elder Johansen's ceded them, Hilda—then separated from Dag, who had custody of their boys—lived in her own apartment. Haldor started to court her and, spurred by his sister Heidi's and his brother-in-law Helge's plans to build their ideal home, called in Hilda's and Heidi's firm *Décoration* to remodel his apartment. Haldor did not want Helge and his sister to get ahead of him and outdo him; Hilda had overall charge of the remodelling. As Haldor and Hilda

did the planning, a romance took off between them. Because the Elder Johansens saw it in the interests of being fair and keeping the peace by not just favouring the Younger Christensens with a lot, they conveyed their apartment in Oslo, which is above Haldor, to him. The engaged couple decided to knock out a portion of the ceiling to install a spiral staircase up to the apartment above, thus creating one vast two-level apartment. Haldor saw overtaking Gunnar's apartment as an ideal solution: Helge got a plot; he himself got an apartment he could remodel with his own apartment into a supersize one. Helge liked this development in that it looked to keep Haldor from moving out to Drøbak.

One day Helge and I stopped at the Johansen apartment house, and Helge said we were going to check whether the new technology surfacing material he had laid on Haldor's kitchen and upstairs floor at material cost had cured sufficiently.

In Haldor's flat Helge said:

Nice job, huh? [pointing to the spiral staircase he and Haldor had built]. Come on up and have a look. The floor has turned out nice, eh? You'd think he'd [Haldor] ask us [the Furniture Factory, Helge's joinery workshop] to do his whole kitchen, wouldn't you. I mean I laid his goddamn floor for nothing but materials and helped knock out the upper floor and build a staircase [for nothing]. Do I get a word of thanks? All he says about the kitchen is that he's found a place that will do it cheaper.

Helge made sure others knew about this type of behaviour that he considered beyond the pale. There was no love lost between them. Haldor was, on the whole, indifferent to his apparent reputation as a hard-nosed cheapskate and generally ungenerous person. Early on, Helge mentioned to Haldor that Keith liked to sail and had sold his sailboat on his move London, but he never invited Keith to sail. One day after work, everyone had gone home except Haldor and Keith, who had stayed late in the joinery office writing the day's notes. The following incident took place. Haldor knocked on the front door, came in and asked Keith through the open office door: "Could you give me a hand?"

Keith	Sure. [both walk out to the van backed to the open double doors of the workshop, where furniture covered in blankets stood]
Haldor	Just want to place these carefully so they don't shift around and they don't get scratched going in.

Keith        No problem.

[Keith is in the back compartment of the van after the furniture is in.]

Haldor:     Fine, good job there.

Before Haldor could say anything, Keith took the straps and rope in the compartment and quickly tied down the furniture expertly, with advanced seaman's knots used on yachts. Haldor looked stunned. Keith hopped out of the back of the van and walked decisively back to the ante- and lunch room of the office, placed himself beside the front door, where there was a large glass window, and stared out of the window at the van. Haldor slammed down the back-end door of the van, got in, started and revved the engine, spun the tyres, and sped off.

The next day while riding back home in Helge's van, Helge said:

Heard from Haldor that you tied down his furniture; noticed the knots, knew there was no point in checking them, and got the point [that Keith was no landlubber]. He was burning mad. He'll never have you along to sail with him now—you got the better of him and he's got no answer. You cornered him without saying a word.

Keith     I'm not convinced it would be an unmitigated pleasure to sail with him. Just willing to lend a hand, you know, saving him the trouble of tying up at the end of a long, hard day. Well, I don't want him to think that he's got a monopoly on acting as, not only like, a bastard. Not with me, anyway. Glad he got the point.

## **Hilda**

The same interview caveat applies to Hilda as to Heidi: seeing her with Heidi in their boutique in the course of their daily business restricted the conduct of extended research conversations. Both Hilda's parents were still living, though I had no natural occasion to develop enough contact to ask her about them. Neither did any of the other informants mention or comment on them.

## **Hilda's Schooling and Post-Schooling Experience**

Hilda grew up on Oslo's Westside as an only child, taking a shine to drawing to amuse herself. On leaving grade school, she entered the Business Studies Stream at Frogner High School, where she and Heidi formed a fast friendship and formed an inseparable pair, even when Heidi went steady with Helge. Years later, the positioning of the desks in her and Heidi's store office reflected their close and long-standing relationship: they faced each other



front-to-front, making a pair and one large surface, which framed pictures of children marked off in the centre. Although a bright pupil, Hilda set little store on academic achievement and had no academic ambitions. She liked doing languages and took as much English and French as she could fit in the open slots in her timetable. She had no pretensions or ambitions to be popular nor was she particularly so; yet she had boyfriends at Frogner High School even if no particular special one there. Sports interested her only insofar as they provided an opportunity to socialise. She favoured tennis and sailing. Not taking further qualifications after graduating from high school, she felt sure of her independence and could handle what came her way: she would learn from the school of life, not from a life in school. After her graduation she joined Heidi in a partnership in their second business venture—the interior decoration firm *Décoration*.

### **Hilda's Appearance**

Hilda is 5' 6", with straight black-hair and black-eyes, and slender, with a matchstick figure. One would describe her as petite. In the office and shop, she dresses in plain, dark slacks, most often black, and a blouse with contrasting scarf under a dark jacket. She wore sweaters only exceptionally. Occasionally she wore a dark two-piece business suit. I never saw her in a tweed suit or in a skirt.

### **Hilda Meets Dag and Haldor: Her Two Marriages**

While on a summer French course in France during her last year of high school, she met her first and future husband, the Norwegian Dag, doing all his upper secondary school at a lyceum in Paris, and they started going together. They stayed a pair while Dag did his undergraduate degree in economics and management in Sweden, during which time she built up the firm *Décoration* with Heidi. She married Dag on his graduation from university and brief return to Norway before going straight back to France, where she led the life of a housewife for two years, perfecting her French the while. She accompanied him on his posting to a 4-year project in South Africa, where she enjoyed her

stay less so than Dag in that she did not have permission to work and towards the end felt bored with leading the life of a housewife, supervising servants, and lunching at the club. Both partners appreciated the advantages of the high standard of living that white South Africans had. Yet the endless rounds of tennis, as Hilda put it, frustrated her despite loving the game. She insisted on going back to Norway and at the end of the assignment did so with the children, while Dag fulfilled his dream of sailing solo around the world. She rejoined Heidi running *Décoration*. On Dag's return, Hilda felt that she and Dag were growing apart and that Dag hardly took family responsibilities seriously, so much so that she separated from him and moved out, into a flat of her own. Through Heidi, she again met Heidi's brother, Haldor, their romance bloomed, she divorced Dag, and by marrying Haldor became Heidi's sister-in-law.

#### **Hilda's Children by Dag: Frederik and Frode**

As Frederik and Frode lived with the household of the Third Family—the Rosenborgs, whom Dag headed, a presentation of these boys occurs under the discussion of that family.

### ***The Second Family 'Grandparent' Generation: Haldor and Hilda's Parents***

#### **Haldor's Parents: The Elder Johansens**

We have already met Haldor's parents as they are the same as Heidi's.

#### **Hilda's Parents**

Hilda's parents did not play a part in any of the observations I made or conversations I held.

## ***The Third Family—The Rosenborgs***

### **Parent Generation**

The Rosenborgs consist of Dag, 40 years old, second wife Kristina, 34 years old, and three children, two of whom come from Dag's previous marriage with Hilda as noted above, and the third, Kristina's four year old daughter, "Marie" from her previous marriage. They have no intention of having or adopting more children. Kristina uses her maiden name as her last name. Dag and Kristina married in a civil ceremony after Hilda separated and divorced Dag. They put no store by going to church or involving themselves in a congregation.

They lived in a detached 2-storey single-family house, a city villa, in an exclusive area that has the highest social indicators in the capital—greatest longevity, highest income, highest public funding etc. Dag owed the house he owns to his father. The house, on freestanding grounds, was in the style of a manor and included a double garage, large fruit orchard, garden, and a semi-open, roofed structure for entertainment, in a cul-de-sac on the Westside of Oslo not far from the Elder Christensen's former house at the hospital, where Helge and his sister grew up.<sup>138</sup> Dag and his three siblings also owe the joint summer cottage on an island off the coast of Southern Norway to their father.

### **Dag's Study**

In the second storey of their house, Dag and Kristina shared a study and library, measuring roughly 10 x 12 m<sup>2</sup>. The upper half of one wall had two French event posters, Dag's graduation diploma from his Swedish business college and his MBA Certificate from INSEAD, and a window whose view

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<sup>138</sup> This type of house, often with a garden, is referred to in Norwegian as a 'villa', according to Bokmålsordboka, accessed at

<http://www.dokpro.uio.no/perl/ordboksoek/ordbok.cgi?OPP=villa&bokmaal=S%F8k+i+Bokm%E5lso rdboka&ordbok=begge&s=n&alfabet=n&renset=j&fritekst=on>. In Oslo they are most often found on the Westside.

opened on to another room.<sup>139</sup> The bottom half had built-in shelving on the top of which were miscellaneous nick-knacks, such as a few pictures of his sons, a few memory sticks, an archive file folder box of roll-over paperwork for his and Helge's company *Élégance*, and some writing and scratch pads.

The opposite wall was divided in half vertically. One half had built-in top-to-bottom shelving sized to accommodate, and containing A4 lever arches and A4 case boxes. Its other half had a built-in birch L-shaped desk surface that extended around the corner of this wall, adorned with posters and diplomas. The desk accommodated full complements of computer and electronic communication equipment: flat-screen monitor on top, tower unit below, printer, fax, voice-speaker telephone, scanner, two cell phone cradles and a PDA (hand-held) cradle. It had no drawers and there were no speakers. On the desk was an archive folder box containing files of immediate jobs for his and Helge's company *Élégance*, besides which was a pen-and-pencil caddy. Two blue bowl-form chairs on casters serve the desk.

Two paces out from the fourth wall was an independently standing rectangular, stainless-steel legged table around which were placed four bowl-form chairs. The walls and ceiling were painted off-shade whitish cream in line with the light birch desk, table, and shelving. The floor was carpeted wall-to-wall in dark green; lighting came from ceiling mounted dimmable lights from switches on a wall panel.

The area gave the impression of a light, spacious, semi-relaxed office, rather than a sterile one, comfortably and usefully fitted out for business: again, it had no speakers. It did not present a study solely for relaxation in line with the dark furniture, brown leather sofas, and lounging chairs of the living room with its bookshelves, which one glimpsed to the left once one was inside the front door of the house.

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<sup>139</sup> INSEAD, in Fontainebleau, France, ranks in the upper tier of the Top 10 Non-U.S. Full-Time MBA Programs, according to *Business Week*, accessed at <http://www.businessweek.com/bschools/rankings/>.

The study was a home office for Dag's paperwork in connection with his firm *Élégance*. The table and chairs were for meetings concerning the firm and its offshoot Floors Finished. Kristina used the study for her personal affairs.

Dag currently headed the technical services section of a government agency dealing with foreign aid. He travelled worldwide in his job and was often away for 2-3 week stretches 4 or 6 times a year. Although a civil servant, he often had official diplomatic status on these trips. His chief area of responsibility was helping set up small private-sector businesses in developing countries, particularly in Asia and Africa. Dag owned a shell company, *Élégance*, which from time-to-time he used for various opportunities as they arose. In one venture, Helge had gone in with Dag under this registered company, of which Kristina was now formally the CEO. Dag's additional vocation was his two sons and stepdaughter in his second marriage. Kristina worked full-time as a programme producer, mainly in television, for public broadcasting.

Dag, schooled in France through secondary level, was bilingual French-Norwegian. Kristina spoke French and also English, which Dag also spoke. The boys attended The French Independent School in the capital (where all lessons are in French). The spouses speak in Norwegian between themselves except in the presence of Maria. Maria, Kristina and Dag speak exclusively French with each other. At home the boys speak Norwegian with members of the family, but when together with no one else around, speak French.

## **Members of Family Rosenberg**

### **Dag**

Dag is stocky and gives the impression at 5' 6" of being short in a population of generally tall people. He has black hair and eyes. At work and also a good part of the time at home Dag wears a dress shirt, dress shoes, slacks, and a pullover. I never saw him wear a tie. The same holds true for the

times Dag and I visited Einar, his accountant and buddy.<sup>140</sup> Besides his liking of listening to contemporary jazz and following the development of recent rock music, he enjoys recreational cross-country and alpine skiing. Outside his and his siblings' summertime holiday use of the seaside cottage, Dag occasionally uses it on two consecutive weekdays on overtime leave from the agency to catch up on his workload, to plan projects or write up project reports, or to do a bit of paperwork for his firm *Élégance*. Dag takes his longer breaks and winter holiday skiing at his own dream ski lodge at Lillehammer, Norway.

### **Dag's Schooling and Post-Schooling Experience**

After completing his secondary studies at a lyceum in Paris, Dag took his degree in business administration in Sweden and his masters in the subject, an MBA, at a premier French business school (INSEAD, where the primary language of instruction at the time was French). On completion of his Swedish degree, he married Hilda and worked for two years as a retail bank manager in France for the largest Swiss bank, quit his job and then set up his own (real) estate agency and property management company, *Élégance*, selling to and managing property for a Norwegian and Nordic client base. He wound down the business, but later on his return to Norway he kept the company and registered it in Norway to do a variety of small deals falling his way, mostly in textile import along with some real estate transactions. His founding of the business in property presaged his later entrepreneurial bent when he turned his hand with Helge to surfacing interiors under the banner of *Élégance*.

As noted, Hilda accompanied Dag to France, where she led the life of a pampered housewife with servants. On the pair's return to Norway, Dag took a job as an economist and business development officer in an entry position in a government agency dealing with foreign aid and development. Rising in the agency, he was posted to oversee and manage a four year project on small businesses in South Africa. His family accompanied him. As already noted,

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<sup>140</sup> 'Kompis' is the informal and familiar term in Norwegian for British English 'mate', a close companion with whom one hangs out.

Dag enjoyed his work and stay there immensely, Hilda less so. At the end of the assignment she returned to Norway with the children and without Dag.

### **Dag's Dream and Divorce**

Dag felt that it was now or never to fulfil his dream of sailing solo around the world, so he bought and outfitted a yacht and set off for a year on a leave of absence. He financed this sailing adventure with the savings from the sizable income he had managing property through his firm *Élégance*. After the voyage he returned to Norway where the agency promoted him to head of technical services. Dag was of the same mind as Hilda that they were growing apart and agreed to a separation, then divorce, though they remained on amicable terms. He took on the responsibility of raising his sons after the breakup of his first marriage more out of their desire to live with him, rather than with their mother, than purely out of his own interest in them. Although Dag somewhat grudgingly accepted his children's preference for staying with him, he adores his second wife's little daughter, Marie. Both Helge and Hilda told me that Dag's second wife Kristina also found Dag not to take family responsibilities seriously, ducking and running away when faced with the trials and tensions of family living. As we shall see later, when it comes to handling emotions, Dag employs avoidance tactics and adopts a get-tough attitude.

### **Dag's Burden and Challenge**

Dag took to heart his father's disappointment that he worked in the public sector instead of being a top-paid and top manager in private industry. Dag said to me that he kept his firm *Élégance* because he hoped to show his father that he, Dag, could run and make a success in private-sector business. As a civil servant, even with his sometime diplomatic status on his worldwide trips, Dag did not enjoy the prestige attaching to managers in the private sector, a circumstance about which his father, Erik, made no bones and which Dag took to heart. Erik could not understand why Dag had not quit his job and moved to the private sector, something that Dag could realistically do.

In spite of working on, managing, and having responsibility for Norwegian development projects in underdeveloped countries, Dag did so without in any way losing sight of the opportunities his job provided for bettering his own financial position and quality of life. These opportunities consisted of using the perks of the position itself—such as subsidized or inexpensive high-standard housing living abroad—or economizing on the use of the perks themselves such as not spending fully automatic daily travel allowances while travelling on the job abroad. So in his stint in South Africa, Dag lived the well-heeled life of the privileged white minority, e.g. membership in the local club, and the ability to purchase, fit out, and finance a yacht substantial enough to weather a solo round-the-world trip and its associated expenses for one year, at the end of his tour of duty. He always has his eye on the main chance.

### **Kristina**

Kristina did not play any prominent part in the observations I made or conversations I held. I only had the opportunity to exchange pleasantries with her when she answered the door when I came on my evening visits to Dag. Nonetheless, I observed on these visits that she liked the hustle and bustle of the three boys, Harald, Helge's son, and Dag's sons, Frederik and Frode, often staying at her and Dag's home. I also noted that Kristina dressed more than casually at home in the evenings: she appeared smartly turned out in one-piece print dresses, clear nylons, and medium pumps.

### **The Johansen-Rosenborg Children: Frederik and Frode**

Frederik and Frode both attended an independent upper secondary school—The French Lyceum in Oslo. Although staying mostly at Dag's out of choice, the boys went back and forth between their own household and the Johansens, staying with each parent, Dag or Hilda. Frederik and Frode also formed a threesome with Harald in staying with each of the families, especially in summertime. Wintertime, at times when Harald stayed over at the Johnsens, Dag of an evening says: "Enough of homework! Come on boys, we're



going [alpine] skiing.” There was a mad scrabble to change, get out to the garage, load up the estate car, and get off to the nearest downhill all-night-lit run, a 20 minute drive away in the North Marches behind Dag’s house. The threesome of boys rotated among the households of the Christensens, Johansens, and Rosenborgs freely, subject to any timing and coordination constraints of the parents involved.

During summer school vacation I witnessed, from mid-June to the 3rd week of August, the threesome spending every day together taking tennis lessons in the morning, sharing lunch, and playing as much tennis as they tolerated in the afternoons or if they tired of tennis, taking bike rides in the North Marches on their mountain bikes. Over and above these activities, as we noted under the presentation of Harald, he attended short courses in French on the French Riviera while staying at one or another of the houses of a Joinery or *Décoration* customer. A variation, on the summer routine in Norway, applied to spending the day in sailing lessons and a day out on the Oslo fiord sailing in a club dingy. A further variation was that when Helge went down to Drøbak to look in on the grandparents Gunnar and Gunnhilda and check or consult on the state of his house building, he often took the boys, who then went boating with grandpa Gunnar and grandma Gunnhilda in their cabin cruiser. Haldor never took the boys sailing in his yacht.

### ***The Third Family ‘Grandparent’ Generation: Dag and Kristina’s Parents***

#### **Dag’s Parents: The Elder Rosenborgs**

Dag’s father, Erik, is a rich industrialist, who made his own industrial empire in the Far East, where he and his wife, Elin, live in retirement. Dag says: “They live there now mostly for tax purposes”. Dag leaves obscure the Far-Eastern country in which they live; Helge lets it be known that Dag’s parents do so without giving away where. These parents keep a furnished villa, unoccupied, on the French Riviera and a furnished apartment, unoccupied, in

the Holmenkollen area of Oslo with a panorama view of the Oslo fjord.<sup>141</sup> Dag sees them when they're in Oslo; he doesn't travel out to the Far East to visit them, except on foreign job-assignments. They are mostly in Oslo for major Norwegian holidays such as the national celebration on Constitution Day, when they stay in their apartment.

According to Dag, "He [Erik] doesn't think I've made much of myself, working for the government as an upper middle manager"—as said, a remark he took to heart. Dag's relationship with his father was fraught with the tension of how, on the one hand, to satisfy his father's wish that Dag, in spite of Dag's prerogative as an adult to choose for himself, achieve a position as a large industrial magnate like his father or a top position as the manager of a major private-sector company and, on the other hand, Dag's own wish to maintain his own independence from his father on his own terms. In Erik's view, working in the public sector was always inferior to the private sector. For him money was literally the measure of the man. Giving in to his father meant for Dag giving up and sacrificing his own wants and losing his sense of himself in his father's agenda. This clash creates a vicious cycle.

In his French venture, Dag made enough money to finance his dream of a solo round-the-world sailing voyage—buying a suitable yacht and living more than comfortably for at least a year. He had no intention on this voyage of living as a hand-to-mouth 'yachtie'. While Dag made a success of his French business, that success pleased his father, who wanted Dag to go on to greater business ventures—not turn adventurer on the high seas, a move that outraged Erik. Nor could Erik understand Dag putting his marriage further in jeopardy by a sailing adventure.

Elin, Erik's wife, has spent her life as a housewife and mother to the couple's three children. She backs neither Dag nor Erik.

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<sup>141</sup> Holmenkollen is one of the most exclusive areas of Oslo, the others being Nordstrand, Frogner, and Vinderen.

### **Kristina's Parents**

Kristina's parents did not play a part in any of the observations I made or conversations I held. Her parents are still living, although I had no natural occasion to develop enough contact to ask her about her parents and neither did any of the other informants mention or comment on them.

The next chapter takes up the social and/or professional associates of the core families.

## **5 Associates of the Network**

Associates of the network are those people who are directly or indirectly associated with either one or more of the three core families and/or with one or more of their firms. This chapter details these social, professional and work affiliations in terms of the core families, who control the four closely-held firms in the network.<sup>142</sup> The four firms and the core families affiliated to them are: a joinery, The Furniture Factory—allied to Helge Christensen; an interior design and decoration firm, *Décoration*—allied to Heidi Christensen and Hilda Johansen; a furniture surfacing firm, Johansen's Furniture Finished—allied to Haldor Johansen; and a shell company, *Élégance*, with a surfacing technology subunit called Floors Finished—allied to Dag Rosenborg and Helge Christensen. I shall now deal with all associates of the network in turn in two main groups: the first group comprises the social intimates and professional associates of the core families in the order of Christensens, Johansens, and Rosenborgs; the second, work associates who are not social intimates of the core families.

### ***Social Intimates and Professional Associates of the Core Families***

#### ***Social Intimates and Professional Associates of The First Family—The Christensens***

##### **Geir**

##### **An Urbanite**

“Geir”, the workshop foreman of Helge's joinery firm, is 34 years old, single, without siblings, and lives mostly in an exclusive lowland area in the west of

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<sup>142</sup> closely held: “A corporation for which most of the voting stock is held by a small number of shareholders, but which is still publicly traded. These shares are generally not available to the public, and given the fact that there are few shareholders, the shares are usually very thinly traded.” Definition accessed at [http://www.investorwords.com/897/closely\\_held.html](http://www.investorwords.com/897/closely_held.html).

Oslo, a bit beyond Holmenkollen and below it, in his widowed father's house—his boyhood home. Otherwise he stays at his girlfriend's at least twice a week. He's been with her for about five years, though they have a touch-and-go relationship. Geir wants to buy an apartment of his own in town but always complains they are too expensive. "Not enough value in [Oslo apartments] compared to what one pays outside Greater Oslo", he says. He is an urbanite and does not want to move out of the city in which he grew up. He has most of the money to buy an apartment outright with just a small mortgage to make up any difference beyond his apartment fund. Given the tight real estate market in Oslo, he is paralyzed; he will not take the jump and buy something. The caution his behaviour expresses here indicates his generally cautious nature.

### **Geir and Helge**

Helge is closest to Geir, whom Helge says he has taken under his wing: "he's like a son to me; it's not been easy for Geir, he's had a rocky time growing up." More often than not they get together in the office or at the lunch table at least a few times a week after work. One late afternoon after work I was sitting at the lunch table, reflecting on my day at the workshop and tapping away at my laptop. Helge came in from the workshop, poked his head into the office, exchanged a few words with Geir I didn't hear properly, and said to me: "Cheese off, disappear, Geir and I are going to have a man-to-man talk." Helge and Geir had the closest bonds amongst 'the boys'<sup>143</sup>, which did not always go down well at the workshop. For instance, Torstein, who has ambitions to become a master craftsman with his own joinery, feels that Helge has, unfairly,

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<sup>143</sup> The boys has the colloquial and familiar expression 'guttene' in Norwegian, which has the meanings of a male child or young man. Here it refers to the joinery's two employees on the workshop floor, Torstein and Trond. This term is opposed to 'jentene', a familiar expression for the girls, meaning in Norwegian a female child or non-adult female or unmarried female and refers to the women of *Décoration*. Both groups can refer to themselves or to the opposite sex with these terms. In the network, these terms have a slightly humorous reference because they do not always strictly fit the people referred to. The definitions are retrievable at <http://www.dokpro.uio.no/>.

passed him by in favour of Geir, who came into the joinery a year and a half after Torstein.

Geir serves on the regional council of master joiners, a body that government consults on setting standards, qualifications and educational policy for joinery craftsmen. He does not express much enthusiasm for serving on this board, which, he feels, trades on the prestige of the joinery while the joinery gets little or nothing in return. He says: “It’s all talk.” Geir is a practical man with not much time for non-practical matters or paperwork. One day while I was sitting alone at Helge’s desk word-processing field notes, Geir came in from the workshop, sat down at his desk which faced opposite Helge’s, and said: “Yes, it’s good to get into the shop and get one’s hands on the goods and break up the paperwork—there’s too much of that [orders, invoices, etc.].”<sup>144</sup>

### **Appearance and Dress**

Geir dresses in the manner of the other joiners. He never wears jeans but often narrow-pile dark corduroys, solid-colour dark heavy cotton shirts with heavy, hand-knitted, wool knit pullovers on top—never fleeces, which he wears only as workshop wear. Otherwise his workshop gear matches the others. Geir is handsome, 5’8”, blue eyed, with flowing, sweptback, brown hair.

### **Personality and Interests**

Geir enjoys cross-country skiing and staying at his family’s ski lodge at Geilo but his real passion is golf. He speaks English but due to his shyness will only do so if the situation forces him. He tries to make everyone happy and will not criticize anyone to their face; he likes to be liked. While sitting at Helge’s desk, I’d hear him come in, enter the office from the workshop, and say to thin air, shaking his head, yet half looking at me:

Geir Those guys [Torstein and Trond], they just didn’t do it quite right.

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<sup>144</sup> In this office, too, as in *Décoration*, two desks in abutment faced each other (q.v. the facing desk abutment of Heidi and Hilda’s desks I mentioned in chapter 4, in the section Hilda’s Schooling and Post-Schooling Experience. This placement betokens the closeness of the actors).

Keith What do you mean “not quite right”?

Geir Well, it'll do though, no harm done I suppose. Oh, it's perfect workmanship, a beaut, the piece of work, they just joined it otherwise than I thought was obvious

Keith Did you say anything to them?

Geir Nah...

Keith Why not?

Geir [Taken aback by this question and as if to say who was Keith to question what he did, but not going as far as to say so.] Gotta keep the peace, you know.

Keith Do you?

Geir [Silence]

In the workshop I stood one time at the grinders, hidden by a large table in progress stood upright on end and heard the workmen, Torstein and Trond say:

Torstein You know, I don't think Geir realizes we're not mind readers. He drafts up the dimensions, but doesn't really specify precisely how he wants the detail done. Comes in here, talks like it's all obvious down to the last detail, when he's presented the measurements and draft but not much else. Then gets all bothered when it's not to his expectations.

Trond Yeah, you've noticed, what else is new? Let him blow off steam, it always blows over.

Torstein and Trond recognize that Geir does not say anything to their face because he wants to be liked, but they pick up his mood of dissatisfaction. However, they do not say anything about the matter to him.

## **Hilmar**

Hilmar is Helge's accountant and on the board of the joinery, as well as the accountant of Heidi and Hilda's firm *Décoration*.

### **Hilmar's Schooling and Appearance**

Hilmar attended Frogner High School, where he followed the Business and Administrative Studies Stream with high marks, in the same group as Haldor, Heidi, Helge, and Hilda. Although a quiet type, he too is popular; he and Helge were buddies throughout their time at high school.

Hilmar is a relaxed, jovial, and laid-back character. He likes skiing as recreation rather than as a competitive pastime. He and Helge go skiing a lot together. Hilmar has a lodge in mid-Norway where he goes skiing, and like Helge and Haldor, is part of the Frogner coterie that makes up the annual winter ski trip, annual summer fishing expedition, and annual secret society party. Hilmar has a sturdy, almost portly physique, measuring in at 6'5", with light red-tinged blond hair and hazel green eyes.

On leaving school, Hilmar attended the Norwegian School of Business Administration, where he completed his first degree with high marks, and then entered a large shipping brokerage as a broker. He stayed there 8 years, all the while reading to prepare for certification as an accountant. He left brokering with a sizable nest egg, became a registered accountant, and set up his own accounting practice.

#### **Hilmar's Domestic and Work Circumstances**

He and his first wife divorced shortly thereafter with one daughter from their marriage. A few years later he met his second wife, of Vietnamese background, who speaks fluent Vietnamese, Chinese, French, and Norwegian. She works as the office manager and bookkeeper in the practice; her contacts in the Sino-Vietnamese community have created a niche market for the firm's financial services. Hilmar and his second wife have one daughter and Hilmar is proud of the fact that his first daughter is a partner in one of the world's top management consulting companies.

#### **Greta**

Greta is Heidi's longstanding and close friend—her third closest—living with her partner in Drøbak. She trained as an interior architect after high school, at the same Oslo school as Heidi, where they met. After practicing a few years as a self-employed interior architect, Greta decided she wanted to be an architect and qualified as such, moving to Drøbak, where she since has practiced alone as a self-employed practitioner. For business attire, she always has in her ensemble a touch that subtly recalls Norwegian traditional costume. When



Helge has a floor-paste installation where the customer's re-decorating plans require structural changes or architectural plans, Helge calls in Greta as architect. In this study she figures in Chapter 8, section Deep Waters: The Case of the Court Case. Greta's long-time live-together partner's brother, Steinar, is senior partner in the premier commercial law firm of L, V, & N, among the top two most respected and sought after firms in commercial law in Norway. He too figures in The Case of The Court Case.

### **Henrik**

Henrik attended Frogner High School, where he and Helge became fast friends and pursued ski sports together. Henrik was popular then as an outgoing lad who had no academic ambitions although he was quick with numbers. Through his father, he took on jobs as a handy-man and apartment building concierge, which sparked his interest in property. He acquired qualifications in building maintenance with an eye to sizing up the quality of building construction and started investing in commercial property. As a property broker, developer and manager, he became a magnate specialising in commercial properties. He regularly came on Monday evenings to dine with the younger Christensens. He was part of the winter skiing and summer fishing trips and a member of the secret society.

Helge's retired father-in-law, Gunnar, with whom as we have seen Helge socialises, was himself a property magnate, with enough contacts in the property sector to sooner or later have secured a workshop site for Helge, when Helge wanted to go into business for himself. Helge nevertheless did not approach Gunnar about a site because Gunnar was mainly involved in apartment housing. Helge instead consulted his old Frogner school chum Henrik about a suitable workshop site, as Henrik dealt more in commercial property. At the time, Henrik owned such a site, know as 'The Works', which he leased to Helge, who occupied one of the units and sublet the rest to other members of the network.

## **Alain**

Alain is the factory trainer and technical manager of The French Factory, a firm in France which supplies the floor spread and surfacing materials for the network firm *Élégance's* subdivision Floors Finished. He is a tall and fit 40 year old. In France he trained Helge and Dag on six-week courses in the application techniques of a surfacing paste material. *Élégance* occasionally contracts him to come to Norway and help with trowling when a job requires covering large surface areas. Taking along a few cases of wine for Helge's collection and Heidi's consumption, Alain, a wine aficionado like Helge, then stays with Helge's family. He and Helge hit it off.

On his trips to Norway, usually once or twice a year, he enjoys skiing or taking walks with Helge and Harald. But he especially likes the evenings he spends with the Christensens talking, socialising and drinking. He takes an interest in Harald's attraction to French and provides encouragement when Harald, Fredrik and Frode are doing their homework.

He looks forward to Helge's assignments in France, when Helge visits the factory to say hello to the boys there and perhaps to pick up some materials and inspect samples, and he likes updating Helge on any technical and production developments, changes or innovations to product lines. Alain thinks it even better, if there is a tricky assignment in France to do together for *Élégance*, when they can take off to some estate on a wine hunt during the quiet drying phase of a surfacing job.

## ***Social and Professional Associates of The Second Family— The Johansens***

Haldor does not form social and professional bonds that associate people socially and professionally with the network, although he has the opportunity to do so, for instance through the annual skiing and fishing trips and secret society. This is in line with his behaviour of maintaining maximal independence. Hilda, however, does have Hilmar and Greta as social and professional associates; she is associated with them through her Frogner School ties and firm, *Décoration*.

## ***Social and Professional Associates of The Third Family—The Rosenborgs***

### **Einar**

#### **Einar's Appearance**

Einar is 46 years old, with a full head of long black hair in a swept back, almost ducktail cut, 5' 7", with tawny complexion, blue-eyed, and of solid stature. He has somewhat sunken eyes and the appearance of an incipiently jading bon vivant. He wears heavyweight cotton turtleneck shirts in black, maroon, and brown in dark colours, black slacks, and a black cotton velvet sports coat. He wears no buttonhole, but sometimes has a dark red or green saturated-colour silk handkerchief bunched and hanging in his coat pocket below the buttonhole. He wears no wedding ring or jewellery.

#### **Einar's Schooling**

He attended Frogner High School where he completed the Business Administration Stream with high marks and then went on for accounting courses at the Norwegian School of Management, where he completed his first degree. Although Helge and Heidi knew him at Frogner, Heidi knew him better than Helge, who hardly ever associated with him. Through Heidi, Einar and Dag became fast friends.

#### **Einar's Background**

Einar spent two years training and working in an accountancy practice and then set up his own company, Libenter. He, like Hilmar, is a registered accountant. Unlike Hilmar, Einar works alone from his home office—the living room's corner antique table with a computer. He likes being his own boss, working alone, and choosing the clients he wishes to serve. His avocation is listening to popular and jazz music. Einar does the books and accounting for Dag's firm *Élégance*.

### **Einar's Lifestyle and Livelihood**

One late afternoon as I was sitting in the back office of *Décoration* waiting for Helge, who was going to drop me off at my apartment on his way back home, Dag dropped in at 17:30 with an A4 brown envelope in hand, saying Helge had called him up for a short meeting. Helge came and they both went upstairs to the luncheon nook and discussed possible solutions to their dissatisfaction with the stabilizing qualities of the flooring primer they used. They looked at and deliberated on the specs in a catalogue which Helge had from the technical sales manager of the producer. They finished at six o'clock and Dag said to me: "Come on, we're going to visit Einar."

Keith Wasn't that the guy your friend who does the books and the statutory reporting forms [for *Élégance*] for the authorities?

Dag Yeah, come on. He's expecting us.

It turned out that Einar's apartment was on the first floor of the apartment complex where *Décoration* occupied a corner unit on the ground floor. This was the first of the five times I accompanied Dag to Einar's. Dag went over to Einar's place about once a month, sometimes before the nightly TV news came on but most often afterwards, at about 20:00 hours, and stayed until 21:30 – 22:30.

On entering Einar's, the apartment is always dark, with the rotary dimmer switch turned down about as low as made objects in the living room just visible enough not to bump into them. It is silent: no music is playing. Over the table abutting the kitchen, a dimmer switch light is on brightly enough to read at the table, upon which stands a bottle of uncorked quality French red wine, such as a Drouhin Gevrey-Chambertin 1998, a hardwood box whose open lid reveals cedar splints for lighting cigars, and a large black electronic calculator. On coming in, both men stop and stand near the CD cabinet. Dag asks about the latest jazz or rock CD that has come out and they discuss it. If Dag has just heard about it, Einar puts it on and they stand listening to parts of it for up to 10 minutes. They shift stance or walk about a bit on longish stretches of music. Einar then turns it down as low background music. Einar once asked me:

What do you think of that cut?

Keith            I wouldn't know: I'm not a judge of that branch of jazz.

Einar            That's a wise answer.

As they then move toward the table, their discussion turns to current avocations and doings of their common friends or themselves—most often golf, the upcoming hunting season, and planned weekend trips up to their mountain lodges in Norway. The same discussion continues as they sit down at the table. While talking, Einar saunters into the kitchen, returns with 3 wine glasses, sits and fills the glasses, whereupon we (all say) '*skål*' (to) one another.<sup>145</sup> After a few rounds of silence, savouring, and skoalling, Dag points out a few figures to Einar on the forms he laid out on the table while Einar was fetching the glasses. Einar points out the proper rubrics for the figures, takes some of the pay slips, checks the sums and deductions, and enters them on the form. He similarly checks the sales tax (VAT).

During the calculations, Einar takes out a pocket humidor, snips off the end of a Partagas Petit Corona—a full-bodied smoke—with a cigar cutter, and holds out the humidor by way of offering us a cigar. I take one, then Dag, while Einar lights up with a cedar splint from a box on the table. I take out my cigar cutter, make a clip, and then pass it on to Dag. Sometimes Dag turned down the cigar; on some visits I offered a round of Cohiba panetelas—a medium, just under full-bodied smoke.

Checking and entering the figures, which Dag had prepared ahead, generally takes between 25 and 45 minutes. The remaining time goes to finishing off the wine and each his cigar, accompanied by conversation, which never centred on sport. It usually returned to music, its performance, and performers, or life and doings at their mountain lodges. One evening, though, the conversation turned to family:

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<sup>145</sup> The OED attests the term (*scoll*) first in Scots in 1600 for toasting and the term (in Late Early English) in 1205 in the meaning of a drinking-bowl for an alcoholic beverage. A Nordic form of toasting from Viking times where custom demands that sitting with glass raised in one hand one first looks all of one's companions in the eye, calls *scoll*, and all drink in unison when the person calling '*skål*' out loud then (sips or) downs his or her drink. No one may touch their glass before this term for health in drinking is called.

Dag Up at your lodge last weekend?

Eina: [Taking out some photos] Look at these...

Dag Whoa, that's you at a wedding... and who's the girl? You're not quite dressed as the groom—have you got married?!

Einar My daughter, Siri—she's hardly recognizable, is she?

Dag My goodness, she's grown up, turned into a real woman. Haven't seen her for ages... not since she started to work.

Einar Yeah, we had a gathering and wedding, the whole kit and caboodle. Never regretted the night I spent with her mother... I just dote on Siri.

This exchange points to Einar's reputation as a lady's man; he is single, has never married, nor had a partner for long. He loves to party and is the life of any. His appearance betokens a definite fondness for wine, cigars, music—if not song—and women: he has the skin of a smoker and pallor of a serious drinker. Dag cannot imagine him having married. Einar also supported Siri and had, since her crèche days, brought her up in his apartment, and cared for her to a greater extent than had her mother.

We now turn to the Work Associates of the Core Families.

### ***Work Associates of The Christensens***

#### **Nina**

As sole proprietor, Nina restores antique furniture at *Salon Restauration d'un Meuble* (“(Salon) Restauration”) in her workshop adjoining the office and lunchroom of Furniture Finished. Helge knows Nina through their common craft training; he employed her and after two years she left, retrained in Sweden as a specialist in antique furniture restoration and returned to the Works to set herself up independently.

“Nina” is 5' 6” with dark blond hair, blue-eyed, and of a medium build. Except for her shoes, she comes and goes to work in her work clothes—a medium-check flannel shirt, usually with red in it, over a light-coloured T-shirt worn outside a pair of blue jeans. Inside the workshop she changes into tennis shoes or sturdy shoes depending on the season, and does not wear any head scarf,

letting her hair fall down to her shoulder blades in a pony tail. She does not let any particular personality trait show through.

Her behaviour appears geared toward appearing normal and acting so: it does not seem to tend in any one direction except preserving balance. She enjoys her work but always leaves at about 17.00: I never registered her working overtime. Yet the telephone always rings in her salon with inquiries about doing one job or another. She does not leave work for lack of work coming in; people show up nearly every day asking about having something done. Nor has she to pick up or deal with children, of which she has none with her partner of 11 or so years. She just wants to get home and have dinner with him, whether he or she prepares it.

She is physically active, enjoying skiing and bicycling to work. Despite her craft training, initially working with Helge in his company, and remaining in the network, she does not participate in the skiing or outdoor activities with other associates of the network.

### **Wenche**

Wenche is a sole proprietor and specialist furniture upholsterer of antique, classic, collector, and heirloom furniture. She knows Nina, who told her there was a workshop unit available at the Works on Nina's return from Sweden, upon which Wenche moved in. Wenche does not participate in the skiing or outdoor activities with other associates of the network. Her connection to the Christensens is indirect, through Nina's prior alliance to Helge, who lets her a workshop on the intercession of Nina. Wenche is single and lives alone.

### **Torstein**

Torstein is 32 years old, married, with a new baby boy, about whom he is crazy. He took his full statutory paternal leave on the birth of his son.<sup>146</sup> Torstein belongs to a family whose ancestry harks back to the Danish aristocracy who steered Norway's affairs for several hundred years from the late middle ages. His parents have the largest landholdings in Norway. He takes pride in having

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<sup>146</sup> Colloquially 'pappapermisjon' in Norwegian

built his own house with his own hands on a large holding his family put at his disposal for the purpose. His only other sibling is his sister, younger by 2 years, with whom his relationship appears in this chapter's Personality, Social Background and Ambitions section.

### **A Guardsman's Background**

After finishing high school in Notodden, the community in which the holding for his house is located, Torstein joined the elite King's guards and served his obligatory military service there.

This is the most prestigious, high profile, and attractive unit in which to serve in Norway. It serves as the King's honour, body, and security guard, as well as guarding and securing the King's palace in Oslo and adding lustre to ceremonial occasions of State. Except in inclement weather, it marches daily, often as not to the accompaniment of its drum and fife corps or full band, from its (living) quarters in Aker Fortress—the scene of State Banquets and the annual Banquet of Honour in celebration of awarding the Nobel Peace Prize—up the main street of the Capital to the King's Palace for the ceremonial changing of the guard. Such service has its attractions: living in the comparative bustle of the capital, with its supply of willing girls ever ready to try and wangle an invitation to one of the guardsmen's balls at the fortress or palace, or to be seen escorted downtown in the company of a uniformed guardsman. It ranks far above service in 24 hour darkness in the outer reaches of the desolate arctic at sub -20° C temperatures for months on end in a ski patrol unit protecting and defending the borders of Norway. The Guardsmen jealously guard their prerogative of marrying with their administrative headquarters at their disposal, a listed venue from the 1600s, near the fortress that originally served as the Military Academy for army officers.<sup>147</sup> Many a girl's dreams of a romantic marriage centres on starting or ending here. The pomp and magnificence of such marriages draw the attention of the popular

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<sup>147</sup> The Academy, in the European Tradition, originally offered training in mining and ballistics.



women's and family magazines, assuring some girls the photographic spotlight of national coverage. Torstein married here too.

Serving in the Guards opens up nearly guaranteed career opportunities, often on a par with outstanding national athletes—some of whom are in fact guardsmen and who receive support for their training and whose achievements add to the prestige of the regiment. Nevertheless, an army career does not appeal to Torstein. An accomplished woodsman from an early age in the course of frequenting and maintaining the family estates and forests, he finds most pleasure in woodworking and the life of an outdoorsman. He apprentices himself to the joinery workshop and takes his journeyman papers there under Helge Christiansen.

Torstein still has the reputation of an expert marksman. Under his workbench several gunstocks in exotic woods in various stages await completion for fitting to rifles and shotguns in his personal hunting collection. He still goes hunting elk for slaughter and freezing of elk steak. He is known as a consummate cook of game and especially for his sauces. One lunchtime around the roundtable at work when the conversation turned to what we were doing on the weekend, he spoke about a well-guarded recipe for game sauce he was preparing for elk steak he would serve his Sunday guests:

- |          |  |
|----------|--|
| Keith    | Hmm, sounds like you might have an interesting sauce for this [elk] steak.   |
| Trond    | Yeah, go on, tell us about this sauce!   |
| Torstein | Well, you'll all have to be sworn to secrecy—and no writing down of it; you can use it but never attribute it or pass it on. |

[We raise our hands to swear and then he proceeds through the steps of its preparation.]

- |       |  |
|-------|--|
| Keith | Well, that sounds mighty tasty, downright tempting, I'll have to try that: What time did you say you were serving Sunday dinner?   |
| All   | Uproarious laughter [at the sheer impertinence, sauciness, and gaucherie of the implication of inviting oneself to dinner, not least at the table of a very likely exclusive and elite company; at the faux pas of breaking the convention of the host deciding who visits one's |

home; and at breaking the expectation that the questioner has posed the question so as to be able to make the sauce himself rather than the originator of the sauce making it for the questioner].

Aside from his reputation as a marksman, woodsman, and woodworker, Torstein also has one as an able and knowledgeable cross-country skier. Related to his woodworking ability is his skill for fashioning hand-made knives.

### **Appearance and Dress**

In 1998 Torstein suffered an accident at work: the blade of a running band saw snapped and a splinter lodged itself in his left eye, causing total blindness; despite his wearing protective goggles at the time. He does not wear an eye patch; the eye appears normal except off centre, which makes it immediately noticeable. He is a stocky 5'7" in height, with medium brown hair and hazel blue eyes, regular features, and a slightly heavy rounded and soft body build. He is always clean shaven with a full head of close-cropped hair. He comes to work in normal street clothes—clean jeans or medium heavy fabric darkish trousers slightly less formal than slacks, a plain dress shirt of some dark colour, over which he wears a pullover sweater or a zippered fleece, with a thigh-length casual coat appropriate to the time of year. He wears his guard boots always polished to a mirror spit shine.

He then changes from this garb to his working gear if he is going to work in the workshop. He keeps only his underwear and a T-shirt on and puts on long johns in winter, a dark blue zippered fleece over which half the time he wears standard medium to light blue carpenter's overalls. Otherwise he wears a pair of blue denim Levis. Over thick socks he has on sturdy brown, ankle-length, moulded sole boots kept well oiled, which are not steel toe cap. In the workshop itself he always finally fits on the same knife he made by hand, with its hand-forged blade, bought at the annual non-factory fair and gathering of knife-blade forgers, to which he mounted a handle fashioned by hand out of select swirl-pattern, oil-stained, gnarled birch root.

Such knives appear striking because, unlike the European tradition in knife design, their sheaths case the blade only and do not extend to hold the

handle, leaving the handle fully visible and its lines uninterrupted. Likewise the unhilted blades are tang mounted—never riveted to split handles as in the European style—so that one sees an integral handle that stands out in its own right. Despite its beauty this is a working tool with its origins in the Viking crafting of long boats and other woodwork. Its form and workmanship mark the man. The idea of using a commercially produced woodworker’s knife would not occur to Torstein. Wearing it showed and indicated his stature as a woodworker. Furthermore it would do so to discerning customers coming to the workshop.

### **Personality, Social Background and Ambitions**

Torstein is the scion of parents owning the largest landholdings and estates in Norway: as he said to me: “I don’t have to work.” Yet he does work, and a full day’s. He does not use his social standing to shirk or to throw his weight around; he keeps an unassuming demeanour. He is quiet, retiring, and immediately likeable; he appears shy and the type to mind his own business. He does not skive. He exudes a calm charm and a well-developed sense of good-natured humour. Around the lunch table he and Helge prompt the most laughs. In every way he appears and acts like a regular guy—as distinct from average. Two of his fellow artisans, Trond and Helge, consider him somewhat slow in doing jobs, even a slacker. This has nothing to do with Torstein’s loss of eyesight in one eye; they held this opinion of his work pace before the accident. Other workers at the joinery tell me that the accident has no effect on Torstein’s work too, which is no less exacting or any less changed in pace. Nor are any excuses made for him; no rumours circulate of his family or fellow workers considering him a black sheep who abdicates his role as the family scion and takes on a place in life beneath his station. I had occasion at the joinery workshop to make a knife myself, which Torstein followed with interest during short breaks, when we also had openings for conversation, one of which follows:

Torstein was not without ambition:

Torstein I want to qualify as a master carpenter and run my own joinery.

- Keith        What about running the family business—and what does your family think about that?
- Torstein     Oh, my family knows my attitude on that matter and that without real interest or motivation nothing good could come of it [i.e. Torstein's running the family business]. Besides, that's sorted anyhow.
- Keith        Oh?
- Torstein     Yeah, my sister's as good as running the whole show now, she's practically done so the last couple of years. I'm happy she has most of the responsibility. She thrives in the cut and thrust of the business world. Worked on Wall Street after graduation from the Norwegian School of Business Administration.
- Keith:        Oh, my old school.
- Torstein     For a while and after doing her MBA at Harvard she came back home to learn the family business, which she virtually runs now, yeah. Damn good at it too, seems nothing makes her happier than doing the business. She's thrown herself wholeheartedly into the job, I know she's truly happy, I just hope she isn't missing out on anything... the clock is...
- Keith:        Hmm, what might that be?
- Torstein     ...ticking... No boyfriends, no partner, she just doesn't have time.
- Keith        Doesn't have time or doesn't have the time of day for men?
- Torstein     The former, even though she knows how to delegate with results.
- Keith        Now that is a shame, a downright shame, touches me deeply. Now since you said the former instead of the latter, I've given this matter a great deal of hard thought.
- Torstein     [Muffled chuckle] Yeah, we all know what a deep thinker you are, one of the deepest thinkers around here, I believe, not to say one of the quickest; yes indeed I'll have to give you that.
- Keith        [Suppressing laughter] Out of sheer thankfulness that you've contributed so much to my fieldwork notes, add in the natural generosity of my heart, and not forgetting your sister and I went to the same business school, I'll do my best to look to your sister in this regard—the solution to your well-founded concern could be on its way, what was her unlisted number again?
- Torstein     Now I knew you were generous at heart; no need to prove or overdo it, I can't risk losing sleep over presuming on your generosity after all.
- Both         [Breaking up in laughter...]

Torstein does not align himself religiously; politically he is middle of the road and does not interest himself in the subject. He speaks Norwegian most of the time, English only when he must.

## Trond

### Personality and Interests

Unlike Torstein's slightly phlegmatic and unpretentious disposition, Trond's is by reputation that of a somewhat high-strung show-off and rebel. Both have known each other since high school, which they attended together and where they were fast friends, sharing an interest in woodwork, hunting, cross-country skiing, woodland and mountain survival sojourns in all seasons, the outdoorsman's life, and girls. They applied to and joined The King's Guard together, after which they went to work for Helge. Torstein started to work for Helge first and when Helge soon needed another hand, Torstein suggested Trond. Helge relates the following story, for my benefit, one day at the round table during lunch in Trond's presence:

- Helge      Trond, you were quite a handful when you first started here, weren't you?
- Trond      [Silence]
- Helge      Stop me, if you want. On the other hand, we've got to give the professor here [Keith] a realistic picture of the place.
- Trond      [The silence of assent]
- Helge      Well, the first week Trond started, there were a few really beautiful winter days just perfect for skiing. Trond took off the Thursday and Friday with no notice, warning or explanation. Just flat disappeared and evaporated. Showed up late [the] Monday morning [after] too. I saw he'd been drinking. Acted just like it was the most natural thing in the world. I said to him you've been skiing [the Thursday and Friday] and drinking on the weekend too, haven't you? Trond drew out the time without answering, then said he hadn't done anything amiss or remiss. I said you [Trond] can stay on condition it never happens again and you're through on the spot if it, or something like it, does recur: or you can walk now. He stayed and never has pulled anything like that since. Settled down and acted like a man. Came to me afterward and said yeah it was true and apologized.
- Trond      Yeah that put an end to my heavy drinking, thank god.

### Appearance and Dress

Trond, an only child, is 5' 7", 32 years old, medium blonde, fair-skinned, lean and muscular. He street dresses in light-coloured, large-check, lightweight flannel shirts, jeans, and casual leather shoes, with a black casual heavyweight jacket in winter. He wears his curly hair semi-long and bushy, sometimes giving the impression of wanting a haircut. In the workshop he dresses as I

have described Torstein except for not wearing his own hand-made knife. He wears and uses a standard plastic-handled carpenter's knife, the Swedish Mora model widespread throughout the Scandinavian building trade industry. He pooh-poohs the wearing of hand-made tools as a fetish. In his employment environment this act is not directly heretical but marks his waywardness and nonconformity.

### **Trond and Torstein: Buddies**

Torstein lives near Trond, who married at the same time as Torstein; they held a double marriage ceremony at the Great Hall of the King's Guards. His baby girl was born 6 months after Torstein's son; Trond took part of his paternal leave. Both wives see each other most days, often pram-pushing their babies together. Every day Trond and Torstein drive to work in Torstein's car along with Trond's dog, a (black Irish setter) pointer, his hunting and housedog. The dog heads straight for Helge's office desk, under which it curls up and lies. It remains quiet until a car drives in or person arrives, upon which it adopts the mien of a guard dog and growls low-key until Trond or one of the employees comes onto the scene. The dog often as not smells, and Helge, who does not like the stink, often comments on it. Trond's chief interest lies in building his own house on the plot adjacent to Torstein and which the latter sells to him for a token sum; all his spare time goes into this project.

### **Helma**

#### **Helma's Look**

Helma has ear-length, black, bobbed hair parted in the middle, wears rimless glasses attached to a neck band, black slacks, white frilled, V-neck blouses, strong coloured silk scarves—often red predominately in the pattern—and, unlike Heidi and Hilda, full make up. She always has a nearly complete complement of true gold jewellery, also unlike Heidi and Hilda—flat anchor link necklace, earrings, armband(s), a wedding and alliance ring, and two other rings. She's Heidi's height with a full buxom and curvaceous figure.

### **Helma's Schooling - The Office Anchor**

Helma attended school with Heidi and Hilda although she was one class ahead. She had followed the Business Studies Stream at Frogner High School, which gave her the basis of her written and spoken English and French. She had married and had in mind occupying herself as a housewife with children. When Heidi and Hilda had got their interior decoration boutique off the ground after high school graduation, they turned to Helma, whom they asked to work for them as a shop assistant, an offer she accepted. She has worked for them at the store full time ever since. "The boys", as Heidi, Hilda and Helma refer to the joiners and finishers of The Works, include Helma, when they refer to the boutique's women as "the girls."

She has her own stand alone desk in the back office, as fully equipped as Heidi or Hilda's, and performs the same tasks as them except for following up on complicated projects or initiating them.<sup>148</sup> With this exception, it appears she masters all the operations the business does in-house. She acts as efficiently and no-nonsense as the others.

From direct observation while in the store, one would have a hard time telling that anything distinguished her status or behaviour from the owners, except for the back office division of labour as to initiating projects and desk placement. She never accompanies Heidi and Hilda on their joint trips to 'house-and-home' exhibitions abroad or visits abroad on invitation by suppliers. At those times she holds the fort alone while the others are away, if they do not close shop the while.

Helma felt she had to take a leave of absence from work, the circumstances of which are covered in the chapter on firms. In her absence, a part-time shop assistant helps out temporarily in the shop. Her name is Liv and a short section on her follows.

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<sup>148</sup> Helma's desk placement reflects her partial separation from the intimacy of the facing desk abutment of Heidi and Hilda's desks I mentioned in chapter 4, in the section Hilda's Schooling and Post-Schooling Experience.

## **Liv**

### **Liv's Looks**

"Liv" looks the part of the stereotype, as North Americans and Europeans style it, of a Scandinavian blonde. She is tall, 6' 4", full-figured, with shoulder-length blonde hair, light-blue-eyed, and 22 years old. Although she used clear nail polish, she did not appear to use makeup otherwise. On the boutique floor, the only occasions I saw her, she always wore black slacks. On top she had on a  $\frac{3}{4}$  sleeve length, v-neck cut, cotton body top, usually in pastel green, otherwise in a pastel colour. She did not wear jewellery, including rings, nor were her ears pierced.

Liv's role in the boutique is covered in the chapter on firms as a consequence of Helma's leave of absence.

## **Hans**

Hans is the solo delivery driver of larger interior furnishings that Heidi and Hilda's firm *Décoration* supply. He generally picks these up from the shop to deliver to customers, although he may also pick up items from suppliers or depots to deliver to the shop before they go out again.

### **Hans' Appearance and Background**

Hans, 40 years old, is 6' 2" tall, big-boned, and with the physique of a body builder. He wears a single-colour dark cardigan, sturdy dark cotton trousers over a pair of steel-toe black commando-style boots, and a dark blue watch cap in cold weather. He always appears well-groomed, neat, semi-casually well-dressed, his sturdy shoes shined. He is personable, likeable, and approachable, always in good humour.

Hans was a student from the Frogner High School days of Heidi and Hilda, where he formed part of the social and skiing coterie of Haldor, Heidi, Helge, Hilda, and Hilmar. He knows Hilda from middle school too and decides to go along to upper secondary at Frogner mostly to have the satisfaction of broadening his education because he knows he will go no



further. He is not the brightest star in class nor does he interest himself in theoretical or brainwork. He is a practical type and likes people more than books. During high school he started part time at The Transport Terminal, Oslo's largest general logistics and transport firm, accompanying drivers to help load and unload their larger capacity trucks, and on graduation continued there as a trainee lorry driver, qualifying as a heavy goods vehicle chauffeur.<sup>149</sup> At the same time, he took his PCO, the qualification for licensed chauffeurs. When Heidi and Hilda got their boutique *Décoration* off the ground, they contracted exclusive rights to Hans as a driver with The Transport Terminal.

### ***Work Associates of The Johansens***

#### **Haldor's Associates: A Trail and Tale of Workers**

Haldor had a succession of workers during my field stay. The first was Katrina, a 34-year-old mother with a son, 6 years old, and a partner. She was a loud, brash tomboy and had worked for Haldor for 12 years. One day it dawned on me that she was not around. I went into the joinery office and asked Geir: "Where is Katrina?"

Geir She quit.

Keith What! Why's that?

Geir Oh, they all quit sooner or later, Haldor can't hang on to them, they get sick and tired of him. Just walked out and told him where he could fly his kite. She found another place at the same [type of] job.

Keith You saw this?

Geir Yeah, we all did, at lunch. [Everyone was sitting outside at the lawn chairs and table in the horseshoe space on a sunny day]. She finished her lunch and then said to him: "Well, Haldor, I've had you up to my neck; you won't see anymore of me. I reckon you are as close to a bastard as they come: go fly a kite. I'll work the rest of the day, don't think about it." Haldor said: "Don't bother, I won't pay you for the rest of the day." She then took off her logo sweatshirt [with the Johansen firm logo on it], folded it, lay it down in front of him on the table, spat on it, and walked out.

Keith I'd like to have seen that; too bad Helge and I came in later.

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<sup>149</sup> *Transportcentralen* is the Norwegian firm's name.

Geir I'll bet you would—something to put in your notes, eh?

Keith I might just do that anyway, considering the source.

Two days afterward I walked into Haldor's shop and said: "I've heard Katrina's gone."

Haldor Yeah, just couldn't do her job, that's all.

Keith Um, surprises me: you're usually sharp and quick on the uptake; it took you 12 years to discover she couldn't do her job?

Haldor Yeah, it's hard to get good workers. They never last.

A few days later I saw a new worker spray painting a table on a pair of high saw horses through Haldor's door. When finished the worker put his spray gun down and took off his mask, and I introduced myself. He replied in German that he only spoke German, no English, and that he had just started to learn Norwegian, as he, Ulf—as he called himself—was a Polish asylum seeker.

Norwegian law prohibits hiring asylum seekers until the authorities have decided to accept or reject their applications. In their waiting period asylum seekers received a subvention for living expenses. After waiting about two months, I asked Haldor about his new man. Haldor said that his new man worked hard, did an excellent job, and was no sloucher or skiver. So he paid him a fair wage but made no employer contributions or deductions, "as that could arouse the suspicion of the authorities and might get us both into trouble."

Ulf let him know up front that on receiving citizenship, he would leave to set up his own already embryonic trading business. A few times a week Ulf would take to work home-jarred preserves that he took out for sale at lunchtime initially to see how they went down with us. He planned to import these to start up his business. Eight months later on getting citizenship, Ulf left.

Upon Ulf's hiring, Helge said to me:

Helge Just like Haldor to hire cheaper labour. Bad business practice. Even though we are clean, puts the rest of us under suspicion if he gets found out. He should just do like us others. Didn't even ask us, doesn't give a hoot what we think.

- Keith Well, isn't that a bit harsh although it isn't squeaky clean? This is just for a short while. The authorities know full well that construction sites for years on end have been full of foreigners with less right than Ulf to be here without cracking down on them.
- Helge Yeah, well, it's just because the authorities don't always do much about it that we shouldn't throw our morals out of the window. Haldor goes his own way no matter what. It's his attitude. If you don't like what he does, that's your problem in his eyes; it doesn't concern him. Just turns a deaf ear. I've given up on that score. [He] just tells you you might be better off minding your own business.

On Ulf's departure, Haldor took on a recent apprentice, 22 year old Stefan, a likable and outgoing chap. After three weeks on a Wednesday, sitting at lunch, Stefan said that he would be quitting at the end of the week:

- Haldor [Haldor keeps his nose in his newspaper and keeps on reading] Oh? That's not much notice. Tell you what, you can leave now and I'll pay you out the week. I wouldn't want to see you showing up here tomorrow morning. Unhealthy for both of us. [Doesn't t give him a second look and keeps on reading]
- [no response from anyone]

After lunch cleanup, Geir goes into the joinery office and I follow to sort and photocopy some of my notes.

- Geir Well it's happened again, you witnessed it this time around; satisfied? No surprises?
- Keith Yeah, you gotta be at the right place at the right time. Hmm, you don't have to go to the theatre, it's free right here.

After Stefan's departure and for the rest of my field stay, Haldor did not take on anyone else. Haldor's apparently independent, high-handed, and arrogant streak and his indifferent coolness in the eyes of others rankles others on the site and has business repercussions for Helge's joinery, as we shall see later (in Chapter 8, Cooperation and Haldor).

### **Hilda's Associates**

Hilda's associates are Helma and Liv, treated above, under the work associates of the Christensens.

## ***Work Associates of The Christensens and Rosenborgs***

### **The Painter Pair: Bente and Bernt**

This married couple run a specialist interior painting firm which Helge and Dag need in their firm *Élégance* in its subdivision Floors Finished on jobs requiring the specialist tinting of surfacing material. Helge offered the couple the opportunity of taking over the staining operation since he didn't feel competent in blending colours, especially to the exacting demands of his customers. Once stained, the colour could not be easily modified and Helge feared one time or another he would get it wrong. So the Brents took over the staining operation of laying the floors. Heidi and Hilda in their firm *Décoration* also use the pair for decorating and redecorating walls requiring special treatment. The Christensens know Bente and Bernt from their days when the pair attended Frogner High School.

After graduating from Frogner High School, Bente completes a painter's apprenticeship, journeyman, and master's painter qualification in her father's business with a view to eventually taking it over on her father's retirement. Only masters of a trade may own a trade business. During this time Bernt apprentices himself in her father's firm, continues on there, and marries Bente. Bernt sees no need to become a master.

While still in the father's firm, the Brents do some assignments for the Norwegian Broadcasting Corporation (NRK), which was impressed with their design and scenic painting for its big-budget blockbuster television drama productions of the greats of Norwegian literature.<sup>150</sup> In an open-competition job announcement for two permanent positions in the NRK for scenic and production painters, the Brents enter and win. Such jobs, few and far between, are the prestigious top of the profession and much sought after. Such appointments are secure, well paid, and offer a challenging and interesting environment. So the pair as good as start their working life in the public sector in the NRK, where they remain until the government reduces its budget and

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<sup>150</sup> The Norwegian Broadcasting Corporation, known colloquially as 'NRK'—*norskrikskringkasting* (*norskrikskringkasting*)—is a public broadcasting institution.

NRK decides to 'get lean' *inter alia* by outsourcing what activities it could. The pair then takes over her father's firm upon her father's retirement.

Bente has an open, bubbly personality and the looks and personality of the bombshell platinum blonde she is. She keeps up a constant patter of talk. Bernt, black-haired and dark, is a silent type; when he does speak, the few words he says are directly to the point or have an ironic twist. They have no children. They do not like to work separately: they like to work as a pair or team and are inseparable. They drive to the jobs they do with all their gear in the back of an immaculate black vintage Mercedes estate wagon. They dress in immaculate white painter's coveralls with never a spot of paint on them.

### **Lasse**

Lasse is a non-qualified painter in the firm of his uncle, a millionaire owning one of the major painting contractor firms in the Oslo region. Lasse does surfacing work for the Floors Finished division of Helge and Dag's enterprise *Élégance*.

At a client's of the joinery one day, I noticed Lasse, painting walls, approach Helge, who was surfacing the kitchen floor. Lasse said to him that at times he finds just painting a bit routine, thinks the surfacing looks interesting, and inquires what chance there might be that he could join forces with Helge. Helge has received no response to his attempts to hire on someone because no apprenticeship exists for the innovative surfacing technology. He therefore takes on Lasse provisionally after conferring with Dag.

### **Lasse and Schooling**

"Lasse" is now 24. He was schooled in Oslo, where at 16 he finished his upper secondary schooling at an East-side school near his apartment block on a housing estate where he and his single-parent mother lived. He received average grades at school, in which he took no particular interest, and followed no particular line of study, either academic or practical, such as a painter apprenticeship in combination with school, although he is of a practical bent.

Lasse practices a particular style of being 'laid back' and being 'cool'—an air that he definitely cultivates at times, as we shall shortly see in the incident of the bank manager. Unlike all the other personages in the firms, Lasse does not pursue sports and especially avoids the Norwegian national wintertime obsession of a nigh obligatory Sunday cross-country ski trip, the point of which he can't see: "Why go outside?", he says—"it's winter."<sup>151</sup> Staying in one of his friends' mountain ski lodges is his idea of recreation, as a couch potato watching TV, drinking and socialising. Lasse is fair-skinned, blond, 6' o' tall, with soft light blue eyes. He gives the impression of being dreamy.

On finishing school in Oslo, he and his mother moved back to their family roots in Mjøndal.<sup>152</sup> At 16 he started immediately as a full-time painter in his uncle's commercial painting, scaffolding, and contracting firm, one of the three biggest in eastern Norway. He learnt on the job without any formally supervised training and has no apprenticeship or journeyman papers. This firm tool on interior and exterior painting of large commercial buildings and occasionally of private up-market households. His uncle had taken a painter's apprenticeship and progressed from there to journeyman and master: he started for himself, built up his firm to where it is today, and is now a millionaire. Lasse admires that and wants to be a millionaire as an end in itself: his uncle is his model.

### **Lasse's Working and Domestic Life**

Lasse has worked for his uncle since leaving school; he has had no other job. He commutes from Mjøndal to Oslo where he does most of his jobs for his uncle, who puts at his disposal a small company van. He has an extremely attractive girlfriend of 20 from his home district. She took a short course in window and store display design and works as a display designer in a permanent job, with which she is content, in one of the women's clothing

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<sup>151</sup> Some of the artisans consider the author's maintenance of 19 pairs of cross-country skis ready-waxed to meet any prevalent ski conditions slightly overenthusiastic. However, they overall see this rather as a good sign of proper assiduity for skiing. Torstein maintained well over 12 pairs of skis.

<sup>152</sup> Mjøndal is a small town in Norway known for its soccer team and cross-country skiing.

boutiques in Mjøndal. Lasse has no interest in outside activities; he is indifferent to supporting, participating in or doing sports.

His chief interest is in working in order to save and accumulate capital. With his capital, he has acquired a plot of land, now paid off, in Mjøndal on which to build his own house. He has an impeccable credit rating. He doesn't smoke: "Just a waste of money." But he would like to have the money to buy expensive things. Although not interested in or knowledgeable about cars in themselves, he'd like to buy a Ferrari. He and his girlfriend want to get married; she eventually wants to settle down and have children, while Lasse considers children an expensive bother and pain. Nevertheless he is agreeable to the idea: "Yeah, women are expensive but they make a house all nice, flowers and such, you know? What can you do? They make a home out of a house."

### **Lasse's Dress Code**

Lasse dresses without exception in white painter's bib overalls and T-shirt. Occasionally he adds a white or cream-colored sweatshirt. One day when he and Helge were spreading an epoxy resin floor, Lasse announced in good time that it was time for him to drive into town and see his bank manager about a mortgage. Lasse had previously agreed with Helge for time off to do this errand.

Helge remonstrated:

You surely aren't going to see the bank manager in that [outfit]! You can change here or in the van.

Lasse        I've got nothing to be ashamed of in these clothes; I'm an honest worker and I'm not going to pretend I'm anything else or put on airs.

Helge        I wonder whether you're going to get that mortgage.

On his return, Lasse simply said:

I got the mortgage.

to which Helge exclaimed in disbelief:

Well I'll be damned!

Lasse is quiet, reserved and attentive; he does not make or initiate conversation for its own sake and rarely volunteers his own opinion. Yet he is open and has his own opinions that he expresses directly when asked, whether they are politically correct or not.

The next chapter makes clear in what sense the normal usage of the term friends extends to that of Friends of the Network, and in what sense they approach Ben-Porath's category of Family.



## **6 Friends of the Network**

Curiously, despite the inclusion of the word 'friends' in the title of Ben-Porath's article, the article includes no discussion of the term. However, applying Ben-Porath's line of thought to 'friends' we can consider the importance of identity in transactions. Let us see what constitutes 'a friend' within the scope of the network. We will need to distinguish 'friends' from 'family' and associates, and make clear the unwritten obligations and rights upon the adoption of which one becomes a friend of the network.

### ***Friends and 'Friends'***

The core families and their associates directly or indirectly produce decorative work; the friends of the network consume it. Friends, however, are more than clients and consumers of network production. No one can purchase goods and services outright from network firms as a customer off the street: in order to receive goods and services a client must also qualify as a friend, which requires screening. In other words, a friend of the network entails the standing of a client; in terms of the network, clients, as purchasers of goods pure-and-simple, do not exist. So, in the network, the idea of a friend departs from the usual sense and usage of the term. We therefore need to go deeper into the matter of 'friends': people whom one traditionally terms 'customers', that is, those who provide network firms with their livelihood, and who are neither associates nor families of the network. Becoming a friend occurs in two stages, the first is an induction.

### ***Becoming a Friend***

Strict unwritten rules apply to people wishing to obtain network goods and services. Such people require a proper introduction to a member of the network. This occurs either by a recognised friend speaking face-to-face with a core network member on behalf of a potential friend or through using a mobile number of a network member, knowledge of which is restricted to recognised friends, network members, or potential friends. The excerpt below illustrates the first step in the making of a new 'friend'. One day at the home of a 'friend', the following conversation took place:

- Tutta You know I was at Anita's the other morning for coffee. What a beautiful job of decorating! The place looks wonderful!
- Sissi Yeah, same people that did up dad's summer cottage, remember? We've been very happy with it.
- Tutta I've been thinking... Who'd you say the company was?
- Sissi Depends on what you want done, they're several of them [in the circle]... You're thinking about the dining room, aren't you...
- Tutta Uh huh, and maybe another fireplace.
- Sissi [Getting out her mobile] Hmm, his line is busy, tell you what, why don't you give Helge a call [Tutta gets out her mobile and starts keying in the number]. But be sure to mention me or Anita and say you've talked with us, he's sure to ask you one way or another, he and Heidi have the memories of an elephant, remember every nail and where they hammered it in. Just say you'd like him or Heidi to come around and take a look—you've got some plans in mind. And I wouldn't mention to them anything about when they could fit you in, it might take a while [before they can start the job].
- Tutta [Atle coming through the door] Atle, what a surprise! [We] haven't run into each other for how long...

The rule for access is that a previous friend, one known to a member of the network through having used its services, contacts a network member or provides the code—the mobile number, name of the friend and the job(s) done for that friend—that unlocks access to the network.

In the next stage, additional rules of behaviour apply to become a 'friend'. The recognised friend is obligated not to divulge the name of any companies in the network, as in this excerpt. Contact is strictly person-to-person on a first name basis, both for the potential friend and the network member. Once contacted in this way, a network member, preferably a core one, must go to the potential friend and to the place where the goods or service are planned for installation. An artisan of the network is obliged to accept and carry out the request for goods and services of the potential friend within the resources and capabilities of the network. The potential friend is pledged to pay whatever price the network calls for and price is never a topic of discussion on the principle that 'if you have to ask the price, you can not afford it'. Money is no object. A recognised friend has the obligation to inform the potential friend of behaviour expected. As in the excerpt, this includes a

potential friend accepting that the firms of the network determine when they do a job. If a network firm's suggested timing does not suit the customer, the firm has to keep suggesting times until it chimes with the potential friend's plans. If a customer tires of this arrangement, they have the right on notification to the network to withdraw the job or to take it elsewhere on condition that they do not reveal any information about the network or their relations with it. The potential friend retains the right in such a case to request the firm to perform another service.

### ***The Full Friend***

Once the network has delivered its goods or services and the potential friend has paid up, the potential friend becomes a full-fledged friend, which entitles the new friend to call on the services of the network and refer potential friends to it. A new friend now has the obligation to use different network firms on a job that requires different types of services. For instance, if a friend orders a new kitchen and plans to have a new décor and furniture for the living room, the friend is pledged to order all jobs that the network can do from the network rather than have the network do the one job and another firm the other job. The network decides whether it has the skill to take on the job.

Friends of the network can have recourse to preventing even good personal friends from accessing the network should network friends judge it inappropriate, for whatever reason. Depending on the circumstances, I heard friends use phrases to stop inappropriate approaches to the network, such as: "Oh, they've just gone out of business", or "Oh, they went out of business a long time ago", or "No, I wouldn't use them", or "No, I wouldn't recommend using them", or "No, I wouldn't recommend your using them", or "Oh, they were impossible, I don't even want to think about what we went through". The friends in these situations deliver these phrases in an off-hand, innocent manner that does not invite further discussion.

We do not require a presentation of particular personages to identify friends; they conform to a type. They belong to Norway's elite. Money is no object in furnishing their residences. Minimally, they own a villa or luxury

apartment in Oslo or its environs, a sea-side and sea-front coastal or island summer residence in Norway, a mountain ski chalet in Norway or abroad, and a dwelling in foreign parts, usually on the continent or in the United States of America. The following incident gave me one of my first impressions of network friends. One day while driving his van up to Erik's apartment at Holmenkollen to see to a minor job, Helge first stopped with me at a Holmenkollen villa to check on the tiling he had installed on the indoor swimming pool in the house. As we drove further up the street, Helge remarked: "See all the houses on this street, we've put in installations of one kind or another in every single one of them, and we can stop at any one of them, just like now, or every one [of them] if you want, and you can find out for yourself".

A number of friends belong to the group of people who figure in owning the wealth of Norway, discussed in Chapter 3. Nonetheless, several friends of the network are interesting for their breach of expected friend behaviour because such breaches help in understanding what makes a friend of the network and in understanding later what sanctions the network can apply in cases of a breach in order to maintain their institution of friends. Let us now identify the few people who violate friend behaviour and leave a discussion of breaches to the chapter(s) on the analysis of network participation, i.e. Chapter 8.

## ***Bad Friends***

### **A Bad Apple in the Barrel: A Lawyer**

Through her firm *Décoration*, Heidi had undertaken interior decoration for a corporate customer—the design and furbishment of new chambers for one of Oslo's top commercial law firms. Her décor had included a floor Helge had installed through the firm *Élégance* and, through the firm The Furniture Factory, he also fitted a kitchen for its personnel with provision for catering for the firm's corporate entertainment. After seeing the decoration of her husband's offices and the special flooring in Heidi's boutique, the wife of one

of the senior partners of the law firm had asked her husband to book Helge to lay flooring in their kitchen, but not do the kitchen itself.

Helge and I arrived one spring morning at the house, a stone's throw from Helge's childhood home, the proximity to his childhood associations having put Helge in a good mood. From the customer's house, we could see the rear of his old home with its back garden and a fruit orchard in early bloom. After having laid the primer coat, and before gathering up the tools and cleaning up the place, Helge took a short break. He addressed me:

You know, Heidi tells me they're going to put in a new kitchen here.

Keith Oh? "They"? What do you mean? You've got this coordinated with Geir? That's strange, I don't get it: why hasn't the old one been ripped out so you have a clean go at the whole floor [and then install the kitchen rather than work around fixed kitchen benches] as usual?

Helge Follow this, prof. When I discussed this [doing the floor] with the man of the house, he mentioned that he was going to put in a new kitchen but had decided to have a workshop in Telemark do it. This surprised me as everyone all around at the firm had been more than happy with the floor, kitchen, and whole décor kit and caboodle—even their clients remarked on the job. When I asked him why, he replied blithely that it was cheaper! Nothing about our capacity to realize any design or about the quality of our work. Can you imagine a man like him thinking about the price?! It's ludicrous.

When Helge, with me in tow, came back later the next day to lay the resin composite, the lady of the house was at home. She said:

I am really sorry about my husband's bizarre conduct. I'm ashamed. I wanted the Joinery to do it, the office turned out so well, but the old man wouldn't hear of it. One of his legal beagles [at work] apparently had some guys in Telemark do up his kitchen to a tee for a song and a dance. So the old man got a little soft in the head, I guess.

Helge Well, done is done and no harm done, I suppose.

When she had gone out, I asked Helge:

Hmm, what do you make of that? I guess you'll drop him as a customer...

Helge The guy is stinking rich, it's not a matter of money. He's just a bad apple. Nothing you can do about it, really.

This episode brings home the stricture on friends to have the several jobs they want done under the one roof, as it were, of the network and the stricture against choosing a vendor because they are cheaper. Violation of these strictures causes the lawyer's wife acute embarrassment and her need to apologise for breaching the rules.

### **In Deep Waters: A Shipping Broker**

I spent time with Helge on a drawn-out and extensive remodelling of a shipping broker's house at Høvik, on the outskirts of Oslo, under the aegis of the Joinery.<sup>153</sup> The woman of the house, responsible for the project and in whose previous house Helge had installed a kitchen, kept on adding to the list of further improvements. Tiring of specifying these improvements in detail and engaging in choices concerning the exact décor, she left a note saying that Helge should determine all further decorating without consulting her further and that of course cost should not play a part. There was nothing new here: the family was a Friend of the network, and Helge knew her tastes and requirements. No lump upfront payment in full took place because the Friend kept requesting additional projects.

Yet Helge made continual remarks about not liking the behaviour of the husband and said there was something odd; he had a premonition of trouble. The man was uncooperative in several ways. He left the entire project to his wife but would not back her up, despite her note. On his way out of the house to work in the morning, he never said hello or greeted joinery workers on their arrival. He made it a point to be gone in the morning to avoid contact as much as he could and never engaged himself or took any interest in the project.

In the event, the shipping broker refused to pay the remainder of his bill for Helge's redoing a wing of his house to make the kitchen bigger and to add a bathroom: the broker contested the remaining amount (NOK 80,990; c. £ 7,000). A letter arrived at the Joinery from a building contractor on behalf of

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<sup>153</sup> Høvik is a suburban centre, known for its beaches on the Oslo fjord and winter skating, in the mainly residential municipality of Bærum, Norway. It also houses the Henie-Onstad Art Centre.

the broker contesting the costs of the project and that on an ostensible legal basis too. As a friend of the network, the broker knew full-well that the rules for friends involved a non-negotiable no bargaining policy. We shall return to this episode at its dénouement in Chapter 8, in a court case that illuminates the network's concept of its business model.

### ***Friendly Acts***

Friends of the network can exhibit friendly behaviour that occurs in a special pattern but which is not obligatory, as are the rules for recruitment into the ranks of the full-fledged friend. One notable pattern is the house invitation. In this act, a friend offers the use of one of their properties to a network member but usually not vice versa. This can occur in several ways.

On assignments abroad, Helge most often lived in the house of the network friend whom the assignment concerned, thus saving on expenses for the stay.<sup>154</sup> Helge hardly ever stayed in a hotel or bed-and-breakfast during such assignments. The house owners had confidence in his staying as they had either had contact before with one or another of the firm owners or knew of this arrangement, even second and third hand, from their circle of friends and acquaintances. If that was not the case, one of the firm owners who knew the area of the customer would refer them to a previous customer in the area as a reference and an assurance. This arrangement always appeared to go well automatically: such access never presented a problem or became a point of discussion. If a client dwelt in the house when the work took place, Helge stayed in the house. If that proved too inconvenient to the client, the client would arrange for Helge to stay with a friend who lived nearby. Helge then took his meals with the client, essentially living with them for the duration of the job. Some days, Helge went out to eat without the client or all went out to a local restaurant in the evening. Usually a great deal of socialisation took place after the day's work was done. If Helge knew a network friend in the vicinity his current friend hosts did not know, Helge arranged with his hosts

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<sup>154</sup> Hereafter, friends of the network can be referred to as just friends or clients with the proviso that it means a full-fledged friend of the network as described.

that they all get together. Helge tried to keep such assignments to a minimum as it involved eating food off his medically prescribed diet although he enjoyed such trips and contact immensely. Friends understood that when on assignment to them abroad, Helge could have with him a network member or members necessary to carry out the job in question.

Friends also arranged for Helge to do jobs on their currently unoccupied foreign or domestic properties, where Helge and associates would then stay and prepare meals for the duration of the job. Helge liked this arrangement better as he could keep to his prescribed diet. When abroad, Friends of the network also issued Helge and Heidi invitations to stay as house guests or put one of their unoccupied properties at the couple's disposal for holidaying.

The house hospitality of friends can extend to those in the artisan orbit who do not participate in producing the goods and services of the network. For instance, in Chapter 4 in the section on Harald, we described his school-break stays since he was 12 years old with one or another friend with a residence on the French Riviera to attend language and culture courses and polish his French. The understanding that lies behind these exchanges of hospitality goes a little beyond the notion of a guest. Indeed Friends are almost virtually assimilated to a kind of 'family'.

### ***Friends and Family: An Inclusive Metaphor***

Three core families own and manage four firms, three of which directly make their living solely from the custom of Friends. This custom comes from a vetted clientele: whether a person may transact with these firms as a Friend depends upon social ties. Here we may ask what are the reasons and mechanisms that lie behind this institution. One of these derives from the everyday and largely unconscious, all-pervasive use of metaphor in the conceptual system by which people think and act. As Lakoff and Johnson put it, "Since communication is based on the same conceptual system that we use in thinking and acting, language is an important source of evidence for what



that system is like”.<sup>155</sup> Let us briefly examine the relevant conceptual metaphor.

### ***Conceptual Metaphor and Friends***

The people who own and run the firms have strong family lives. The institution of the family forms part of their experience from which to draw for model for doing business. Lakoff and Johnson’s approach can explain how the experience of family can lead to the creation of an institution of Friends. According to these scholars, metaphors structure people’s perceptions, thoughts, and actions in everyday life.<sup>156</sup> Lakoff and Johnson call the metaphors through which people communicate and act ‘conceptual metaphors’. Conceptual metaphors of the family in Norwegian are available for structuring a concept of Friends and thus for acting upon that conception.

### ***Friends and Family: A Conceptual Metaphor***

In Norwegian, one commonly speaks of families of the plant and animal world (*plantefamilie*, *kattefamilien*), of languages (*språkfamilie*), of occupations (*den medisinske familie*), of industrial products (*familier av produkter*) and the like. These are metaphors: products do not have fathers and mothers, for instance. The concept of ‘family’ (*familie*) is pervasive in the language, as is one of its synonyms—‘*slekt*’. *Katteslekt* refers zoologically to the genus *Felis*, *kattefamilien* to the predators *Felidae*. Both the terms ‘*familie*’ and ‘*slekt*’ are concepts that encompass a breadth of categories, such as languages, plants, animals and the like, and that hold a plethora of terms within each category. For instance, within the ‘*plantefamilie*’, Norwegian has countless members of types of plants with the term ‘-familie’ attached to them: *erteblomstfamilie* (*Papilionaceae*), *gressfamilie* (*Gramineae/Poaceae*), *hampefamilie* (*Cannabidacea*), and the like. The point here is that the concept of ‘family’ (as

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<sup>155</sup> Lakoff and Johnson 1980:3

<sup>156</sup> For the study of physiological grounding of and evidence for metaphors that Lakoff and his associates inspire see Katz 1998. An example of more recent work is Rohrer 2006. This work specifically explores the evidence from cognitive neuroscience and cognitive linguistics for the neural underpinnings of image schemas.

well as '*slekt*') functions in the Norwegian language as a hold-all for metaphors. It is difficult to see in the examples that metaphors are there at all because these metaphors are so much the conventional way of speaking in Norwegian.

A particular set of expressions in the 'family' metaphor conforms to the type of conceptual metaphor Lakoff and Johnson identify as the CONDUIT and CONTAINER conceptual metaphor: FAMILIES ARE CONTAINERS FOR PEOPLE JOINED TOGETHER BY DESCENT OR MARRIAGE. Some ordinary expressions (metaphors) in Norwegian that are examples of the conceptual metaphor follow with literal and idiomatic English translations or usages:

*å være i familie med* | lit. to be in family with  
/ He's family; She's part of the family

*å avlyse festen på grunn av dødsfall i den nærmeste familie*  
| lit. to cancel the party for reason of death in the nearest family  
/ to cancel the party because of a death in the immediate family

*bare den nærmest familien ble bedt i bryllupet*  
| lit. just the nearest family was invited in the wedding  
/ only immediate family was invited to the wedding

The same pattern holds for metaphors of the synonym '*slekt*' for '*familie*':

*å være i slekt med* | lit. to be in family/relation with  
/ to be family; to be related to; She's family; She's a relative

The network extends this conceptual metaphor to people whom the network then considers as if they were family, i.e. Friends of the network. The network includes them in this category through the conceptual metaphor of the family: *KLIENTER ER I FAMILIEN*, clients are family. The network can conceive of clients as family and relatives, and act upon that concept, because a conceptual metaphor lies ready to hand for this purpose. This is not the only human family metaphor in Norwegian for this purpose; many lie to hand. For instance, metaphors of family also exist that conceptualise space, such as *på/on (slekt på morssiden / relatives on mother's side)*. Nevertheless, the point here is not to belabour an enumeration of all human family metaphors

that also suit an institutionalisation of clients as Friends, as this thesis is not one on the cognitive linguistics concerning the family. Rather, the point is that instances of the **SOCIAL GROUPS SERVE AS CONTAINERS** conceptual metaphor structure the concept of a social group in Norwegian and that this conceptualisation allows the network to shape an institution of Friends.<sup>157</sup>

Cognitively, one understands clients as Friends not because they share some fixed set of properties defining a prototype family, but because Friends bear a sufficient resemblance to families.<sup>158</sup> Ben-Porath highlights some of the resemblances Friends share with families that bear upon economic transactions and which I have described in the section above concerning 'the full-fledged friend'. Ben-Porath points to affective relations as a locus of what he calls family 'identity'. The network fosters the closeness of the group of Friends by insuring contact on a person-to-person first name basis and reliance each upon the other by looking to one another for meeting needs. The network obligates itself to meet the décor service needs of its clients, who obligate themselves to call on the network first for servicing its décor needs. The formation of a family, according to Ben-Porath, 'creates a collective identity'.<sup>159</sup> Agreements to transact create a collective identity among the parties of network and Friends. In the network of firms and Friends, enforcement of agreements is internal to the parties of a transaction, just as the enforcement of family rules is internal to the family. An honour system, much as one finds in families, guides payment between the network and Friends rather than the contractual exchange of the capitalist open market. Social markers also foster the 'collective identity' of which Ben-Porath speaks: Friends come from Norway's elite, own much the same goods and property, and have a common lifestyle. Finally, the 'friendly acts' of Friends, in hospitality and lending of their spare houses to the network owner-managers, draw network members into the orbit of family life, and, though temporarily,

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<sup>157</sup> The **SOCIAL GROUPS ARE CONTAINERS** metaphor is Lakoff and Johnson's 1980:60.

<sup>158</sup> The point about resemblances is made by Lakoff and Johnson 1980:123.

<sup>159</sup> Ben-Porath 1980:3(g)

make them partial household members. Next, we discuss this reciprocation by clients of ascribed family membership to network members.

### ***Conceptual Metaphor and The Network***

Just as Friends are partially family to the network, the network is partially family to Friends. The same conceptual metaphor, **SOCIAL GROUPS ARE CONTAINERS**, applies to both groups. One group cannot and does not exist without the other. The core firms of the network are family firms—*familiebedrfter* (family businesses) in Norwegian. The status of these firms is even more marked in Norwegian by the word, for which there is no English one-word equivalent, *familieaksjeselskap* (colloquially *familieselskap*), roughly ‘family stock company’ and ‘family concern’. The *familieaksjeselskap* is a stock company where one family, or a few people who are relatives, own the majority of shares. Each of the core firms of the network is such a firm. They too make a family in terms of the **CONTAINER** metaphor: the network is a family of firms. It contains the family of firms. Because the metaphor of the family is all-pervasive in Norwegian, it allows clients to conceptualise the network, and the network to conceptualise clients as family. The **CONTAINER** concept allows both clients and network to share a perception that they both make up a family. The **CONTAINER** concept enables a common perception that both parties can share.

The **CONTAINER** metaphor, as the network construes it, is not haphazard. It consists of several entailments:

**SOCIAL GROUPS ARE CONTAINERS**

**FAMILIES ARE SOCIAL GROUPS**

Therefore, **FAMILIES ARE CONTAINERS**

and

**FAMILIES ARE SOCIAL GROUPS**

**CLIENTS ARE A SOCIAL GROUP**

Therefore, **CLIENTS ARE FAMILY**

Likewise, The CONTAINER metaphor is relevant to the networked firms and their owner-manager families:

**FAMILIES ARE SOCIAL GROUPS**

**THE NETWORK IS A SOCIAL GROUP**

Therefore, **THE NETWORK IS A FAMILY**

Lakoff and Johnson's conceptualisation of metaphor helps explain why clients as well as network firms accept an institution that appears novel. The use of the CONTAINER metaphor to shape a social institution with economic consequences is novel. One reason for the novelty lies in the creativity of using the metaphor to invent a social institution. The artisans make no claim to be artists, nor have they any such ambitions: they want to make a livelihood on a par with the elite in which they have their roots and which they serve. Yet, to design and produce décor and furniture with the success that the artisans enjoy requires no less than a good portion of creativity. One conventionally associates pure creativity with artists: one expects novelty from them. Since the artisans nevertheless demonstrate a good deal of creativity within the bounds of producing serviceable objects and environments, some of the image of the creative artist rubs off on them as artisans. Because clients anticipate some creativity from these artisans, clients may show less resistance to accepting the novelty of the network's institutionalisation of economic exchange through the mechanism of Friends than through the market mechanism of price alone. The conceptual metaphor and the no-negotiation policy in the institution of Friends on price breaks the bond between and principle of exchange in the network and general exchange in the Norwegian capitalist market. Chapter 8, The Dual Economy of the Network explores these forms of market as they function in the network in response to research question two.

The conceptual metaphor of CLIENTS ARE FAMILY lessens the boundary between buyers and sellers and partially blurs the traditional distinction between them, which usually contributes to establishing the boundary between customer and

company.<sup>160</sup> Managerial Economics presents a clear boundary between the two and, as it has not documented a loosening of this distinction, has at present no explanation for a partial relaxation of what it calls 'the boundary of the firm'. The network preserves the distinction between client and network firms, but it loosens the distinction because such a relaxation of boundaries enables the network, through the CLIENTS ARE FAMILY metaphor, to share clients. Moreover, the network can share them knowing that it is making deals with clients who have the same expectations of transacting as it does. The metaphor sets the scene for an institution that streamlines transactions between client and network.

The next chapter deals with the firms of the network and how they evolved both their manner of internal cooperation and the institution of client-friends so central to their operation.

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<sup>160</sup> Textbooks in managerial economics refer to this distinction as 'the boundary of the firm'.

## 7 Firms of the Network and their Evolution

In order to understand how the members of the network make a livelihood, one needs to know what the firms in the network are, what they do, and how network members project their common identity through their firms, in Ben-Porath's terms, to network friends. If Ben-Porath's tenet is true that "...people are interested in the identity of those with whom they deal...", the social character ('identity' in Ben-Porath's terms) goes far in explaining how the group of artisans makes its livelihood and why their preferred and special business model develops and specific type of market is institutionalized. The account of the core families and associates in Chapters 4 and 5 identified briefly the personages linked to, and the main activity of, the network firms. As not all members own firms, I now need to consider the firms in terms of owners and managers, and associates who are firm owners. I shall do this by first connecting the main owners to their firms, whether these firms belong to the core families or to associates. Then follows a description of the present structure of the firms before an account of the process of their development.

In considering core family parents in Chapter 4, we noted their present vocations and standing as proprietors: Helge Christensen ran a joinery, Furniture Finished; Heidi Christensen and Hilda Johansen an interior design and decoration firm, *Décoration*; Haldor Johansen a furniture surfacing firm, Johansen's Furniture Finished; and Dag Rosenborg and Helge Christensen a surfacing technology enterprise, called Floors Finished, a subunit of Dag's shell company, *Élégance*. In the chapter on Associates (Chapter 5), we noted that associates were respectively linked to one of the three core families. Furthermore, some of these associates ran firms that did or could serve the core families, and the activity of these firms was identified. Thus, of the social intimates and professional associates of the Christensens, Hilmar's accountancy firm served the Furniture Factory and *Décoration*; Greta's architecture firm, the Furniture Factory and *Décoration*; Henrik's property business, Furniture Finished; and The French Factory, through Alain, Floors Finished. Likewise, of the work associates of the Christensen's, Nina's firm *Salon Restauration* and Wenche's firm The Upholstery served the Furniture

Factory, and the Transport Centre, through Hans, *Décoration*. Of the social intimates and professional associates of the Rosenborgs, Einar's accountancy served Floor's Finished of *Élégance*; and the work associates Bente and Bernt through their firm Painting Plus served Floors Finished (the firm the Christensens and Rosenborgs ran jointly). Let us now turn to an overview of the firms themselves. Previous chapters have provided enough information about some of the less central firms to require only minimal further details concerning them in this overview.

## **Overview of Firms**

### ***Décoration***

*Décoration* operates out of street-level shop premises in Oslo West, on the edge of the area of town known as Frogner, on the corner of a quiet street with little traffic; the proprietors own the storefront unmortgaged in a condominium that otherwise consists of residential apartments. Apartment blocks and villas dominate the immediate area and a brass plaque announces the company's name. The business offers a complete luxury interior design service, including architectural remodelling for both domestic and corporate locales. It supplies ready-made furniture and equipment itself, orders bespoke furniture through Furniture Finished, and provides soft furnishing goods as bespoke. Its geographical catchment area is the domestic and corporate locales of Friends in Eastern Norway, France, Italy, and the Eastern Seaboard of the United States.

The store itself occupies two levels, both with three rooms. At street level, is an entrance space with *objets d'art* for sale, a main show room, with a till to one side, outfitted in a style reminiscent of a living and sitting room, and the back office. No doors separate these rooms. Upstairs is a small fully equipped kitchen, a side room eating area, and a room of samples for its business and a rack of board samples of floor designs that the firm Floors Finished displays.

The business *Décoration* is closely held by Heidi, who owns  $\frac{3}{4}$  of the shares, and Hilda, who owns the remaining  $\frac{1}{4}$ . Heidi is the Chief Executive



Officer; Hilda and Hilmar sit on the board, Hilda as a director and Hilmar as a non-executive director of the company as well as its accountant. As said, the firm has two employees, one full-time, Helma, currently on leave, and one temporary, Liv.

### **The Furniture Factory**

The Furniture Factory operates out of a split unit in workshop complex among most of the other network firms, in a cul-de-sac beside a stream in an otherwise residential area, Norstrand, which is the second most exclusive residential area of Oslo. The workshop complex is under lease to Helge Christensen; Henrik's firm Property Plus owns the complex.

The first locale of the split unit has three rooms: a room installed with kitchen white goods, a dining room with a stainless-steel work and washing up area along one wall and ceiling-to-floor bookshelves with volumes on woodworking on the other, and the back office of the Furniture Factory with its door, usually open. All the other units in the complex have access rights to the use of the kitchen and dining area. The outside wall facing the courtyard of the complex is glass so that from the outside one sees directly into the dining area unless the blinds are drawn. The entrance door in this wall has no sign or identification.

The second locale of the split unit is the workshop proper of the Furniture Factory, divided into three rooms, two of these equal in size. One has a full complement of machine and hand tools, and work space; the other, racks of seasoned, seasoning, and raw lumber, timber and wood. Double doors open up to the front of the rack area, a single door opens up to the front of the workshop; an opening inside connects the workshop to the rack space. A double door at the back of the workshop opens up to another unit; a single door to a room housing three toilets, a changing area, wash basin and an enclosed shower. All units have access rights to this area. No sign identifies this unit.

This business offers a complete service of structural remodelling and production of luxury bespoke furniture for domestic locales. It refers any

interior design and decoration to *Décoration*. Its geographical catchment area is the domestic locales of Friends in Eastern Norway, France, Italy, and the Eastern Seaboard of the United States.

Furniture Finished is closely held by Helge, who owns 8/9ths of the shares, and Geir, who owns the remaining 1/9th. Heidi is the Chief Executive Officer; Geir, Heidi and Hilmar sit on the board as directors, Hilmar as a non-executive director of the company. As noted, he is the firm's accountant. Board meetings take place at Hilmar's accountancy practice, Acute Accounting. As noted, the firm has two employees, Torstein and Trond, presented in Chapter 5.

### **Johansen's Furniture Finished**

Johansen's Furniture Finished occupies a unit of two rooms in the workshop complex, one for work-in-progress, the other a spray-painting room. In part of the room for work-in-progress is a small office cubicle, glassed off on three sides against a wall. The business has a sign, Johansen's Furniture Finished in white letters on a blue background, above the double doors that open to the work-in-progress room. The walls are painted off-white and there are no furnishings except a chair; otherwise, there are sawhorses, paint containers and equipment. Double doors at the back of the Furniture Factory access the spray room of Furniture Finished. The business owns a van, which Haldor drives, for pickup and delivery jobs. The sides of the van display the firm's logo and trading name.

The business offers specialty surfacing of untreated furniture and specialty furniture resurfacing. The firm entertains custom from Greater Oslo, where Haldor will pickup and deliver; otherwise, the firm occasionally receives custom from known clients who ship to the unit's premises. The firm handles all surfacing of bespoke furniture and installations that Furniture Finished may require.

Furniture Finished is wholly Haldor's closely-held share company, where he holds all registered capital and is the Chief Executive Officer, and where his personal acquaintances occupy its board positions. None from the

network does so. The firm uses an accountant outside the network. As noted, the Firm currently has no employees.

### ***Élégance: Floors Finished***

The office of *Élégance* operates administratively out of Dag's study while its day-to-day activity as Floors Finished operates out of Helge's van, registered as a company vehicle of Furniture Finished. The firm also rents from Henrik a modest storage and work space in a parking complex in downtown Oslo. The business offers treatment of any surface with a special viscose material that binds and hardens to steel strength on any surface, and forms into any design or pattern in any colour or combination of colours. The firm mainly applies it as a flooring, custom-designed to appear as tiles. However, it may also be applied to walls to give them a patterned design.

Clients and Helge, as an artisan, work out its use and design. In the design stage, Helge has at his and his clients' disposal sample work on the rack of patterns upstairs at *Décoration*. As noted, the firm uses the services of the painter pair Bente and Bernt to do the colouring once a client has decided on a colour scheme, and Dag has the skill to apply this material.

Dag and Helge own all authorized share capital on an equal basis.<sup>161</sup> Kristina acts legally as Chief Executive Officer of the company, Einar its accountant, and Dag as a board member. There is no non-executive director. As seen, Lasse gets time off from his uncle's painting business when a job requires more than one technician to spread the material and apply the design on a surfacing job. *Élégance* then pays Lasse's wages.

### ***Architecture***

This firm has its offices in Drøbak, where the sole owner of its nominal share capital, Greta, lives. Hilda is a non-executive director on the board of the firm. Greta operates her practice alone, specialising in Norwegian private domestic architecture for Norway's elite, which wants its homes in Norway in a style

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<sup>161</sup>authorized share capital: q.v. <http://www.businessdictionary.com/definition/authorized-share-capital.html>

that does not flout Norwegian construction traditions. For them, experimental, daring, or unusual style is not *de rigueur*, hence they do not call in foreign architects or designers for their housing: they call upon Greta. For their foreign homes, they trust her to draw up plans suitable to the area, often in cooperation with a local architect. Greta adjusts her business attire to reflect the elite's desire for traditionally-based Norwegian domestic architecture.

### ***Acute Accountancy***

The accountancy practice operates out of an unassuming second-floor office in the eastern suburbs of Oslo, backing onto an industrial estate. The firm rents these premises. The headquarters of medium-sized Norwegian businesses dominate the area. It is near an underground station. No sign on the outside of the building signals the presence of the practice, although some of the other firms in the building have signs. Once inside the building entrance, a tablet of firm occupants includes the practice.

Despite the unassuming building, the office premises are tastefully done; *Décoration* has done the interior layout and decorating. The hall entrance has a hat-and-coat rack, an area for baggage, some chairs, and slippers available for when one sheds mucky winter footwear. A room to the left is a fully equipped kitchen and eating area; to the right Hilmar's separate office with his working area and the boardroom table. In the central open-plan room, from which the entrance leads, is a large curved desk and work area in sight of the entrance, where Hilmar's wife, invariably in a red dress, sits as receptionist and registered bookkeeper. To the side of this desk is another work area open to clients, with full electronic communication equipment and several chairs. Behind this desk is an area devoted to printers, photocopiers and fax machines. Three rooms border the central area, two of which are offices, the third a storeroom with book and document shelving.

The practice is Hilmar's closely-held company: none of the network sits on its board. In one office sits an employee who specialises in management accounting. The other office is currently unoccupied although Hilmar wants to replace the accountant who recently left. As noted, in particular the practice

attracts clients from the Sino-Vietnamese community. Hilmar dresses semi-casually to put and keep his customers at ease in line with his open and jovial character.

### ***Libenter***

Libenter is Einar's closely held and one-man accounting practice, the location, activity, and clientele of which we have described in Chapter 5 in the section on Einar.

### **Property Plus**

Property Plus has a small one-room office in downtown Oslo. Henrik controls all the authorised share capital in the closely-held commercial business properties company. He operates alone and has no employees. Henrik is rarely in his office, but out-and-about attending to the properties he owns, seeing to their maintenance, and scouting investment opportunities, primarily in commercial office properties, for select and elite clients. As said, he leases the workshop complex to Helge and, in addition, the storage and work space of *Élégance* and Painting Plus.

### **Painting Plus**

Painting Plus is the specialist interior painting firm in the closely-held company of Bente and Bernt. It has no storefront; as noted, the couple operate out of a vintage Mercedes estate wagon. From Henrik they rent cellar storage for paints and work space in an apartment block on the north side of central Oslo. There are no employees. As noted, their clients include the Norwegian Broadcasting Corporation, scenic unit, in addition to private clients from the Norwegian elite and Floors Finished.

### ***Salon Restauration d'un Meuble* (“(Salon) Restauration”)**

*Restauration* is a closely-held firm in which Nina owns all shares. On the outside wall beside the entrance door is a small hand-lettered sign with the firm name. *Restauration* restores antique furniture in the small one-room workshop adjoining the office and lunchroom of Furniture Finished, between

Haldor's and Helge's premises. There is space for about three large pieces of work at any one time. Just inside the door is a small antique square table with a land-line telephone on it which functions as the office. The walls are lined with old dark shelves with various varnishes and restoration materials as well as hand tools. A functioning antique clock hangs on the wall. Nina will occasionally restore a piece that the Furniture Factory would like done as part of its total work for a client. As noted, people show up and discuss a job to be done or come in with a piece; she does not own a van and will not pick up work. Helge, if near one of her clients, occasionally does a pickup or delivery for her. Her clients belong to Norway's elite. She does not advertise and has no employees.

### **The Upholstery**

The Upholstery is the closely-held firm of which Wenche owns the share capital. The business sits atop the wood-storage wing of the Furniture Factory in one large room covering the whole wing. From the outside, carved wooden stairs lead up to the wide roller-door entrance of this upper wing. A medium-sized hand-lettered sign beside the entrance door announces the firm's name. As noted, the firm offers specialist upholstering of high-end, antique, classic, collector, and heirloom furniture. Wenche restores or replaces antique upholstery. In the wing are several looms of various sizes for weaving upholstery-weight material, rolls of upholstery textiles, work tables and benches, tools, and a tiny table in a corner as office space. The elite of Norway are her private clients, and she serves foreign and domestic museums of craft, handicraft, and furniture. Should the Furniture Factory produce a bespoke piece or pieces requiring upholstery, Furniture Finished require upholstery as part of its finishing assignment, or *Restauration* need upholstery service, they call upon The Upholstery. Wenche does not own a van; clients have the responsibility of door-to-door transport arrangements to and from her atelier.

### ***Transportsentralen A/L***

The Transport Terminal Company claims it is the Nordic Area's biggest logistics firm.<sup>162</sup> Its founding strategy was rental of a goods vehicle and driver, still its mainstay, although it offers a full logistic and distribution service. The company is organised as a workers' cooperative in which each worker owns a share. As noted, *Décoration* has contracted exclusive rights to Hans, one of the company's chauffeurs.

### **The French Factory: *Revêtements de Sol***

The French Factory, located in Southern France, is a limited company, several years old, specialising in developing flooring materials and installing advanced custom flooring—domestic, commercial, and industrial. It also runs courses on its materials and application techniques for them as flooring and decoration. It supplies *Élégance* with two of the three coatings it requires for the floor installation that Floors Finished offers and ships pallets with tubs of coating to *Élégance*, which stores it in its rented car park premises. Helge usually collects some tubs to take back to Norway in his van on completion of a job in France. When he comes to Norway, if driving, he takes some tubs for Helge. As noted, Alain is the factory trainer and technical manager of The French Factory, with whom both Helge and Dag liaise.

The overview of network firms has described what firms are in the network and what they do for each other and/or clients. We also needed to know how the firms make themselves identifiable (in Ben-Porath's terms) to friends. The profile the firms have and the members' formation of a network of firms emerge through a chain of events over time rather than a decision at one point in time to form firms and a network from them. What the firms are in the network stems from their history and previous activity. One therefore requires

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<sup>162</sup> "Transportsentralen A/L Oslo er Nordens største transportsentral og dekker markedets behov for transport" is the claim in Norwegian at the company's website accessible at <http://www.transportsentralen.no/author/tsoslo>, which contains full information in Norwegian concerning its history, board, management and strategy.

a history of the evolution of the firms of the network in order to understand how the creation of a business model profiles the network, and how that profile of making a livelihood helps the artisans achieve ‘the good life’ and the creation of wealth. In addition, none of these firms are family firms in the sense that they derive from a dynastic family line where generation upon generation inherit the family firm, ready-made, as it were. Consequently, it makes sense to add a fourth ‘F’ (Funding) to Ben-Porath’s three Fs in the examination of firm histories in order to understand the network’s evolution.

The evolution of the network occurs chronologically. The ensuing account of that evolution falls into two main stages, the first leading to the formation of the basic network, i.e. the establishment of *Décoration*, *Architecture*, Furniture Finished, and the inclusion of the work associate Hans. The second leads to an expansion of services within these firms, to the inclusion of other pre-existing firms, and to serial entrepreneurship, treated in Chapter 9. Lets us track this development.

## ***The History of Network Firms and the Evolution of their Networking: The First Stage***

### ***Décoration***

#### **Early History**

By the time Heidi and Hilda were in high school, they already liked the idea of earning just a bit more than the pocket money their parents gave them. At that point, they decided to put their sewing skills to work and make luxury and bespoke curtains, tablecloths, tea towels, furniture drop and dust covers, and the like. They draw upon the housewifery skills of their mothers, who, in that generation, had the sewing and embroidery skills expected of genteel well-bred women in polite society making and keeping the home. In addition, the girls did their homework, reading up on advanced sewing techniques and design. The capacious apartment of the Johansens’ had enough rooms that the girls could take one over for their sewing room without putting the games or guest rooms, the smoking room or the library in jeopardy. Heidi’s ‘mama’,



Gunnhilda, had the sewing machine and most of the requisite sewing implements.<sup>163</sup>

The girls passed the word around Frogner High to classmates that their venture, All-in-Stitches, took on any sewing jobs that their mothers were too busy to handle because they were ‘ladies who lunch’ or had other social and charity obligations to fulfil, or because they were high-power professionals with the responsibility of keeping the perfect home besides that of business entertainment on their own or spouse’s behalf. The classmates were to tell their mothers; the girls also provided their classmates with brochures about the services of All-in-Stitches to pass on to their mothers. The girls also told their girlfriends at Frogner to ask their mothers to spread the word. When visiting their Frogner classmates at home, the girls also told their mothers in person of their seamstress service and hand on the brochure. The girl’s initiative figured in the gossip of the Frogner mothers at their lunches and meetings, and in their telephone conversations. This advertising has the desired effect: one must keep up appearances; no mother could jeopardise her standing by failing to use Stitches’ service. To fail to do so might signal that they are not ‘ladies who lunch’ and do charity work. Stitches’ order books filled and profits multiplied.

The girls had the additional advantage that the sewing salons that do such work were not quite the right establishments in the eyes of the Frogner mothers: in Hilda’s recounting of mothers’ remarks, “You know, they are a bit far [in the East End of Oslo]. Too far to go, really. Not really the kind of place that understands our requirements.” In other words, these establishments did not have the access to and understanding of the same elite, or their tastes, to which Heidi and Hilda belong.

Throughout High School the girls continued improving their business, creative and artisan skills, Heidi in the Language Studies stream, Hilda in the Business Studies stream. They reflected upon developing their business in the

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<sup>163</sup> The stress on ‘mama’ should be on the second syllable to convey the proper register: ma•ma (rather than ma•ma).

light of their study. Gunnar took an interest in the success of 'his girls', acceded to their request that he mentor them, and offered business know-how and material support. The girls had wetted their feet and proved that they could swim, so he agreed. They accepted his offer that they pay nominal rent on the upstairs part of the condominium unit that he owned as part of his property portfolio and where *Décoration* subsequently located. All-in-Stitches now had its own commercial location. They invested some of their profit in industrial-grade machinery and tools.

Within the year, the girls put on a launch party at their new studio, which they followed up with a bi-weekly weekday evening 'coffee hour' at their studio during winter, where they invited the Frogner 'mamas' to the girl's home bakery with sweets from the upstairs kitchen. Here they provided a design show or examples of their latest work before it left the studio, and the 'mamas' took away ideas for redoing one or another of their properties during the spring, in time for summer. This 'coffee hour' was a must for the 'mamas' to attend: besides keeping an eye on who orders what, they could keep up with gossip and leave home with impunity since their husbands expected perfectly styled homes, no expense spared, for entertaining business contacts, especially foreign ones.

At this point, the girls did not have the capacity to carry out any other than small-scale jobs, but the coffee hour provided the chance to present more ambitious concepts than they could realise—a chance to stretch themselves and receive feedback and thus develop their talent. The women who did not feel confident about their ability to create the perfect home environment could pay for the girl's service, ideas, and plans, and then take them to another interior architect and/or designer and have them done to the satisfaction of her or her husband's demand for a prestigious home. The girls required that the mamas had to keep the source of the plans secret, not least because the girls were not yet old enough to trade legally or meet the obligations to the Norwegian State of doing so.

The girls signed up for weekend art and drawing classes to improve their ability to visually communicate their concepts of design to clients.

During the high school summer break they spent holidays together in France and Italy on short courses in interior design, textile history, and in museum visits and exhibitions that improved their knowledge of the artisanship of textile creation and manufacture. The trips also allowed them to polish their foreign language skills, especially in French and Italian, and learn specialist terms of the trade in the foreign languages. On some of these breaks the girls stayed as house guests of clients while they attended courses or explored museums: clients vied to have them stay. Not only did hosts enjoy the company of bright girls from the same social milieu as themselves, and whose stay reflected well upon them, but it also allowed the girls to see the site and gave an opportunity for the host and client to sound them out concerning possible designs tailored precisely to the property in question. The girls could then work out detailed plans on their return to Oslo with a better idea of an assignment the client may order. The girls also took care to assemble a top-notch portfolio of their work with an eye to Heidi formally studying interior decoration and obtaining formal qualification as an interior decorator.

This high pitch of activity took place at the cost of pure or high academic achievement, one that did not weigh heavily on the girls. Nor did it overly concern Gunnar, who kept a regular eye on their business, and knew that the girls, in using their hands and brains in the business, were developing their minds too. He took pride in their progress and recognised their business acumen; moreover, he figured them chips off the old block. The girls took on Helma part-time to do some administration and thereby lighten their own load.

### **A Watershed: Graduation to *Décoration***

By the time of high-school graduation, the girls were old enough to trade on their own account legally. They decided to make interior decoration their vocation and do so by an initial division of labour. They set up the firm *Décoration* as their closely-held legal entity where the division of shares,  $\frac{3}{4}$  to Hilda and  $\frac{1}{4}$  to Heidi, was to roughly reflect their division of labour. Heidi, on the basis of Stitches' outstanding portfolio, won a scholarship to pay for her

study of interior decoration. Sick of school, Hilda would have the main responsibility of running the business while Heidi studied interior decoration full-time at college, qualified as a master artisan, and in addition work on decoration assignments for clients. The latter work could fit in, with modification, to college project assignments. Heidi had the obligation to pass on to Hilda what she learned in college relevant to the business. When Heidi finished training, she would, and does, buy back  $\frac{1}{4}$  of the shares so that each owns half the firm.

The girls then bought the complete store premises from Gunnar, who extended them the loan to do so and an ultimatum of his repossession of the premises on breach of the loan or failure of the business. He promised and provided further short-term bridge funding for purchase of inventory and the boutique's start-up costs in cases where the girls found it difficult to cover costs from their savings and profits while maintaining cash flow.<sup>164</sup> Beyond this initial funding, the girls ended their reliance on Gunnar's financing. They decided on a policy in place whereby clients must put upfront the cash for large capital expenditure on large-scale remodelling projects.<sup>165</sup> This amounted to an interest-free loan to purchase materials and cover the costs of undertaking large-scale projects. *Décoration's* clients turned into its bankers on major projects.

The girls now threw a closed re-launch party for their full-blown boutique, *Décoration*: only Frogner 'mamas' and their close relatives could attend. At the re-launch, they made known the policy that from now on only those people personally known to the firm may do business with it. However, those who have done business with *Décoration* can sponsor a potential client,

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<sup>164</sup> Bridge financing: "Financing extended to a person, company, or other entity, using existing assets as collateral in order acquire new assets. Bridge financing is usually short-term." Definition accessed at [http://www.investorwords.com/5868/bridge\\_financing.htm](http://www.investorwords.com/5868/bridge_financing.htm). Cash flow: "A measure of a company's financial health. Equals cash receipts minus cash payments over a given period of time; or equivalently, net profit plus amounts charged off for depreciation, depletion, and amortization." Definition accessed at [http://www.investorwords.com/768/cash\\_flow.html](http://www.investorwords.com/768/cash_flow.html).

<sup>165</sup> Capital: Cash used to generate income by investing in a business. Definition accessed at <http://www.investorwords.com/694/capital.html>.

known to be of good character from polite society with a background where money is no object or subject of discussion. The girls must meet these potential clients for tea, either at the boutique or, preferably, at the potential client's property to be refurbished. Previously, the girls could not set this condition, as they were not free to travel except in the summer. The girls were now in a position to put forward this last condition, especially as they now had the status of independent women. Indeed, as we have seen, Heidi and Helge married on graduation and set up house together in their own apartment in the Johansen apartment complex of Gunnar and Gunnhilda.

A second policy that the girls put in place at the relaunch followed from the first policy. Heidi, Hilda, and any client in principle have the right to see any job that *Décoration* has done subject to the convenience of the client occupant, whether resident at the time or not. At the relaunch, clients also had to agree to a third policy, that they will not identify the producers of their interior decoration unless in the context of introducing a potential client. They also have to agree to a fourth policy: that a client has to consult *Décoration* first as a potential provider of an interior décor. Finally, clients with large-scale projects should expect to put up interest-free capital on demand to get projects started and to sustain them.

With the new boutique on its feet, Heidi and Hilda hired Helma full-time, and arranged with the Transport Terminal to have Hans as *Décoration*'s dedicated chauffeur. Expansion of the business continued. It also grew in competence. After receiving her master artisan's papers, Heidi received licenses as an antique dealer and as a second-hand and scrap merchant. The business expanded its market segment, and branched out into the interior decoration of corporate quarters belonging mostly to the husbands of the original clients.<sup>166</sup> The firm expanded its reach: besides the Frogner mothers,

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<sup>166</sup> Market Segment: "A group or sector within a homogeneous market consisting of consumers or organisations with relatively homogeneous needs and wants." Source: Glossary of Marketing Terms, accessed at <http://www.marketing.org.au/default.aspx?i=o7/3rRJaaY0=&t=jZS6ngCVPug=>

Market segmentation: "The division of a market into homogeneous groups of consumers, each of which can be expected to respond to a different marketing mix." Source: Law 2006. Accessed at

their children, like Heidi and Hilda, now left home and set up house. These too became the clients of *Décoration*. The firm now stabilised and no further basic changes occur.

No contradiction exists between opening a boutique that in principle any member of the public can enter to purchase an item and the restriction clients to those known to *Décoration*. The distinction lies in the difference between a member of the public and a known client, in addition to the function of the boutique. The boutique sells ready-made furnishings; any public customer can buy them. However, the public customer does not know and cannot know of the network of clients, who have access to the interior décor services of *Décoration*.<sup>167</sup> If, before they answer a public customer's enquiry whether the boutique does interior decoration, one of the three ladies directly counters with a question of who the customer might know in their circle of friends by way of making casual conversation. If one or more of these acquaintances are known to the ladies as clients, they suggest the customer contact one of these clients. It is then up to the client contacted to sponsor the person or not. To the public who do not have the right contacts, the answer is "No, we do not really do décor". A policy of polite rejection prevails.

### **Evolution of the Network: Its Groundwork**

The development of *Décoration* from its start in All-in-Stitches points to the establishment of several institutions in the making that set a pattern for other firms that entered the network. The establishment of these institutions laid the groundwork for the formation of a network of firms on a like model. We shall therefore now consider these institutions in the light of *Décoration's* history.

Overall, the girls institutionalise a drive to entrepreneurship, and they expressed creativity in institutionalising that drive, acquiring the knowledge

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Oxford Reference Online: Oxford University Press

<http://www.oxfordreference.com/views/ENTRY.html?subview=Main&entry=t18.e3988>

Q.v. Lewis and Littler ed. 1997

<sup>167</sup> Q.v. Chapter 6, section Becoming a Friend

and know-how they needed by taking original initiatives. They regularly attended art and design courses of their own accord and visited relevant museums and exhibitions; they got Gunnar to mentor them in practical business and chose the Business Studies stream at Frogner High. They ensured certain access to clients' homes to keep up with how they looked, monitored client's needs and their receptivity to trends, and through access to homes possessed an audit of their clients' living patterns and environment as a whole. Their institution of the coffee hour also provided them with an audit of client concerns.

The girls' institutionalisation of elite mothers into a network for business purposes was creative and original. Their use of the institutions of the coffee hour, of Stitches' launch, and re-launch from Stitches to *Décoration* provided them with the opportunity to create a network and market niche that they could control and coordinate.<sup>168</sup> Their stipulation of the mechanisms of exchange between *Décoration* and the network of mothers set up, effectively, the basic elements of the institution of Friends of the Network as Chapter 6 sets them out.<sup>169</sup> These elements are the closeness and secrecy of business, vetted clients, priority of decoration assignments to the business, and a common bond between the business and clients through social intercourse. Through these elements, the girls created their own business model, built around the institution of Friends.

The institutionalisation of the girl's business model is emergent: it occurred in stages over the years of their high school education. Making clients into Friends progressed through three stages: the launch of All-in-Stitches; the coffee hours; and the re-launch of All-in-Stitches as *Décoration*. The girls took the initiative to contact potential clients, who recognised each other as the 'intimates' of the boutique. The clients then saw themselves as forming an exclusive and secretive group open only to the elite. This

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<sup>168</sup> Market niche: "a small but profitable segment of a market unlikely to attract competitors." Source: Marketing Dictionary. Accessed at <http://www.buseco.monash.edu.au/mkt/dictionary/mmm.html>. Q.v. Lewis and Littler ed 1997

<sup>169</sup> Q.v. Chapter 6, Friends of the Network

institutionalisation took time, both for the girls and for clients. During the period of their upper secondary education, the girls put in place knowledge and know-how, business theory and practice, business mentoring, a bricks-and-mortar boutique, and created a secretive and closed market. Not least, the girls used the period of their education to build up and explore trust—trust in themselves; trust between themselves; trust among themselves, Helma, and Hans; and trust among themselves and the Frogner mothers. All these features had to be developed before *Décoration* could exist.

### **The Effects of *Décoration*'s Institutions**

*Décoration* has a key role in shaping the artisan network and its business model. The other firms of the network benefit from the profile *Décoration* creates, and some network firms directly emulate the business model of *Décoration*. The degree to which they emulate the model of *Décoration* defines and explains their standing and relative power in the network. A treatment of the business effects of the institutions *Décoration* spawns therefore follows. The institutionalisation of *Décoration*'s policies and conditions affect the firm itself and its clients. Based on *Décoration*'s history, I will now specify the institutions and their impact.

### **The Institutions of *Décoration***

In *Décoration*'s history, one can distinguish seven areas of institutionalisation affecting the nature of the firm itself: 1) know-how; 2) funding and investment; 3) client contact; 4) emergent development; 5) business as a social relationship; 6) business practices; and 7) firm image. *Décoration*'s know-how was built up through an education of its founders that included qualification as a master artisan, study of practical business, acceptance of mentoring in business, foreign and domestic study excursions and courses, attendance at exhibitions, and self-study. The firm has institutionalised its funding and investment through internal recourse to finance from its own savings, to disposition of its profits in reinvestment in its firm, and to family backing without resort to external funding. The firm has organised itself as a closely-held entity. It has institutionalised its contact with clients in its creation of the



Friends of *Décoration* through the mechanisms of exclusive events (coffee hours, launches, boutique parties, boutique drop-in consultations). The result is an elite-client closed network of post-assignment access to the houses of clients, a no-bargaining price policy, a vetted client recruitment policy, a first face-to-face client encounter, and a first notification of plans to decorate by any client. The firm institutionalised its development step-by-step: its organisation emerged according to the personal and social circumstances and motivations of its owners and the immediate opportunities open to them and acted upon at any one time. This rather than the owners forming a complete projected business plan based on thorough market research and projected measures such as return of capital, return on capital (ROE), return on assets (ROA), return on capital employed (ROCE), return on investment (ROI) and other parallel performance measures.<sup>170</sup> The firm institutionalises doing business foremost as a social relationship: social relationships precede and lay the foundation for business relationships. This trait of the firm pervades its business: for instance, Heidi and Hilda first became fast friends; both come from the same background as their elite peers whose mothers become clients. The firm institutionalises its business practices, for example, 'snowballing' as a mechanism to find clients, i.e., clients recruiting other clients by word of mouth.<sup>171</sup> Finally, the firm institutionalises a distinct image of its firm: it is trustworthy, pre-eminently exclusive, and provides surpassing quality of service. It builds this image through its mechanisms of know-how, of business as a social relationship of reciprocal rights and obligations, and of client contact. We may now proceed to the effects of this institutionalisation upon the firm itself and then upon its clients.

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<sup>170</sup> Q.v., for instance, <http://www.investorwords.com> for the definition of such terms.

<sup>171</sup> The term snowball here refers informally to the selection of additional clients based on referrals from the initial clients. Clients promote using the firm to other potential clients. Cp. "snowball" in Colman 2006. Accessed at Oxford Reference Online

<http://www.oxfordreference.com/views/ENTRY.html?subview=Main&entry=t87.e7729>.

### **Analysis: The Effects of Institutionalisation on *Décoration***

The institutions of *Décoration* affect the firm itself in five areas.

Firstly, its understanding of the needs of the social milieu of which it itself is a part, coupled with its know-how, enables the firm to produce décor for Norway's elite.

Secondly, its policies build a distinct and inimitable image of the business and one that it can leverage further, for instance, in its effects on clients. For example, business style is part of that image and accessibility is part of that style. In the chapter on Friends, we noted that clients have Heidi and Hilda's mobile number. The mechanism of access to clients' homes institutionalises the firm's need for accessibility to keep abreast of client's needs and wants. Both mechanisms reduce the boundary between clients and the firm, easing the flow of information between *Décoration* and its clients. This protects the circle from competition in that the flow of information arises from the accessibility that keeps *Décoration* abreast of its clients' needs. Accessibility introduces an aspect of sociability and friendliness to the image of the business.

Thirdly, its institutions of finance, funding, and investment confer financial solidity, stability, predictability and independence on the firm. It has a guaranteed income stream from a network of clients that difficult economic conditions will not affect.<sup>172</sup> Helge, deliberately misquoting Mathew 26:11 and Mark 14:7, put this matter in his Christian terms: "The Super Rich shall always be with Us."<sup>173</sup> Money is no object to the firm's clients; its pricing policy sets an

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<sup>172</sup> The company chairman of the car manufacturer Ferrari, Luca Cordera di Montezemolo, refers to this imperviousness of the company to economic shocks: "Crisis or no crisis... we can still find 6,000 people crazy enough to buy our annual output". In 2008 it made its best ever profits and sales. The chairman predicted a good 2009 for the company despite recession in many economies. BBC News, accessible at [http://www.bbc.co.uk/worldservice/learningenglish/newsenglish/witn/2008/12/081219\\_ferrari.shtml](http://www.bbc.co.uk/worldservice/learningenglish/newsenglish/witn/2008/12/081219_ferrari.shtml).

<sup>173</sup> Others, such as the marketeer Charles Saatchi, have said, "The rich will always be with us", but no one apparently has singled out the super rich as a misquote of the biblical citation. Quote (undated) retrieved at <http://www.saatchi-gallery.co.uk/charlesqa/qa.htm>. Economic downturns, credit crunches, and the like do not materially affect the luxury spending of the super rich, including housing. Cp. The

non-negotiable sum for an assignment that amounts to ‘you pay what we say’ and ‘buy now, pay now’. The firm does not extend credit or instalment sales contracts; on completion of an assignment, the full amount is due immediately. A consequence of its clients’ financial solidity is that it does not have to put energy, time, and resources into checking customer’s backgrounds and financial soundness. *Décoration* therefore has no credit unit in its business.

Fourthly, mechanisms that lock in clients long-term—mechanisms, for instance, of snowball client recruitment that places the onus of attracting new clients on recognised clients, of vetted clients, of post-assignment firm visits to clients’ houses, of clients’ house guesting *Décoration*’s owners, and boutique events restricted to clients—institute a protected market virtually impenetrable to potential competitors. The circle of long-term self-recruiting customers replaces key marketing activities traditional to many firms and textbook versions of them. Potential competitors therefore cannot use traditional or standard marketing activities to capture *Décoration*’s market, nor can they successfully duplicate or imitate *Décoration*’s institutions.

*Décoration*’s snowball recruitment of clients obviates the need for the firm to find customers and to engage in extensive marketing activities. A consequence of self-recruitment by customers is that such recruitment presents *Décoration* with a stable and predictable customer base. No resources of time, energy, and investment need go into sales. Consequently, the firm needs and has no sales force. With vetted customers, the main concern of *Décoration* is to treat them, once accepted, in a receptive and welcoming way. Personality and adroitness in social exchange play a consequential role. The steady stream of self-replacing customers reduces the uncertainty of a fluctuating, fickle, and disloyal mass of customers and thereby the need to advertise in order to build brand, product, and customer loyalty. This obviates the need to budget and expend on advertising, a notoriously difficult budgeting area due to the difficulty of measuring sales effects. The

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rich are buying back Bentleys, Rembrandts and pink diamonds, The Times(London), Dec.3,2009, retrievable at <http://www.timesonline.co.uk/tol/news/uk/article6941728.ece>.

firm thus has no need to put resources into the services of a marketing or advertising agency or to have a marketing unit in-house.

As we saw in the encounter of Sissi and Tutta in Chapter 6 on Friends, Sissi has to educate Tutta in how to access the network. Clients perform an educative role for other potential customers: clients prepare other clients, sparing the firm the resources that go into customer handling.

Fifthly and finally, the institutions of *Décoration* affect its organisation. Its institutions promote two apparently contradictory effects. One is the efficiency produced by a flat hierarchy, lack of traditional divisions of a firm into sales and other departments, and the clients' assumption of work such as advertising and marketing the firm. The other effect is the social intimacy that the firm's organisation of business as a social relationship produces through its institutions. In received business models, efficiency and time devoted to intensive sociality would appear at odds with each other, the one at the expense of the other. Through its institutions, however, *Décoration* creates an organisation that enacts both integrally in its business model.

The overall effect on the firm of its institutions is that they reduce the time, energy, resources and risk put into the effort of doing business. The reduction in this effort allows the women of *Décoration* to increase their effort in the production of their products and service and to profile themselves as top-end artisans, rather than sales representatives. It also creates the opportunity to lead 'the good life': it does not make the women slaves to their business.

### **Analysis: The Effects of Institutionalisation on Clients**

The institutions of *Décoration* affect their clients in five areas.

Firstly, clients monitor each other. They ask themselves whether other clients are decorating, notice whether or not other clients are decorating, and enquire of other clients whether or not they have any plans to decorate. *Décoration's* institution of client contact encourages a mind-set already present in their clients and stimulates an already ever-topical area of conversation amongst them. Clients' monitoring of other clients also provides

a topic about which to gossip: the topic of their state of decoration provides them with a common focus. *Décoration*'s institution of client contact gathers that focus into a business context for the firm and for its clients. Through clients' participation in the business of *Décoration*, they gain an awareness, consciously or not, of constituting a circle or network where they can find support from fellow clients and from *Décoration*.

Secondly, *Décoration*'s institutions assure clients of 'The Perfect Home', which is a *sine qua non* for 'ladies who lunch'. The perfect home is part of clients' status: *Décoration*'s institutions lessen any anxiety about providing the perfect setting for home life. Clients require absolute confidence concerning this point: it is part of their definition of 'The Good Life'. *Décoration* offers confidence to those who, not having a knack for conceiving impeccable décor, lack that confidence. The know-how and reputation of *Décoration* lessen anxiety and provide quality assurance at the forefront of interior decoration. Another dimension of the firm's providing assurance of the perfect home is that it ensures long-term sourcing of décor for clients and the various types of properties each client owns and maintains.

Thirdly, the institutions of the firm provide the convenience of a one-stop service. One provider will serve for each of the several homes that clients maintain. The service is unlimited because 'money is no object' to clients, in addition to the firm's know-how. The convenience of a one-stop service streamlines making choices of taste by a client.

Fourthly, the institutions of the firm cater to clients' requirements that their needs are understood and that a provider can meet these needs. The shared background of *Décoration*'s owners and work associate (Helma) make it natural for clients to turn to *Décoration*. The mechanisms, for instance, of client recommendation of new clients, face-to-face encounter with clients, and on-site reconnoitring of client premises that *Décoration* puts in place serve to meet clients' concerns that their needs be understood and met.

Fifthly, the effect of the firm's institutionalisation of measures to conduct business as a social relationship establishes and increases intimacy from the point of view of clients as well as from the firm's point of view. The

institution of Friends fosters an awareness, consciously or not, of clients constituting a circle or network where they can find support from fellow clients and from *Décoration*. That awareness and participation nurtures social intimacy.

The overall effect of the firm's institutions on clients is that they reduce the time, energy, resources and risk taking of making home décor measure up to 'The Perfect Home'. The reduction in this effort allows clients further scope to pursue and lead 'the good life.' The achievement of 'the perfect home' confers status; selection as a client by one's peers and by the firm confirms one's status.

In the division of labour in *Décoration*, Heidi provides the décor for corporate environments. This follows the model of that for domestic environments. The corporation becomes a client through an introduction in the usual manner, i.e. a recognised client vouches for a potential client. In the corporate context, a husband in the corporation for whom *Décoration* has done domestic decoration requests his wife as a recognised client to approach *Décoration* for an assignment at his corporation. The usual conditions apply. The only difference is that the client company's accountants are advised of *Décoration's* conditions in order to head off bewilderment on their part, and they are provided with a reference on how one may book the transaction (service).

### **Formation of the Network of the Artisans**

The full network takes shape through three types of formation for all but one firm, The French Factory, which existed long before any of the network firms. The first type consists of work associates and firms such as *Décoration*, where the participants were roughly the same age, went to Frogner High School, completed their professional or vocational training nearly simultaneously, and then went into business for themselves at approximately the same time while cooperating with *Décoration*. In this type of formation four firms and an

associate linked up with each other: *Décoration*, Furniture Finished, *Architecture* and Hans of *Transportsentralen A/L*.

The second type differs from the first only in that the businesses formed at the same time but did not join the network until nearly a decade later. There are four such firms: Property Plus, Painting Plus, The Upholstery, and Libenter. In this second type of formation, two of the firms cooperated with each other but not with *Décoration*: these were Property Plus and Painting Plus.

The third type comprises new firms that took shape that completed and extended the network nearly a decade after *Décoration* launched itself. The four firms of this type are: Acute Accounting; *Élégance's* Floors Finished; *Salon Restauration d'un Meuble* (“*Salon*”) *Restauration*); and The Furniture Factory.

Thus, by the end of the first and second types of formation, nine firms (including the French Factory) had proved themselves as independent firms and going concerns.<sup>174</sup> Moreover, by the end of the first and second types of formation, six of the nine firms at that point had cooperated. The complete network forms upon the entrance of the first firm in the third type of formation. In all, we have three groups of firms formed and four firms in each group, plus The French Factory. Let us unravel this history of formation while considering when a network materialises. Arguably, it materialises fully when core firms of the core network adopt the institution of Friends or depend on it directly or indirectly.

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<sup>174</sup> Going concern: “a company [that] will continue to operate indefinitely, and will not go out of business and liquidate its assets. For this to happen, the company must be able to generate and/or raise enough resources to stay operational.” Definition accessed at [http://www.investorwords.com/2189/going\\_concern.html](http://www.investorwords.com/2189/going_concern.html)

## The Establishment of Independent Firms and Associates

### The First Formation of Firms

#### *Décoration*

With its background in All-in-Stitches, *Décoration* is the key firm without which the full network would not exist, although most of the firms that come to constitute the network could exist independently.

#### Furniture Finished

As we know, Haldor heads one of the core families—the Johansens. He founds his firm specialising in refinishing furniture when, after leaving Frogner High School, he obtained his qualification as a master artisan. Thus his firm was up and running at the same time as *Décoration*. At this time his firm had its own locale, one employee, the work associate Katrina, and its own clientele.<sup>175</sup> Furniture Finished and *Décoration* cooperate minimally: neither Haldor nor Heidi have much time for each other, Haldor being ‘the independent loner’ and Heidi ‘the sociable one’. Notwithstanding this tension, if a job at *Décoration* includes resurfacing furniture, Heidi calls on Haldor to do the job, for which Haldor invoices *Décoration*. When Haldor requires interpretation services upon a foreign-language speaking client showing up and not making clear exactly what is wanted, Haldor calls Heidi to sort out the matter. She does so, reminding Haldor that this is *quid pro quo* for an invoice. This is cause for spats that end in Haldor not getting away with charging. *Décoration*’s clients do not approach Haldor since a condition of their being clients is to approach *Décoration* first for all assignments. This suits Heidi as she does not want to expose clients to Haldor’s temperament. As Heidi will not accept Haldor as a client sponsor, as a rule Haldor’s clients do not do business with *Décoration*.

These two firms share clients indirectly: Haldor does not have access to the Friends of *Décoration*. *Décoration*’s occasional need for furniture

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<sup>175</sup> For Katrina q.v. Chapter 5, subsection Haldor’s Associates.



resurfacing causes it to use Furniture Finished. Furniture Finished's occasional need for an interpreter skilled in furnishing terms causes it to use *Décoration*. Likewise, their common interest in furniture, their livelihood in furniture as a business, their school connections, and their kinship serve to network Haldor and Heidi when it suits them.

### ***Architecture***

As we know, Greta is one of the social intimates and professional associates of The First Family—the Christensens. As noted, Greta finished qualifying as an interior architect at the same school and time as Heidi, whose third best girlfriend Greta is. Greta then qualified as an architect and set up alone, immediately upon which Heidi called on her for jobs requiring architectural work in conjunction with *Décoration's* interior design. Having gone to the same school together, they know they are of a single mind concerning design. Greta accepts architectural jobs on behalf of *Décoration*, in addition to her own clients, because she knows that *Décoration's* clients are vetted. Heidi fronts the client's project but informs the client that payment for the architectural work is to be settled directly with Greta, who expects clients from *Décoration* to adhere to *Décoration's* policies.

On an assignment for *Décoration* requiring both architectural and interior design work, Heidi and Greta coordinate the design work. They do so because Greta as both an architect and interior designer can see a project as an integrated whole of architecture and décor. They work together rather than Greta taking on both architecture and décor because Greta does not want final responsibility as an interior designer. She sees herself as an architect with enough expertise in interior design to offer advice but not to execute pure projects of décor. *Décoration* does not take a commission or kickback for passing on work to Greta. Greta makes the majority of her intake from her own clients rather than from *Décoration's* clients.

Heidi allows Greta to introduce one of her clients if Greta has a proven client who requests just the services of an interior designer, and Greta judges that the client can meet the conditions of a *Décoration* client. *Architecture*

does not take a commission or kickback for passing on work to *Décoration*. Clearly, *Décoration* makes its intake from its own Friends rather than from referrals from Greta. Nevertheless, on occasions where both specializations are required, Greta and Heidi consider it paramount to cooperate for the sake of the renown of their firms. A client may approach Greta to take on a project that includes both architecture and décor. In that case, one sees a mirror reversal of the direction of cooperation between the two firms: Greta guides the project, both cooperate on the design, and the client pays Heidi directly. Greta's client must meet *Décoration's* conditions for Greta to accept an architecture and décor assignment.

The link between *Architecture* and *Décoration* goes one important step further than that between Furniture Finished and *Décoration*, i.e. the adoption of the conditions of *Décoration's* institution of Friends. Nevertheless, that adoption is partial: *Architecture* has its own clients who remain outside the reach of *Décoration's* conditions. It seems that if a network exists at this point, it is a loose one in terms of volume of business however close the owners of the two firms are. Moreover, Furniture Finished has no design or commercial connection to *Architecture* or vice versa. All three firms stand as strong going concerns in their own right. *Architecture* takes shape just after Furniture Finished sets up shop, due to the longer time it takes to qualify as an architect.

### ***Transportsentralen A/L***

The transport and logistics company existed long before either *Décoration* or the artisan network.<sup>176</sup> As noted, *Décoration* uses this firm to secure one of its shareholders in this workers' cooperative, the lorry driver and chauffeur Hans, whom the girls have known since their days together at Frogner High School. Hans is an independent work associate of the Christensens. *Décoration* secured him immediately upon its formation when the girls graduated. By then Hans was just completing his HGV and PCO qualifications, having worked

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<sup>176</sup> Q.v. Chapter 7, section Overview of Firms, subsection *Transportsentralen A/L* and footnote 2 on *Transportsentralen A/L* for its history, organisation and strategy.

toward these during his part-time employment at *Transportsentralen A/L* while at high school.

*Transportsentralen* is an independent firm by which Hans is employed, although as a member in this workers' cooperative he is free to choose for whom he provides his services subject to the approval of the cooperative's administration and his fellow drivers. Hans provides two services essential to *Décoration*: he moves their goods and fronts *Décoration* when delivering goods to its clients. The latter is important. In contracting Hans, *Décoration* insures itself against drivers who show up inebriated, in inappropriate attire, and unsuitable manners in the eyes of *Décoration* and its clients. Hans' winning manner, happy-go-lucky disposition, imperturbability, politeness, reliability, suitable dress, and the elite background of his family and upbringing make him fit in with the image of *Décoration*, and in the eyes of *Décoration* make him the ideal chauffeur. They know him well, trust him completely and can ask him to go the extra mile when business gets hectic.

Hans fits into the pattern of independent operatives who have qualifications professionally or vocationally, attended Frogner High School with the girls, and associate themselves with *Décoration* at the time it launched itself. He cooperates with *Décoration* daily and is often at the boutique twice a day. He is aware of *Décoration*'s business model as it affects clients, but the model does not enter into his provision of service to *Décoration*, which hires him on a straight commercial basis from *Transportsentralen A/L*. Because of his early, necessary, and daily attachment to *Décoration*, one might argue that he is one of the first to enter an incipient network. In terms of volume of work, he is more integrated into *Décoration* than are the firms of Greta or Haldor.

The first stage of the network continues with the further founding of firms, but which do not join together in a network until the third formation of firms occurs.

## **The Second Formation**

About the time the above firms started up and initiated limited cooperation, four more firms whose owners are all Frogner High School graduates subsequently obtained professional or vocational qualifications and started up their own businesses. Although they are known to each other, at this point none of them initiated cooperation with the first formation of firms. Their importance arose when the third formation of firms took place and they combined forces. I now turn to these four firms, of which much is known already; I can therefore refer the reader to previous discussion of them.

### **Property Plus<sup>177</sup> and Painting Plus<sup>178</sup>**

Henrik started his property development and maintenance firm on obtaining his building maintenance qualifications. Although he dined at the Christensens' most Monday evenings and kept up contact, he did not perform any services for them at this point. However, at this time he did secure storage and work space for Painting Plus, thus limited cooperation obtained between these two firms. Bente inherited her father's painting business, but at this point she, like her other Frogner school chums in the Frogner clique, qualified herself and started up her business when NRK begins outsourcing its scenic decoration jobs.

### **The Upholstery<sup>179</sup>**

As we have seen, Wenche is a work associate of the Christensens. She follows the pattern of a Frogner High School education and of then starting her business after obtaining her qualifications. Her firm at that point did not cooperate with any of the other firms.

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<sup>177</sup> Q.v. Chapter 5, Associates of the Network, section The Social and Professional Intimates of the First Family—The Christensens, subsection Henrik and Chapter 7, section Overview of Firms, subsection Property Plus.

<sup>178</sup> Q.v. Chapter 5, Associates of the Network, section Work Associates of the Christensens and Rosenborgs, subsection The Painter Pair and Chapter 7, section Overview of Firms, subsection Painting Plus.

<sup>179</sup> Q.v. Chapter 5, section Work Associates of the Christensens, subsection Wenche and Chapter 7, Firms of the Network and their Evolution, section Overview of Firms, subsection The Upholstery.

**Libenter**<sup>180</sup>

Einar the accountant is, as we have seen, a social and professional intimate of the Rosenborgs. He follows the pattern of a Frogner High School education and of then starting his business after obtaining his qualifications. His firm at that point did not cooperate with any of the other firms.

The network has now entered the second stage. The founding of Furniture Finished ultimately led to the firms in this second formation joining the network, to the expansion of services within these firms, and to serial entrepreneurship. I will now focus upon the main event in this second stage that triggers this third formation of the network: the founding of Furniture Finished.

***The History of Network Firms and the Evolution of their Networking: The Second Stage***<sup>181</sup>

**The Third Formation**

In the third formation of the network, the establishment of *The Furniture Factory* takes place, new firms establish themselves, and some firms of the second formation network with Furniture Finished. This phase ends the greater growth of the network.

**The Founding of The Furniture Factory**

As seen in Chapter 4 in the section on Helge's Early Working Life, after eight years of working in furniture production for another company, Helge tired of the routine and, having qualified during that period as a master furniture maker, moved to set up his own joinery, Furniture Finished. Customers of his employer enquired whether Helge could take on some bespoke work—the kind of work his employer rejects. His employer willingly passes on such

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<sup>180</sup> Q.v. Chapter 5, section Work Associates of The Third Family—The Rosenborgs and Chapter 7 Firms of the Network and their Evolution, section Overview of Firms, subsection Libenter

<sup>181</sup> For the two stages see the paragraph preceding The History of Network Firms and the Evolution of their Networking: The First Stage

requests from current customers to Helge and lets Helge do this work on the side. Helge enjoyed this work and kept contact with such customers. His employer assured Helge that he would refer special requests from his customers to him if he struck out on his own. Thus Helge knew that he initially had an inflow of customers from his employer, and that he would have more when word spread through them that he had gone into business for himself. Moreover, Heidi, Helge's wife and owner with Hilda of *Décoration*, was the main instigator, along with Hilda backing up Heidi, of Helge's move to set up for himself. Not only does she see that her husband wanted to go into business for himself, but also that his business could facilitate meeting Friends' requests to *Décoration* for bespoke furniture. Heidi and Hilda approved too of Helge's idea of eventually gathering several types of firms with artisan skills related to interior design in one place. They agreed to give Helge the money to purchase capital assets and make him a loan to cover start-up costs beyond Helge's outlay from his savings, from which he also paid the registered capital to form his closely-held company, Furniture Finished.<sup>182</sup> The women agreed on condition that Helge got his firm in financial order within two years.

Helge now had the approval and assistance of his wife and Hilda, customers from his former employer, and clients from *Décoration* in place. He next told Henrik that he needed a workshop in the first instance: Henrik had an unoccupied free-standing workshop complex of four studio units available with an office and a kitchen area—The Workshop Complex.<sup>183</sup> He offered to lease it free of charge for one year to Helge on condition that he sublet the remaining units and take on a leasing fee after one year. Helge accepts the offer, moved in immediately, and offered to sublet one unit to Haldor, who

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<sup>182</sup> Capital assets: "All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc." Definition sourced at [http://www.investorwords.com/697/capital\\_asset.html](http://www.investorwords.com/697/capital_asset.html).

Registered capital: q.v. <http://www.businessdictionary.com/definition/registered-capital.html>

<sup>183</sup> The Overview of Firms in Chapter 7 described the layout of this complex of workshops housing Helge's The Furniture Factory, Haldor's Furniture Finished, Nina's *Restoration*, and Wenche's The Upholstery.

accepted and moved in. Helge asked Nina, his former work colleague at his old employer's, to scout around for artisan occupants. She introduced Helge to her friend Wenche, who let a unit. Now three units were occupied. The fourth unit temporarily went to an artisan with no connection to any of the families or associates. This artisan was just starting up, specialising in custom-designed house doors and restoration of antique building doors. This person signed one-year contracts, at the end of three years moved out, then played no further part in the story. Helge also required the services of an accountant. Hilmar, we recall, established his accounting practice at the same time Helge set up shop. Helge approached him to do the accounts for Furniture Finished and Heidi agreed to Hilmar doing *Décoration's* accounts.<sup>184</sup>

As the word of Helge's bespoke joinery spread like wildfire amongst the Friends and clients of Helge's previous employer, Helge called on Nina to work for him to cope with the inundation of work. Nina left her current and Helge's old employer to join Helge, where the joinery business went full tilt. Nina liked the work but after a year the hectic pace of the start-up did not seem to abate. She proposed to Helge that she augment her master artisan qualification as a furniture maker by adding certification in antique furniture restoration, available on a two-year programme in Sweden but not in Norway. On finishing, she would return to go into business for herself in antique furniture restoration and lease the unit that the door maker then occupied. Helge and Nina agreed on the plan, which came to pass as agreed.

While Nina trained in Sweden, the joinery order book kept increasing. In order to cope, Helge took on two furniture makers, the work associates Torstein and Trond.<sup>185</sup> Shortly afterwards he took on the furniture maker Geir

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<sup>184</sup> Q.v. Chapter 5, Associates the Network, section Social Intimates and Professional Associates of The First Family—The Christensens, subsection Hilmar.

<sup>185</sup> Q.v. Chapter 5, Associates the Network, section Work Associates of The Christensens, subsection Torstein and Trond respectively.

as workshop foreman to get the work organised better and keep on top of the paperwork, which Helge abhorred.<sup>186</sup>

The network had now taken shape, and includes all the firms allied to *Décoration* and those firms that network with Furniture Finished. The network's expansion of services and serial entrepreneurship concerns questions of the control and coordination of the network. The following chapters address these questions. The control and coordination of the network grew out of a chain of causes that shaped the network.

### ***The Network: A Chain of Causes***

A clear chain of causes lies behind the three forms of the network as it developed. *Décoration* needs transport, which caused it to contract Hans at the *Transportsentralen*; it needs some of its clients' furniture resurfaced, which caused it to ally itself to Johansen's Furniture Finished; it needs architectural services, which caused it to link up with *Architecture*. *Décoration* needs a producer of bespoke furniture and Helge wanted to produce bespoke furniture, which caused *Décoration* to support Helge's founding of Furniture Finished. Furniture Finished requires premises, which caused the Factory to get them from Property Plus. The Factory needs to fill up the Workshop Complex premises, which caused it to lease units to Johansen's Furniture Finished and The Upholstery. Furniture Finished requires accountancy services, which caused it to ally itself with Acute Accounting. The Factory experiences a higher demand for its services, which caused the Factory to hire Nina and then more work associates. Nina wants to upgrade her skills to those of an antique furniture restorer, which required her after qualifying to get a studio, which led to Helge's leasing to her a unit at the Workshop Complex. We see that the formation of the network has followed a causal chain of events, of which the needs of *Décoration* are a key cause. *Décoration* is the essential driver to which other firms link themselves to a greater or lesser

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<sup>186</sup>Q.v. Chapter 5, Associates the Network, section Social Intimates and Professional Associates of The First Family—The Christensens, subsection Geir.



degree in the formation of the network, and in turn some of the other firms draw additional firms into the network. Clearly, two firms stand out in the causal chain—*Décoration* and Furniture Finished, where the first firm gives rise to the second. The other firms of the network group themselves around either *Décoration* or Furniture Finished, or both, although these other firms may take on work outside the clientele of the network.

The narrative so far has offered an explanation of the network's formation. However, if one is to explain why some of the network firms emulate *Décoration's* business model while others do not, one has to examine the context of the network's formation. Two important parts of that context are discernable. First of all, a dual economy, i.e. the external context of the capitalist market within which the network exists and the internal market of firms and of Friends that *Décoration* creates in conjunction with the network. Secondly, a social code that emerges in the formation of the network. Instituting a dual economy and social code in the network controls, coordinates, and partially integrates the artisans' working and non-working life.

The next chapter deals with the role of a dual economy in the control and coordination of the network. The role of a dual economy ties closely into the development of *Décoration's* institutions and their effects. The network's development of a social code will be the topic of Chapter 9.

## Part III Lifestyle: Making a Livelihood

### 8 The Dual Economy of the Network

The preceding four chapters have drawn upon the factors in Ben-Porath's article 'The F-Connection: Families, Friends, and Firms and the Organization of Exchange' that concern the first part of the article's title, namely families, friends, and firms, to which I added the factor of Funding as a fourth 'F'. These factors have helped to explain the formation of the network. The making of a livelihood that puts the artisans on the road to what they consider 'the good life' starts to shape a business model through the formation of the network. These chapters, then, reply to research question one. A full answer requires one step farther, to which the last part of Ben-Porath's title points: the organisation of exchange.

The chapter on Friends described the institution of Friends that the firm *Décoration* created; the chapter on the history of the network recounted the formation of the mechanisms that created that institution. In addition, the formation of the network and its business model depends on its organisation of exchange. Part of the social character ('identity' in Ben-Porath's terms) of the network is how it organises exchanges in terms of the institution of Friends. One needs to establish the nature of the market in question: the type of market to which member firms address themselves, either by default or by creating a type of market, also determines the extent of *Décoration's* role in the network and its overall influence on the organisation of the network.

The majority of Ben-Porath's article pertains to the concept and typology of the market, as does the conceptual framework of William Lazonick cited in the introduction to this thesis. Both profile analyses upon which I shall draw. We shall first look at the key principle of behaviour in the economy of the capitalist welfare state within which the network participates, as presented in Chapter 2. We shall then look at the principles of behaviour in the network economy in the light of market exchange. This examination will

show how the network organises exchange, both internally within the network, and between the network and its clients.

## **Capitalist Market Economies**

### **Capitalist Market Economies and the Law**

Capitalist market economies operate within a legal framework, most importantly company law, the principal purpose of which, in a business context, is to guarantee an individual's ownership in property, and its transfer, and to enforce contracts. Companies form an essential part of capitalist market economies, and operate as legal persons whose rights and obligations exist only in a legal framework provided by the state. Under company law, a company is a legal person, formed to conduct business, a majority of which are incorporated, i.e. have a *corporate personality* (a legal personality distinct from those of their members). Registration (with the Registrar of Companies) is the most common method of incorporating. A limited liability company is one incorporated by registration whose members have a limited liability for the company's debts; most companies are in this category, and their members pay in authorized capital, the amount of which limits the liability of the company.<sup>187</sup>

The capitalist market economy in Norway operates under such company law. The firms of the network are companies and conform in every respect to the above legal framework: they are registered companies limited by shares, the most common type of company. Moreover, as we have seen, they are closely held.<sup>188</sup> The firms, as companies, are subject to company law; the firms as a network are not. The firms as companies function as legal units: as a network they do not function as a legal unit. As a network, the firms function as a social unit, whose economic organisation differs from its legal organisation.

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<sup>187</sup> This gloss largely abridges several entries on 'company' and 'company law' in Martin and Law ed 2006, accessed at <http://www.oxfordreference.com>. For the term 'authorized capital' q.v. chapter 7: Firms of the Network and their Evolution, footnote 1.

<sup>188</sup> The term 'closely held' is defined in chapter 5, footnote 1.

The legal organisation of all the network's companies conforms to the legal framework of a capitalist market economy. Some of the firms in the network, however, retain the mechanisms of exchange in a capitalist market economy as their sole way of doing business, while others create another form of exchange in a market economy of their own, which functions according to the rules and conditions of the institution of Friends. The principles of exchange in each type of market economy differ. The network thus functions in terms of a dual economy. We will therefore have to examine the principles that govern the markets in each economy. Both Yoram Ben-Porath and William Lazonick characterize each type of economy and the market principles that belong to each.

### **A Key Feature of a Market in a Capitalist Economy**

In Lazonick's words, mainstream economists hold that "a well-functioning capitalist economy is a *market economy*".<sup>189</sup> Although this mainstream considers the impact of 'imperfect' markets on economic outcomes, it always assumes that the perfection of markets, were it achievable, results in the most efficient outcomes. Many commentators follow the line Lazonick presents on a market economy.<sup>190</sup>

According to Lazonick, the market's defining social feature in a capitalist economy is an impersonal relation between buyer and seller, who each follow their self-interest independently. Sellers of goods and services exchange them with the highest bidders, whose identity is immaterial to the seller, as long as buyers have the purchasing power to pay. Likewise buyers remain indifferent to the identity of sellers except insofar as a seller's capability may affect the use-value of a purchase of goods or services. Buyers purchase from those sellers offering the greatest use-value per unit of purchasing power. They also stand free to shift to other sellers proffering greater use-value: buyers have no ongoing commitment to close deals with

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<sup>189</sup> Lazonick 1991:16;original italics

<sup>190</sup> The market is the starting point of economic analysis in all neoclassical economic theory: q.v. Clarke and McGuinness 1987.

particular sellers and vice versa. The ultimate consequence of this type of market is that one never need know the party with whom one makes an exchange because it is not necessary. The price contains all the information one needs to know to effect a transaction: it is the 'sufficient statistic'.<sup>191</sup> Prices coordinate transactions.

This view of exchange by *homo oeconomicus* entails several important principles of behaviour in a capitalist market.<sup>192</sup> A provision of goods and services to highest bidders at one point in time does not prevent such provision to different highest bidders at a subsequent point in time. This condition must obtain for market exchanges to endure over time. "By definition", says Lazonick, "the existence of market exchange requires that buyers have equal access" to sellers.<sup>193</sup> Thus market exchange does not exist where certain buyers have privileged access to goods and services of particular sellers and vice versa. Hence long-term contracts and agreements of privileged exchange, once struck, preclude market exchange for the term of the contract. The argument is that "...the necessary and sufficient condition for the existence of a market is the impersonal relation between buyer and seller".<sup>194</sup> In capitalist markets, therefore, price is the key signal and mechanism and impersonal exchange the key principle in economic transactions. We now turn to a different type of market also found in capitalist societies.

### **A Key Feature of a Select Market**

Since the select market system also exists in capitalist societies, Lazonick argues that the capitalist market economy does not exist in any pure form. In a select market, according to both Lazonick and Ben-Porath, one finds the principles of the capitalist market economy reversed. The reversed principles

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<sup>191</sup> Lazonick 1991.; Hayek 1945:526 for price in this sense. Hayek does not use this term, which is found in Douma and Schreuder 2002:8

<sup>192</sup> Lazonick 1991:59-60

<sup>193</sup> Lazonick 1991:59-60.

<sup>194</sup> Lazonick:1991:60

have their *raison d'être*: the select market is not an 'imperfect' or degraded form of mainstream economists' 'perfect markets'.

In Ben-Porath's words, exchanges in select markets only take place between mutually or unilaterally identified parties.<sup>195</sup> Concentration of exchanges between the same parties gives rise to what he calls 'specialization by identity', which is "analogous to specialization by impersonal dimensions of transactions" in a capitalist market economy.<sup>196</sup> Certain buyers have privileged access to goods and services of particular sellers and vice versa; there is no equal access. Buyers have an ongoing commitment to close deals with particular sellers and vice versa. Agreements to transact create a collective identity among the parties. Enforcement of agreements is internal to the parties of a transaction. The most important characteristic of select market exchange is that the identities of the parties are known to each other. The ultimate consequence of this type of market is that one needs to know the identity of the party or parties with whom one makes an exchange because it is necessary to know the personal and social characteristics of the party or parties in the exchange. If people cannot identify the personal and social characteristics of their trading partner, then they cannot close deals.<sup>197</sup> In such markets, the identity of the seller and buyer is the key signal and mechanism and personal exchange the key principle in economic transactions. There is no 'sufficient statistic' in select markets because price is not the key signal: identity is. Ben-Porath argues that family membership is particularly important in select market exchanges, because a family unit is distinctly 'identifiable' in his terms. Given these two types of markets, we may now take up how the network organises exchanges through them.

### **Network Exchange**

The network's dual economy affects exchanges internal to it and to its clients. In principle, a network firm can only operate with one type or the other for its

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<sup>195</sup> Ben-Porath 1980:1

<sup>196</sup> Ben-Porath 1980:1

<sup>197</sup> Ben-Porath 1980:3,5

clients. It must have one policy for its clients; it cannot serve clients alternatively with both. Within the network, firms may, in principle, alternate between the two types in dealings with other firms in the network. Let us now see how the network functions in terms of a dual economy.

### **Client—Network Exchange**

Each type of economy in the conceptual framework of a dual economy for which Ben-Porath and Lazonick argue is apparent already in the first formation of firms. The five policies that *Décoration* establishes for its clients put into practice the principles of the select market.<sup>198</sup> The select market requires identifiable parties to a transaction: a transaction may not occur impersonally. *Décoration* requires that only people personally known to the firm, or sponsored and followed up in a face-to-face meeting, may initiate and close deals with it. In select markets buyers are privileged: only they can deal with the firm; there is no equal access of buyers to the market. Not only does *Décoration* require identifiable parties but it also requires buyers that have the privilege of accessing the firm's services. *Décoration* does not permit equal access to the firm: the general public is excluded from *Décoration's* services of designing décor. *Décoration* serves only the elite of Norway. In a select market the parties have an ongoing commitment to close deals. *Décoration* requires clients to consult the firm first for potential assignments. Any previous client has a claim on *Décoration* to make its services available in future to the client. In select markets the price mechanism is suspended: price is not a 'sufficient statistic'. In favour of price, the characteristics of the seller and buyer are the key mechanism for effecting exchanges. *Décoration* therefore can and does suspend the price mechanism: it sets its price, on a no-questions-asked basis for the client. Thus in setting its policies, the firm *Décoration* bases its operation on the principles of a select market and expands them in that the client also finances the project.

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<sup>198</sup> Q.v. Chapter 7, section 'A Watershed: Graduation to *Décoration*' for these conditions.

The other firms in the initial formation of the network follow a capitalist market for sale of products and remain with that type in the subsequent development of the network.<sup>199</sup> As noted, Haldor's Furniture Finished has its own clients; in his workshop, all comers are welcome and they trade according to the price mechanism. The same is true of Greta's *Architecture*, which has its own clients on an all-comers-welcome basis according to the price mechanism. The *Transportsentralen A/L* deals with *Décoration* based on price for its service of providing Hans on a dedicated contract to *Décoration*.

Other firms in the network that conform to a capitalist market economy with price as the 'sufficient statistic' for clients are: Acute Accountancy, Libenter, Property Plus, Painting Plus, *Salon Restauration d'un Meuble* ("*Salon Restauration*"), The Upholstery, and The French Factory. One firm, however, The Furniture Factory, conforms to a select market economy in the second stage of the history of the network. This has ramifications for The Furniture Factory and for the network.

### **The Furniture Factory Adopts a Select Market Model**

A start-up firm requires clients, The Furniture Factory not excepted. The time value of money is crucial to any start up, Helge's included.<sup>200</sup> The longer the time of acquiring a paying customer base, the more The Furniture Factory foregoes ready-to-hand money in the future. Helge also has to reckon with the sunk costs of a start up, as in any start up.<sup>201</sup> If he incurs market research costs to find customers, whether he finds them or not, he has incurred expenditure; the cost is sunk. Helge is under pressure to acquire custom as quickly as possible; the sooner his firm creates a cash flow, the better. Heidi and Hilda

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<sup>199</sup> Q.v. Chapter 7, section The First Formation of Firms for the names of these firms.

<sup>200</sup> 'The time value of money' is a technical term in accounting for money paid today having a different value than money received in the future. Net Present Value (NPV) measures this difference. Q.v. Harrison 2003.

<sup>201</sup> sunk cost, definition accessed at [http://www.investorwords.com/4813/sunk\\_cost.html](http://www.investorwords.com/4813/sunk_cost.html): "cost already incurred which cannot be recovered regardless of future events"



have given him two years to get his firm in order financially.<sup>202</sup> Helge now faces a dilemma of where to get a paying market quickly.

The pool of clients from his former employer that Helge can draw upon for bespoke work is modest and inadequate to guarantee his firm as a going concern. Nevertheless, these clients know Helge from his former employer, where they had him do bespoke work for them. Helge's company starts off with clients who have an ongoing interest in initiating and closing deals with him, thus these clients and Helge lend themselves to making exchanges according to the principles of a select market. However, at the time of the third formation of firms in the network, no other firm in the network can offer a greater number of suitable clients than *Décoration* offers to Helge. In return for accepting *Décoration's* clients, Heidi and Hilda require Helge to conform to the select exchange *Décoration* has set up in the institution of Friends.

Thus three paths were open to Helge. He could make exchanges on the principles of the open, that is to say, capitalist market economy. He then faces the constraints of the time value of money, sunk costs, and precarious cash flow. He could pay for market research and build up a clientele, exposing himself to a slowdown in getting a big-enough clientele and the impact that delay would have on the time value of money, sunk costs and cash flow. He could take his modest pool of customers from his previous employer who want bespoke work, combine it with *Décoration's* clients, and thus acquire ready-made and proven clients. Helge is not interested in market research and theory-based approaches to doing business. As a practical person, he opts for the latter path. The market of The Furniture Factory therefore conforms to the principles of exchange in a select market.

The Furniture Factory has the business model it does because *Décoration* causes it to adopt this model, given Helge's pragmatic orientation. *Décoration* has no reason to compromise on the policies and conditions required of its clients which have proved successful through a tried and tested process from its beginnings in All-in-Stitches. *Décoration* therefore sets a

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<sup>202</sup> Q.v. Chapter 7, subsection The Founding of The Furniture Factory

condition for Helge's sharing *Décoration's* clientele: he may in no way alter *Décoration's* business model, which he must adopt in all its particulars. He must consult Heidi and Hilda about any changes he might want to make and receive their approval, as well as that of Hilmar. To seal this agreement and secure adherence to it, the parties agree that Heidi is to be the Chief Executive Officer (CEO) of The Furniture Factory, with Hilmar, the owner-manager of Acute Accounting, as Chairman of the Board. Helge follows this agreement to the letter.

### **Monitoring the Select Market Model**

Helge likes the practical running of the workshop but not paperwork or spending time in the boardroom, as the following two variants on a repeated episode attest.

At the middle or end of the last day of the working week, nearly every Friday, and every other Friday if not, either around late lunch time or sometime after 16:00 and before 17:00, Helge would say

Hey, it's time to get up to Hilmar's, I'll just give him a buzz  
[Helge on the mobile] Hey Hilmar, how's it going, yeah we're  
just about to pop in, on our way now. Yeah, see you soon.

Keith What's up?

Helge Oh, nothing, just a chat with Hilmar.

Keith Hmm.

At a late lunchtime visit, the two men sit in the practice's kitchen and employee lunchroom to eat sandwiches and talk away from the practice's other employees, for about 45 minutes to an hour. For no more than 7 – 10 minutes, their conversation would turn on how matters were going generally at the Joinery and The Works and the financial position of the Joinery. Any new developments in business legislation, such as tax legislation, tax rulings and regulations, warranted discussion. Even though Hilmar did the accounting for *Décoration*, they never touched on its business affairs. The rest of the time went to small talk—family, what the kids were up to, what they themselves did last weekend or would do the coming one, whether they should take up golf, and such like. Occasionally—this happened twice—Hilmar would call up Helge a few days before Friday and say they needed a late afternoon meeting

that could go beyond 17:00. In that case Geir showed up too. Hilmar's practice was located on the same side of town as The Works so it wasn't inconvenient for Geir to show up.

At an end-of-day visit, the topics of conversation were not significantly different from those at lunchtime visits. The only difference was that the visit took place in Hilmar's private office with the door closed, and we sat around the round boardroom table, a fabrication of The Furniture Factory. Hilmar had invariably laid out tea and coffee, and biscuits and cakes. Hilmar and Helge smoked cigarettes, Hilmar sometimes a cigar, Keith a pipe or cheroot; Geir disliked smoking and smoke and held himself to the tableside near an ajar window.

After such a visit and meeting, I asked Helge:

Why can't you just get on your cellular to Hilmar and skip the lunches? You're addicted to your cellular anyway.

Helge Well, Hilmar's on the board—its chairman—and knows the score of the company. I can see his reactions. Rather have Hilmar keep an eye out on such matters and consider his advice on these matters, along with Heidi's counsel. And it keeps Hilmar and me on track—nothing to distract us or 'I'll call back later' moments.

One may draw several conclusions from this dialog and from such visits. Firstly, they are visits rather than formal meetings. Business has to be conducted, but it has to be discussed in a sociable context, not in a purely formal business meeting. Helge learns from attending to body language, mood, and face-to-face encounters. At lunch or tea, the men also were in a relaxed, intimate atmosphere and were more likely to say what was on their minds than if the occasion were a formal business or board meeting. Secondly, Helge didn't have any particular liking of the business side of the business—especially the paperwork, which he hated. Mixing business with a sociable atmosphere lessened the distasteful side of business for him. His place was in the workshop getting jobs planned and completed with the foreman Geir alongside. Hilmar and Heidi could look at the overall performance of the firm and tip him off on measures to which he, Helge, needed to attend. Thirdly, the lunches have a semi-impromptu cast to them: they occur mostly on a fixed day and time when business often slowed at the end of the week, yet they

occurred only intermittently. This apparent slack provided a form of protection, of 'covering one's back' in Helge's eyes. One sees the purpose of the arrangement between these men in the use Helge makes of it further along in this chapter in The Case of The Court Case. When the crunch comes for deciding a course of action for the Bad Friend 'Deep Waters', about whom we first heard in Chapter 6, Helge and Hilmar use the late Friday afternoon coffee meeting as the mechanism for handling a decision because it is immediately available, familiar, with no holds barred on any topic. Fourthly, Hilmar is a social intimate, Heidi a marital one. These are people with whom he has a long history, whom he trusts, and with solid and proven business acumen. Because of his disinclination to spend time on figuring out the overall performance of the firm, he would rather have Hilmar keep an eye out for such matters and consider his advice on these matters, along with Heidi's counsel.

That disinclination is why he said that Heidi was the managing director of the joinery even though she did not attend these visits. She felt that she could not spare the time to attend them. Nor did she want to put a damper on the free interchange of information that her presence might cause in inhibiting the men from discussing sports or other topics that they might consider of little interest to her. She and Helge rather use the intimacy of their marriage to monitor The Furniture Factory's performance. At home both were free to ask each other about the firm's activity in the course of living together. They sometimes set aside a moment for a conversation of an evening after the live-in house help had got herself and Holgar to bed, and after any homework questions Frederik might have had are out of the way. Helge took responsibility for reporting to Heidi any business matters that had arisen in the Friday visits.

From the relationship between a client and a firm of the network in the dual economy, and The Furniture Factory's acceptance of conditions for adoption of the select market, we may now turn to exchange within the network itself.

### Exchange within the Network

Several factors determine which type of economic principle each firm follows. In its client exchanges, a firm may follow either type of market exchange. Exchanges among the firms of the network, however, take place according to closed, select market terms, where the select market is solely restricted to the (firms of) the network itself. These exchanges, while costed, are not offered competitively. Let us call this type of market a closed costed select market because it meets the conditions of a select market: partners commit to ongoing exchange, exchange takes place only with identifiable partners, access to exchange is privileged, and enforcement of agreements is internal. Moreover, access to the market is privileged to the extent that access is closed to all but those firms who are in the network.

Consequently, two possibilities of exchange arise. A firm may follow a capitalist market model for clients and a closed costed select market for network firms. Likewise the reverse may occur: a firm may also hold fast to select market exchange with clients and closed costed select market exchange with firms of the network. Firms switch between the two modes of exchange, one for clients, and the other for network firms. Thus a firm can pattern its exchanges on the capitalist market or select model for clients and a closed costed select model for network firms. This structure of organisation constitutes the dual economy of the network. Historical reasons and causes in the development of the firm can account for the combination according to which a firm patterns itself. Likewise the image of the firm, its desire for independence, and its willingness to emulate business models suited to its market also help determine the economy that it takes after. Observation of other firms in the network may influence a firm's selection of type of exchange it adopts, and *Décoration* provides a model for firms in the network to emulate. Let us examine exchanges within the network as they developed chronologically and then return to the effect of these factors on the combination according to which a firm patterns itself.

During the formation of the firms in the first stage of the network, we saw that all the firms except one follow a model of capitalist market exchange with clients and within the network. The firms that did so were *Architecture*, Furniture Finished, and *Transportsentralen A/L*. Exchange within the network is limited for these firms and remains so: few have much to exchange among themselves. This holds mutually for *Architecture*, Furniture Finished, and *Transportsentralen*. *Décoration*, however, does make exchanges with each of these other firms. Still, at this stage, nothing prevents a firm from using the open market, in favour of using any of the other three firms, for getting parts of the work done that it does not do.

In the case of *Décoration* and *Transportsentralen*, capitalist market exchange holds with a twist: *Décoration* contracts Hans for exclusive use. His dedicated service to *Décoration* reminds one of *Décoration*'s select market condition put on its clients to deal only with *Décoration* in the first instance. Although a well-paid, full-time, and long-standing employee of the Transport Centre, Hans receives a monetary bonus from the girls at Christmas and sometimes summer so he can enjoy his holidays or dispose of it at will. This bonus arrangement was not a handout; it had nothing to do with helping one in low-pay or distressed circumstances or thereby marking a socioeconomic discrepancy. It was rather a tacit acknowledgement of their acceptance of him and making and maintaining him and his position as part of his élite environment.

In the case of *Décoration* and Furniture Finished, Haldor forces a capitalist market exchange that Heidi wants done according to select market terms. Moreover, she wants it on select market and *quid pro quo* terms, i.e. one service for another exchanged between them on non-monetary terms. Since she cannot have it and does not trust Haldor otherwise with her clients, she will not share them with Haldor. In the case of *Décoration* and *Architecture*, the firms exchange their clients and assignments as described.<sup>203</sup> *Décoration*'s exchanges with *Architecture* thus proceed on select market terms

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<sup>203</sup> Q.v. *Architecture* under the heading The First Formation of Firms in chapter 7.

and on non-monetary terms in the referral of clients to each other. On their shared assignments, these firms pay each other for the services rendered to the other, while clients pay one or another of these firms. This mechanism establishes a new form of exchange within the network—select, non-monetary market exchange. *Décoration* thus makes several kinds of exchange: exclusively select market exchange with its clients and select, non-monetary market exchange with *Architecture*; otherwise it makes exclusively select market exchanges with its clients and capitalist market exchanges with Furniture Finished and *Transportsentalen A/L*.

In the second formation of the firms in the first stage of the network, we saw that there were four firms that formed at the same time but did not join the network until almost a decade later. Two of the firms had no link with each other; the other two, Property Plus and Painting Plus, follow the capitalist market model. Henrik of Property Plus rents storage and work space to Bente and Bernt of Painting Plus.

As we saw, the third formation of the network essentially completes it: Helge founds The Furniture Factory and collects under one roof (the Workshop Complex) his own Furniture Factory, Haldor's Furniture Finished, Nina's *Salon Restauration d'un Meuble* ("*Salon*) Restauration"), and The Upholstery. This event establishes the pattern of the artisans' version of a dual economy: firms switch between the two economies, one for clients, and the other for network firms. Clients trade either on capitalist market or on select market terms with the firms of the network, and network firms trade with each other exclusively on closed and costed select market terms. Clients have no choice between a capitalist or select market exchange: the firm decides its policy concerning type of market exchange for all clients, with one exception discussed below that proves the rule. The network policy of closed costed exchanges amongst the firms excludes competitive bidding with other firms on the open market through the price mechanism.

Amongst the four firms of the Workshop Complex, we have seen (in the section Overview of Firms in Chapter 7) that all these firms may conduct exchanges with The Upholstery. If The Furniture Factory produces a bespoke piece or pieces requiring upholstery, or Furniture Finished requires upholstering as part of its finishing assignment, or *Restauration* needs upholstery service, they (must) call upon The Upholstery. The exchanges between The Upholstery and the other firms occurs according to costed, closed select market principles: Wenche charges each of the firms a price for her service, a price which the firm concerned passes on to its client as part of what the client pays, i.e. she follows a capitalist market model *vis-à-vis* her clients, as we noted earlier.

However, in developing long-standing trade with certain museums and repeat customers, she will move to a select market model in breach of the principle that a firm must follow one type of market or the other. The Upholstery can do this because some of its clientele, such as certain museums, are geographically distant and separated from each other, and thus they are not likely to be aware of her using one model or the other depending on the client. Her firm is the only one that can practice this arrangement.

The Upholstery can reverse her exchanges with the firms The Furniture Factory, Furniture Finished, and *Salon Restauration*. Should Wenche discover that her client's job requires restoration, finishing, or repair, then the other firms charge her according to the costed, closed select market model and she passes on the cost as part of her invoice to the client.

Thus, in the third formation of the network, these four firms hold to costed, closed select exchange amongst themselves. Furniture Finished, and *Salon Restauration* trade on capitalist terms with their clients, while The Furniture Factory keeps entirely to a select market exchange with its clients. The Upholstery can sometimes cross from capitalist market exchange to select exchange amongst its clients.



In the section on client-network exchange, we examined the one or the other type of exchange clients face. We now have enough information to make clear the dual economy's effect on clients.

### **Clients, Firms, and the Dual Economy**

In terms of the dual economy through which the network does business, clients of the network are of two types. All customers that are not Friends may only approach and do business by means of capitalist market exchange with the network. Those firms that accept that kind of exchange are: Furniture Finished, *Architecture*, *Painting Plus*, *Salon Restoration*, The Upholstery and The French Factory. All clients that are Friends may only do business by means of select market exchange. Up to this point, the firms that accept only that kind of exchange are: *Décoration* and The Furniture Factory.

Clients that have a project calling for all or any combination of décor, furnishings, custom furniture, restored furniture, and architectural work meet a seamless provider. These clients by definition are Friends; Friends adhere to select market exchange. In the context of a multifaceted project, one firm guides the project on the lines described for the collaboration of *Architecture* and *Décoration*. The firms in the network that can sponsor Friends to *Décoration* and The Furniture Factory are: *Architecture*, as mentioned; *Salon Restoration*; The Upholstery; and The Furniture Factory and *Décoration* to one another. One instance can illustrate the exchanges in a seamless project.

### **A Seamless Project: Network Exchange in Action**

A client of *Restoration* approached Nina to smarten up two antique cabinets as they also wanted a few other pieces made that would fit in with the cabinets. Nina suggested that the décor should also be rethought with the introduction of the additional pieces. Nina could only make this suggestion for a client that she knew she could sponsor to *Décoration* and The Furniture Factory. Otherwise, Nina would have restored the cabinets and stopped at that, were the client non-sponsorable. Nina then steered the project: she restored the cabinets, Helge designed and made the additional pieces, and Hilda did the décor. The project was seamless as she administered all its

phases; the client dealt with her as the one responsible for it. She received no kickback for creating work for the other firms by exchanging her client and adding the client to the group of Friends. As the project now included *Décoration* and The Furniture Factory, Nina made the client aware that as a Friend exchange now took place on select market terms. She consulted Helge and Hilda concerning the sum they wanted for their work, added her amount, and presented a total amount to the Friend. She then paid Helge and Hilda their sums; she received no commission for providing a client and steering the project. Nina's firm belongs to those exchanging on capitalist market terms. Nonetheless, in a multi-sided project involving either *Décoration* or The Furniture Factory, or both, the mode of exchange shifts to select exchange for the client and to costed, closed exchange for the firms.

The third formation does not exhaust the possibilities of internal network exchange. The chain of causes for the third formation of the network nevertheless does not make explicit the reasons for the degree of cooperation that obtains in the network. Cooperation is important because, firstly, it affects the coordination of exchanges within the network and firms' profit-making. Accordingly, we now turn to cooperation.

### ***Cooperation in the Network***

Cooperation between network members is essential for making a livelihood. This thesis has provided various episodes and descriptions of cooperation or breaches of it, the latter revealing assumptions that lie behind expectations of cooperation. Ben-Porath's and Lazonick's line of thought on markets would lead one to expect that as the provision of goods and services to the highest bidder abates over time, due to a lessening of impersonal exchange, the more a privileged access to goods and services takes hold.<sup>204</sup> A corresponding shift would then occur from transient, impersonal, to permanent, identifiable, actors: capitalist market exchange moves toward select market exchange.

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<sup>204</sup> Ben-Porath 1980:4

One would therefore expect network firms to set select exchange in motion as their mode of exchange with each other, and they do so. This shift occurs gradually over a lengthy period. In the network's first and second formation, several firms make exchanges with other network firms on purely capitalist market terms; others sometimes on capitalist, sometimes on select market terms; and still others on purely select market terms. In the third formation, a dual economy takes hold: on the one hand, inter-firm exchange is closed, costed, and select; on the other hand, client-network exchange is either select or 'capitalist' depending on the two categories of client (Friend) or general public. So far, reasons for a firm implementing one market type or the other have had their origins in the causal chain of events that determined when a firm entered the network; in observation of other firms in the network and in a firm's participation in the network; and in the model and influence of *Décoration* as an alternative to capitalist market exchange. An additional reason is the frequency with which transactions occur.

Ben-Porath does not directly take into account the role of frequency of exchange in influencing the implementation of one market type in preference to another. People who transact may be identifiable to one another, but the frequency of their transactions may be so few or indeterminate as to bedevil exchanges despite the identifiability of the partners in exchange. We may now examine the frequency of transactions, which may override reasons, such as time of entry to the network, for implementing one market type or the other and for limiting the scope of cooperation.

### **Cooperation and Haldor**

Haldor treats his sister and brother-in-law somewhat impersonally in cases of exchange. His behaviour overlooks exchange as an ongoing commitment in a closed, costed select market. Several incidents described earlier in this thesis illustrate the ill will and distrust that the independent, high-handed and arrogant streak of his behaviour engenders. Social disapproval is the only avenue open for sanctioning inattentiveness to the principle of ongoing commitment. No legal sanctions against a breach of ongoing commitment are

available in select exchange, in contrast to capitalist market exchange, where breaches of exchange can have the sanction of the law.

The cooperation between the siblings Haldor and Heidi is fraught. Haldor insists on the model of impersonal exchanges with Heidi, who wants to conduct her exchanges with him as an identifiable person, his sister, in select market terms and do so too without a kickback, i.e. in non-monetary, *quid pro quo* terms. Her position as his sister could justify her expectation. Haldor's rejection of that expectation affronts Heidi and causes her to withhold Friends as a source of clientele for Haldor, a source that he sees as uninteresting. He in fact does not need *Décoration*. He had built up his business and had sourced custom on his own. Further custom could only hedge him against the risk of having too little custom, yet he has more work than he can handle. *Mutis mutandi* he will not get much custom from *Décoration*, which requests his service infrequently. Most of *Décoration's* work encompasses new products rather than the resurfacing of an existing piece. Haldor's affront to Heidi causes her to think that she could not trust Haldor to treat her clientele according to the face-to-face terms that the institution of Friends demands. Her exclusion of Haldor from access to Friends limits the extent of cooperation within the network. That exclusion limits the number of jobs the network could handle, although Haldor's firm has more than enough to do.

As I indicated, Haldor is 'his own man', a loner in the sense of preferring 'keeping to himself', uncommunicative, and competitive; he believes in 'every man for himself' and plain speaking. Using the price mechanism suits him, whether with clients or network firms. Impersonal capitalist market exchange for customers and for his exchanges with other network firms is for him. Heidi is sociable, outgoing and communicative. *Décoration* runs a face-to-face select market for clients and the same where possible with network firms. The infrequency of exchange and the difference in willingness to cooperate causes Haldor and Heidi to cooperate minimally.

In the case of the Johansen apartment, Haldor adheres to the price mechanism in having his kitchen done up more cheaply than his brother-in-

law Helge might charge, after Helge has laid a floor for him for nothing but material costs and helped knock out an upper floor and build a spiral staircase. Helge provides a non-monetary favour that Haldor could but does not match.

The technical needs of firms in the circle somewhat limit the frequency of exchange among them. *Décoration* has relatively few occasions to ask Furniture Finished to resurface a piece of furniture as part of a client décor job. In Haldor's work, he seldom needs language interpretation assistance from Heidi or Hilda to carry out a job. For the Furniture Factory, on the other hand, he supplies the final phase of surfacing the pieces that Helge produces that require special treatment beyond the Furniture Factory's capacity or capabilities. Yet the extent of Haldor supplying and referring customers to others in the circle such as the joinery is circumscribed in that the customers coming to him already possess furniture. Thus, Haldor has little concrete reciprocation to offer to other firms in the network or to Helge in this respect.

The joinery does natural oil finishing itself, but other types of treatment—such as multiple-coat varnishing, shellacking, and painting—go to Haldor before a joinery job is ready for customer delivery from the Furniture Factory workshop. The joinery is often dependent on Haldor to get a deliverable product to a customer. However, Haldor often pointedly does his own customers' jobs ahead of those the joinery has submitted to him and for which it must wait to hand over to Friends. Although usually Haldor first attends to his own customers' jobs, most days he does a bit of work on assignments from the joinery. Haldor's prioritization can create bottlenecks for Helge's delivery to his clientele, and Haldor's slowed turnover of goods finished in the joinery constantly irritates Helge. When Haldor is finished with a job for Helge, he unfailingly states that he is doing such work as a favour to Helge and doing the job for the money—and for no other reasons. This state of affairs is a source of friction between the two men.

Helge's remark on Haldor's hold-ups of joinery work is, "Han gir blaffen" [He just doesn't give a damn]. When I asked Helge whether he might switch to another specialist, he said he would not:

He does perfect work, never a complaint from clients, and it saves us transporting the stuff elsewhere to get it done, pick

it up there and then deliver it to a customer directly or haul it back here before we can dispatch it to a customer. We can't risk fly-by-nighters damaging the work in transport and in botching surfacing work. I guess we'll have to put up with the hassle [of Haldor's conduct].

Helge therefore reluctantly accepts the arrangement. Haldor could turn over a greater number of jobs for Helge were he able to hold on to an employee. Haldor will not entertain lowering the number of jobs he takes on from the public to do a greater number for Helge, who can offer him more jobs than Heidi. Were Haldor to do so, he could command his price as any other professional network artisan can in the internal market exchanges of the network. Therefore price is not at stake here for Haldor, whose behaviour makes the point that he cannot be bought and that no one in the network can control him. His idea of cooperation does not encompass greater cooperation in the network and the business repercussions for Helge's joinery that it has. Thus Haldor sees his independence as worth more than his exclusion from the institution of Friends and from full participation in the select market. He could lessen his work load and increase his takings via greater cooperation, but he commits to the capitalist market system and its consequences for him: it commits him as a workaholic and links his time to his earnings. He foregoes the advantage of breaking that link that the network's money machine offers through its institutions of the select market of Friends.

Haldor's conduct has consequences for his position in the network. Heidi and Hilda have excused him from any deals with Friends of the network in protection of their own business. That circumstance has a knock-on effect. It reinforces the prevailing imbalance between the frequency of exchanges between him and other network firms and thus the degree to which he can cooperate further. Potentially, any of the craft firms can initiate and steer projects when they can get approval for clients as Friends except Haldor's firm. His debarment further precludes him from making a contribution to the management of the network and pulling his weight in the network. His debarment stigmatizes him, in turn isolates him, and as a result puts him in a defensive position.

## ***Non-Cooperative Clients: The Bad Friends***

### **The Bad Apple**

Although no customers from the general public contested any work or service that the network provided, the lawyer 'Bad Apple' and the shipping broker 'Deep Waters', each Friends of the network, did break their promise to follow the conditions of the pact of Friends. Both cases appeared briefly in Chapter 6 on Friends of the network. 'Bad Apple' broke ranks by failing to consult The Furniture Factory about a new kitchen and by rejecting select exchange in favour of using the price mechanism in ordering a kitchen outside the network. 'Deep Waters' strayed from adhering to the policy of non-negotiable pricing by questioning and refusing to pay the amount due. The network must have some recourse against violations of its organisation of exchange in order to safeguard and sustain its making a livelihood.

Helge can sanction the lawyer in several ways. He can let the lawyer's behaviour be known throughout the coterie of Friends via a few key people who can spread the gossip of the lawyer's gauche conduct. This gossip will identify him as a black sheep and blackball him in his peer group. Such a sanction is serious in a society such as Norway where others monitor one's reputation for fair play and not appearing outside the ethos general in the Nordic region.<sup>205</sup> Alternatively, Helge can drop him from the coterie of Friends. Helge could also avoid making a fuss over the matter now but remind the lawyer of his past *faux pas* should he make another job request. Repeating the *faux pas* would not go down well. Helge said that next time he would do the latter and back it up by charging him a more than handsome amount for the job. Helge would make this charge to emphasize who was in control, to receive a symbolic recompense for breaking the pact between Friends and the network, and to provide a warning not to try it again in future.

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<sup>205</sup> The Jante Law (*janteloven*), a mock law but taken seriously, sums up acceptable behaviour: Don't think you're anyone special (rule 1) or that you're better than us (rule 4). The law has ten rules, the first and fourth of which the lawyer contravenes. Violators of this mock law are regarded with suspicion, some hostility, and scepticism. Q.v. <http://en.wikipedia.org/wiki/Janteloven> for these English translations of the laws.

I heard of only one instance of excluding a member of the Friends, about which Helge told me. This instance must have proven salutary to the rest of the Friends due to the prestige of the member. After making a pair of chairs for the royal family for placement in the palace, Helge vowed never to supply the royal family again and had not done so, despite repeated requests. Helge told me, when asked, that he had never encountered so much bureaucracy, and it was as though the palace referred to the Law of Jante, rule 2: Don't think that you are of the same standing as *us*.

### **Deep Waters: The Case of the Court Case**

We left the shipping broker at the point of contesting his final payment to the Furniture Factory in Chapter 6 on Friends of the Network. The refusal to pay caused amazement, bafflement, stunned perplexity, and consternation. Refusal to pay was unique; it had never happened before, and the amount owing a paltry sum over which to dispute (NOK 80,990; c. £7,000), at least among Friends and the network. Apart from the annoyance, the shipping broker created a cooperation dilemma of what to do about non-payment. Various opinions about what to do were put forward by the key people of the Furniture Factory—Geir and Helge as shareholders, Hilmar as Chair of the Board, and Heidi as CEO. This delinquent account had a profoundly demoralizing effect on the Joinery for several weeks, and its mood amongst the key people shifted to pique, rankling and resentment at the broker's conduct. They considered it unfair and insulting that the broker should get away with bargaining and haggling. As Helge put it: "What is it that he [the broker] thinks we're running—a bazaar!? Let him haggle there".

A letter arrived at the Joinery from a building contractor on behalf of the broker contesting the costs of the project on an ostensible legal basis too. Hilmar, as board chairman, called on Geir, Helge, and Keith to drop in for a late Friday afternoon coffee meeting at his offices with an eye to deciding how to resolve the impasse. Each one put their settlement on the table. Geir and Helge took a pragmatic view: drop the matter, as the money was not important. Hilmar took an accountant's view: treat the matter as a bad debt



to write off, especially as the broker, top in his field in one of the premier shipping companies of Norway, had the backing of the company's crack legal team at his disposal. They had handled the lawyer's interests in the matter so far. Hilmar could not see spending more money than the amount due on top lawyers that the joinery would in turn have had to retain or in worst case risking paying full court costs. On the phone, Heidi concurred: "Drop and forget the matter". Keith withdrew his proposal that initially had Hilmar's backing to turn over the invoice to a factor or collection agency: that manoeuvre could still land up in court as a dispute over the amount of payment due.

Keith then recommended focussing not on recouping money, on getting retribution for bad behaviour and a poor attitude, or on giving in to the broker's exercise of power, but rather on 'what was best for the business'. The joinery was aiming at the wrong target—the man, from an emotional perspective an understandable target, when the aim was matching the broker at his own game, in order to establish legally the principle of maintaining the force of an unrestricted cost agreement. Keith then advocated filing a suit at the Municipal Court with reference to section §39(a), (b) of the *Håndverksloven* (The Craftwork Act) to test the principle of an unrestricted cost agreement. The conditions Keith set for filing this suit were that Keith (1) prepare the legal documents and do the legal spadework; (2) have at his disposal a top-notch lawyer from the clique of Friends on call to look over his shoulder in preparing the case if need be; and (3) have the assurance from the lawyer Friend to the network that the case had more than good prospects. All agreed on this course of action.

Now was the time to call on the Frogner coterie, call in past favours done for their lawyer Friends, and touch them for assistance. Heidi calls on the architect Greta, her third closest girlfriend and consulting architect to *Décoration* and The Furniture Factory, who, through her partner, lines up his brother, Steinar, one of Norway's foremost commercial lawyers, to back up the joinery case. At the only pre-hearing meeting of the joinery management and Keith at Steinar's chambers, Steinar confirmed that there was no way the

joinery could lose the case, as the joinery's 'legal beagle' had singled out the decisive section of the law. Steinar said his own presence would be entirely unnecessary in the proceedings and that we could handle the matter on our own at the court hearing. We were to call on him if otherwise, but he couldn't imagine that. The case went in favour of the joinery.

As he had expected, the court outcome was no surprise to Steinar. Although the joinery put out cautious and repeated feelers to the effect that he had every right to ask for whatever amount he cared to claim, Steinar never sent an invoice. Steinar's attitude was: "I ordered my dining room table [seating 40 people] from you guys without ever a thought of broaching price. Magnificent piece, by the way. This guy [the broker] has completely lost his marbles and needed a good corrective". Steinar's response also documents recognition of a code of privileged exchange in the institution of the Friends of the Network.

### **Aftermath of the Court Case**

The broker's initial refusal to pay was not due to inability to do so; in fact quite the opposite occurred. The broker sent the joinery a personal cheque for the outstanding amount within two days of the Court of Arbitration's adjudication that the stipulated payment take place within fourteen days. Thus, paying the actual amount presented no difficulty for him. In all events, the case established that the relationship of client to firm in the case of The Furniture Factory did base itself upon the select market conditions of the institution of Friends, which the broker breached, rather than capitalist market exchange. Yet despite the court's upholding the principle of select market exchange as an agreement, this outcome pleased some of the joinery litigants and not others.

Helge expressed his aversion to the action: "Yeah, we won. But we did it [the suit] for the principle of the thing; he [the broker] just kept it on the plane of money". That left a bad taste in Helge's mouth: the man had no appreciation of the artisan cooperation ethos. As Helge felt let down, he couldn't countenance further cooperation with the broker. The broker had put him in a trap: even in winning the case, the result could appear that it was

done for money. Helge's reaction centred on the man's lack of cooperation with his wife and joinery personnel. The broker cut short or avoided face-to-face encounters with joinery workers on arrival at his house, not even saying hello or greeting them. Never engaging himself or taking any interest in the project, he left the entire undertaking to his wife. Yet he would not back her up, despite her pivotal note to the joinery giving it *carte blanche*, crucial evidence in court. Moreover, he wanted to haggle over money when, as one of the original Friends and as one for whom the joinery had done extensive work on his previous house, he knew full well that the rules of Friends craved a non-negotiable no bargaining policy. Helge's dissatisfaction lay in the man's treating their relationship as impersonal: one did business informally, person-to-person; one did not do business under the formality of courts.

Hilmar was delighted at the action, which had been won without draining the financial resources of the company. The broker had got a slap over the fingers, and for once, in Hilmar's opinion, it was not the lawyers who always came out best in a dispute. Heidi was overjoyed, of which I was appraised by Helge in a conversation at a celebratory dinner on the success of the action:

Helge Heidi is pleased as punch and wants to thank you personally, as she's not here. She really wants to show her appreciation, you know,—she's aware that she expressed her scepticism about your following us around affecting our businesses and that she might have appeared against you because she couldn't really see how you could be more than a burden and nuisance to me.

Keith I know it [my fieldwork request] came out of the blue for you and was something entirely unfamiliar. So no hard feelings, none at all. Well, we've earned a nice little meal out of this [court action]. Would have been nice to see her [Heidi] here too, so I could tell her so [that I bore no hard feelings and appreciated the invite to dinner]. She's busy as hell, tell her we'll have a chance to talk when we pop in [to *Décoration*] at lunchtime sometime, OK?

Heidi was not at the dinner, as she put it, "to let the guys get on with it". However, as the CEO of the joinery and of *Décoration*, she was gratified that the action had extinguished a threat to a non-negotiable, non-bargaining policy and upheld the business model that she and Hilda had created and now could count on as secure. Geir thought that it was more bother than it was

worth, and time had been better spent out of court in the workshop. Helge suggested a dinner out on the town, for those involved in the court case, to celebrate the successful action, a suggestion that Hilmar enthusiastically endorsed. He proposed cutting off a slice of the cheque to cover the bill at a premier restaurant and splitting the rest as a gratuity between Torstein and Trond in acknowledgment of their handiwork on the broker's project.

Several factors affect cooperation and exchange in the network: type of market exchange, firms observing other firms in the network, participation of firms in a close-knit group of firms, the leading role of *Décoration*, time of entry into the network, frequency of exchanges between firms, craft limits to exchanges, the will to cooperate, and the network's brand image. An analysis follows to assess the relationship and importance of these factors affecting cooperation and exchange.

### ***Analysis of Cooperation and Exchange***

The network organizes its exchanges through a dual economy: the dual economy places bounds on the type of exchanges that take place. The cooperation that develops in these exchanges tempers these exchanges. We now turn to analysing these bounds and exchanges.

### **Mode of Exchange**

In the seminal stage of the network, the difference in the firms' modes of exchange sets them apart. Each firm has a long history prior to joining the network of running itself but doing so on entirely different principles. The firms of *Décoration* and Furniture Finished have provided such an instance. Heidi and Hilda develop and practice their form of select market exchange with their clients and form intimate and long-term ties with their mostly foreign suppliers. Haldor, however, can and does source his paints and coating materials in quantity on the open market, with price as the sufficient statistic for him and for his clients, who come from an open public, although an elite one. The practices of each are ingrained a decade before they become

part of a full-fledged network. The point of time at which they later enter into a full-fledged network therefore influences their preference for the type of exchange they follow.

### **The Causal Chain of Events: A Workshop Complex**

The causal chain of events also affects and changes the organisation of exchanges as the network evolves. Helge catalyses and gathers an assembly of artisan firms under one roof at The Workshop Complex. At this completed stage of the network, exchanges change from the firms obtaining services on the open market to the firms exchanging amongst themselves as far as possible, by means of closed and costed select exchange. The workshops adjacent to each other under one roof make it simpler to exchange with each other rather than with others at a distance.

### **Network Management**

In turn, this assemblage of artisans prompts and facilitates another organisational transformation, the extension of the mechanism of steering Friends' projects that first developed just between *Décoration* and *Architecture*, a mechanism that also increased the number of Friends. The new grouping adds three more people—Helge, Nina, and Wenche—who can and do steer projects for Friends. This change extends the capacity and capabilities of the network. These people had dealt with clients on a capitalist market basis. With the introduction of the network, some still do so with their own clients, but with a network project they learn to assume management skills both for coordinating work amongst the firms and for handling clientele i.e. Friends of the network. This stage of the network introduces a flat and distributed organisation of project leadership: anyone of the three people can lead a project. No one single person leads or manages the network exclusively in the role of a full-time and permanent manager of the network. All three artisans at one time or another manage the network.

### **Flexible Cooperation**

The introduction of a flat organisation causes a further effect, that of introducing flexibility into the network. Any one of the three can take over a project-in-progress. The proximity of workshops keeps them in touch with each other and the current state of the jobs in which they are engaged. In management speak, this lessens asymmetric information. Thus if one workshop is stretched to take on a job for a Friend, it can—after consulting one of the others—pass on the management of the project to a circle firm that can stagger the stages of the new project to fit in with the work load of the workshops. Because the artisans are multi-skilled, they can also lend a hand to keep the work of another workshop that needs assistance on track. Nina, for instance, as a master cabinetmaker before she became a master antique restorer, can and does pitch in and help The Furniture Factory if need be. Each artisan can see the work-in-progress of the others, recognise when help is needed, and pitch in without a word because in working together in proximity they have come to understand the technical exercise in the other artisans' crafts. This flexibility in cooperation has the important effect that no distinction exists between managing and hands-on craftwork. The distinction between management and labour is not relevant for the network. Hence no position as manager of the network exists.

### **Learning Management**

The taking on of select market jobs by a workshop contributes to the learning of management skills by the workshops and thus cumulatively in the network. Thus, they learn leadership on-the-job, instead of attending courses in management, which would keep them off-site away from work.

### **Willingness to Cooperate**

Distributed management and flexible cooperation as a mode of organisation has further effects. For it to work, it requires members of the network to have the will to cooperate, though this condition also has a negative aspect. Haldor has a limited will to cooperate, which led Heidi to exclude him from having his

firm in contact with Friends, effectively isolating him and causing a split in the management of the network. Thus, there are those who can lead projects and one who cannot. This schism in the network has a further consequence.

Because Haldor does not take on project leadership in the network, the other workshop members see him as failing to pull his weight for the common good. His marriage to Hilda did not seem to countervail his testy behaviour. As Haldor provides the specialty finishing for the final stage of the production work for the Furniture Factory, Helge considers him indispensable for this work. Yet this work does not seem to compensate for Haldor's non-participation as a leader of projects. He is wanted and not wanted. This cooperation dilemma has a deeper consequence for the network, and goes to the heart of the image of the network.

### **The Network's Image**

The image of the network is like that of a family, indeed Heidi and Hilda first model their firm on the family. *Décoration* is a firm of two families, Heidi of the Christensens and Hilda of the Johansens. In addition, Friends are like family: they cooperate on the basis of affective relationships. The institution of Friends functions to create and maintain affective ties to their firm of the kind one finds in a family. Friends and firm members, for instance, may go into each other's houses, socialize intimately, maintain a high degree of communication through gossip and sharing the doings of their family and kin, exercise a high degree of trust, and the like.

The network too is a family of firms: it exhibits the behavioural characteristics of exchanges that Ben-Porath identifies with families.<sup>206</sup> Heidi recognises that the network's affective relationships as the outside world perceive them reflect upon the network and its members. The empirical evidence of her recognition bears witness to Ben-Porath's argument that the formation of a family "...creates a collective identity that affects the [market]

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<sup>206</sup> Ben-Porath 1980:3,(a)-(h)

transactions of each member with people outside the family”.<sup>207</sup> For this reason, Heidi cannot take the risk of Haldor spoiling the image of the network and therefore bars him from direct access to Friends. Ben-Porath also considers what he calls ‘personal and collective identity’ important:

[In transactions] ...there is reliance on what bears a loose resemblance to the transivity of the brand name—institutions based on personal investment and sorting provide signals that benefit individual members in their dealings with others. The collective name is, in turn, a public good whose value can be diminished by the behaviour of each individual and whose survival depends on the internal controls. Internal contracts of the firm that do not provide incentives for (e.g.) quality will damage the brand name [sic]. A[n organization] that does not sort new members carefully will damage its collective name.<sup>208</sup>

Heidi’s decision to debar Haldor rests not so much on Haldor’s free riding on the network public good of its image but more on the consideration of the damage Haldor could cause to the brand name of the network.<sup>209</sup> Her decision to debar Haldor shows that she considers it the network’s most important asset. When someone linked to the network threatens it, she ultimately realises that it has to be defended. ‘Deep Water’s’ refusal to pay presents the ultimate challenge to the select market mode of exchange with Friends. This refusal undermines the network’s value of treating business as a social relationship as the keystone of its image. Heidi therefore contacts Greta and through her mobilises one of the biggest legal canons in Norway to defend that image successfully. Therefore the most serious threats to cooperation reveal which factor affecting cooperation the network ultimately considers most important to defend. That factor is the corporate brand of the network: it is one of the network’s most important assets.

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<sup>207</sup> Ben-Porath 1980:3,(g)

<sup>208</sup> Ben-Porath 1980:11-12

<sup>209</sup> Corporate brand and corporate identity are also terms used for brand name and are defined as what a corporate body stands for: “A corporate brand is the sum of the organisation’s tangible and intangible elements—its vision, products or services, market position, reputation, behaviour and values.” Definition accessed at NexisUK, Financial Times (London, England), July 30, 2001 Monday, London Edition 1, SECTION: INSIDE TRACK, p11, byline Basil Towers.



A corporate brand is a control mechanism.<sup>210</sup> It informs and shapes part of the day-to-day activity of network firms. The network's corporate image appeared to affect cooperation in the network above all other factors in The Case of The Court Case. The network institutes a social code that enables it to put into action its corporate brand. In the next chapter, we will examine the network's institution of its social code and its contribution to the network's making a livelihood.

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<sup>210</sup> See footnote 23. FT 2001:11

## 9 Power, Social Code, and Entrepreneurship

In this chapter, I shall ask how a social code informs the organisation of exchanges, thus addressing research question four: how the network institutes an emergent social code, the effect of power in instituting that code, and the effect of the code on coordinating, controlling and integrating the network. As the last chapter showed, the corporate brand of the network functioned as a control mechanism too. The social code, besides informing the organisation of exchanges, assists in extending their scope. In this, the code helps explain, in response to research question two, the serial entrepreneurship that the network embodies.

### *Power in the Network*

In terms of cooperation, five pivotal events stand out in the history of the network. In roughly chronological order, these are: (1) creating a select market encompassing the Frogner 'mamas'; (2) the first gestation of the network; (3) the founding of the Furniture Factory; (4) the constitution of the Workshop Complex; and (5) the founding of Floors Finished. *Décoration* has a decisive hand in each of these events, which indicates its power and ability to shape events.

In putting its stamp on the development of the network, *Décoration* plays a significant part in the development of a social code that controls cooperation in the network. Each of the five pivotal events forms a new organisation in a series of entrepreneurial ventures. Because of *Décoration's* decisive hand in a good number of these events, the firm plays a vital role in making the network follow a path of serial entrepreneurship. The development of serial entrepreneurship in the network could not have taken place without the social code and *Décoration's* role in generating and advancing it. The social code helps to explain how making a livelihood within the network creates the emergent organisation and extension of the network. It also supplies the network members' ethos of making a livelihood that leads to the creation of wealth and 'the good life'.

The pivotal events, in which *Décoration* plays a large part, shape the corporate image of the network. In Chapter 7, we observed that *Décoration* institutionalised a distinct image of its firm. Through the firm's engagement in developing the network, it extends its own image to the network itself. The corporate brand of the network is, in terms of economic value, a resource designated as an asset in accountancy.<sup>211</sup> Control of this asset confers power on *Décoration*.

Let us examine the pivotal events in terms of the network's social code and its impact on leading 'the good life'. The resulting corporate brand asset is one of the two mainsprings of wealth creation in the network. The other is the lifestyle of the network, with which the next chapter deals.

### ***Creating a Market: The Institution of Friends***

In their initial venture, Heidi and Hilda invent the mechanism of establishing and maintaining a market through the institution of Friends discussed earlier. This undertaking is no mean feat, let alone for teenagers, in that just maintaining and increasing market share, not to say creating a market, is enough of a handful for most businesses. Through careful trial-and-error management of their business and of the Frogner 'mamas', they bring on side a group of people who will stay loyal to their business over the long-term. Heidi and Hilda's flair for sensing what to do when under the eye of Gunnar means that in their trial-and-error management they make successful trials and virtually no serious errors. Thus, they build up several strengths that are sources of power. These strengths, which we examine in the following section, are, as management literature terms them: bargaining time, bargaining patience, lack of risk aversion, preclusion of outside options, commitment strategies, and asymmetric information.

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<sup>211</sup> An asset is any resource of an organisation that has economic value, q.v.

<http://www.investorwords.com/273/asset.html>. The class of assets known as intangible assets includes trademarks, patents, copyrights, goodwill, and brand names: Harrison 2003.

### ***Décoration's* Bargaining Power: The Frogner 'Mamas'**

The women entrepreneurs use bargaining time to accumulate power. The women have more time to develop their business than the Frogner wives have time to wait in getting their decoration done. The women of All-in-Stitches wait as they socialise the wives to their novel policies. Heidi and Hilda reduce their bargaining costs by increasing their patience while this decreases the wives' patience by increasing their bargaining costs. Hence, patience is a source of power for Heidi and Hilda. Those with relatively fewer resources are relatively risk averse and thus will have higher bargaining costs. Such people will not want to take the risk of not making a settlement as soon as possible, yet Heidi and Hilda have all the resources from their background earlier described. Hence, they have no reason to have an aversion to risk, and so they do not incur higher bargaining costs. They can act without the restraint of aversion to risk. This too is a source of power. Furthermore, the wives have no credible alternative for getting the work done. Heidi and Hilda, coming from the same background as their clients, have a penetrating understanding of their clients and their lifestyle. Even in cases when wives had retained internationally recognised interior decorators, those decorators did not understand or have the feel for the type of design wanted in a Norwegian milieu. People who have a credible alternative with a better offer increase their bargaining power: they have a credible threat to go elsewhere. In a perfectly competitive market, there is no credible threat. However, the wives have no credible alternative to which to turn.<sup>212</sup> The lack of outside options for the wives is therefore a source of power for the women entrepreneurs. That source will not change; Heidi and Hilda's participation in the lives of the wives entrenches their capacity to provide the services the wives require.

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<sup>2</sup> This does not necessarily mean that the network has no competition, although this is true. There is one other interior decoration firm, in Oslo, but its owner-manager, an architect and interior designer, caters for an elite clientele according to the capitalist market price-mechanism and whose designs differ markedly from those of the network.

A further source of power lies in their ability to make credible commitments, a concept and phrase used in bargaining theory. The phrase 'credible commitment' refers to that by which people can increase their bargaining power in adopting a standpoint favourable to themselves but which is costly to abrogate. For instance, a hostage-takers' threat or ultimatum is costly to the hostage-taker if they step down: they lose credibility. The commitment is convincing to the extent that stepping down inflicts costs on the maker of the commitment. When the commitment is believable, others will not call a bluff or challenge the commitment. Heidi and Hilda quickly learned to make commitments. From the start of *Décoration*, they demanded a personal inspection of all properties of Friends before they considered designing any décor. Although helpful, photographs will not do. Even when a Friend requests redecoration of a property that the women have previously decorated, the women still require an inspection. They want no surprises; should a Friend object, the women refuse to take on the job. A Friend's refusal of inspection qualifies for exclusion from the coterie of Friends; the women will not serve them at all. Heidi and Hilda never deviate from their commitment to inspections. Heidi and Hilda use the penultimate lever of power—enforcement of compliance by the use of clear and credible threats, negative sanctions, here the withdrawal of their service in a situation where wives perceive that they lack outside options.

Besides the use of credible commitments, Heidi and Hilda build on the adage 'knowledge is power'. They create an imbalance in the information they and their clientele have and acquire, and the balance weighs in the women's favour. Economists speak of 'asymmetric information' for this source of bargaining power. Since their days at All-in-Stitches, they kept abreast of trends in fashion, fashion technology, interior design, the art world, and architecture. The knowledge the two women have, maintain, continually acquire and communicate to Friends confers authority upon them. Insofar as Friends see it as legitimate that this knowledge confers relative power over them, then the capacity to gain compliance is authority. The mechanisms by which the women gain compliance depend upon their expending resources.

Their use of these resources imposes costs upon them, such as attending exhibitions. Heidi and Hilda accrue compliance costs, as opposed to bargaining costs. Thus, the women's education, qualifications as master artisans and the like allow them to count on compliance and thereby exercise authority. Heidi and Hilda use the imbalance of information as a source of power.

We have seen some of the sources of power that *Décoration* deployed in incorporating a group into a coterie of Friends and in interacting with them. The possession of those sources formed the groundwork for a new organisation, *Décoration*. We turn now to the second of the five pivotal events, the initial formation of the network, where we again see *Décoration's* ability to shape events, i.e. using power, by making a convincing commitment to withhold and to grant access to its clientele.

### **Power in the Initial Formation of the Network**

The second pivotal event in the history of the network—the collaboration of *Architecture* and *Décoration*—forms the core of the initial networking of Furniture Finished, *Architecture*, *Décoration*, and Hans of the Transportsentralen. This collaboration introduces a resource for the network that *Décoration* controls, namely the withholding or granting access of firms to Friends of the Network. The control of that resource is a source of power, because of the credible commitment of withdrawing access. Heidi and Hilda gain compliance by using this resource as a negative sanction or by holding up the threat of using it.

On the one hand, *Décoration* allows another firm in the network, *Architecture*, to adopt the conditions of *Décoration's* institution of Friends. Both *Architecture* and *Décoration* have a common interest: they want to strike a deal whereby Heidi, Hilda or Greta can lead a Friend's project with architecture and décor in common. Both firms are then better off than if they fail to agree (a Pareto improvement). This is because they can then present a more seamless project than if each bought the service of the other to serve a

client. *Décoration* gains *Architecture*'s compliance because *Décoration* can withhold access to Friends if *Architecture* does not agree to handle Friends on the conditions that *Décoration* requires of Friends.

On the other hand, *Décoration* blocks another firm in the network, Furniture Finished, from adopting the conditions of *Décoration*'s institution of Friends. *Décoration* has the power of negative sanctioning and uses it against Furniture Finished right from the start of the network. *Décoration* retains this control throughout the history of the network. It also restricts the network's access to Friends—a 'credible commitment' in the terms of bargaining theory—thereby retaining power over the network.

Access to the institution of Friends from a firm's point of view is the most important asset in the corporate brand of the network. Without seamless projects that offer total bespoke highest-end décor, and without a demanding elite clientele, the network has little *raison d'être*. *Décoration* thus holds the main source of power in the network through the control of the institution of Friends and, through the latter, control of the brand image. Before returning to the next pivotal event in the network's development—the founding of the Furniture Factory—we should in passing make clear the nature of this asset because the expansion of the network builds upon it.

### **Power and the Corporate Brand of the Network**

The corporate brand of the network solves an information problem of both the network itself and its clientele. The problem for both centres around the question of what the network does. It does not offer clients a homogeneous good—one that comes only in one standardised form. Any assignment it takes on is bespoke and unique. Only some firms of the network offer identifiable service areas that are transparent in their names, such as *Architecture*, *Décoration*, The Upholstery, etc. As the network is not a legal entity, it has no name; only its firms have names as legal entities. Moreover, the network cannot give itself a public name collectively.<sup>213</sup> The network therefore cannot

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<sup>213</sup> In a strict business sense, the network is not a collective, which is a business jointly owned and operated by the members of a group. The network is not organised on the principles of collectivism.

and does not advertise publically. As pointed out above, the comprehensive and seamless project is, from both the network's and clientele's point of view, crucial to the network's brand image. The price mechanism, however, suffices only when firms and customers have quite limited information requirements. *Décoration* provides a partial solution to this problem through the institution of Friends. The seamless project also answers the question of what the network does and therefore is a central feature of the network's corporate brand. The corporate brand is paramount in communicating what the network does, and therefore is one of its most important assets, given that the price mechanism can only supply limited information about the network. *Décoration* controls the institution of Friends as a feature of the overall asset of the network's corporate image. Through Friends, *Décoration* controls access to seamless projects, another central feature of the network's corporate brand. By controlling both the features of Friend's sponsorship and seamless projects, *Décoration* controls the core of the corporate image of the network and its most important asset.

### ***The Network's Corporate Brand as an Asset***

The network's corporate brand has more features than the institution of Friends and a capacity for seamless projects.<sup>214</sup> Non-verbal features also signal its corporate brand. The foregoing ethnography has presented these in the chapters on core owners and associates of the network, through the signals that the dress of its members communicated: the elite background of its members, its member's journeyman and master artisan qualifications, the kinship ties of the owner-managers, association of schooling at Frogner High School, language skills in Romance languages, and firm names that have associations to France. These features together with the institution of Friends and seamless projects form the network's corporate brand and the type of asset that the network's corporate brand represents. In economic literature

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It is only a collective in the general sense of a collection of individuals who do own (related) firms, often acting as a group.

<sup>214</sup> Q.v. Chapter 8, footnote 23 for the equivalent terms corporate brand, brand name, brand image, etc.



one finds a classification of types of assets; this classification sheds light on the corporate brand of the network as a type of asset.

### **The Asset Specificity of the Network's Corporate Brand**

Many features of the network's corporate brand are asset specific. In economic literature, one speaks of 'asset specificity', in transactions, meaning that "An asset is transaction-specific if it cannot be redeployed to an alternative use without a significant reduction in the value of the asset".<sup>215</sup> The term can refer to both physical and human assets; here it refers to human assets. High specificity means a high cost in making a transaction, low specificity a low cost. One also speaks of a second aspect of transactions, their uncertainty or complexity ('uncertainty/complexity'), which is either high or low. High uncertainty/complexity mitigates against a transaction, low uncertainty/complexity eases transacting. Customarily, one employs a 2 by 3 matrix to indicate the possibilities of appropriate governance for each of the six possibilities of asset specificity. Douma and Schreuder downplay the third aspect of transactions, their frequency, in that they claim the other two aspects to be more important.<sup>216</sup> Nevertheless, because the frequency of transactions figures in exchanges within the network, I treated this aspect in the previous chapter. The policy of repeated transactions that applies to Friends means that the frequency of transactions between clients and firms that serve them is high. This aspect of asset specificity is in line with the condition of ongoing contact between buyers and sellers in select markets.

### **Asset Specificity and Clients**

In transactions between the network and its clientele, the asset specificity of the network's brand image is high and uncertainty/complexity low for both parties: they are dependent upon each other for a transaction to take place. As we have established, Friends have no alternative under the regime of the institution of Friends but to consult it first and no alternative source for their

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<sup>215</sup> Douma and Sytse 2002:151

<sup>216</sup> Douma and Sytse 2002:203

particular décor requirements. For Friends the network is transaction-specific, since there is only one source—the network—to which they can turn for their particular requirements. For the network, the investment in creating and maintaining the institution of Friends is transaction-specific because it is, by definition, only the elite with whom the network can deal for the particular service according to its own demands. Thus asset specificity is high for both parties. The main source of uncertainty would seem to lie in whether or not clients can pay. However, by definition, the elite can pay because of their ample financial resources; the policy for Friends of ‘if you have to ask the price you cannot afford it’ heads off any question on this point. Therefore the elite self-finances its projects up front.

The network, however, does not exploit its virtual monopoly to charge grossly excessive prices, as I ascertained in an experiment of calling around to less than a dozen joineries in Oslo and asked their going hourly rate; in fact The Furniture Factory lay a little more than slightly under the market quotes. At the end of a workday in the joinery office with Helge and Geir, I announced that I, as an anonymous and potential customer, had phoned around, as any customer might do, to joineries and found out that the joinery had a modest hourly rate for work. A stunned pause of shock, silence, and disbelief followed.

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|-------|--|
| Helge | What did you do that for?!   |
| Keith | In the interests of science: curiosity.  |
| Helge | But that's totally unnecessary.  |
| Geir  | The professor has gone off his rocker!   |
| Keith | Why is that unnecessary?   |
| Helge | Are you thick [in the head] or something? Well, you know... we just don't think about price and never have, that's all. It's never been necessary, we've never had reason to do it. We're craftsmen, you know that—or ought to know that by now! |
| Geir  | Yeah, and the business has always done well, you know that too.  |
| Keith | OK then. Why don't you put up your price a bit: it can't do any harm. I've checked the tax implications and double-checked with Hilmar [the accountant and Chairman of the   |

Board], we're OK there. Put the extra [intake] in the entertainment account, bigger bonus for the boys [on the floor], you guys decide...

Helge All right, this is odd though, but no harm done. Geir, you decide how much then.

Geir OK, right, just above the middle of this scale then, we can't be the highest.

The Furniture Factory does not compete on price in the open market: its signal to Friends is not the price mechanism. It engages in selective exchange, subject to the policies of the select market that *Décoration* instituted. The joinery does implement monopolistic pricing because in the main it does not incur the costs of trading on the open market, such as provision and write-offs for bad debtors, work not yet certified, general administration, marketing, advertising, contracting, lawyers' fees and the like.

In cases of high asset specificity and low uncertainty/complexity, one expects the governance mechanism of long-term contracts between parties. Heidi and Hilda have built into their business model the policies and sanctions that we have discussed that assure a long-term relationship with their clientele. The policies they put in place contribute to and establish their brand image. The particular specificity of this asset creates wealth for *Décoration*, for instance the no-questions-asked payment policy. The women cannot afford to let the specificity of the corporate brand asset change or degrade. Should Heidi and Hilda let this happen, for instance by making both specificity and uncertainty/complexity low, they would decimate their long-term agreement with their clientele: the women would then trade as a spot market rather than a select one. The value of *Décoration's* corporate image lies in its combination of specificity and certainty. Because it is the foundation of wealth in Heidi and Hilda's firm, they therefore come to realise that they must guard it with the utmost care in order to keep long-term relationships with their clients.

### **Asset Specificity and Network Firms**

The instance of the court case illustrates the women's realisation that they have to defend the corporate image they have created, even when it concerns a network firm other than their own. The Furniture Factory also operates a

select market, on the model of *Décoration*. As the CEO of the Furniture Factory, Heidi comes to realise that the Friend ‘Deep Waters’ poses a threat to the network’s corporate image by denying and attacking fundamental features of the brand. Heidi therefore approves the decision to prosecute the case. The stewardship of the network brand name lies not only in the hands of network firms that trade by means of a select market: because any firm except Haldor’s can lead a project for Friends, the network as a whole, except Haldor, participates in and benefits from the corporate brand that *Décoration* created when dealing with Friends. As Heidi and Hilda can withdraw access to Friends, they retain power over network firms dealing with Friends through control of the brand image.

Haldor benefits indirectly from the network’s corporate image. He does so because of the physical presence of his firm in the Workshop Complex. Friends visiting the Complex, as they often do to follow the progression of their order, associate his presence with the activity and image of the network. Haldor is thus a free rider on the reputation and otherwise common brand of the network.<sup>217</sup> Although this free riding annoys other members of the network, they overlook it because he is kin to Heidi, because he shares the bond of the common background of the core families who attended Frogner High School, and because he excels in his work that others in the network draw upon to varying degrees.

Through building a select market and a corporate brand amongst the firms of the network, a social code emerges in the network. Because of *Décoration*’s strong role in both the building of the network’s select market and corporate image, *Décoration* takes a lead in contributing to a tacit social code that underpins all participation of the firms in the network. Although features of the social code first appear in the collaboration of *Architecture* and *Décoration*, it surfaces distinctly in the third pivotal event in the history of the network—

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<sup>217</sup> A free rider is “One who benefits from a collective activity without participating in it” in McLean and McMillan 2003.

the founding of the Furniture Factory. Let us first characterise a social code, then investigate and analyse its presence in the network. Subsequently, we can distinguish it from the concept of ‘routines’ in the management literature, which holds that they develop to direct activity in organisations.<sup>218</sup> I shall argue rather that social codes fulfil this function at a deeper level than routines. I shall then argue, in support of this argument, that a social code is the mainspring of the serial entrepreneurship that the network actualises, whereas the concept of routines cannot satisfactorily explain serial entrepreneurship in the network.

### ***What is a Social Code?***

The meaning of the term ‘social code’ seems elusive. Reputable dictionaries skirt defining a social code *per se*: under the term ‘social’, the OED cites the meaning “Pertaining... etc. to society as a natural or ordinary condition of human life”, adding, “In this use, *social* enters into a very large number of collations...; examples are: ...*code*...”<sup>219</sup> Nevertheless, the first instance it records—from William Makepeace Thackeray (1811-1863), English novelist and portrayer of English society—puts one on the track to an understanding of the phrase: To marry without a competence is...a crime against our social codes (1859 THACKERAY *Virgin*. II. xxxiii. 266).

A social code, on well-defined criteria, collates three meanings of the word ‘principles’ and a meaning of the word ‘code’. A set of principles within this collation constitute a social code. Firstly, one meaning of ‘principle’ denotes ‘the method of formation or operation exhibited in a given case: *a community organized on the patriarchal principle*’; secondly, ‘a comprehensive, fundamental, or primary...truth from which others are derived: *the principles of human nature*’; thirdly, ‘an originating or actuating agency or force: *growth is the principle of life*’.<sup>220</sup> Furthermore, only exceptionally will principles in this collation of meanings or a social code exist in written form: the code is tacit.

<sup>218</sup> Douma and Schreuder 2002:224

<sup>219</sup> Online OED, 7a, ‘social code’. The standard reference works on anthropology and sociology lack entries on or discussions of social code at the time of writing.

<sup>220</sup> Adapted from “principles”. Online, Random House, Inc.

This collation is axiomatic; the principles are axioms—self-evident or widely accepted truths or principles that require no proofs. In this sense, the principles or truths are propositions or postulates, i.e. not susceptible to proof or disproof, whose truth is assumed to be self-evident and accepted on its own merits.<sup>221</sup> Acting outside the principles incurs sanctions, most often disapprobation such as shame and guilt on deviation. Finally, a code is ‘a system of principles...’<sup>222</sup> A social code therefore is simply the set of tacit axioms of social intercourse in a community: it involves what a community takes as fundamental and sanctionable truths. Thackeray’s quote is useful because it contains the three principles and meaning of code.

### What a Social Code is Not

To return to Thackeray, a social code is neither a routine nor a written or unwritten legal code: it consists of principles. In the quote, Thackeray identifies an axiom in a social code: that one has to have a sufficient means of support to live comfortably (a ‘competence’) before one marries.<sup>223</sup> No legal or explicit requirement existed in Thackeray’s day that one had to meet this requirement. This principle needs no proof; breaching it incurs a sanction of social censure. Furthermore, a social code is not a set of rules, although rules may follow from axioms. The principles are social, not moral, as Thackeray indicates, although a social code may entail mores. Loosely, the concept of ‘ethos’ might approximate the concept of a social code as long as one defines ‘beliefs’ and ‘sentiments’ as axiomatic and excludes ‘moral nature’ in a definition of ‘ethos [as]: the distinguishing character, sentiment, moral nature, or guiding beliefs of a person, group, or institution’.<sup>224</sup> Finally, a social code may entail routines, but routines do not necessarily entail social codes.

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<sup>221</sup> “axiom”. *WordNet® 3.0*. Princeton University; *The American Heritage® Dictionary of the English Language, Fourth Edition*. Houghton Mifflin Company, 2004.

<sup>222</sup> “code”. Merriam-Webster Online.

<sup>223</sup> “competence”. OED online, 3. a. A sufficiency of means for living comfortably; a comfortable living or estate; b. The condition of having sufficient means for living comfortably; easy circumstances: 1632 MASSINGER *City Madam* IV.i, I shall be enabled To make payment of my debts to all the world, And leave myself a competence.

<sup>224</sup> “ethos”. Merriam-Webster Online.

## Anthropology and Social Code

Anthropologists do not appear to use the term 'social code': they have a variety of surrogate terms for social codes; they may use such terms as 'ethic' and 'ethos'. For instance, concerning the Harangos Rom of Hungary, Michael Stewart writes of 'The Ethics of Communal Life' in order to characterize acting *romanes*, "in the Gypsy way."<sup>225</sup> He terms their axiom of openness, exemplified below, as *inter alia* 'this ethic', 'this basic assumption', 'the ethic of sharing', 'the ethos of sharing, a 'sign of sharing, 'the communal ethic', and 'this ideology'.<sup>226</sup>

When writing of a people's 'ethic', anthropologists more often than not write about behaviour, proceeding to a conclusion by argument about it. This writing is discursive in the sense of passing from one area of the culture or society into another through the focus of an 'ethic', 'image' or other related term such as I have instanced. In anthropological studies of this type, one does not often find a code summed up in one place: an argument for its presence usually extends through the areas of society where it can be found or reasons examined for its absence or modification. An example from the Harangos Rom can make clear anthropologists' use of the concept of a social code that applies to exchanges.

## A Social Code in Anthropology

Ethnographers do not automatically assume the existence of social codes; they examine behavioural evidence to see whether it exemplifies a social code for a group under study. For his group, Michael Stewart uncovers *Romanes* as 'The Gypsy Way': this is a vision of egalitarian relations and elaborated around the idea of respecting other Rom.<sup>227</sup> The Rom social code is rooted in this vision.

Rom represent themselves as always open to one another's needs and behave as though one can assume this. This representation is an axiom: a Rom opens him- or herself to another's needs and behaves on this principle.

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<sup>225</sup> Stewart 1997:39

<sup>226</sup> Stewart 1997:47-49. Other phrases employed are: 'talk of..., image of...', p 51; '...private ethos over the state sector ethos.', p109

<sup>227</sup> Stewart 1997: 40, 44, 46-47

This principle is just one of the axioms of the Rom's social code; this egalitarianism applies to exchanges. The possession of consumable goods confers the right to give away and to lend as much as it does the right to possess exclusively.<sup>228</sup> Thus one incurs the sanction of rebuke for thanking people. As a Rom has the right to expect help from others, offering thanks would undermine the principle or axiom of openness. Violation of this principle of openness in the social code opens a Rom up to an accusation of being stingy (*bokhalo*; literally hungry). Social sanctioning thus follows violation of the social code. Sanctions to behaviour often provide evidence for the code, as in this example. The search for limitations serves to validate the existence of the code itself and its bounds. Thus realization of high-order axioms such as this one governs Rom social order and social and economic relations.<sup>229</sup>

One may expect all social groupings have social codes, as the behaviour of groups is not random. Having established a well-defined concept of a social code and the importance of its axioms in governing social order and economic activity, we may proceed to an investigation of the network's social code and of *Décoration's* power in shaping it.

### ***Genesis of the Network Social Code***

#### **The First Formation of Firms: Initial Code Principles**

The network's social code originates in the network's nascent stage. Here, four principles entered into, and remain in, the network's social code. One principle is that only entitled participants can join the network and take on joint projects; no outsiders are let in. One qualifies for entitlement either through kinship or as social and/or professional intimates or associates of at least one of the three core families. At this stage the four firms *Décoration*, Furniture Finished, *Architecture*, and Hans of Transportsentralen A/L linked

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<sup>228</sup> Douma and Sytse 2002: 47

<sup>229</sup> Douma and Sytse 2002



up with each other on this basis. In *Décoration* and *Architecture*, Heidi, Hilda and Greta are professional intimates, Hans a professional associate of Heidi and Hilda, and Haldor of Furniture Finished is kin, i.e. Heidi's brother. Although he does not conform to *Décoration's* terms for managing joint projects, *Décoration* does not banish him from the network, but restricts his scope of action in the network. He does not have to leave the field, as it were; kin are always privileged over outsiders in the network. The second principle is that the code is binding; otherwise, sanctions, such as the bestowal and rescinding of rewards, apply. Haldor incurs a sanction because his behaviour excludes him from managing joint projects: his firm foregoes the rewards of access to client-Friends. Haldor's retention in the network confirms the third principle of the code: the code holds for all time for all entitled participants. The fourth principle is that inter-firm exchange proceeds as non-market, privileged, non-payment exchange, except in extenuating circumstances. A participant does not charge another participating firm for directing a joint project. *Décoration* imposes this mode of exchange in its first form of collaboration with *Architecture*. *Décoration* had the power to set the terms of inter-firm exchange because it controlled access to Friends and because it used the credible commitment, as a source of power, of not joining forces with *Architecture* unless the latter acceded to this principle. *Décoration* held the sanction of foregone rewards over *Architecture*, were the latter to reject non-payment exchange. *Architecture* would then have no access to Friends. Again, Haldor excludes himself from this provision of the code in his insistence on impersonal market exchange. Thus, at the initial stage of the network, *Décoration* established four principles that were to continue to form the final code. The second stage of network formation introduces the final principles of the code.

### **The Second Stage of Network Formation: Code Completion**

The constitution of the Workshop Complex cements *Décoration's* authority, which it uses to augment the initial four principles of the code. Through its extension of the social code that sustains its business model in the network,

*Décoration* establishes its control and influence over the network. At this stage *Décoration* supports Helge's plan for the establishment of the Complex, locating under one roof the firms that network with *Décoration* and Helge's Furniture Factory. This plan gains support because it realises an ambition, not least of Helge's, to offer a seamless, integrated, bespoke total decoration service, more comprehensive than the service that the cooperation between *Architecture* and *Décoration* offers. In this instance, an expanded network serves the interests of firms new to the network and the interests of the network itself. The realisation of this venture thus introduces the subsequent principle that the greater gain of the network supersedes the individual gain of any one firm (as long as long as cooperation does not threaten or irreparably damage the interest(s) of any one individual firm) under Non-Nash equilibrium, Pareto optimal conditions.<sup>230</sup> This principle derives from the greater gain firms have from the ability to offer seamless and large projects to a guaranteed clientele through network participation and through attachment to the corporate brand of the network. *Décoration* controls the formation of the Work Complex venture through this principle of the greater gain of the group. *Décoration* directs the founding of this venture from a position of power, through its control of Friends and of the corporate brand. The same power and principle applies, for instance, in the case of any new firm joining the network. Thus this principle holds in incorporating the firm *Élégance* into the network as Floors Finished: its incorporation increases the total services the network can offer without threat to current networkers. As before, *Décoration* controls its incorporation into the network through its authority of

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<sup>230</sup> Pareto optimal, a technical term, means precisely that all parties (could) agree that an outcome is better than some other outcome; the reverse is Pareto suboptimal (where all (could) agree that an outcome is worse than some other outcome)). "Pareto optimality is the weakest possible requirement for group efficiency; if an outcome is not Pareto optimal, a change could be made that would benefit at least one person without hurting anyone else," Miller 1992:23

Pareto optimality is a common mislabelling for Pareto efficiency, q.v. Magill 1997,v.2:1147, *Pareto Economics*

A Nash equilibrium occurs where neither person could make him- or herself better off by each changing his or her mind, (when all participants are pursuing their (own and differing) best possible strategy given the strategies of all the other participants)). Miller 1992:22.

withholding or granting access to Friends and to the corporate brand. The code operates tacitly: participants do not question it consciously because the bonds of kinship and associateship mostly remove the urgency of explicit contracting among participants. Conscious questioning of the code, such as that in which Haldor engaged, disqualifies one from full participation in the network. *Décoration's* power dictates the code and its enforcement upon pain of the sanction of revoking the rewards of participation. Consequently, Floors Finished tacitly accepts and adheres to the provisions of the code. One may now state these principles as axioms of a code.

### ***The Social Code of the Network: Six Axioms***

The social code of the network has the following six axioms:

- 1) Only participants of the network may actuate the code; they are entitled participants
- 2) The greater gain of the core circle supersedes individual gain of any one firm (as long as long as cooperation does not threaten or irreparably damage the interest(s) of any one individual firm) under Non-Nash equilibrium, Pareto optimal conditions
- 3) The code holds "for all time for all entitled participants"
- 4) The code is binding; otherwise sanctions apply
- 5) The code operates tacitly; participants do not question it consciously
- 6) Interfirm exchange proceeds as non-market, privileged, non-payment action except in extenuating circumstances

Practical consequences follow from the social code. *Décoration's* instigation of the founding of the Furniture Factory follows the six axioms. Heidi and Hilda are the entitled participants that actuate the code for the greater gain of the then extant network by expanding it to include the Furniture Factory, which is then bound by the code, and which in turn recruits the other firms at the Workshop Complex into the network, where the recruited firms then adopt the code. The code thus functions as an evolutionary mechanism, besides its role of organising the steady-state behaviour of network firms *vis-à-vis* each

other.<sup>231</sup> The code has a multiple role in the context of the network. The code actuates the establishment of the network in its second stage, then keeps it in a steady state in its third formation, and as a template it provides for the network's further expansion.

From the outset I have asked why the network practices serial entrepreneurship over other forms of entrepreneurship. The social code of the network is an essential factor that enables the network to practice serial entrepreneurship. Several schools in the field of management that stake their claim to explaining the behaviour of organisations have taken on the construct of routines as one explanation for behaviour in organisations.<sup>232</sup> However, I shall argue that this construct is deficient; the anthropologist's construct of a social code has more to offer. Let us address the matter of the meaning of routines, which one may do by reverting to Thackeray.

### ***What is a Routine?***

The OED provides a useful definition of routine, which contrasts with Thackeray's term 'social codes':

1. a. A regular course of procedure; a more or less mechanical or unvarying performance of certain acts or duties.
2. Discharge of duties: Without article: regular, unvarying, or mechanical procedure, discharge of duties, etc.

The previous quote from Thackeray—"To marry without a competence is... a crime against our social codes"—also puts one on the track of what a routine is not. To marry with (or without) means is not a routine; to marry without means is not a breach of a routine. This holds true however repetitive an act may be. Therein lays an essential distinction between routine and social code. People may engage in serial monogamy and thus make a routine of marrying, but such behaviour does not qualify to define marriage as a routine. One can,

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<sup>231</sup> Steady state: "broadly: a condition that changes only negligibly over a specified time", Merriam-Webster Online dictionary, accessed at <http://www.merriam-webster.com/dictionary/steady%20state>.

<sup>232</sup> Douma and Schreuder 2002 in Chapter 10, Evolutionary approaches to organizations

for instance, clearly separate routines in a marriage ceremony from a social code governing marriage in a social group. One does not constitute the other.

Another essential distinction between routine and social code is that one can produce well-defined criteria for characterising a social code, whereas no satisfactory definition of a routine exists in the academic debate concerning routines in management literature. As pointed out earlier, Douma and Schreuder, for instance, can refer to the function of routines—“they [routines] develop in organisations to direct activity”—but these scholars have no definition of a routine themselves.<sup>233</sup> A social code also directs activity, as we have seen for the network, but that does not particularise a social code.

Management literature has adopted the notion of routines through three main intertwined strands of thought. (1) The early study of routines grew up chiefly in the setting of the large public bureaucracy, and the early study of bureaucracy linked bureaucracy and knowledge. For Max Weber (1846-1920) and his heirs, the technology of files in a bureaucratic organisation served as its memory and as a repository of knowledge: the institutionalisation of routines embodied the knowledge of a bureaucracy.<sup>234</sup> Routines therefore attracted attention, in the field of management, as a link to organisational learning in creating organisational knowledge. (2) Moreover, early on, a contradiction appeared between routines as both promoting and hindering coordination. One of the first scholars to write specifically about routines, Edwin O. Stene, pointed out that routines, besides coordinating activity in organisations, could also hinder coordination.<sup>235</sup> Still, for him routines were a ‘habit of coordination’<sup>236</sup> and they improved efficiency.<sup>237</sup> Stene also considered routines essential in any organisation because organisations required coordination continuously whereas leadership, however essential, did not operate so. Thus the idea of a routine became linked to coordination through a division of labour between workers and management.

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<sup>233</sup> Douma and Schreuder 2002:224

<sup>234</sup> Weber 1922

<sup>235</sup> Stene 1940:1129

<sup>236</sup> Stene 1940:1129.

<sup>237</sup> Stene 1940:1128

(3) However, by the mid-twentieth century, scholars saw organisational routines as a hindrance to developing knowledge in organisations. This line of thought interpreted routines as a hindrance to organisational knowledge. Generally, this line of thought held that deeply rooted routines often lived on long after they had outlived their purpose and thus could dysfunctionally dictate organisational policy and practice.<sup>238</sup> Historically, the notion of a routine was, in the main, tied to the effective and ineffective coordination of knowledge and of work tasks at the bottom end of an organisational hierarchy. Reconciling these strands of thought made defining routine a vexed matter. Subsequently, debate in the management literature has not entirely escaped this legacy.

The landmark and influential work of Martha S. Feldman tackles the concept of routine from the perspectives of the first and third strands of thought above. Using a qualitative approach, Martha S. Feldman examines the production of knowledge by officials in a public bureaucracy and how the routines for producing knowledge become an end rather than a means.<sup>239</sup> She observes too that routines obstruct the performance of work.<sup>240</sup> The coordination that routines provide turns out to be pathological. The officials in her study occupy a position towards the ground level of the organisation she studies as they are the workhorses of the organisation. Although one has moved from the shop floor to white collar work, her ethnography largely fixes routines at this level and treats upper management only in so far as it impinges on the routines of officials.

### **Organisational Routines: An Oxymoron of Good and Bad**

Conceptually, at this stage, one has remained in the Weberian world of officialdom. Her study also touches upon a problem that has continually bedevilled the study of routines: although one may have a clear idea of a routine in any one study, one rarely finds it rigorously defined. She lists what

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<sup>238</sup> Wilensky 1967

<sup>239</sup> Feldman 1989:111

<sup>240</sup> Feldman 1989:111

she deems routines as being what assure stability and regularise work: “The use of impersonal rules, categorization of cases, delegation of authority, and centralization...”, and she sums up the role of routines thus: “In short, routines codify a process”.<sup>241</sup> Feldman’s own conception of routines does not seem to have satisfied her in that she continued to grapple with the concept, which she tried to reconceptualise.

### **Organisational Routines: Rigidity and Transformation**

Routines required change in so-called learning organisations. An answer was required to the question of how firms learn new routines: how could routines change in line with changes facing an organization when routines were the source of regularity and ‘best practice’? Stene’s ‘habit of coordination’ fell short. In the late 1950s, J. C. March—Feldman’s doctoral supervisor at Stanford University—and H. A. Simon mention the concept of organisational learning, and March has at all times put forward a link between learning and decision-making, although few of his works specifically treated this topic. In his review of organisational routines for the last twenty years, Marcus C. Becker credits M. S. Feldman and co-authors for resolving the apparent contradiction between rigid and mindless routine and routine requiring ‘effortful accomplishments’.<sup>242</sup> Their work points out that change resides in routines themselves: people need not simply follow or reproduce routines; they have a choice of whether to do so or whether to amend them. Continuous change can occur because of people’s reactions to various results of earlier reiterations of a routine.<sup>243</sup> This concept of organisational routine agrees with an understanding of organising as an ongoing accomplishment. This augmentation of the concept of routine, however, did not contribute to its definition.

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<sup>241</sup> Feldman 1989:110,111

<sup>242</sup> Becker 2004:643-678

<sup>243</sup> Feldman 2000:611;611-629; Feldman and Pentland 2003:102,:94-118

### **Organisational Routines: A Stymied Definitional Problem**

A clarification of the definition of routine failed to accompany the revitalised concept of routine, and this failure has hindered moving the concept forward towards the idea of flexibility and ongoing accomplishment. The problem of an outdated and insufficient definition of routine reigns in the article in which Feldman and Pentland revitalised the concept. Their definition in the context of learning does not in essence go beyond Stene's 'habit of coordination', although they are aware that as a widely used term, 'routines' are taken to be clearly understood but are still "...remarkably difficult to conceptualize in a rigorous way."<sup>244</sup> Feldman and Pentland first assert that they do not see a need for rejecting previous definitions of routine; they claim that the literature by and large agrees "...that organizational routines can be defined as repetitive, recognizable patterns of interdependent actions, carried out by multiple actors. We accept this definition..."<sup>245</sup> The definition appears not to hold, so they offer another: "...we have... a core definition: an organizational routine is a repetitive, recognizable pattern of interdependent actions, involving multiple actors".<sup>246</sup> However, this definition does not fundamentally revise the previous one. And they repeat "...the definition of organizational routines articulated earlier: repetition, a recognizable pattern of action, multiple participants, and interdependent actions"; and again: a "basic definition of an organisational routine: it is a recognizable pattern of interdependent actions carried out by multiple actors".<sup>247</sup> As S. G. Winter noted, their treatment of routines renews the notion of routines as subject to variation, but the element of variation does not appear in the definition, which harks back to a traditional one.<sup>248</sup>

### **The Merits of Routine and Social Code**

Feldman and Pentland owe their reconceptualisation of routine to anthropology. In their novel reconceptualisation of routine as a flexible and

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<sup>244</sup> Feldman and Pentland 2003:4

<sup>245</sup> Feldman and Pentland 2003:3

<sup>246</sup> Feldman and Pentland 2003:4

<sup>247</sup> Feldman and Pentland 2003:11,13

<sup>248</sup> Winter 1964:263, 225-272



changeable performance, Feldman and Pentland credit and draw upon a plethora of anthropologists directly or indirectly concerned with agency.<sup>249</sup> It therefore remains unclear why Feldman and Pentland could not have included agency in their attempts at a definition they clearly thought was called for and why, in their reading of anthropology, they overlooked social codes.

The crucial difference between social codes and routines lies in their level of analysis. Routines orient themselves towards tasks and the performance of tasks (skills): they are a means to an end.<sup>250</sup> The problem of the definition of routine arises if one departs from the idea of procedure. As Douma and Schreuder report them, R. Nelson and S. Winter designate routines as all regular and predictable behaviour patterns of firms.<sup>251</sup> However, the widening of this definition from procedure to behaviour produces a mismatch between their definition and the standard meaning of routine that they adopt. Therefore their examples exemplifying routines are tasks: production routines, advertising routines, hiring and firing routines, and the like. Unlike their predecessors, Nelson and Winter extend routines up the organisational hierarchy to top managers, but these routines remain tasks nevertheless. The other textbook idea of routines, as for instance found in Douma and Schreuder, makes them out as functions. They direct activities in organisations and ensure reliability of performance. No definition for this view, which basically replicates the view that routines coordinate tasks, has been advanced.

One part of the problem lies in advancing a definition that promises more than the standard meaning of routine can bear, as in the instance of Nelson and Winter above. The same holds for Feldman and her co-workers. If

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<sup>249</sup> In their article of 2000, these are: Bourdieu, Pierre. *Outline of a Theory of Practice*, Cambridge UP, Cambridge UK, 1977 and his *The Logic of Practice*, Stanford CA: Stanford University Press, 1990; Pike, Kenneth L., and Hams, Marvin eds., *Emics and Etics: The Insider/Outsider Debate*, Newbury Park, CA. Sage, 1990; Ortner, Sherry B. *Theory in anthropology since the sixties*, *Comparative Study of Society and History* 26.1 (1984.): 126-166 and her *High Religion: A Cultural and Political History of Sherpa Buddhism*, Princeton NJ: Princeton UP, 1989.

Q.v. their article of 2003, which cites at least 10 works in the canon of anthropology.

<sup>250</sup> This is in line with the Oxford English Dictionary's definition: "1. a. A regular course of procedure; a more or less mechanical or unvarying performance of certain acts or duties."

<sup>251</sup> Douma and Schreuder 2002:229

routines are to be flexible, then their definition of routine has to accommodate that flexibility. Another part of the problem is making exaggerated and extravagant claims for the role of routines. In this view, routines are the core of an organisation. Thus, according to standard textbooks such as Douma and Schreuder, Nelson and Winter conceive of the whole of organisational functioning in terms of routines; yet their routines turn out to be no more or less than complex tasks.<sup>252</sup> No summation of tasks explains the behaviour of an organisation: such a summation could at best describe it. The organisational ecology view does not hold either: many factors besides routines govern activity in organisations and ensure reliability.

A social code establishes the principles of behaviour in a group. It does not establish procedures. It leaves room for bargaining. Routine as we now have it concerns regularity, repetitiveness, number of participants, and predictability of tasks, which are means to an end. The chief problem with the notion of routine is that one has confused means with ends and expected the role of means to fulfil the role of ends. A social code is concerned with ends because it deals with axioms—self-evident truths within a group. Truths are ends, not means. Because it consists of axioms, a code is explanatory by definition. A social code provides and is a template, a set of axioms, upon which a group of people draw for behaving in relation to each other. The code applies throughout a significant part of a group's institutions. Yet a social code does not aim at explaining the totality of the behaviour of a group. The concept of a social code is therefore more powerful in its capacity to provide explanation than the notion of routine.

Routines apply to processes within firms. The social code of the network applies to a network of firms. Differentiating between a routine and a social code thus assists one in answering the question of why the network puts into practice serial entrepreneurship. The last pivotal event in the history of the network—the founding of Floors Finished—illustrates the role of the network's social code in promoting serial entrepreneurship in the network.

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<sup>252</sup> Douma and Schreuder 2002:241

## ***Social Code and Entrepreneurship***

Entrepreneurial companies are those where the same person establishes, controls, and has the responsibility of running a company. In the simplest sense, serial entrepreneurship consists of the same owner-manager establishing, controlling and running one company after another. In the network, however, several owner-managers collaborate in establishing, controlling and running one company after another. These owner-managers are Heidi and Hilda, Helge, and Dag. They expand the network through exercising a social code and not by performing routines or tasks of management. Let us examine serial entrepreneurship in the context of the network's social code.

### **The First Instance of Serial Entrepreneurship**

The first instance of serial entrepreneurship occurs when one pair of owner-managers, Heidi and Hilda of *Décoration*, back Helge in founding The Furniture Factory according to the social code. Several aspects of entrepreneurship help one understand this instance. The Oxford English Dictionary (OED) defines entrepreneurship in the context of political economy: “c. *Pol. Econ.* One who undertakes an enterprise; one who owns and manages a business; a person who takes the risk of profit or loss”.<sup>253</sup> Management literature often couples entrepreneurship with innovation. This literature puts a premium on the founding of firms that are not just new in the sense of adding ‘just one more firm’ on the same mould but of founding firms that innovate, as Peter Drucker suggests: “Innovation is the specific function of entrepreneurship... It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth”.<sup>254</sup> The joinery seems to fit this idea of

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<sup>253</sup> OED

Merriam Webster online (at <http://www.merriam-webster.com/dictionary/entrepreneur>) has the equivalent definition: “one who organizes, manages, and assumes the risks of a business or enterprise.”

<sup>254</sup> Drucker 1985

entrepreneurship but fails on one important point. Helge undertakes the enterprise of founding the joinery; he and Geir own the business and jointly manage it on a daily basis; Heidi, as Chief Executive Officer, takes a hand with Hilmar as board chairman in the top management of the firm, and as sole shareholders of the closely-held firm taking the risk of profit and loss Helge and Geir, along with Heidi and Hilmar as directors, are ultimately responsible for the joinery as a going concern. Heidi, Hilda and Helge share the idea of founding a joinery, and Heidi and Hilda, as we observed, had the power to set the terms for the venture and the business model it had to follow. The idea of founding a joinery does not break new ground, but the joinery does enhance existing resources that create wealth. Those immediate resources are Helge's artisanal flair and the joinery's adoption of the institution of Friends, a part of Heidi and Hilda's innovative business model. Multiple strands of serial entrepreneurship therefore come into play. At issue are enterprise undertaken, owner-managership, the responsibility for profit and loss, and innovation in organisation. More than one person puts each component into play. However, the OED definition of entrepreneurship presumes that entrepreneurship is exercised by one entrepreneur alone. The idea of a single lone and heroic founder of a novel venture is a common one for representing entrepreneurship, yet here one has a case of collaborative entrepreneurship, an entrepreneurial team.

Principles of collaboration, not routines, enable these people to engage in this serial entrepreneurship. The parties engaged in forming the new firm follow tacit guidelines—the axioms of their social code. Only those people who possess this code participate in forming the new venture. Their behaviour acts out all six axioms of their social code.

A number of points arise from this instance that serve to differentiate routine from the network's social code. The exercise of entrepreneurship in the network does not occur as regularly repeated behaviour, nor does the code hinder coordination. The code cannot hinder coordination according to its second axiom. However, although the network goes on to establish yet

another firm after the joinery, the network does not repeat entrepreneurial activity regularly. There is a pattern of serial entrepreneurship but not one that occurs regularly. Another firm arises because of specific conditions that favour the formation of yet another firm. The code then comes into effect. Furthermore, change does not reside in the code. In Feldman's view, change resides in routines themselves due to peoples' reactions to earlier reiterations of a routine. The network code differs from a routine in this respect. The code is stable, routines may change. The code facilitates change—the joinery, a new firm forms—but does not itself change.

The network changes further in that it again engages in serial entrepreneurship with the founding of another firm, Floors Finished. An examination of the founding of this firm shows that the social code underpins the change in the network without the code itself changing.

### **The Second Instance of Serial Entrepreneurship**

I have reserved a treatment of the history of Floors Finished, the last firm to join the network, until this point, as the last of the five pivotal events in the development of the network. The founding of Floors Finished is pivotal *inter alia* because it confirms the pattern of serial entrepreneurship that *Décoration* instigates according to the social code. This instance also presents some special features of serial entrepreneurship in the network and, pivotally, marks the end of the expansion of the network. Now, I investigate the special formation of Floors Finished in terms of the social code, power, and entrepreneurship.

### ***Élégance*, Floors Finished and Entrepreneurship**

Two firms predated the formation of the network: The French Factory and *Élégance*.<sup>255</sup> As a supplier and consulting producer of cutting edge surfacing materials, mostly for industry, The French Factory had no connection with

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<sup>255</sup> Q.v. Chapter 4, under the section Dag's Schooling and Post-Schooling Experience, for the history of *Élégance*.

*Décoration*, its predecessor All-in-Stitches, or any other of the firms that came to form the artisan network. This factory had recently, through its strong R&D division, expanded into developing domestic interior surfacing materials. One of these could serve as a flooring and wall surface, particularly suited to bespoke domestic use, into which one could imprint any free-hand or standardised design in any combination and shade of colours. This material had caught on in a niche luxury market in France and the factory was successfully starting to market the material elsewhere in Europe. As such, this firm was technologically entrepreneurial: chemical engineers had founded it to purvey specialty surfaces they had invented in their laboratories. Heidi and Hilda had become aware of this factory and its new material through the grapevine on a business excursion to France and then read up on it in the French chemical industry trade journals. They obtained business press reports and company accounts and reports, which they translated into Norwegian, and had Hilmar do a due diligence on the company, which turned out to their satisfaction.<sup>256</sup> The women had no intention of investing in the factory. Their interest lay in its reputation, solidity, and long-term prospects with its new interior surface. They wanted to know whether or in what way they could be ‘part of the action’. At the same time, Hilda, separating from Dag but not yet engaged to Haldor, was aware of her father-in-law’s pressure on Dag to make a success of himself in private-sector business—an awareness Heidi shared. *Élégance*, Dag’s firm, unlike The French Factory, was not entrepreneurial in the sense designated above. Dag had used his company in a series of traditional businesses both in France and Norway, but, although serial, these ventures did not encompass entrepreneurship. Nevertheless, the scope of these ventures did bear witness to flexibility in that they embraced widely differing business models: for instance, in purveyance of luxury property in France and modest import of specialty clothing textiles in Norway. We may

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<sup>256</sup> Due diligence: An investigation, performed by investors, into the details of a potential investment, such as an examination of operations and management and the verification of material facts. Definition accessed at [http://www.investorwords.com/1596/due\\_diligence.html](http://www.investorwords.com/1596/due_diligence.html) This content can be found on the following page: [http://www.investorwords.com/1596/due\\_diligence.html](http://www.investorwords.com/1596/due_diligence.html)

now address why *Élégance* turns entrepreneurial and why the network brings it into its organisation.

### **Serial Entrepreneurship: Power in Play**

As we witnessed earlier, both Helge and Dag have their reasons for wanting to start a new venture—Dag because of his felt need to prove himself to his father, Helge because he wants to lessen his engagement in the Furniture Factory on account of his state of health.<sup>257</sup> Aware of these needs, Heidi and Hilda suggest to the men that they go into the business of floor and wall surfacing, and the women present them with their dossier on the French Factory. Having uncovered the opportunity that the product of the French Factory presents, Heidi and Hilda see it as a contribution from several angles to the network's corporate image. A novel flooring capacity complements the total decoration service they and the network aim to provide. They also see the originality in this flooring concept as promoting the up-to-the-minute and last word aspect of the network's corporate image. The cachet that *Élégance* lends to the perception of the network by its clientele as partly French-inspired would also strengthen the French aspect of the network's corporate image. They themselves would not hold stakes in the company or directly profit from it: the men would own it. Yet if this new firm existed, and adopted the conditions of collaboration in the network as epitomised in the social code, the firm could attract customers, draw them into larger projects, and absorb them as Friends, and thus *Décoration* and the firms of the network could gain even more custom. Furthermore, they reckon the men's own business experience of each running a company minimised the risk of failure with a new business.

The women then pull their levers of bargaining power to strike a deal with the men. They offer to forego compensation for the business concept of providing a new type of flooring enterprise and for their efforts in providing due diligence. Nor do they demand a share in the ownership of the company.

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<sup>257</sup> Q.v. respectively Chapter 4, under the sections Dag's Burden and Challenge, and Implications of Helge's State of Health

For providing the business concept and due diligence, they demand that the men adhere to *Décoration's* business model, accept clients only from the group of Friends, and operate solely as network participants. They also require that the men obtain sole agent's rights at least in Norway, if not in the Nordic Area, to the technology from the French company. These conditions ensure that a new addition to the network will have the potential to contribute to the network's corporate image. The women make a credible commitment: they present their offer as a non-negotiable package, 'take-it-or-leave-it'. Because they make it clear that were the men to deviate from the deal as offered, Heidi and Hilda would revoke The Furniture Factory's access to the institution of Friends through the simple act of blacklisting the Furniture Factory and of excluding any Friends who might then do business with it. Haldor stands as a salutary example of isolation from Friends. Helge and Dag know that Heidi and Hilda can count on female solidarity from Friends should the question of the men's access to Friends come to a head. Any such conflict would likely trigger severe marital discord, if not divorce, between Helge and Heidi. The women's commitment is therefore credible.

Dag sees hands down that the women have done their homework and are indeed a credit to Gunnar. The business concept of a flooring operation will go further than he can go with his textile venture unless he devotes more time to it over a long period of time. Like Helge before him when establishing the Furniture Factory, Dag realises the advantages of a ready-made and virtually captive customer base and low setup costs. His linguistic facility in French, experience of French culture, education in France, and experience of French business culture as a bank manager equip him to do business deals with the French Factory. With Helge's blessing, Dag decides to bargain with the women and advances three conditions before he will accept the offer. The first is that he keep the company *Élégance*, under whose aegis Floors Finished will operate, without prejudice to previous, current, and future operations of *Élégance*. The second is that his wife Kristina, whose ambition to acquire private sector business experience in management he supports, become the CEO of *Élégance*. The third is that before he and Helge make any decision



they take off four weeks in all in France, initially to attend a two-week training programme at the French Factory on the application of the new technology, then to spend the third week under the supervision of a French Factory technician applying the technique on-the-job, and finally one week visiting French vineyards and wine collecting at estates. Heidi and Hilda consent to the requests because they hold the power of revoking access to Friends if any of *Élégance's* operations prejudice those of the network and because they can also withdraw access to Friends were Kristina to act against the interests of the network.

Dag has the bargaining power of patience *vis-à-vis* Heidi and Hilda. He knows that their preparation of due diligence is a sunk cost so that the women want to move on to having a company up and running before the opportunity evaporates. Dag also has and uses two other levers of bargaining power at his disposal that back up his conditions for entering the network. He knows from his marriage with Hilda and the formation of the Furniture Factory, without it being spelt out, that an unspoken usage prevails—that the network keeps to firms from the core families. It does not let in outside firms. Thus Dag can exercise the bargaining power of the preclusion of outside options: he can count on the women only exceptionally making an offer to outsiders to make a business of the flooring opportunity and then by definition to co-opt it into the network. This would violate the first axiom of the network's social code. Moreover, no one else in the network is positioned to take up the opportunity. Haldor is already excluded; Nina and Wenche cannot spread themselves too thinly with more than the volume of work they presently do. Realistically, the women have no outside options. Dag's mastery of French culture and language beyond anyone in the network and his higher education as a Master of Business Administration (MBA, INSEAD) confers on him the opportunity to use the bargaining power of asymmetric information. He does so by contacting the French Factory and making an extended visit there to acquaint himself thoroughly with its operations. He then knows more than the women about the opportunity they offer.

Helge likes the offer and sees it as unproblematic. He relishes the artisanal challenge to explore this new material and technique. Geir is in place and can take on more responsibility at the Furniture Factory. Dag will relieve Helge of the paperwork and administration in the venture. The accountant that Dag proposes, Einar, has a home office one floor up from *Décoration* in the same building. Einar's location makes it easy for Helge to drop in on him at the same time as he drops in on trips to *Décoration*. The company is already set up, thus eliminating the legal work of setting up a company. He will deal with the same clientele. He considers the setup costs minimal. He can run the operation from his van, with his mobile, and with some storage and a small workspace that he can arrange with Henrik.

The stability of his family circumstances favour the venture. After all, his wife proposes the venture in awareness of what setting up and running the venture will involve for family life. The live-in home help can cope with Holgar and fixing meals for the family, and Hanna is studying in Australia. Hilda, Kristina or Dag can see to Harald easily, as he often stays over with Frederik, a circumstance that frees Helge to travel to do the flooring wherever Friends may want it done. Dag too can accompany him on some of such trips by taking time off as compensation for working overtime. The only problem that Helge ponders is whether this technology will appeal enough to catch on in Norway: is the time ripe? Nonetheless, Helge sees it as a golden opportunity all in all, "Vi kommer til et dekket bord," loosely meaning that the company can just skim off the cream.<sup>258</sup> We can now draw out the role of the network social code in the entrepreneurial process of forming the new and innovative venture of Floors Finished.

### **Serial Entrepreneurship: The Social Code in Play**

The social code contributes to the entrepreneurial venture of Flooring Finished which builds on a technically innovative type of flooring, entrepreneurially the venture proceeds by collaboration rather than by the

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<sup>258</sup> Literally the idiom translates as 'we come to a (dining) table (already) set'.

effort of a single-person. The social code helps steer the entrepreneurial collaboration. Again, each of the code's axioms comes into play, and address and answer questions concerning decisions that have to be made about organising the collaboration. These are questions such as (1) who can participate in the network; (2) when does collaboration take place; (3) how long does collaboration last; (4) what keeps participant collaboration on track; (5) what keeps the code secreted; and (6) what form of exchange governs inter-firm transactions. In the instance of Floors Finished under *Élégance*, the answers to these questions follow the precepts of the social code:

(1) *Élégance* and The Furniture Factory have owner-managers, Helge and Dag, who are already entitled participants of the network. Any new addition to the network will have to come from entitled participants. Helge and Dag qualify on this account.

(2) Collaboration takes place when the greater gain of the network is at stake without prejudice to participating or potential firms of the network. The majority of the parties see it to their advantage to include a new enterprise, Floors Finished, in the network. Haldor does not like the idea of taking in Floors Finished because it sidelines him even more, but he cannot stop it. It does not damage the business interests of his firm. His only bargaining chip is withdrawal from the network as an outside option.

(3) The permanent incorporation of the new venture ultimately depends on its success as an ongoing concern, but from the moment of its inclusion the code binds the new firm's actions. It cannot leave the network unless it violates axiom number two. The commitment "for all time for all entitled participants" maintains the stability of the network and its firms can count on the predictability of the network's continuance.

(4) Ultimately, the denial of access to Friends serves as a negative sanction for potential code breakers. Both Helge and Dag know this, Helge from his participation in the network, Dag from his marriage with Hilda and observance of network behaviour.

(5) The code emerges through the stages of power that *Décoration* comes to exercise through its direction of the network. Nowhere is the code written

down. Helge gets acquainted with it through contact with Heidi, seeing how Heidi and Hilda handle their collaboration with Grete and Haldor, chatting with Heidi, Hilda, and Helma about 'how's the boutique doing' on his dropping in on *Décoration*, and his own subsequent participation in the network through his initiative of starting the Workshop Complex and through starting Furniture Finished. Before his inclusion in the network, Dag picks up the code, through his marriage to Hilda, in much the parallel manner by which Helge does, except for direct participation in the network.

(6) Interfirm exchange takes place within a select, (semi-) closed, and privileged market. This is no secret to either Helge or Dag, who have seen *Décoration's* operations with Grete and Haldor. Heidi and Hilda's terms for joining up with them, i.e. following their business model, come close to being made explicit to the men, but the terms and business model are not written down nor specified anywhere.

### ***Analysis: Themes of Organisation***

The process of incorporating the firm of *Élégance* into the network and of adapting part of the firm to the venture of Floors Finished has shown it to have occurred in accordance with all of the axioms of the social code. The axioms of the code addressed and answered questions concerning decisions that had to be made about organising collaboration. The social code, therefore, provided a template for resolving questions concerning expansion of the network and its governance. The code smoothed the way for making decisions concerning organisation of the network in instances of serial entrepreneurship. In this respect, it functioned to ease and streamline decision-making at the level of the network for its partners. The instance of its repeated use also provided evidence that a pattern of serial entrepreneurship existed and that a social code contributed to that pattern. However, although a pattern occurred, it did not do so regularly and therefore lacked a salient characteristic of a routine. The circumstances under which the pattern recurred also differed from the classic one of a single person making the venture. Serial entrepreneurship in both the first and second instances

required a collaboration of participants. The second instance also showed that the network could adapt the flexibility shown by the various business sectors in which *Élégance* had engaged to the flexibility of services that the network provided. The social code provided the flexibility to adapt the non-entrepreneurial business of *Élégance* to an entrepreneurial enterprise. The social code thus had the capacity to accommodate change in the network by expanding it entrepreneurially without the code itself changing, whereas in the bettered concept of a routine, the routine itself changes in order to improve the performance of a task. Nevertheless, the social code can only adapt to change within the limits of its business model. Thus, despite both codes and routines affecting organising as an ongoing accomplishment, a crucial difference remains between them.

The next chapter presents a discussion of making a livelihood in terms of the conceptual metaphor of a journey set up in the thesis' introduction and assesses whether that journey has come to an end. That discussion bears upon research question number one. The social code helps answer the question of what limits the size of the network, why it remains small, and why it remains independent. The discussion of these questions proceeds stepwise by pulling together and considering the sixteen interrelated themes that characterize the lifestyle of the artisans.

## 10 Network Lifestyle

Network practices and institutions express and materialise the network's lifestyle. This chapter examines how the network maintains its livelihood in terms of its lifestyle. An analysis of lifestyle brings out the inner logic that connects the four research questions of this thesis, and helps provide answers to them. The question of firm and network size, considered earlier as posing an apparent enigma, structures the network's capacity to do work, its division of labour, and the extent to which it can pursue serial entrepreneurship. Network size also bears upon the independence of the network. The lifestyle of the network enables it to realise certain achievements that enable 'the good life' and the independence of the network, the topic of the subsequent concluding chapter.

Part I here starts with a short analysis of the network's construction of wealth and work and their effect on network lifestyle. An explication of the artisans' view of their business as an inexhaustible source of wealth ultimately refers back to research question three concerning wealth creation. Likewise the nature of the artisan's conception of work refers is integral to the development of their business model, the subject of research question one. Part II moves on to consider the consequences of the network's social code and of economic organisation for their lifestyle, the subjects of research questions two and four, explaining how the social code informs aspects of network lifestyle. Part III specifies the sixteen traits of network lifestyle and the achievements that that lifestyle enables. Fifteen traits fall into three groups: the first seven concern the implications of wealth creation; traits eight through eleven well-being and 'the good life'; and traits twelve through fifteen network relations, customer relations, and the interrelations between them. The final trait, sixteen, concerns risk.

The ethnographic evidence that has built up in the course of the thesis indicates that Porter's Five Forces, first broached in the introduction, do not suffice to explain why the network remains constricted. Conventionally,

factors such as Porter's Five Forces prevent small businesses from gaining a competitive advantage that would leverage them from small-time to big-time companies.<sup>259</sup> From the ethnography, there is no clear evidence that Porter's Five Forces limit the network to a small-scale enterprise. We have seen that (1) the network's secreted and semi-closed, select market blocks the threat of new entrants to the network's business; (2) the pressure of substitute products hardly exists; (3) buyers and (4) suppliers have no significant bargaining power over the network; (5) no rivalry amongst existing competitors exists because there are no real competitors to the network in their market niche. These factors ensure the network's independence, but do not rule out the network's owner-managers from cashing out. The answer to the question of network size lies elsewhere, in the lifestyle the network leads.

### ***Lifestyle and the Network***

In making a livelihood, the network shares a lifestyle, aspects of which one has observed at various points in the thesis. The characteristics of the network's lifestyle depend upon the work practices and institutions of the network that I have described. The artisans in the network with previous employment as employees wanted to break away from or modify the way of life that collective bargaining agreements, labour legislation, industry practices and the like imposed on them for good or ill. They therefore broke away from such arrangements and established their own, in order to pursue their pride in craftsmanship as they saw it and approach work as a means to express their creativity. The core artisans as owner-managers, and their employees, had the opportunity to do so. They too had the model of *All-in-Stitches* and *Décoration* before them. Examination of their expectations concerning wealth and work provides a key to their lifestyle, that is, a way of life that reflects the values and experiences of a group.<sup>260</sup>

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<sup>259</sup> Q.v. Chapter 1 and footnote 7, Chapter 1

<sup>260</sup> This definition closely follows Stedman 2002.

### ***The Network Concept of Wealth***

The network concept of wealth is tied to its business, and, in the view of the network, the business is an inexhaustible source of wealth. Wealth is not an end in itself for network participants, although this holds less for Haldor and Dag, who also want to keep up a macho image through displaying material goods. Thus Haldor has an outsize and expensive yacht for someone who sails solo, particularly as he tends to behave as a lone hand. He let everyone know as soon as he had acquired a roller jib for his yacht, and he was one of the first to have one. Dag leant toward showing male trappings of wealth mostly as a way of proving to his father that he had made a success of himself. As a public servant, however, Dag kept his display of wealth discreet. Yet for the network as a whole, wealth is a means to an end, and that end is the creation, recreation, or restoration of exquisite furnishings and décor. Wealth allows the artisans to pursue this end unfettered. They believe that if they achieve the heights of craftsmanship, as opposed to artistry, wealth will flow to them. Haldor holds this point of view: he aims to be the 'best in the business' and has no intention of letting anyone better him in his craft. Helge defends keeping Haldor in the network precisely because of his nonpareil workmanship. Torstein, as the scion of one of Norway's great landed foresters, had no need to work at all.<sup>261</sup> He liked woodworking and excelled as one of Norway's finest knife and gunstock makers, purely for the pleasure of it. He worked in the joinery because of its uncompromising, peerless craftsmanship and because of its milieu of social peers both in the joinery and amongst its clientele. Helge had no need to skimp on expenses to make ends meet. Thus his search for bargains in Sweden gave rise to much mirth precisely because it appeared out of character in an elite milieu. The sentiment of pride in craftsmanship that bound together the participants of the network promotes a common lifestyle amongst them. The artisan's motivation for their lifestyle lies in their concept of work, since the best craftsmanship demands work.

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<sup>261</sup> Q.v. Chapter 5, section Personality, Social Background and Ambitions



### ***The Network Concept of Work***

We have already remarked that the networkers do not perceive themselves as artists. Business literature and the business press seem to classify the kind of work that the network performs as that of ‘creatives’.<sup>262</sup> Within what this press calls the creative industries and creative work, the category of creatives includes *inter alia*, design (of fashion, web sites, advertising, games, perfumes and the like), architecture, and entertainment (film and print media). The hallmark of this kind of work is the provision of content, design, and skill for making a complex creative good. Nevertheless, labelling networkers as creatives does not suffice to capture the artisans’ lifestyle. Network lifestyle distinguishes itself from that of creatives in one key component, as we shall see below in the section Artisans and Creatives. Network participants perceive the expression of creativity as the end of their artisanship—the best possible artisanship. This goal motivates them to work. The artisans do not merely provide content: they provide creative content. Authentication for this claim concerning motivation is found in that none of the artisans need work: to a person, they could have retired instantly. Dag was no exception: he also had this creative motivation in addition to his education and background in commerce and management. His practical turn of hand and mind was evident in his completing the training courses at the French Factory, investigating and trying out the technical characteristics of chemically based flooring materials, then working on a year’s leave of absence from his civil service position alongside Helge on flooring projects, and subsequently pitching in with Helge

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<sup>262</sup> The business press carries an ongoing debate on the role of creatives, q.v. Barr, Damian (byline), Creatives v techies: a clash of cultures in the workplace, *The Times* (London), January 11, 2001, Thursday; Features. An early use of the term occurs in *The Sunday Times* (London), August 6 1989, Sunday; Issue 8608, Pay scales up-ended by best ad creators.

on larger projects. He applied the hands-on approach learned from managing development projects to the flooring business.

Within the network, people did not describe themselves as going to work. I did not register the phrases, otherwise common colloquially, 'Jeg skal på jobben' [I'm going to my job] or 'Jeg skal på arbeid' [I'm going to work] for office workers, trades people, or sometimes professionals. They spoke either of going to one of the locations of the network, to a customer, or of undertaking or executing a project. They expected to go and create décor, or part of one, rather than entering a state of mind or place called work. The absence of wealth as an issue took the pressure off them of earning their keep, thus enabling them exclusively to focus upon creating consummately habitable surroundings. Again, we can use Lakoff and Johnson's argument that language is an important source of evidence for the conceptual system that people use in thinking and acting. Conceptual metaphors of work in Norwegian are available for structuring a concept of work and thus for acting upon that conception. Let us unravel the concept the network had of its work and the metaphors available to them that direct their actions.

### ***Work: A Conceptual Metaphor***

In Norwegian one commonly speaks of work in jobs as pecuniary and as an activity, aspects of work centrally important in Norwegian culture. A particular set of these ordinary metaphoric expressions in Norwegian conform to the conceptual metaphor Lakoff and Johnson identify as **WORK IS MONEY** and **WORK IS AN ACTIVITY**:<sup>263</sup>

In Norwegian **ARBEID ER PENGER / WORK IS MONEY**, e.g.:

a. Metaphors of Work; Source domain—Money :

*lønnen arbeid / paid work*

*Arbeidet er godt betalt / The work is well paid*

*Det lønner seg å arbeide jevnt / It pays (off) to work steadily*

*De gjorde gode penger på arbeidet / They made good money from the work*  
and

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<sup>263</sup> Lakoff and Johnson 1980:66-68, on which my discussion builds

ARBEID ER VIRKSOMHET / WORK IS ACTIVITY, e.g. :

b. Metaphors of Work; Source domain—Activity (Motion):

bearbeide *jorda* | lit. <intensifier> work *the earth* / to cultivate the earth

*tapte arbeidsdager* / *lost working days*

å *innføre en arbeidsdeling* hjemme | lit. *to lead in a division of labour* at home  
/ to introduce a division of labour at home

Again, It is difficult to see in the examples that metaphors are there at all because these metaphors are so much the conventional way of speaking in Norwegian and a way of living. Yet these are metaphors: one does not lose or find working days, for instance. The WORK IS ACTIVITY metaphor carries a number of assumptions, as does the WORK IS MONEY metaphor that the network does not share. Some of these are:<sup>264</sup>

- (1) One can clearly identify work and distinguish it from activities that are not work
- (2) One can quantify work, having identified it, in terms of time and money
- (3) One can tell work from play and productive from non-productive activity
- (4) Work is an activity independent of who performs it
- (5) Work is an activity independent of how one experiences it
- (6) Work is an activity independent of what it means in one's life
- (7) Inactivity is not a purposeful end

Episodes in this ethnography and previous discussion go against or modify these assumptions. For instance, the corporate image that the artisans project through their persons and dress contravenes assumption four, the network's social contact with its clientele through the institution of Friends assumptions five and six. The interest in listing these assumptions lies in the contrast it highlights between the differences in assumptions in common models of business and the network's concept of work. The network's rejection or modification of these assumptions point by point helped shape their lifestyle while at the same time creating wealth as part of their lifestyle. One of the means by which the network incorporated wealth into their lifestyle was

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<sup>264</sup> Lakoff and Johnson 1980:67 provide a short discussion of these assumptions.

through reconceptualising work through other conceptual metaphors of work that were available to them.

The network faces an apparent impasse: on the one hand, its businesses have to earn their way as going concerns in a capitalist market, otherwise the tax authorities will eventually close them down or they will have to file for bankruptcy. On the other hand, the network's interest is not primarily in earning money, of which it already has more than enough, but in giving expression to creativity in the provision of consummately habitable surroundings irrespective of cost. Helge and Geir spoke to this point while taking a break in the joinery office:

Keith Hey, why aren't you guys [the network] a philanthropic foundation? Set up a trust. You don't need the money, you don't need to work. You know your stuff is good enough to be in museums and just give it away. If you want to do holistic interiors, just do them and donate them to design museums...

Geir Oh my god, the prof has lost his marbles and gone off his rocker—again. We can't do that.

Keith Why? You'll get recognition.

Helge Listen, we live here, right? Yeah, we'll get recognition—as first class nutters! Look at 'The London Exiles' [largely Norwegian shipping magnates living and trading over half the year in London for tax purposes, the rest of the time living in Norway]. They tell me they're just dying to get back to Norway and would live here if they could. They don't have to work either. But what's the measure of what they do? Wealth. It's objective, the market tells them so. If we just give it away, how do we know it's any good? Our clients let us know if it's any good—because they pay. Otherwise it's all subjective. That's our reward—knowing that it's good from people that count and can appreciate our stuff. Else it's some museum conservator making subjective judgements on who knows what criteria. Look at the stuff that's in museums... This way it's fun and we get recognised.

Geir Remember, we are artisans, not artists. They [artists] can create what they want and live in penury or do odd jobs to keep the wolf from the door, aside from the few who get private patronage or state sponsorship. Maybe get recognised when they're dead. It doesn't add up. Our acquaintance wouldn't know what to make of it if we didn't work and make money: we'd be neither artists nor retired, we'd be neither here nor there. It's like the London Exiles, they have to work even though they don't need to. They don't work for the money, they work because they enjoy the business of

making money. They run a business to do what they enjoy and keep up the appearance that they work. Keeps them sharp and on their toes. So we have to run a business to make the stuff that we enjoy and to know what it's worth. Only the disabled who rightly can't work get an income; it doesn't do to be unemployed, people look down on you.

The network rejects pecuniary metaphors for work and replaces them with those for play, fun and ideas because these correspond to an attribute of their lifestyle.

### ***Work and Creativity: Conceptual Metaphors in the Network***

Norwegian has several metaphors that distance one from the assumptions of capitalist market work. Some of these are as follows in Norwegian:

#### **ARBEIDE ER LEK / WORK IS PLAY**

- a. Metaphors of Work; Source domain—Play  
 Arbeidet går lekende | lit. The work *walks playfully*, The work goes playfully / The work's progressing like a breeze  
 Arbeidet gikk lekende lett | lit. The work *went playfully* light, The work went playfully easy / The work was a picnic (Am.Eng.)  
 Arbeidet gikk som en lek | / The work *went* like *play*

In the network, ARBEIDE ER MORO | GØY / WORK IS ENJOYABLE (FUN)

- b. Metaphors of Work; Source domain—Enjoyment, Fun  
 Arbeidet er gøy | lit. The work is *gay* / The work is *fun*  
 Dette (arbeidet) var gøy / This work is/was a laugh (Brit.Eng.)  
 / This work is/was a gas (Am.Eng.)

Vi vil ha det morsomt med arbeidet | lit. We will have it *funny* with the work/  
 Work is *fun*

These two metaphors allow the network to redefine its work from that of activity and money to that of emotional work. This change occurs because these two conceptual metaphors of work form a stepwise entailment:

- Metaphorical Concept: a. WORK IS PLAY  
 Entails: b. WORK IS ENJOYABLE (FUN)  
 Entails: c. WORK IS A MOOD

*Entails:* d. WORK IS AN EMOTION

This conception of work locates it as an interior and subjective experience instead of an exterior, observable activity. The two metaphors of work as play and fun reverse the assumptions of the two metaphors of work as activity and money: and fun reverse the assumptions of the two metaphors of work as activity and money:

<u>Assumptions</u>	
(2) Work=quantity	Work ≠ quantity
(3) Work=productive activity	Work=play
(4) Work=impersonal	Work=social
(5) Work ≠ experience	Work=mood, fun
(6) Work ≠ meaning	Work=an emotion
(7) Inactivity ≠ purposeful end	Inactivity=mood/emotion

Thus the metaphors of play and fun allow the network to express work as a pleasurable social experience. Work is not opposed to non-work or to life: the distinction does not exist or have meaning for the network. Consequently, a 'work/life balance' does not exist or have meaning for them. The balance they recognise is in lifestyle.

The concept of work as emotion does not exclude the accumulation of wealth. As part of their lifestyle, the network held that wealth would always accrue to them as long as they used it properly to further the end of the consummate creation, re-creation, or restoration of furnishings and décor. This concept of wealth depends on exercising creativity. Norwegian has a conceptual metaphor for creativity that structures this concept in expressions of wealth.<sup>265</sup>

IDÉER ER RIKDOM / IDEAS ARE RICHES

a. Metaphors of Ideas

Han er en *idérik* person |lit. He is an *idea-rich* person, He's a person  
*rich in ideas* /He's a treasure trove of ideas

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<sup>265</sup> Lakoff and Johnson 1980:46-48 provide numerous examples of the IDEAS ARE MONEY metaphor.

De satte forslaget i *idébanken* |lit. They set the suggestion in the *idea-bank*, They put the suggestion in the vault of ideas

Hun er rik på *idéer* |lit. She is *rich in ideas* /She's full of ideas

Han har en *formue* av *idéer* |lit. He has a *wealth* of *ideas*

(One should note that the word 'kreativ' [creative] is paraphrased as 'idérik' in the Norwegian online dictionary of the University of Oslo).<sup>266</sup> The import of this metaphor is that creative ideas, rather than work, create wealth. The availability of this metaphor and that of emotional work allow the network to resolve the apparent impasse of running an operation for the sake of creating serious wealth and at the same time for the sake of pursuing consummate creation. These metaphors underpin the charge-and-payment scheme of the network's select market and the creativity necessary to legitimate the payment scheme. From the network's point of view, the parties exchange money for creativity within the select market of the network in the form of unrivalled décor.

The particular conceptual metaphors of work and creativity in the network explain why the charge and payment scheme of the network can take place. The network clientele's proof of their wealth is that they have so much of it that they can afford to ignore it. They therefore pay whatever the network asks. Clients realise that payment is measurable, but the point is to seem to ignore doing so because that is the proof that it does not matter. The corollary of clients paying of what is asked is the network's seeming disinterest in costing projects for clients. The network charges their clientele what they like (beyond whatever rough costs they calculate). This policy is proof that the network does not perform work only for money but rather for the sake of the creativity in a project. The network realises that the charge is measurable, but the point is to seem to ignore doing so because for them and their clientele that is proof that the charge does not matter whereas creativity does. The

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<sup>266</sup> Q.v. online at <http://www.dokpro.uio.no/ordboksoek.html>, entry 'kreativ'

particular conceptual metaphors of work and creation in the network enable it to suspend assumptions and metaphors of the capitalist market in favour of the network's version of a select market.

One can note a difference between the notion of conspicuous consumption—particularly of pure art—oriented to the public and the open-ended charge and payment arrangement that the network employs. For Friends the point of the arrangements in the exchange is not to display great wealth publically, even though some projects have a component of exposed architecture. The exchange arrangement with the network allows an elite to show each other privately that they have heightened taste. The arrangement allows an elite to avoid the uncertainty of exercising misplaced judgement in acquiring expressions of pure creativity, i.e. art, the acquisition of which assumes the ability to judge pure creativity. The lifestyle of Friends and artisans does not include collecting fine art, although a favoured picture may hang on a wall. The clientele's interest in creative decorative furnishings also removes suspicion and speculation that a Friend had acquired art as an investment. Furthermore clients' interest in décor removes the onus of following and participating in the art market. Undertaking a bespoke interior decoration project has the legitimacy of a practical interest, however luxurious, instead of an investment in a resalable object such as art. The lifestyle of the artisans points to them as artisans that do not aspire to produce objet d'art and thereby put themselves at odds with their clientele. Having analysed its notions of wealth, work and creativity as lifestyle, we may turn to the network's notion of lifestyle as it appears in the social code.

### ***The Network's Lifestyle: The Social Code in Play***

The social code of the network is a tacit and binding agreement among its artisan members. Participation in the lifestyle of the network requires that one belong to it and follow its social code. Components of the network's lifestyle include this agreement axiom for axiom.



The first axiom of the social code specifies a trait forming part of the lifestyle: only members are entitled to participate in the network. Kinship, marriage, common education and training, school attended, bonds of friendship from school days, elite background, and like matters discussed earlier in the thesis, confer entitlement to participate in the network and in the lives of Friends. Thus the agreement goes beyond just an economic perspective: it includes leave to socialise amongst Norway's elite. Thus entitlements follow from association with the network. We have seen members regularly eating evening meals with each other (Henrik at the Christensens on Mondays), house visits for social stays, house lending, reconnaissance of each other's dwellings, and the like. Children of the core families live, play, and go to school together under alternating care of core families and can stay with Friends.

Participants share a majority of their time with each other and depend on each other for the creation and execution of projects. They make a whole-hearted commitment to living their lives as creators of craft. No one from outside the network may enter it without entitlement. The network of firms is as good as sealed; its structure is closely held economically and legally. Axiom number two of the social code underpins this total commitment to the network and its craft: the network judges the behaviour of its participants in terms of the greater gain of the network. This commitment has consequences that affect their lifestyle.

The first consequence is that no ad-hoc work or projects outside the network occur; no ensemble or guest contracts are entertained. The skills of the network remain in the network; some of those skills will die with the crafter: they will not be passed on to outsiders. No apprentices or training schemes in the network remain in the network so that they never are privy to proprietary skills and techniques. The second consequence is that the wealth of those in the network assures that they can make a total commitment as 'creatives' because they are free from financial anxieties. Aside from the artisans' own wealth, Friends keep the network wealthy through the unchallenged open-payment scheme so that the artisans can keep their

commitment as crafters absolute. Wealth permits them to acquire the help they need to run their households and lives, help such as a live-in house help-and-child carer. The third consequence is that the people in the network can arrange their time as they see fit under the constraints of coordinating with others in the network on projects and of adapting to external scheduling such as school holidays. The artisans' training in multiple skills also allows them this freedom because they can substitute for each other. The multiple skills are transferrable: Nina has training as a master cabinetmaker and master in antique restoration; Wenche as a master weaver, master upholsterer, master in textile restoration, and master in textile printing; Helge as a master cabinetmaker and master carpenter; Grete as both a master interior decorator and architect, and the like. In addition members have experience in taking on project management. The fourth consequence is that private lives and work do not clash. Substituting for one another thwarts the development of the so-called work-life imbalance syndrome. The balance in their lives lies within their lifestyle rather than between any invidious choices. Their chief activity is creating because that is what they want to do and the rest of the time goes to their pursuits, mainly outdoor activities according to season. Dag, the exception, has not taken the step into being a full-blown artisan out of apprehension of his father's criticism.

Because the network is closed by entitlement, as good as no threat of dismissal or ejection from the network exists. Unemployment is a factor that lies outside the network; changing place of work or moving because of employment conditions or better opportunities is unknown. This aspect of their lifestyle follows from axiom number three that the agreement to participate in the network holds for all time for all entitled participants. Therefore, employment stability typifies the lifestyle of the network. Because the network produces certain wealth for its participants, it offers them immediate and continuous rewards.

That the code holds for all time for rightful participants (axiom 3) entails that the code is binding (axiom 4). We have seen that sanctions apply. Power in the network derives from axiom four. Women—Heidi and Hilda—

have and wield this power in the network to curtail or augment entitlements through the bond of loyalty from Friends. In order to gain access to Friends and expedite setting up their businesses, the men—Helge and Dag—tacitly delegate ultimate authority in the network to the women. That is the price the men (have to) pay for their women's help, i.e. for inclusion in the network. The lifestyle of the network therefore includes the dominance of women. The power of women typifies the lifestyle of the network. This arrangement may reflect a gender division of roles in that the women fulfil a role of care: they take over care, oversight, and ultimate direction of the network.

The agreement among parties to the network is tacit in order to remain covert. This concealment derives from axiom number five and is necessary on a number of accounts for the network to survive. The network members expect to lead a quiet life out of the glare of publicity and public acclaim. They want to keep their lives and the role of creation in it as private as possible and therefore inside the bounds of the network and the institution of Friends. Making their name as a public household brand is not part of their corporate image. They have no need for the limelight of public recognition: they receive that from their coterie of clientele, as the conversation that mooted setting up the network as a trust made plain. They share the elite's aversion to publicity because it distracts from, drains energy from, and thus threatens their activity. The glare of publicity could easily put them in a defensive position which they are ill equipped to handle. The artisans' medium is visual and manual; for some, the public verbal and written medium has not been for them since upper secondary schooling. They were, therefore, understandably reticent to comment in public fora on what they do. They sense that they could appear unreflecting and inarticulate about their activity. Therefore, uncommunicativeness outside the network is part of their lifestyle.

Other threats loom besides that of adverse publicity. A deep scepticism prevails in Norway about those who raise their head above the parapet in some way, as we observed in the Jante Act in connection with the exclusion of a member of Friends (in Chapter 8). Revealing the elite nature of the business risks exposing a crack in the cultural imperative of no one appearing more

equal than another. That exposure insures general disapproval and opprobrium. The nature of the organisation as a money machine would provoke extreme envy and jealousy. Exposure of the business network would also draw attention to network clients and a demand to expose the luxury of their properties and lives. The network's clientele of Friends would then evaporate. The network has to remain secreted to protect the competitive advantage of a semi-closed market that the institution of Friends confers on it. These reasons all contribute to the network's members leading a secreted lifestyle.

The last axiom of the social code points to a component of network lifestyle—entrepreneurship—that separates artisans from creatives. This distinction is important amongst the components of the network's lifestyle as ultimately it too bears upon the limits to the size of the network.

### ***Artisans and Creatives***

The section of Chapter 9, Serial Entrepreneurship, made plain that axiom number six (on inter-firm exchange) of the social code enabled the entrepreneurial activity of the network. Thus entrepreneurship is part and parcel of the network's lifestyle, and it explains the difference between network artisans and creatives. As employees, creatives are not entrepreneurs. Business literature largely presents 'creatives' as employees. The artisans share some of the traits of the category of 'creatives', but the artisans' exercise of entrepreneurship distinguishes them from 'creatives'. Axiom number six thus accounts for the difference between 'creatives' and the artisans.

An examination of the network's lifestyle in terms of its social code has thus assisted in identifying components that make up its lifestyle. These components have consequences that also represent achievements of the network that hold it together. Below, in Part III, we shall see that these make 'the good life' of the network.

The lifestyle that the artisans lead has no particular label that sums it up, such as the characterisation 'creatives', because it combines different features from disparate lifestyles. This attribute makes the network's lifestyle appear novel, at once recalling a conventional, even an old-fashioned way of life and a progressive, non-conservative one. The artisan's lifestyle shares features of that of the capitalist market economy and of a select economy, operating in the dual economy. Their lifestyle even recalls some features of pre-capitalist economies. These features bear closer attention. The economic context of the network's work and activity affects their lifestyle. We shall attend to these features of economies by referring to what management commentators of the time thought they perceived as a profound shift in the conduct of commerce. As great diversity reigns as to naming and characterising this purported shift, I, like others, arbitrarily refer to it simply as the 'old economy' and the 'new economy'; here purely as a heuristic aid.

### ***The Old Economy, New Economy and Lifestyle***

Lifestyles emerge from the way in which particular groups live their lives; the milieu in which the group lives will therefore affect the kind of lifestyle they pursue and exhibit. The lifestyles of 'creatives' thus originate in what business commentators, for the sake of simplicity, style 'the new economy', which they contrast with 'the old economy' in terms of work practices that affect people's lifestyles. The contrast between these economies provides a convenient way of analysing the lifestyle of the network. The generalisation of an 'old' versus a 'new' economy is, however, prescriptive and normative, and perhaps romanticised; its value here lies in the indication it provides of a climate of thought in the business world at the time of the network's activity.<sup>267</sup> Furthermore, management scholars were arguing at the time of the fieldwork

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<sup>267</sup> One contributor to this climate of opinion is found in the business press, for instance in an article by the then Deputy Director of the Centre for Network Economy, at the London Business School, Professor Michael John Earl, in the Financial Times, Information is the new resource, March 15, 1996.

for this thesis about dramatic and disparate changes in the 'new firm'.<sup>268</sup> In this section on economies, a discussion of the 'old' economy precedes an analysis of features of 'old' economy lifestyle that appear in the network. Then ensues a discussion of the 'new' economy followed by its features of lifestyle that appear in the network.

### ***The Old Economy***

Industry and manufacturing comprised much of the old economy: the resources of business in the industrial era embraced the 'four Ms' - men, machines, materials and money. Each of these contributed to the lifestyle of the old economy. For 'men' read labour; work consisted of labour-intensive manual work, where at times unions backed up lifetime employment with equitable set pay by seniority relative to tasks. The industrial work force remained largely geographically fixed. For 'materials' read raw materials that went into production of things as mass-produced or standardised products. Manufacturing had a product orientation, i.e. company engineers focussed on products, which the company pushed out onto the mass market. Companies sold goods; people and workers consumed goods. For 'machines' read the physical assets that enabled production through manual work. For 'money' read large, employer-owned, hierarchically organised, stable corporations with the financial strength of owning property, assets, and cash flows. Decision-making took place by numbers and analysis. People worked in these companies; the time they spent away from working in the company was leisure time, in opposition to working time. A clear boundary existed between work and other areas of life. Property linked these 'four Ms', which created wealth in the old economy. The plant of the property owner or his agents housed the men whom the owner hired to labour on materials with the owner's machines to produce products for sale and consumption. Some of these features appear in the network.

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<sup>268</sup> This debate appears, for instance, in DiMaggio 2001. His introduction—Making Sense of the Contemporary Firm and Prefiguring its Future—reviews some of the origins of influential views of the firm.

## ***The Old Economy and The Network***

On the side of an 'older' economy, the network's members lead a stable rather than mobile working life: the members were born, raised, and domiciled in Oslo or Greater Oslo, with the exception, from upper secondary school onwards, of Dag, and Hilda when married to Dag. The members' upper secondary education centred around one school. The artisans lived their life before the network in Oslo and took employment there. When they do an assignment abroad, they complete it and return either to The Work Complex or to the boutique *Décoration*. Their engagement in the network is for a lifetime (q.v. axiom number three). Besides having roots in one place, the artisans do labour-intensive skilled manual work on raw materials and sell, to their clientele, the goods they produce from physical assets and capital strength such as the tools and machines of The Workshop Complex. The firms too are stable and generate significant cash flows. The artisans exercise employer ownership.

Plant is necessary for *Décoration* and the firms of The Workshop Complex' many purposes, such as to make the goods for a project, to house work-in-progress, to keep samples, to receive and store goods, to store and cure exotic wood, to maintain a retail presence, to serve as a face-to-face point of contact for artisans, artisan children and Friends, to project a corporate image of solidity, and the like.<sup>269</sup> Keeping enough to hand on location saves time, provides slack against 'just-in-time' failures of supplies, and lessens any dependence on outsiders. Plant occupation preserves the network's jealously guarded independence, and physical location adds solidity to their corporate image. Fixed geographical location and the ownership of physical assets such as plant are hallmarks of the old economy and a way of life attendant upon it. When the artisans are present, face-to-face communication predominates in

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<sup>269</sup> Plant: a shorter term for fixed asset: A long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as manufacturing equipment, real estate, and furniture. also called plant [sic].

Definition retrieved at [www.investorwords.com](http://www.investorwords.com).

The Workshop Complex because of the proximity of studio units, the common room for lunch and breaks, and the short distance between the reception area and studio units. A short walk suffices between units; a quick dash without putting on overclothes is sufficient to access any unit in winter. Friends can reach the artisans at the complex by landline or mobile. In this respect, the set-up resembles more the office of the old economy with the option of mobile communication. The same arrangement holds true at the boutique of *Décoration*. Moreover, Helge, as we have seen, may drop in at *Décoration* to see how matters stand.

So far, the network clearly resembles a firm of the old economy and lifestyle that accompanied it. Up to this point the network largely operated as a going concern according to the arrangements of the old economy and created wealth according to it. In fact, a number of joineries and interior decoration shops in Oslo exist on this basis. Yet these lifestyle traits tell less than a full story because they account neither for the money machine that yields the network's cash flow nor for the context in addition to which the above and so far incomplete depiction of their style of living takes place. That context is the new economy.

### ***The New Economy***

The new economy supposedly reversed the style of work and the lifestyle associated with the old economy. The new economy required highly skilled people for reflective intellectual work to solve problems. Power shifted from companies owning things and property to those owning imaginative ideas. Workers now followed jobs into entrepreneurial small companies whose assets consisted of the next ideas and services from an often job-hopping work force on contingent employment for the duration of a project. Workers could receive high but deferred rewards from financial instruments, such as shares and stock options, as part owners of a company, or gratuities. They assumed risk for such compensation. Workers received these high rewards from partial employee stakes and ownership in the company according to competence and performance in creating services particularly with information as a resource.



Work itself was seen as rewarding because it was intellectually interesting and creatively stimulating. Company assets shifted from financial and physical assets for manufacturing goods to giving goods away to consumers for services. Assets consisted of information and services offering ingenuity, innovation, flair, and branding. Organisation of companies shifted from hierarchies of management and workers to networks within and among companies, which could become virtual organisations. Decision-making changed from reliance on numbers and analysis to confidence in exploration and creativity. Product orientation switched from products engineered solely within the company to services where the company enlisted customers into its production process as distributors and designers of services. People lived more of their lives as crossing over a boundary between work and life. They worked at home in a home office or lived more in the company, which provided amenities. Work became a major part of people's lifestyle in the new economy. The new economy thus had a form of organisation particular to it, and it spawned its own lifestyle. The next section illustrates the lifestyle of the new economy in the network.

### ***The New Economy and The Network***

The business model of the network required reflective intellectual work and imaginative ideas for which the artisans' advanced training, craft and business experience prepared them and which they constantly renewed. Information formed the foundation and mainspring of their business: it constituted a resource and major asset of the network. One source, for instance, was from developments announced in (hard-copy) trade journals and exhibitions and from their suppliers, domestic and foreign; another was through the mechanisms of the institution of Friends. They obtained the information they needed through living the lifestyle of their clientele themselves and feeling the pulse of this clientele's interests. This occurred through their normal socialisation amongst the elite. This part of the network business model thus belongs to the new economy.

By using information creatively in view of their clientele's interests, they offered a total conceptual décor service, the fees for which also included the products they produced to realise the conceptualisation of the décor. Their business depended on products and service being equally important. Their products were not 'give-away' ones linked to a service; rather, the artisans demanded that for their service the customer had to keep to the network's products, bespoke and tied to the service. This policy moves the network into the service orientation of the new economy while the network keeps products integral to the service, and adapts the product orientation of the old economy to a feature of the new economy.

The network's policy of service and of activity moves the boundary of the firm from the in-house product orientation of the old economy into the model of the firm in the new economy, which has customers participating as distributors and designers. The policies incumbent upon Friends lead them to feed back their reactions or suggest design possibilities to network members and Friends. This shifting of the boundary of the firm imposes a lifestyle wherein the lives of the artisans and the Friends intertwine with each other.

Products readied at plant and transportable to a client find their way to the client according to the communication channels of the old economy. However, communication changes when the artisans split between those working on parts of a common project at a workshop and those working on installation on site at a Friend's, or while several projects run concurrently. The artisans use mobiles to communicate in this circumstance: the project exists in virtual space until in place. Even though most of the communication now takes place remotely and in a virtual space, this case, nevertheless, does not make a fully virtual organisation of the network as it constitutes only a phase in the progress of the project. On the other hand, this case typifies the majority of network projects.

In sum, the lifestyle of the network combines aspects of what are known as 'old' and 'new' economies. A pure and favoured form of organisation, 'virtual

organisation', in the new economy also contributes to the network's lifestyle. The virtual organisation finalises the input to network lifestyle.

### ***Virtual Organisation***

In the new economy, so-called virtual organisation offered an approach to organising people, firms and the way they do business to meet the need for firms to cope with business rivals in an altered business environment of hyper-competitiveness.<sup>270</sup> The virtual organisation had (1) few tangible assets i.e. buildings, plants and the like, and (2) existed in a simulated space created using instantaneous communication. This type of organisation also (3) required a greater role for managing information and knowledge, which diminished the role physical facilities played in doing business, compared to conventional businesses. Its advantages were that it required little capital beyond initial investment, low running costs, and could reconfigure itself quickly and easily. One firm in the network, Floors Finished, adopted virtual organisation.

### ***Floors Finished: A Virtual Firm***

Floors Finished meets the three criteria, set out in the section Virtual Organisation above, of a virtual organisation (few tangible assets, presence in simulated space with intense communication, and the primacy of knowledge and its management). The firm has few tangible assets: a van; the equipment, located in the van and some of it borrowed from the Furniture Factory when necessary to lay floors; an office in Dag's study; and the store of adhesive surfacing materials. The van serves Helge as an office on his way to and from flooring jobs that Dag initially sets up with Friends; Dag does the paperwork in his home office. Intense communication between the men themselves and between them and a customer takes place by mobile to organise the logistics of doing a flooring job. The high degree of coordination necessary to run

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<sup>270</sup> A sustained form of heightened competition that new technology in flux causes in new markets and industries, such as in pharmaceuticals and computers. The term and concept stem from D'Aveni 1995.

Floors Finished depends on the immediacy of digital communication. Floors Finished as an organisation thus exists in a simulated space created using instantaneous communication. Intense communication through networked (digital) high technology enables Floors Finished to operate as a virtual organisation. Knowledge and its management resides in the network. Dag and Helge apply their management knowledge to manage their venture of Floors Finished. The firm as a fully virtual organisation departs significantly in organisation from that of all other network firms, yet its lifestyle does not deviate from that of the network.

The foregoing analysis concerning the links between economy and lifestyle, and concerning social code and lifestyle, allow one to extract the features of lifestyle and identify what those features enable in the network.

### ***Lifestyle and Achievement: Wealth and Well-being***

A grouping of fifteen components of the network's lifestyle help the network to accomplish various ends, among the most important of which concerns wealth. (1) The network is small-scale and tightly knit together: this aspect of lifestyle helps it form and maintain the close relationship it requires to institute a group of Friends and operate a select market for them and the network. This aspect also facilitates communication with clientele and with fellow artisans, which is a prerequisite for trading in a select market. For the networkers, work is a social experience of crafting together: one does not work alone. They also only work with long-standing acquaintances, with whom they have built up trust through long association. Their judgement of each other's work therefore counts with each artisan. Mutual trust gives the artisans confidence to present their work as the best and therefore expect wealth to accrue from it by charging accordingly for it. (2) The network acts on the assumption that its business is an inexhaustible source of wealth: wealth creates work rather than the other way around. The payment scheme for Friends guarantees whatever cash flow upon which the networkers decide. This aspect of their lifestyle helps them to create a money machine through

exercising artisanship. Networkers do not receive deferred rewards such as convertible bonds, stock options, and the like for their work. This aspect too confers upon the artisans immediate and continuous rewards from the payment scheme for Friends. This scheme aids the artisans in seeing wealth as concrete and practical. Their immediate reward is directly bankable; it is not wealth on paper although they may invest it later.

Were the network to accept too low remuneration, they would jeopardize their own standing among the members of the elite to which they themselves belong. Their policy of a voluntarily entered, non-negotiable fee therefore shows to their elite peers that network members understand business no less than any other professionals or professional investors. This policy signals to the elite the importance of wealth as part of their lifestyle and that no one need trouble themselves to question that importance. Those who do, or backslide, need only reminding of the case and fate of the shipping broker 'Deep Waters'. The policy facet of their lifestyle that the network institutes therefore helps the network guarantee their wealth. The lifestyle they institute with Friends helps the network maintain their station amongst the elite.

(3) In the network, the creation of ideas is the creation of wealth. This part of their lifestyle, as in the first point above, helps them operate a select market and contributes to the association of creativity and wealth that forms a part of its corporate brand. (4) In the network, wealth is a means to an end—creation. The reward of creation is recognition, measured in wealth. The end of wealth is not philanthropy; therefore this attribute helps the network to operate its open-ended charge and payment scheme. This attribute of lifestyle enables the network to put aside purely commercial pressure for the cause of creativity in the service of its clientele. Wealth allows them to hire help to run their households to free them for creative work. (5) The network devotes its work to artisanship—craft for craft's sake. Craftwork is the way to creativity, not 'art for art's sake'. This aspect of lifestyle makes it possible for the network's members to spend their lives on creativity and yet avoid a label that profiles them as 'artists'. It follows from points (3) and (4) that the creativity

of craftwork creates wealth. By excluding themselves from the lifestyle of the artist, from any claim on producing art, and from making their products public, they protect themselves from the control of museum curators and art critics to whom the art market turns as part of making its valuations of creative effort. (6) Craftwork is emotional work; work is a state of joy. This attribute of lifestyle permits the network to bring creativity to Friends. It releases the artisans from working for employers under wages in a capitalist market. (7) The network pays close attention to integrating its artisanal and management activities, a facet of lifestyle that goes back to Heidi and Hilda's development of their interest in decoration and business through their initial venture of All-in-Stitches. The artisans link a policy of remuneration to its creativity. Their practice of knowledge management exposes network members to project leadership. Their attention to knowledge and its management helps them to integrate their artisanal and management activities and earn and maintain respect among the elite as savvy business people. This aspect of lifestyle helps the network run an organisation that their clientele perceives as businesslike and effective. This prevents clientele from thinking of the craftspeople as unbusiness-like and therefore not to be taken seriously, especially in regard to remuneration.

Other components of the network's lifestyle concern well-being. These help the network to realise various ends that it considers important. The following passages identify lifestyle components that concern network well-being.

(8) The network lives by a social code that requires total commitment to the network. This property of their lifestyle has several effects. The main effect stabilises and perpetuates the network (axioms one and three of the social code). Abiding by it confers leave to socialise among Norway's elite. It also signals the network's commitment to its members and their entitlements. Furthermore, it assures network members work for life (axiom three) and thus as good as does away with financial anxiety. The code reduces the risk of each firm standing alone. (9) Network members' time is their own, because work is

not time for network people: they are their own bosses.<sup>271</sup> They can accept, reject, and schedule projects as they see fit. This factor in their lifestyle means they can take on as many or few projects as they please on condition that they coordinate with others on network projects (axiom two of the social code). This factor aids them in arranging their time and living their lives as they see fit. This component of their lifestyle means that they do not experience or conceive of a work-life balance. Private lives do not compete with creative crafting. (10)The majority of artisans master more than one craft and the network covers many areas of artisanship. The artisan's multiple skills transfer to other craft tasks. This attribute of their lifestyle helps keep the network closed to outsiders, which protects their hold on Friends, permits the network to keep up and develop its own style of décor, and to produce integrated projects. (11)The artisans can and do take turns managing the network and its projects. This part of their lifestyle helps develop the management potential of the network and spread newly acquired knowledge in the network from project leaders to artisans and from project artisans to the leader of the project. This part of their lifestyle contributes to maintaining a flow of communication and bonding of network members essential to the operation of their social code, according its axioms one and two. This trait also contributes to maintaining the independence of the network. Its own capacity to manage itself means that it does not have to take in members from outside for management tasks or to gain information. This capacity keeps the network closed and under the control of the network. This flexibility of leadership and craftsmanship allows the artisans to substitute for each other. They thereby bypass the work-life balance dilemma.

The final constituents of lifestyle concern the network and its clientele. These lifestyle traits promote the achievement(s) of success in the face of public anonymity.

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<sup>271</sup> Lakoff and Johnson 1980:66-67 for the WORK IS TIME metaphor.

(12)The network works covertly: members' and Friends' agreement to participate tacitly in the network's business proceeds from axiom number five. This facet of network lifestyle lets both parties lead a quiet life out of the glare of publicity. This lifestyle protects the network's semi-closed select market from outside knowledge and from any attempts at mounting competition. The secreted nature of the network helps it avoid or deflect any potential jealousy, criticism, or envious attempts to destroy it. Its secreted existence helps the artisans meet the desire of the elite that it serves to remain anonymous and keep its doings out of the public's eye. (13)Women take control of the direction of the network. Heidi and Hilda have the greatest and longest experience of conducting business, and they have put themselves in a position of governing power in the network. Their formal and informal education and training in branches of interior decoration covers a greater breadth of craftwork than the specialised craft fields of the men. For historical reasons, they have the longest and closest contact with Friends. The majority of Friends are women whose husbands expect a division of domestic labour whereby their wives, regardless of any careers they may pursue, have full responsibility for interior decoration and a *carte blanche* budget from their husbands to realise it. This gender attribute of the artisans' lifestyle helps the network in keeping abreast of Friends' interests and thus in meeting their clientele's needs. The gender aspect of the network helps them serve female Friends who lack an inclination, sense, or time for decorating. The perception of the female role of caring and caring for the home helps Heidi and Hilda gain acceptance in the network for their considerable leadership role in it, and the women's presence helps gain clientele's respect for and trust of the network's work. The participation of Heidi and Hilda in the network makes available to it the capacity to cater for any perceived gendered difference in communication with clientele.<sup>272</sup> A lifestyle that includes a gender mix in the network thus contributes to its business effectiveness. (14)The history of the

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<sup>272</sup> Deborah Tannen treats this subject in Tannen1993, Chapter 10: Understanding Gender Differences in Amount of Talk: A Critical Review of Research—The Research Findings on Amount of Talk.



artisans shows entrepreneurship in the simple sense of establishing a business. Each of the core artisans and some associates start up their own business and together form a network. Moreover, the network demonstrates serial entrepreneurship, the capacity to repeat its founding of innovative ventures. This factor helps the artisans find additional channels and organisational structures, through which to express and develop their creativity and thus contribute to their sense of well-being, which the practise of craft satisfies in their eyes. Consequently, this factor in the lifestyle of the artisans helps them profile themselves as different than the category of worker known as 'creatives', who work under employers who may or may not exercise entrepreneurship, serially or not. This entrepreneurial factor distinguishes the network from the business style and milieu of artists and creatives and helps the network project an image of innovation, creativity, and business savvy that in large part makes up its corporate brand, a seal of reassurance to their clientele that they have made a wise decision to do their interior decorating in alliance with the network. (15)The network settles in one urban locality where the catchment area for its immediate and potential custom is, where the elite of Norway concentrate, and where the wealth of Norway centres. The capital of Oslo attracts the intellectual, academic, and cultural resources of Norway to it. The settled aspect of their lifestyle assists them in assorted ways.

Living among the elite of Norway domiciled in Oslo, the network gains access to the catchment area for the network's custom. This concentration of potential custom allows the artisans to stay domiciled in Oslo and develop and maintain the bonds of friendship into their adult life that they formed among high school companions and developed into a stable clientele—the coterie of Friends—in a select semi-closed market.

This settled aspect of lifestyle also provided the opportunity and stability for future members of the core families and associates to form the ties of kinship, marriage, and affiliation that keep outsiders from participating in their network and assure its cohesion. These circumstances pull the network in the direction of a sedentary lifestyle of fixed domesticity and association with each other that they value.

This unchanging aspect of their lifestyle permits them to put down roots that warrant establishing the plant of the Workshop Complex and *Décoration* and allows them to raise their children in a stable, non-transient relatively 'calm collective' wherein children are valued and shared around amongst the core families and Friends. Family life in this sense is an important part of the network's lifestyle. The plant is important too in that it serves as more than a production site: it functions as a social site for Friends and for the social activity that maintains the bonds between the network and Friends. The interaction of the network and its clients, as seen also in the house visits among Friends and among Friends and artisans, loosens the boundary between clients and the network. The softening of this boundary as a facet of network lifestyle aids in enlisting its clientele in the production of network service for its clientele. Unlocking this boundary helps the network to orient its business away from sheer production towards service that depends on the social interaction between itself and its clientele.

The network's roots in the locality give them the advantage of local knowledge and ways that make it difficult for incomers to pose a challenge to their business. Their local roots help them achieve an authenticity which supports their corporate image of genuine service. This facet of their lifestyle helps them attract the *nouveau élite* as Friends. The network's rooted lifestyle also benefits them through the grown offspring of Friends joining the coterie of Friends. Friends often gift their offspring setting up house on their own for the first time a full interior décor. To use the network then becomes a tradition among the offspring of Friends.

All of these fifteen components and attendant achievements of the network hold true for its lifestyle. Floors Finished, however, adds one more component and achievement, that of handling risk. Because of its special place in the network as a virtual organisation, one needs to establish why it is that kind of organisation, what advantages that type of organising confers upon the firm, and, in turn its contribution to network achievement. The next section argues

that Floors Finished gains advantages by organising virtually and that it would not enjoy these advantages to the same degree by organising differently.

### ***Virtual Organisation and Floors Finished***

The primary advantages of a virtual organisation, mentioned earlier, were little capital investment beyond initial investment, low running costs, and flexible organisation.<sup>273</sup> Yet these advantages assume the existence of an ongoing concern and accrue to a firm once in competition, whereas Floors Finished is a start-up with no competition. Hence these advantages do not fully explain the adoption of virtual organisation by Floors Finished. Several other advantages, however, do provide an explanation. The primary advantages also provide reasons for Floors Finished adopting virtual organisation. Because Floors Finished already has access to these primary advantages, it does not need to set them up and can draw on them immediately. These primary advantages are mostly sunk costs for Floors Finished by virtue of their membership in the network. This requires further explanation.

The main problems of small business start-ups are not lack of capital beyond initial investment, low running costs, or rapid reorganisation. Initially, small business faces the main hurdle of acquiring capital for initial investment. Dag and Helge do not have the capital expense of an initial start-up phase because *Élégance* already exists as a company under which Floors Finished can trade. The initial phase of Floors Finished is already a sunk cost, which the men can ignore. Floors Finished had few fixed assets previously available. Outside of replacing tools and some equipment, the firm will have little further capital investment beyond what it had in its start-up phase. Floors Finished has low running costs; it runs on a shoestring, with the sunk costs of

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<sup>273</sup> Capital investment: The money paid to purchase a capital asset or a fixed asset. Capital asset: All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc. Fixed asset: A long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as manufacturing equipment, real estate, and furniture. also called plant. Definitions retrieved at [www.investorwords.com](http://www.investorwords.com).

Helge's van doubling as transport and an office, of a corner office in place in Dag's home study, and of tools and equipment from the Workshop Complex. The firm rents a small storage space and workshop; tools and equipment, which depreciate, go into in the van and are individually movable and replaceable; just two workers, Dag and Helge, and Lasse when called in, are needed; Einar does the accounting. Finally Floors Finished can easily reorganise because it has not lumbered itself with physical assets and hierarchical organisation. Floors Finished has few physical assets; its few people give it a level structure of organisation. The firm has these advantages without having to mobilise them from scratch. Because of these primary advantages, the virtual form of organisation suits Floors Finished.

The majority of the remaining costs in setting up the business are also sunk costs. Heidi and Hilda have done market research on the product, Dag has done product research on the flooring materials, and Hilmar has done due diligence on the supplier, The French Factory. The customer base already exists in the clientele of Friends. Dag and Helge invested their time and money in acquiring knowledge and skills concerning the process of adhesive floor surfacing before the venture of Floors Finished had started. Since the men already had know-how as managers before entering into the venture of Floors Finished, their knowledge too is a sunk investment. This knowledge contributes to keeping running costs low, for example, in avoiding the use of consultants. Moreover, should they require consultation, they can get it from the network, as Heidi and Hilda, for instance, can provide it, again drawing on a network sunk cost. Outstanding (non-sunk) expenses are the small storage workshop that Henrik rents to the men and supplies of surfacing adhesive, besides a few other minor expenses. Paradoxically, we therefore see that the men hardly need capital to start business and, given their previous wealth, could even have started without the advantage of sunk costs replacing the minimal capital investment for starting up.

The additional advantages of virtual organisation for Floors Finished match the motivations the network had in setting up the firm. These motivations are: 1) to broaden the network's range of services as part of their

business model of offering comprehensive décor, 2) to position the firm in its niche as quickly as possible, 3) to show the firm as continually up-to-date in the ultimate of design in order to secure its corporate brand, 4) to assure the reputation of the network's ability to seize a new venture opportunity and run it successfully, 5) to secret the operations of Floors Finished. Virtual organisation suits fulfilling these five desiderata.

(1)The advantage of flexible organisation meets the network's first consideration of making their service as comprehensive as possible. Adding the service of this firm increases the comprehensiveness of network decoration services. Yet the network can include this firm only if it does not strain its capacity. Flexible organisation lets them offer this service with the leeway in organisation they require. Organising virtually in this instance allows Dag to handle his daytime job while having contact with Helge by mobile whenever the need arises and allows Helge to keep abreast of work at the work complex by mobile while designing and laying floors elsewhere.

(2)Virtual organisation meets the network's second consideration of seizing the new opportunity immediately. The group can thus move faster than setting up a conventional firm would, in order to establish themselves in the market. They can act quickly because they can leverage sunk costs into a going operation almost immediately.

Organised virtually, the business comes to market and establishes its dominant place in it rapidly. Moving quickly blocks others from securing exclusive agent's rights from The French Factory and thereby offering competition to the firm and network. If they are first to market, then they have a further service with which to lock in Friends.

(3)Virtual organisation meets the network's third consideration of appearing to continually update its design capabilities in order to secure its corporate brand of innovation and ultimate décor. Virtual organisation prioritises knowledge acquisition and management. Since the technique of adhesive free-style pattern flooring was unknown in Norway, the introduction of this service keeps the firm and network in the forefront of decorative

innovation and contributes to their corporate image of offering the ultimate in design.

(4) Virtual organisation meets the network's fourth consideration of assuring the network's ability to seize a new venture opportunity and run it successfully. Despite the ease of setting up the new firm with the sunk cost advantages, its reputation, as part of its corporate brand, is at stake in this venture. The surfacing technique and product are unknown in Norway. Part of the network business' corporate brand is its reputation for business acumen and artisanal excellence that membership in the network lends Floors Finished. Failure to meet Friend's expectations would reflect badly on the firm and the network. The virtual organising trait of easily and promptly reconfiguring itself or dispersing offers the most efficient form of damage limitation should the venture go completely amiss. The flip side of moving first to market is moving first to leave it in case of failure. In a worst case failure, the firm will lose little in future capital investment commitment, in running cost commitments, and dissolving its activity, because of its shoestring operation and sunk costs otherwise. If the idea does not catch on, then the group can quickly wind down the operation without having diverted their energies too much. Therefore the firm has reason to organise virtually in consideration of the network's reputation.

(5) Virtual organisation meets the network's fifth consideration of secreting the operations of Floors Finished. A final advantage to a virtual organisation is that its operations can more easily be secreted than those of a conventional business. By definition, a virtual organisation exists only virtually in space, although it may be registered legally as a company and therefore come within the ken of the tax authorities. Its virtuality empowers it to disperse, disappear, or regroup, of which Reuters Holdings has provided an example.<sup>274</sup> This flexibility is double-edged: a virtual firm may not have the advantage of a public presence of 'bricks-and-mortar' establishments upon

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<sup>274</sup> Q.v. Dearlove, Desmond (Byline), Reuters Holdings has taken the 'virtual' office concept beyond its usual boundaries, Financial Times, Nov. 16, 1994, Wednesday, Section: Management, p20.

which to draw. Establishing a physical presence goes against the tendency of reducing physical facilities in virtual organising. But those firms wishing to do business without drawing public attention to themselves can do so and remain almost unknown and unidentifiable to the public through organising virtually. A virtual form of organisation offers the firm of Floors Finished, as part of a secreted organisation, the anonymity it requires to participate in the network and serve Friends. This form of organisation maintains the seclusion of the network. Perhaps the most telling sign of the network's proclivity in this direction is its lack of a formal name.

The secreted and semi-closed, select market of Floors Finished also blocks the threat of new entrants to the network's new area of business. Thus this advantage reinforces the second advantage of moving quickly.

Having established that a number of advantages accrue to Floors Finished as a virtual organisation in its own right and within the context of the network, the argument can now consider whether virtual organisation with its advantages adds anything more to the lifestyle and achievements of the network, particularly concerning risk.

### ***Floors Finished, Lifestyle and a New Achievement***

The network has admittedly dealt with risk before, as one saw in the eighth feature of the network's lifestyle, the total commitment to the network as part of its social code. Its third axiom assured life-long employment and thereby release from financial anxiety. The code thereby reduces the risk of each firm standing alone and of artisans going without work. One could also argue that the evolution of All-in-Stitches into the firm *Décoration* included the handling of risk by Heidi and Hilda in the measures they took in developing their venture. As a mentor, Gunnar monitored them; his coaching reduced their risks of making bad business judgements. One might also argue that Helge's setting up the network displayed handling risk in that he minimised it through such measures as incorporating known experts in their trades into the network, thereby reducing the risk of the network failing.

Yet the handling of risk in Floors Finished is different because it is of a different order, although it might appear similar to the examples above. Coming first to market as Floors Finished did gives the network a further service with which to lock in Friends. This tact was therefore a mechanism to cope with the risk, that is to say eliminate the risk, that others would beat the network to market and establish what marketers call a 'barrier to entry', thus gaining a 'first mover' advantage. The risk of tackling a new technology and bringing it to market is not as easily measureable or predictable. Helge and Dag exhibit the willingness to take on one of the highest risks in business, that of dealing with new technology untried in the market. In taking on this technology, they reduced risks inherent in start-ups through using virtual organisation to minimise the effects of possible reputational failure, to maximise use of the network as a sunk cost, and to move quickly.

In the case of Floors Finished, the network assumes responsibility for facing new challenges whose nature is unknown and untried in the previous experience of the networkers or interior decorators in Norway. This network trait differs in kind from keeping up with trends. The flooring case involved a shift in technique from largely natural non-viscous materials to artificial viscous ones, and in commerce it involved the realisation of an entrepreneurial business proposition. A willingness to assume high risk is, therefore, a part of their lifestyle and introduces an added feature to the lifestyle of the network which helps to achieve safeguarding it against becoming timeworn. Accordingly, one has sixteen traits in all that constitute the lifestyle of the network.

We have seen that the components of lifestyle derive from a variety of sources in making a livelihood: ideas of wealth, work, and creativity; the network's social code; and the context of economies in which the network makes its livelihood. The network draws upon economies old and new to realise its lifestyle and attendant achievements. Of the sixteen components of lifestyle, ten match the traits of the 'new' economy (traits 1, 3-7, 9, 11, 14, 16), four are not identifiable with either 'old' or 'new' economies (traits 2, 10, 12-13), and two



match traits from the 'old' economy (traits 8, 15). Components one through seven concern wealth, work and creativity of the artisans themselves. These pertain to the personal well-being of the artisans and produce their well-being. Components eight through eleven concern the well-being that stems from the regulation of the network. Components twelve through fifteen apply to the well-being of the artisans in relation to their clientele. Component sixteen can apply to all three groups of lifestyle components. The achievements of the lifestyle of the network generate the well-being of network members and the network's relative autonomy. The artisans' overall achievement is leading a life in line with their expectations of wealth and of social satisfactions by making their livelihood through artisanship. Their experience of well-being causes them to lead 'The Good Life'.

## 11 The Network Journey

Dr Watson: This is indeed a mystery. What do you imagine it means?

Holmes: I have no data yet. It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit the facts.

*A Scandal in Bohemia, - Sir Arthur Conan Doyle*

The story of the path the artisans followed in organising an alliance has come to a qualified end. The artisans constructed a money machine while creating and maintaining 'the good life'. The connection of artisans and arrangements of the Norwegian Welfare State helped them take the emergent decisions generating a social code coordinated and integrated with their social and economic activity. The story of their journey has a qualified end in that the artisans' business model is sustainable. It is proof against all but disease and death because outsiders virtually cannot substitute for artisans in the alliance. This makes it difficult to pass on. Outsiders who realize that the un-replaceability of the artisans substantially impairs the brand image associated with the network refrain from taking it over or demand a lower entry price. Some outsiders might not see this drawback.

In a seeming paradox, the strength of the business model is its weakness. The model has no provision for its perpetuation. The artisans have not put in place arrangements to secure the continuation of network activity beyond the lifetimes of its craftspeople. Companies as legal persons can live on whoever their incumbents are; the network is not a legal person, although each of its firms is. That arrangement suits the business of the network: it enables its flexibility in economies of scope and its veiled presence to outsiders. The model makes no provision either for recognised valuation of the network. This circumstance also limits the life-span of the network to that of its incumbents. Because it lacks status as a legal entity, one cannot value it according to the standard accounting practice of group consolidation for the goodwill arising from brand recognition. This limitation prevents alienating it to others so that the artisans could realise its value-added and thus see the

network continue. At best the network could realise its embedded value. At all events, the value-added would evaporate. Because network firms are closely held and thereby opaque, their valuation too in a public market is problematic. The question of the future existence of the network arises from its indeterminate status in that it exists as an agreement among the artisans but does not have a legal status as do its constituent firms.

No one in the network has addressed its fate. As the Christensen's retirement nears, the network's fate will become topical. By then, Holgar will have shown some inclination to follow a vocation. Whether the practical bent Helge notices in him will lead Holgar to the artisan life of his parents and whether he will possess the charm of his father that inspires confidence in clients remain open questions. Other candidates for leadership of the network do not have Helge's charisma. Torstein worked at the workshop to satisfy his own enjoyment of craft skills: he abnegated doing business, leaving that to his sister. He has the capital to acquire the businesses of the Christensens and had expressed an interest in becoming a master craftsman with his own joinery, yet his decision to forego the knowledge and experience that engagement in his own family's business interests could have afforded him puts in question his drive and suitability as a successor to the direction of the network. So far he has not pursued becoming a master craftsman. Although the foreman Geir owned a share in the Furniture Factory, he does not have the capital to buy Helge out. Nor did Torstein and Trond have confidence in him as a leader; they could well pull out were he to replace Helge. The network sooner or later stands at a crossroads concerning succession or dissolution. Such circumstances appear to endanger the viability of the business model and threaten the continued success of the alliance once its incumbents leave.

The question arises as to what this state of affairs means. Why would the business-savvy artisans appear naïve in this matter? From the point of view of the artisans in the network, the matter may appear insoluble and fraught. No one at any point in time could present a solution. Each firm wished to maintain its independence rather than merge with any of the others: it is each firm's form of insurance if the network were to miscarry. In a society

where the state plays a major role in peoples' lives and where the Law of Jante prevails, people may privately put a high value on their own independence. None of the artisans would wish to risk offending others by making this matter of succession the object of a deal. Suggesting a solution might jeopardize cooperation and raise more bad feelings of the type apparent in the artisans' dealings with Haldor or of Trond and Torstein with Geir. Haldor, for instance, had made no secret of his willingness to defect from the network if matters displease him, despite signing up to the social code. This has the implication of souring social ties, already stretched, with his sister and brother-in-law.

For the special form of organising the network of the artisans no precedent for break-up lies ready to hand. The lack of a viable precedent hinders succession to the network. At the start of a joint business (joint venture), the so-called Texas Shoot-Out commonly decides the terms of withdrawal from business. A dissatisfied party states a price and the other party must either buy out at that price or sell his or her interest at that price. The network, however, put no such rule in place at its formation. The Texas rule in any case offers no remedy because it applies to joint ventures; in the network no formal contractual agreement exists to share profits and losses—a condition of a joint venture. In the artisan alliance, profits and losses go to individual firms, not to the network. Putting in place arrangements other than the social code could introduce a competing *modus operandi* threatening the power of the women. Having built up their power, Heidi and Hilda may not want to let their dominance of the network erode. They may think it better that no discussion of the matter take place.

The question of succession has significance for the conduct of research in the academic field of management studies. The above discussion can serve to make clear that a painstaking ethnographic description of business activities has as much worth as the elaboration of theory in mathematical models, a view that runs counter to the mainstream assumption in the field of management where such theory occupies a privileged place. Let me clarify this opposing viewpoint before returning to a discussion of succession and

break-up in terms of this rival viewpoint. Thereafter we can consider the implications of this rival viewpoint for management scholarship.

Overrating theory leads, often as not, to its misapplication for explaining particular events or behaviour. For example, Game Theory—a misnomer because it is a method, not a theory—can cast the structure of the Texas Shoot-Out in terms of a strategic game, i.e. a situation in which people's fortunes depend upon other's actions, as is the case in the matter of succession and break-up. The pay-off in these games depends upon the players' power, which game theory quantifies. Yet one assigns numbers to players as a measure of power judgementally. After this allocation, one then focuses upon the mathematical outcomes of the game. There are two problems with this approach. The basis for assigning a number to represent power makes it no more or less exact than if one had not used a number. One has not substantively gained any more understanding by using a number. In game theory, one uses applied mathematics to choose the best available strategy in order to minimize one's maximum losses or maximize one's minimum gains. Yet for dilemmas—the choice between equally undesirable alternatives—there is no best available strategy: at least it makes little or no sense to speak of 'best available' in the case of dilemmas. The matter of succession and break-up is such a dilemma. Power will not resolve it. Each actor has enough power to stymie the others. Power cannot trump the factors discussed above of independence, cooperation, valuation, risk of defection, risk of offence, and lack of a precedent. Treating the matter of succession and break-up as a strategic game will test the limits of game theory, but this shifts the focus of attention to the development of theory when the analysis and understanding of succession are paramount. Theory will add no more than does the description of the factors which confer the network's competitive advantage and the impairment of its brand.

One can apply this counterview to any part of the thesis one may choose with equal cogence. Such a case in point is the attempted theorising of routines by well-respected scholars, discussed earlier in the thesis, as an explanation of business behaviour, and which standard textbooks in

management perpetuate in imitation of evolutionary biology as one of the strongest exemplars of theory.<sup>275</sup> Rather than perpetuate such a derivative view, this thesis developed the construct of a social code for explaining the artisans' network activity, without the need to elevate the idea to a theory. One may elevate a social code to a theory covering any lesser and greater groupings of people, but this is not essential. Recording naturalistic observations as controlled description is. This requires standards of verification, such as those applied in this thesis, and rigour, such as one sees in a social code stating descriptive results summarily, succinctly, and accurately through axioms. Description is a method on a par with any other method in science. To assuage scholarly sensitivities, one can also claim the social code is a practical theory: it explains the artisan's behaviour—why the artisans behave as they do.

The foregoing considerations lead finally to two main points of theory that this thesis exemplifies. Following a naturalistic and holistic approach without using the preconceived functional divisions of management steers clear of an over-theorising approach and the artificial separation of economic and social behaviour. For instance, the payment scheme of Friends to the artisans would lead one to reconsider whether mainstream accounting could sensibly account for the activity of the network. Mainstream accounting presumes the economic assumption of the scarcity of resources, which does not apply to the network in the sense that economists speak of scarcity.<sup>276</sup> Such description of activity provides the opportunity to think through accepted categories of concepts within the area of management. Another advantage lies in emersion in a naturalistic setting of business activity over a significant period of time. Besides grounding the investigation, this approach throws up important aspects of business activity that one might overlook outside the setting. Looking at the firm from the outside, for example by interview or questionnaire, one might easily let the apparent invulnerability

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<sup>275</sup> Q.v. Schermerhorn 2010:251

<sup>276</sup> The journal *Accounting, Organizations and Society* appeared partly to counter this assumption.

and success of the alliance blind one to thinking of the question of its fate; inside the setting over time, one notes that there is no provision for its future. The fuller view in a naturalistic setting reinforces the holistic one in this thesis.

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