

Organizational Culture and Organizational Change: The Transformation of Savings Banks in Denmark, 1965–1990

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In this article, I argue that organizations' historical narratives are a basic and important component of their culture and identity, and that these narratives can be resources as well as constraints. I combine a narrative approach with Joanne Martin's three perspective theory of organizational culture, and using the transformation of Danish savings banks as a case, I demonstrate how a narrative approach can provide a new and better understanding of organizational behaviour and change than mainstream economics and the abundant functionalist organizational culture literature. I demonstrate how, when change was called for by external pressures, the savings banks choice set was constrained by a shared narrative about their historical origins. This narrative, in turn, constituted the identity, image and organizational culture of savings banks and to a high degree restrained learning capabilities, created organizational inertia and delayed the adoption of a new strategy.

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Introduction

The first Danish savings bank was founded in 1810, and by the late nineteenth century, savings banks represented a strong and viable alternative to the wave of commercial banks established from the mid-century. Savings banks presented themselves as self-governing, nonprofit, charitable, democratic and popular organizations that enjoyed a special relationship with the farmers' cooperative movement, smallholders, urban wage earners and small firms, as well as with some municipalities. They cultivated this image at every opportunity, positioning themselves as a movement expressing values very different from those of commercial banks.¹ Starting in the 1960s, however, savings banks went through a controversial and painful transition that broke their unity. From being a movement with a shared historical narrative, this community fragmented into segments having different narratives and strategies. The large savings banks became joint-stock commercial banks while the small and some medium-sized savings banks remained mutual organizations.

This fragmentation and transition influenced all savings banks, reaching a climax in 1990, when the large commercial bank, *Privatbanken*, the largest savings bank, *Sparekassen SDS*, and the cooperative bank, *Andelsbanken*, announced that they would merge into *Unibank*. In 1973, a similar merger had been proposed and agreed upon between *Privatbanken* and the medium-size regional savings bank *Sparekassen Nordjylland*, but at that time strong protests from within and outside the savings bank movement had brought the deal to a halt. This article argues that the reason why a merger of this sort was impossible in 1973, but faced little resistance in 1990, was not primarily economic or institutional but cultural. In and before 1973, the values and meanings attached to the savings bank movement by a shared historical narrative provided insurmountable obstacles to dramatic organizational changes. Over the years between 1973 and 1990, however, the power of this narrative in constructing the cultural values of all savings banks, regardless of their size and function,

1. For the history of Danish savings banks, see, for instance, Bisgaard, *Danmarks Sparekasser*; Skrubbeltang, *Den Sjællandske bondestands sparekasse*; Hansen, "From Growth to Crisis. The Danish Banking System"; Idem., "Banking Crises and Lenders of Last Resort"; Idem., *Paa glidebanen til den bitre ende*; Idem., "The Danish Savings Banks Association"; Idem., *Da sparekasserne mistede deres uskyld*; Hansen and Mørch, *Den Danske Bank*; Johansen, *Dansk økonomisk statistik, 1814–1980*; Idem., "Banking and Finance in the Danish Economy"; and Clemmensen, *Sparekassebevægelsen i Danmark*.

gradually eroded. It was only when this narrative had collapsed that the 1990 merger into Unibank became feasible.

The road from stakeholder value to shareholder value, from nonprofit to profit-oriented organizations, had not been an easy one, and it featured dramatic struggles within the movement about the meaning of its central concept. To most people, the word “savings bank” implied a specific frame of mind, which had been constructed over many years in authoring and representing the historical narrative. This meaning long remained stable, but due to a changing economic, cultural, and political context, the concept gradually faced challenges and destabilization from the 1960s, when semantic struggles began to spread.² While institutional change, private interests and rent-seeking behavior among the organizations and actors are part of the explanation for these developments, the outcome can only be fully understood in terms of the savings banks organizational culture and historical narratives and their broader contexts.

A narrative historical approach to organizational culture and change can improve our understanding of historical agents’ and organizations’ behavior and strategic choices. In contrast to mainstream economic theory, which emphasizes individual rational agents’ rent-seeking behavior (even under assumptions of bounded rationality), and functionalist theories of organizational culture, which suggest that culture is a managerial variable, I offer a narrative, anthropological and contextual approach to culture, which allows for a more comprehensive understanding of organizational behavior and change. The goal is twofold. First, I want to analyze and explain the transition of large Danish savings banks into commercial banks. Second, by means of this case, I want to illustrate a dynamic strategy for analyzing organizational culture and change over time, which can be applied elsewhere. My focus here is on how historical narratives can be an organizational constraint, but it is important to emphasize that they can act as important assets and resources as well.

In what follows, I first present and develop my approach, which brings narrative theory together with Joanne Martin’s theory of organizational culture. I then briefly outline the savings banks narrative, and identify its most important characteristics that circulated both within and beyond the savings banks. Finally, I apply

2. For conceptual and semantic struggles, see. Koselleck, *Futures Past*, and *The Practice of Conceptual History*. Concerning framing and the use of language and metaphors in creating meaning, see G. Lakoff, “Simple Framing”, Idem., *Don’t think of an elephant*, Lakoff and Johnson, *Metaphors we live by*, and BuzzFlash, “Inside the Frame (interview with George Lakoff).”

this theoretical approach to the case of the transformation of Danish savings banks from traditional, mutual, self-governing, nonprofit institutions to joint-stock companies and—in effect—commercial banks.

Narratives, Organizational Culture and Organizational Change

Historical narratives are representations, and should not be confused with the past. Someone always produces and circulates them, and they are instrumental both in the construction of imagined communities such as nations, organizations, and in fashioning selves, conditioning the formation of identities and images. Several theories about the relation between narratives and social reality are current; some are more radical than others. Philosopher David Carr points out that narratives create meaning; they are constitutive of the experience of both individuals and groups. Stories, he writes, are

told in being lived and lived in being told. The actions and sufferings of life can be viewed as a process of telling ourselves stories, listening to those stories, acting them out, or living them through. . . . Sometimes we must change the story to accommodate the events; sometimes we change the events, by acting, to accommodate the story.³

Distinction and meaning are constructed by means of language, which enables us to categorize and order experience in ways that make it intelligible to us, framing our cognition of the world. Narratives, then, are constituents of social reality because they also frame the meaning that people assign both to unfolding events and their own actions. As indicated by Carr above, narratives can conflict with events and the broader context, and when that happens actors are required to either change the events by acting differently or to change the story, that is, to re-story the narrative.

By creating a beginning, a middle, and an end, narratives establish causality and direction, laying the foundation for actors' cognition, decisions and actions. By including certain events and persons and

3. Carr, "Narrative and the Real World." See also Mordhorst, "Fra bondefrigørelse til fødevarerindustri," and, in particular, Czarniawska, *A narrative approach to organization studies*; Idem., *Narratives in Social Science Research*; Roberts, *The History and Narrative Reader*, and Boje, *Narrative Methods*.

excluding others, narratives not only create memory but also oblivion—historical events that are not narrated are not remembered, and therefore, do not “exist.” Narratives are often deeply embedded in the culture of an organization and shape its basic assumptions. Narratives point out the main protagonists, the heroes and the villains, and set important limits to the list of strategic options available to the organization, thereby producing organizational inertia or path dependency. Over time, as the organizational theorist Karl Weick argues, organizations develop a “trained incapacity to see the world differently”, and I submit that this incapacity is strongly related to historical narratives and their roles in creating both memory and oblivion.⁴

The embeddedness of narratives in organizations connects culture and narratives and points to the need for a definition of organizational culture. A substantial literature suggests that a “strong” culture is crucial to an organization’s ability to survive and succeed in ever more competitive markets. This literature often defines culture as what is unique and shared (i.e. values, assumptions) in an organization only, and assumes that culture is malleable, essentially a variable for top management to adjust in order to achieve its objectives and strategy. Culture, in this functionalist view, is a top-down phenomenon, managed so as to reach specific strategic goals and organizational changes.⁵

However, some of these studies suffer from a lack of precision, and more often than not they are based on assumptions that do not correspond with the diversity of cultural foundations and values in most organizations. In order to address this diversity in a context-specific way, organizational researchers have invoked an anthropological definition of culture, thereby taking the so-called *cultural turn*. Clifford Geertz defined culture in a semiotic and nonessentialist way:

man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretative one in search of meaning.⁶

4. See Weick, “Sensemaking in organizations.” Weick’s approach does not apply a narrative framework. There are still parallels to the approach in this article, however.

5. Cf. for instance, Peters and Waterman, *In search of excellence*; Schein, *Organizational culture and leadership*; and Chatman and Cha, “Leading by Leveraging Culture.”

6. C. Geertz, *The Interpretation of Cultures*, 5.

This definition implies a very different view of culture than the one presented by Schein or Deal and Kennedy.⁷ In Geertz's view, culture is not "out there" as a variable waiting to be discovered and, if need be, changed. Rather, culture is about categorizing, creating meaning and making sense of the organization and its context. Historical narratives play an important role in this ongoing creation of meaning: "what we call our data are really our constructions of other people's constructions of what they and their compatriots are up to."⁸ In the journal *Business and Economic History*, Ken Lipartito has emphasized the importance of culture for studying business behavior: "In theory, practices of all sorts, including business practices, could be read to expose the cultural constructs they signify."⁹ An important implication for this study is that rationality and interests are not natural, absolute or objective but rather are cultural constructions.

At the organizational level, Joanne Martin has challenged the understanding of culture as something unique and shared. Though there certainly are shared values in an organization, she argues, there are also subcultures, confusion and lack of coherence. Moreover, any organization will have cultural links that go beyond its boundaries. The cultural observer should aim at an "understanding of the patterns of meanings that link . . . [cultural] manifestations together, sometimes in harmony, sometimes in bitter conflicts between groups and sometimes in webs of ambiguity, paradox, and contradiction."¹⁰ Martin does this by pointing to three perspectives on organizations that together locate their culture, without construing it in static terms:

- (1) the *integration perspective*, which describes what is shared in a culture from top management to floor operators noting that a degree of consensus exists in the organization about some values.
- (2) the *differentiation perspective*, which includes different subcultures within the organization. Hence, top management is likely to have a cultural perspective and perception distinctive from, say, the IT people. Consensus operates within subcultures in the organization, but not across subcultures.

7. See Deal and Kennedy, *Corporate cultures*, and Schein, *Organizational culture*.

8. Geertz, *The Interpretation of Cultures*, 9.

9. K. Lipartito, "Culture and the Practice of Business History," 5.

10. Martin, *Organizational Culture*, 3 and *passim*.

- (3) the *fragmentation perspective*, which comprises those manifestations of culture that are incoherent, lacking any consensus about the organization.

According to Martin, all three manifestations of culture co-exist in any organization, but she also locates them within the *home perspective*. The home perspective is the dimension (integration, differentiation or fragmentation) that is dominant within an organization at any given point in its lifecycle. The home perspective will change, emphasizing different “stages” of an organization’s life, but it is important to note that Martin is not offering a theory of stages in a developmental sense. There is no natural progression through which the three perspectives proceed; indeed each can dominate more than once during the life cycle of an organization.

A close relationship obtains between an organization’s culture and its identity. Like culture, identity is a construct that actors change over time, and thus, it should not be construed in realist terms, that is, as an essence or a thing. Traditionally, a person or an organization would be thought to have an identity that is more or less stable, integrated, and independent of its context. More recent thinking, by contrast, views identity chiefly as a construction, arguing that neither a person’s nor an organization’s identity is fully integrated and consistent. Rather, identity is variable and differentiated to a certain degree and is constantly negotiated in interaction with the surrounding society through work, membership of organizations, consumption, etc. Narratives play an important role in this ongoing construction of identity.¹¹

Martin’s theory of organizational culture is a promising approach, but like most other theories in the field, it more or less ignores history’s role in shaping the culture and identity of organizations. This is a serious shortcoming because it ignores path dependence and the dynamics of change. However, I believe that Martin’s theory of organizational culture can be revised to include history and narratives, and scholars can, thereby, come to address the concept of a home perspective directly; after all, a shift in the home perspective is fundamental for changes in an organization’s culture. I suggest

11. Cf. Martin, *Organizational Culture*; Schultz, Hatch, and Larsen, *The Expressive Organization*, and, in particular, the article in this volume by Czarniawska, “Identity Lost or Identity Found?” 271–283. For further discussion of organizational identity, see Hatch and Schultz, *Organizational Identity. A Reader* and Balmer, “Corporate Identity, corporate branding and corporate marketing.” For a cultural identity perspective on consumption, see Holt, *How Brands Become Icons*, and McCracken, *Culture and Consumption II*.

that when an organization has a strong historical narrative, and no serious contextual pressures to challenge it, the narrative represents an important resource for the organization because it installs *integration* as the home perspective. This is when its organizational capabilities are strongest.

When contextual external pressures challenge the organization's self understanding and strategic goals, however, this weakens the narrative's ability to make sense of, and assign meaning to, the organization and the events that affect it. External pressure may therefore eventually shift the home perspective towards differentiation and even fragmentation, and in some cases, to a gradual dissolution of the narrative altogether. However, as the narrative has framed the experience of the organization, there will be considerable resistance among the stakeholders to accepting a different view of what the organization is. This dynamic is further complicated by the fact that an organization does not control its own narrative, and the more widespread and embedded in the national history a narrative is, the more difficult it will be to change it and therefore to change the organization.¹² Thus a strong narrative can shift from being a resource to a constraint. As Carr notes, the solution may be to change either the narrative or the events.

The Savings Banks and Their Narrative¹³

Savings banks were established in Danish cities in the first half of the nineteenth century, and over time, developed close relations with workers and small firms. From the 1850s many rural savings banks opened, and during the 1880s their connection with the Danish agricultural cooperative movement developed rapidly. In this period, the savings banks thrived, and even though they were regulated in 1880, and again in 1919, they held a solid customer base and a generally better reputation than commercial banks. This was particularly the case during the interwar period, when Denmark's commercial banking system experienced a devastating crisis that seriously damaged its reputation and influence. During and after the

12. The point that an organization (or individual) can not control its own narrative is made by Czarniawska, *Narratives in Social Science*, 5–6.

13. The case of the savings banks studied in this paper is based on my book in Danish, Hansen, *Da sparekasserne mistede*, and Hansen, *The Danish Savings Banks*.

1930s, savings banks won market shares as well as reputational advantages vis-à-vis commercial banks. This development also strengthened the savings bank narrative.¹⁴

In 1937, a new savings bank act enhanced the segmentation of financial markets: savings banks were no longer allowed to deal in shares and foreign exchange, or to discount bills of exchange, provide cash credits or blank credits (credits without collateral) beyond small amounts. As a consequence, their legal capital requirements were smaller than those of commercial banks. Also, as nonprofit, self-governing institutions, they did not pay taxes. These regulatory initiatives supported the savings banks' narrative because they locked in the customer base and underscored key values. In 1939, Denmark held 517 savings banks, or three times the number of commercial banks, with deposits equal to 84 percent of all commercial deposits.

By the end of World War II, savings banks were solidly positioned vis-à-vis commercial banks. The establishment of the *Danish Savings Banks Association* in 1947, and their jointly-owned commercial bank *Fællesbanken* in 1949, also bears witness to the self-confidence and close cooperation of the savings banks after the war. Through the mid-1960s, the *Danish Savings Banks Association* was instrumental in promoting cooperation and coordination of savings banks' activities at the industry level. *Fællesbanken* was meant primarily as a means of distributing liquidity among savings banks, but it soon began offering commercial banking services to savings bank customers who would otherwise have had to be referred to a commercial bank.¹⁵

This cooperation intensified what was perceived to be a strong, shared culture and identity, centered on the premise that savings banks offered a democratic and popular alternative to commercial banks, founded on a different set of values and a different understanding of financial services. Savings banks did not compete with each other like commercial banks. On the contrary, during the 1960s, they split the market between them, which meant, in effect, setting up a cartel. To a degree they also shared marketing, computing, education and, perhaps most important, the sense of belonging to a movement. This shared perspective was constructed and continually reconstructed

14. Hansen, *From Growth to Crisis*, Hansen, *Banking Crises and Lenders of Last Resort*, and Hansen, *Paa glidebanen til den bitre ende*.

15. Mikkelsen, *Dansk Pengehistorie, 1960–1990*; Lange, *Med jyske øjne*; Hansen and Mørch, *Den Danske Bank*; Hansen, *Da sparekasserne mistede*. In 1985, a book with the title *Sparekassebevægelsen i Danmark* (English: *The Savings Bank Movement in Denmark*) was published with financial support of the *Danish Savings Bank Association*; see Clemmensen, *Sparekassebevægelsen i Danmark*.

by their historical narrative, which acted as a strong resource and strengthened the integration dimension of the savings banks culture.

Belonging to a movement was part of savings banks' historical image, the opposite of commercial banks' competitive profit-making, sustained by a narrative emphasizing savings banks' destructive history and values. The dominant Danish historiography has focused on savings banks as a popular, democratic, and social "movement" with strong historical links to the nation's influential agricultural cooperatives. Its focus has mainly been on the agricultural roots and traditions of savings banks, inverse to commercial banks' urban, commercial and industrial roots. This creates a paradox because urban savings banks were established first and in general, were larger than the rural ones. The explanation is that the main trend in Danish historiography (i.e. the dominant national historical narrative) has represented Denmark as a nation of farmers, with the role of the savings banks in financing the cooperative movement's dairies and slaughterhouses, occupying a prominent place in the national saga.

In addition, the establishment of large and small rural savings banks from the mid-1850s was part of a political and economic struggle between rural and urban interests. Here, the traditional emphasis has been put on the relation between savings banks and farmers' political enlightenment. The savings banks' perceived democratic tradition is also presented as arising from this struggle. The distinction between savings and commercial banks assumed particular significance because the two organizational forms became involved in the farmers' party (*Venstre*, i.e., Left) and its political contest against the governing party that represented large landowners, the bourgeoisie and civil servants (*Højre*, i.e., Right), over parliamentarianism in the late nineteenth century. One example is the call made by members of the cooperative movement:

Don't place your savings in *Højre's* banks. *Højre's* banks are the cornerstones of big capital . . . in their fight against democracy. In *Venstre's* banks and savings banks the democrat's savings will be a support for himself and for democracy.¹⁶

The micro-narrative of the savings banks has thus corresponded well with the dominant national (or macro) historical narrative about

16. During this time of political struggle, the farmers' movement also established some agricultural banks in the cities in opposition to the urban banks. The quote is taken from Kruchow, *Dansk landbrugs andelsbevægelse*, 47. but is from a newspaper in the 1880s or 1890s.

Denmark. For a long time, it even corresponded with the general representation of Denmark as a mainly agricultural country, which lasted until the end of the 1950s, when industrial exports for the first time exceeded agricultural exports. As late as 1966, the *New York Times* carried a story in which the Danish Minister of the Economy, Ivar Nørgaard, argued that Denmark had only become an industrial country during the last ten years.¹⁷

In line with this general narrative about Denmark as an agricultural nation, its urban and industrial environment has often been represented as unhealthy and unnatural, unlike the agricultural and rural environment, pictured as idyllic and natural. Savings banks came to symbolize the opposite of commercial banks; they became part of the conflict between urban and rural, industrial and agricultural, capitalist and popular Denmark—important dichotomies in twentieth-century Danish history. This urban-rural split became routine in novels, historical narratives and contemporary debates, with the savings bank narrative often linked to portrayals of rural and agricultural Denmark as healthy and natural. For instance, in 1912, a famous Danish novelist wrote of Copenhagen, “This is hell, while the smallholding farmer with his cow is the happiest person on earth”; in 1973, this view was repeated in a parliamentary debate. Denmark also has numerous rural and agricultural museums, while only recently opening its first industrial museum.¹⁸

Thus, within this macro historical narrative about Denmark as an agricultural nation in which the cooperative movement played the leading protagonist, the savings bank narrative established a cultural context where specific cultural, political and economic meanings became assigned to commercial banks and savings banks, respectively. This narrative had its insiders, followers and feeders, and circulated both inside and outside the savings banks.¹⁹ Their

17. Regarding the savings banks, see Bisgaard, *Danmarks sparekasser*; Skrubbeltrang, *Den sjællandske bondestands*; and Clemmensen, *Sparekassebevægelsen i Danmark*. For the grand narrative of Denmark as an agricultural nation, with special emphasis on the cooperative movement, see Kjærgaard, “Gårdmandslinien i dansk historieskrivning,” 178–191; and, *Om at bekende sig til virkeligheden*; Mordhorst, *Fra bondefrigørelse*, and, “The Co-operative Movement in Denmark” Nørgaard is quoted in the *New York Times*, January 21, 1966.

18. The novel is Pontoppidan, *De dødes rige*. For the parliamentary debate, see Hansen, *Da sparekasserne mistede*, 170–2. For the general representation of this dichotomy, see also Kjærgaard, *Om at bekende sig*; Kjærgaard, *Gårdmandslinien*; Bisgaard, *Danmarks sparekasser* and the contemporary Foss, “Danmark som industriland,” 33–50.

19. For definitions of insiders, followers and feeders, see Holt, *How Brands become Icons*.

founders and managers often appear as charitable land owners, teachers, vicars and officials with a social perspective, whereas founders of commercial banks are represented as purely self-interested commercial or industrial capitalists. This means that the narrative's main function was to construct an "imagined community" in the form of the savings bank movement, as well as an "us-and-them" dichotomy.²⁰

Given this imagined community, the narrative proved to be a key resource for the savings banks. It contributed a sensibility to the movement, stressing shared values, and it reinforced the savings banks' *integration* perspective and their organizational capabilities. Moreover, in market terms, the narrative supported the savings banks' brand and influenced consumer preferences because it presented a viable and accessible alternative to commercial banks. Legal and institutional arrangements that emphasized savings banks as particularly well-suited to accommodate the savings and other financial needs of small landholders, farmers, workers, and so on, further reinforced the narrative.²¹ Eventually, this narrative became deeply embedded, framing the meaning of the concept "savings bank", the narrative and became an important part not only of their organizational culture and that of the *Danish Association of Savings Banks*, but also of the public's understanding of savings banks. The narrative circulated within the savings banks as well as outside of them in society at large, which meant that the banks could not control their own narrative.²²

As part of their culture, savings banks constructed organizational identities and images which contrasted with those of commercial banks. This is not surprising, since "subcultures form in opposition to other subcultures", and the opposition of one organization to other organizations is part of fashioning one's own identity and culture.²³ One understands a concept or an organization part by delineating what it is not, and the savings banks understood themselves in the context of *not* being commercial banks. Hence they employed concepts such

20. For the concept of "imagined community", see Anderson, *Imagined Communities*.

21. In 1880 the first savings bank act was enforced. The next savings bank act came in 1919, the same year that the commercial banks were regulated for the first time. In 1930 the commercial bank act was revised, and in 1937, the savings bank act was revised. See Hansen, "Bank Regulation in Denmark from 1880 to World War II."

22. This is an important point of narratives in general; that they are difficult to control by a single actor, see Czarniawska, *Narratives in Social Science*.

23. Weeks, *Unpopular Culture*, 110.

as *democratic* and *popular* that framed the core of what constituted a savings bank as opposed to a commercial bank. This narrative was an asset and a resource for the savings banks when the historical context remained relatively stable. However, in the 1960s, the grand narratives of modern societies came under attack from postmodernism, and at the same time, Danish society experienced important cultural, economic, and social changes which convinced some savings bankers that they would need to change as well.

External pressure on the savings banks

As noted above, Karl Weick argues that, over time, organizations develop a “trained incapacity to see the world differently.”²⁴ While this incapacity with respect to the savings banks was a strength in the absence of strategic threats, the situation changed when savings bank leaders started worrying about the meaning of declining market shares and accelerating changes in the cultural and economic context during the 1960s. The savings banks’ home perspective had long been oriented toward integration, and this had served them well in the years after World War II, before external pressure started to erode their market share. During the 1960s the integration view gradually became an obstacle to organizational change, as savings bankers struggled to make sense of a shifting economic and cultural environment.

During the mid-1950s, Denmark entered its golden age of economic and industrial growth, with exports finally outpacing agriculture.²⁵ Accelerating industrialization and urbanization not only sent the agricultural grand narrative into crisis, it also contributed to a gradual fragmentation of the general cultural context in which the savings bank narrative had been embedded.²⁶ During the 1960s and 1970s, this development continued and coincided with the decline of Keynesianism and the rise of monetarist and neo-liberal discourse, with an increased emphasis on free market capitalism as the primary driver of economic progress. At the institutional level, these dynamics

24. See Weick, *Sensemaking*, 136.

25. Pedersen, “Postwar Growth of the Danish Economy,” and, Johansen, *The Danish Economy in the Twentieth Century*.

26. This development corresponds to the dissolution of the grand narratives as analyzed by Jean-Francois Lyotard in *Le Condition Postmoderne*, see Jean-Francois Lyotard, *The Postmodern Condition: A Report on Knowledge*, (Manchester: Manchester University Press, 1984) (Original edition in French: *Le Condition Postmoderne: Rapport sur le Savoir*, 1979).

led to a worldwide wave of deregulation in financial markets. Equally important, this discursive shift resulted in an “ideological battle being waged by extreme free marketeers against mutualism.”²⁷

In other words, the savings bank narrative came under pressure from other narratives favoring free markets and profit-oriented business activities. As long as it struck no significant external pressure, the savings banks functioned well and were well served by their dominant organizational culture, grounded in a strong identity and based on a shared narrative. However, once the cultural disruptions of liberalization and economic development took hold, savings banks lost market shares, which forced their managements to reconsider the situation and their strategies. The board of the Danish Association of Savings Banks made sense of the changes in a way that did not correspond well with the savings banks’ narrative, and their strategic response suffered accordingly. The board noticed that developments in the Danish economy were transforming the structure of demand for financial services on both the assets and liabilities sides of the balance sheet. Farms were getting bigger and adopting industrial processes. Industrialization had spread to the smaller cities and the countryside, and a wave of mergers involving both commercial banks and savings banks started taking place, thus uprooting the financial system’s century old structure. The 1937 act’s regulatory constraints now meant that savings banks could no longer meet increasing demand from expanding farms and businesses for financial services and they steadily lost market shares to commercial banks (see figures 1 and 2).²⁸

While the regulation issue was an exogenous, institutional factor, constraining the savings banks’ business operations, the concentration movement proved to be quite another problem. Mergers and takeovers were not a common phenomenon in the Danish financial sector, but they were more acceptable among the commercial banks, where free-market discourse and competition had been more usual. The savings banks, on the other hand, nourished a narrative of shared values, democratic management, philanthropy, cooperation, and not-for-profit ideals. Therefore, savings banks did not engage in takeovers of other savings banks. Most savings banks, especially the small ones, had more or less divided local and regional markets among themselves; but with the structural transformation of the economy,

27. The quotation is from Jack Revell in Carbo, Gardener, Molyneux and Williams, “Adaptive Strategies by European Savings Banks: A Case Study of Spain,” 189.

28. Hansen and Mørch, *Den Danske Bank*, and Hansen, *The Danish Savings Banks*.

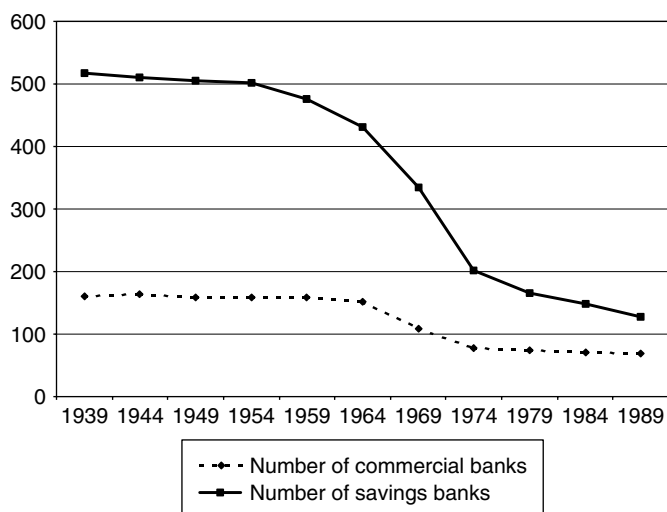


Figure 1 The number of Danish commercial banks and savings banks, 1939–89.²⁹

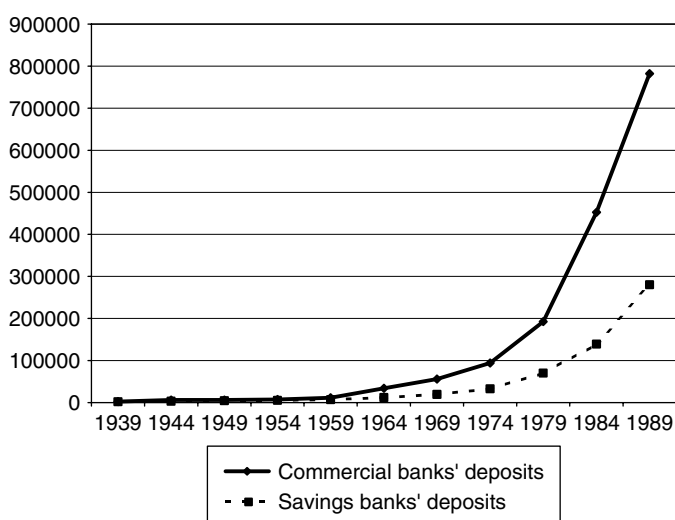


Figure 2 Deposits/total assets of Danish commercial banks and savings banks, 1939–1989.³⁰

some savings bank managers began to consider creating larger units as a necessary part of any strategy to remain competitive.

29. Johansen, *Dansk økonomisk statistik*, and Mikkelsen, *Dansk pengehistorie*.

30. Note: From 1939 to 1959 the figures are total deposits. From 1964 the figures are total assets. Source: Johansen, *Dansk økonomisk statistik*, and Annual Reports from the Financial Supervision Authority.

This presented a problem and a potential threat to the unity of the movement, which the Danish Savings Bank Association tried to solve by dividing the country into ten regions. Mergers were to be allowed within these so-called *structural development areas* but cross-regional mergers were not authorized. This attempt at exercising social control (and setting up a cartel) expressed some basic views and values of most Association members, but the larger savings banks, nevertheless, began to expand beyond their “natural” limits, both regionally and operationally. This development was an initial sign that the shared narrative was under pressure and that different narratives were being constructed. The larger savings banks increasingly embraced the free-market discourse, while the medium- and smaller-sized savings banks still adhered to the traditional democratic and popular narrative. In consequence, by the early 1970s, formation of a few large, national savings banks was well under way, as were disagreements among savings banks and within the Association. As a result, the home perspective was about to change as well.

The Association’s answer to structural shifts and loss of market share was that the savings banks needed to be able to offer the same services as commercial banks. From the mid-sixties the Association began lobbying the government for a liberalization of the 1937 Savings Bank Act. If this institutional change was not realized, many but not all savings bankers feared that they would lose even more of their market share to the commercial banks. This strategy, however, did not correspond well with the narrative and the image of the savings banks, and it gradually challenged the idea that there was collective attitude about what constituted a savings bank. The desired change of the Savings Bank Act caused tensions within the savings bank movement. Crucially, large savings banks, in particular, emphasized the need for liberalization. These changes and the consequent upheavals also challenged the “savings bank” concept itself, and the web of meanings associated with it. Some members of the Association viewed deregulation as the only means of survival, while others saw it as abandoning the savings bank ideals. The latter group thought that savings banks were not supposed to take over other savings banks, to operate for profit, or compete with them. In short, they should not be transformed into commercial banks. So, what some savings bankers saw as the only responsible answer to the structural changes in the economy, for others meant a betrayal of the savings bank movement.

This development illustrates how the home perspective changed slowly from integration to differentiation, as groups within the savings

bank movement assigned different meanings to this development, and therefore, having incompatible views of the correct strategic answers to the rapidly altering context. The upheaval in the savings bank movement demonstrated that previously shared values were no longer effective. There was less cohesion than the most ardent supporters of the savings bank narrative commonly imagined. The basis for the core savings bank narrative slowly eroded, but the path dependency and organizational inertia it had created remained difficult to redirect, constraining actors' available options. The attempt to reform savings banks' structure, and to liberalize their operations, while at the same time stabilizing their identity, and thus, the substance of the savings bank concept, proved much more difficult than the Association's leaders had imagined. In consequence, the home perspective gradually changed from integration towards differentiation.

Even the strongest supporters of the changes, therefore, had to keep within certain culturally understood limits. For instance, it was not an accepted strategy to say openly in the 1960s and 1970s that one wanted savings banks to become commercial banks. Or rather, it was not possible if you wanted to belong to the "movement" or the savings bank community. In order to do that, a banker would have to operate within the narrative's conceptual framework and its idea of what constituted a savings bank. Even the most eager reformers had to emphasize that they did not want savings banks to become commercial banks; they just wanted savings banks and commercial banks to have equal opportunities.

In 1968, lobbying for a revision of the savings bank act bore fruit and the Government appointed a committee to propose a new, more liberal act. The result was not very successful. The two most important reasons for this failure were the disagreement among the savings banks themselves, and the commercial banks' resistance. It did not help, of course, that the savings banks refused to accept the obligations that would follow with equal opportunities: paying taxes and accepting higher legal capital requirements.

In the second half of 1971, the committee reported. To the disappointment of some savings banks, its proposal did not include stock and currency transactions and more important, the license to grant blank credits and cash credits to customers. This prompted radical action from one savings bank, to which I shall now turn.

Three Key Episodes in Transforming Danish Savings Banks into Commercial Banks

An unwelcome merger

On Monday January 15, 1973, Danes, and savings bank employees in particular, were shocked to read in the newspapers that the large commercial bank *Privatbanken*, based in Copenhagen, and the aggressive, medium-sized regional savings bank *Sparekassen Nordjylland*, based in the industrial city of Aalborg in northern Jutland, had decided to merge. In effect, *Sparekassen Nordjylland* would become a commercial bank, giving up its name and identity as part of the savings bank movement. The new business opportunities allowed by this move apparently meant more to its leadership than its identity as a savings bank. *Sparekassen Nordjylland*'s two managers had been highly critical of the meager result of the new Savings Bank Bill. In a letter to the Association, dated September 10, 1971, they had complained about the retreat from the original goal, and claimed that the proposal ruled out a "development in the savings banks' participation in business financing, which is contrary to our own interests . . . in an expansion of business life with the purpose of increasing economic growth in this part of the country."³¹ Since their complaints had fallen on deaf ears, they had now chosen to break with the unity of the savings bank movement and pursue a merger with *Privatbanken*. This break with the shared values-based narrative indicated that *Sparekassen Nordjylland* had other narratives to draw on as well. In particular, the city of Aalborg, *Sparekassen Nordjylland*'s home, was an industrial city where the bank was already more engaged in industrial financing than were other savings banks.³²

It was not just the merger as such that caused shock and protests, however. Mergers, after all, had become quite frequent occurrences in the Danish financial system during the late 1960s and early 1970s. There had even been a few mergers between small commercial banks and savings banks. Rather, in this case, protests arose due to the fact that two important and fundamentally different types of financial organizations, with very different narratives and traditions, were now to amalgamate. The agreed merger made good sense from an economic

31. Hansen, *Da sparekasserne*, 127.

32. Hansen, *Da sparekasserne*, 141–2.

perspective, but the very different meanings the two organizations exemplified were not easily combined, neither in the savings bank movement nor in society at large. Economic theory cannot explain the outcome of the merger effort; culture can.

Privatbanken symbolized all the meanings and values that the savings banks had long united against. It was one of the banks that farmers, smallholders, and workers did not want to trust with their savings, and the specific meanings attached to it made the merger agreement even harder to accept for many savings banks. After all, it was not just any commercial bank: Since its establishment in 1857, Privatbanken had been considered the “big business” and big urban joint-stock bank *par excellence*. Its first manager from 1857, C. F. Tietgen, had been an entrepreneur and a truly internationally oriented financier who turned his enterprise into a universal bank, involving it in the establishment of several large industrial corporations.³³

Tietgen had been the first promoter of the one vote per share principle.³⁴ This idea strongly conflicted with (at least in theory) democratic principles of the cooperative and savings bank movement, where one voted “per head—not per head of cattle.” The savings bank stalwarts understood themselves as providing a historical alternative to commercial banks. Since 1880, legal institutional arrangements had supported and extended this distinction. Still, in 1973, Sparekassen Nordjylland planned to merge with this iconic commercial bank.

Upon hearing the news, the head of the powerful association of Danish labor unions said he was “appalled by this coup by Big Business.” Its newspaper considered the merger an organized attack by private capitalistic interests on wage earners’ wealth.³⁵ The unions were not the only protesters; most Danes and Danish political parties united in condemning this betrayal of the “savings bank idea”, construing the merger as wrecking a democratic institution to meet commercial pressures.

The Danish Savings Bank Association also denounced the merger in very strong words, and SDC, an electronic data processing center jointly owned by the savings banks, threatened to stop data processing for Sparekassen Nordjylland. The union of savings bank employees ordered its members in Sparekassen Nordjylland, which meant practically all the company’s employees, to go on strike, and in

33. Hansen, *Early Industrialization in Denmark*; Hansen, *From Growth to Crisis*, and in particular Lange, *Stormogulen*.

34. See Willerslev, *Studier i dansk industrihistorie*, 219–34.

35. See the newspaper *Jyllands-Posten* January 18, 1973 and Hansen, *Da sparekasserne*, 143–4.

Parliament, both the Social Democrats and the Liberal Party (with strong historical ties to farmers and the cooperative movement), came out strongly against the merger. At the end of the day, opposition to the merger was so strong that Sparekassen Nordjylland was forced to ask Privatbanken to cancel the agreement, which had already been signed by the boards of the two banks. The board of Privatbanken accepted.³⁶

I submit that the breakup of this merger cannot be understood in a framework position of atomized economic agents pursuing their particular economic interests. Instead, cultural factors lay behind the breakup, and therefore, it was something larger and more significant than a merger between two financial institutions that floundered. The symbolic value of the merger was at stake. Two very different cultures confronted each other, mobilizing two very different narratives. Opposition to the merger was based on the representation of savings banks as alternatives to *the very idea of* commercial banks, not just as competing financial institutions. This was why the merger had to be cancelled. Significant elements within Danish society perceived that Sparekassen Nordjylland had acted without solidarity, violating a core value in the savings bank narrative. Members of the savings bank movement obviously subscribed to this narrative, but so too did the surrounding society, as evidenced by the reactions of labor unions and political parties.

There is an irony in this story, however. The proposed merger had made it clear that a new banking act was needed. In order to avoid more situations like the merger between savings and commercial banks, the *Venstre*-led government moved quickly and put forward a combined commercial and savings bank bill. On January 1, 1975, an act came into force that allowed the savings banks the same operational freedom as the commercial banks. From then on, the only legal difference between savings banks and commercial banks was that commercial banks were joint-stock companies, while savings banks remained self-governed, nonprofit organizations. The new law, ensured that savings banks did not need to merge with commercial banks in order to be able to carry out the same lines of business.³⁷

36. Hansen, *Da sparekasserne*, 134–47.

37. In the conceptual framework of Douglas North, the new law was an institutional change that resulted from the actions of organizations and historical agents. There is an interesting link to North's recent development of his theory, in that the narrative approach offered in this paper has obvious implications for North's use of "belief systems" and "mental constructs" in explaining the actions of historical agents. See North, *Institutions, Institutional Change and Economic*

The chairman of the Danish Savings Bank Association (and CEO of the largest Danish savings bank) acknowledged the new act as an improvement, but did not condone the way it had come about. In his view, Sparekassen Nordjylland had violated the trust of the other savings banks. “With the stroke of a pen”, he said, “the management of Nordjylland betrays the savings bank idea.” Nevertheless, he assured the public, his colleagues, and probably himself as well, that “statements from savings bankers all over the country have demonstrated that we will live up to what is expected from us. Savings banks are savings banks and will always be savings banks.”³⁸ This last statement was a very explicit attempt to singularize the content of the savings bank concept.³⁹ It was, however, in vain. The episode demonstrated quite clearly that the integration perspective was being challenged by the changes in the cultural and economic context as well as by some of the savings bank movement’s own members. Savings banks’ home perspective was shifting towards differentiation, this development continuing during the 1970s, when a liberalized bank act allowed savings banks to offer the same services as did commercial banks.

What is a hostile takeover among friends?

With the new act in force from 1975, savings banks could engage in stock and currency transactions, as well as advance blank credits and cash credits. The largest among them were most eager to take advantage of these new opportunities, but some of the medium-sized savings banks also moved swiftly into the business opportunities that had emerged. As a consequence, they no longer needed Fællesbanken, that is, their joint-stock commercial bank, which had been used to bypass the restrictions of the 1937 Savings Bank Act.

The small savings banks, however, and some of the medium-sized ones, had neither the know-how nor the customer base to commence commercial bank activities on any significant scale. They therefore

Performance; Understanding the Process of Economic Change, and, “Institutions and the Performance of Economies over Time.”

38. Hansen, *Da danske sparekasser*, 146.

39. Briefly, the concept of “singularizing” means that groups will engage in a semantic struggle about the meaning of a concept. When a group succeeds in conquering the meaning the concept has been singularized and this group will be able to set the agenda in public discourse. See Koselleck, *Futures Past*, and Koselleck, *The Practice of Conceptual History*.

wanted Fællesbanken to remain jointly owned by the savings banks. Fællesbanken had gradually grown into a commercial bank in its own right, however, recognized for the expertise of its arbitrage department. Its management wanted links to the savings banks to be eased and eventually dissolved.

The Danish Savings Bank Association needed to present a plan concerning what to do about Fællesbanken, but the savings banks could not agree on what steps to take. Different narratives had started to develop among the savings banks, and this, in turn, led to a focus on conflicting, rather than shared, interests. Fællesbanken was a joint-stock company and the large savings banks owned most of its shares, but according to the ideas of the savings bank movement, they were expected not to exercise their voting power. According to the dominant narrative, not being commercial bankers, the one vote per share principle was not accepted. Instead most savings bankers expected each institution to cast a single vote. The diverse interests of the owners, however, could not be resolved by democratic means, resulting in a lengthy stalemate.⁴⁰ The important issue is that if the savings bank narrative had not still been quite effective, the large savings banks could have acted alone much earlier than they actually did.

As in 1973, the newspapers broke the story of a possible resolution to the stalemate. On Monday August 15, 1983, headlines announced that the two largest savings banks in the country, namely, Sparekassen SDS and Bikuben, were buying Fællesbanken in order to split it between them.⁴¹ The Danish Savings Bank Association, was once again taken completely by surprise. It became clear that by now the major savings banks were prepared to use their share-based voting power, breaking the unwritten rules of the savings bank community and, by this means, betraying its trust.

While Parliament did not participate in the discussion this time, the merger drew strong reactions from both the public and other savings banks. The two largest banks were accused of behaving in a way that no genuine savings bank or banker would accept. They were charged with behaving like commercial bankers, and even though there was no overall consensus within the Danish Savings Bank Association, small- and medium-sized savings banks blocked the attempted hostile takeover.

40. See Hansen, *Da sparekasserne*, 213–70, for an analysis of the conflict over Fællesbanken.

41. See the newspaper *Jyllands-Posten*, August 15, 1983.

From a business and economic point of view, the proposed takeover made good sense to the largest and medium-sized savings banks. For the small ones, it was more problematic because they lacked Fællesbanken's know-how in currency transactions and in dealing in shares and bonds. Yet this was not the main point; the core problem was that the unity of the savings bank movement was dissolving, that is, that its narrative and traditional values, which had already begun differentiating during the conflict in 1973, were increasingly being challenged. Very different views had developed about what strategies to follow and what strategic decisions and actions to take in response to external pressures and institutional changes. The savings bank movement was about to split into subgroups with different narratives and, in turn, different interests. They were no longer able to present a shared solution to shared challenges, and the sectors' home perspective slid towards differentiation.

While the classic narrative was not as strong within the savings banks as it had been in the 1960s and 1970s, the conflict showed that it was still influential among the public. For instance, one of the big daily newspapers, *Politiken*, wrote in a leader that "it is always pathetic to see businesses with roots in a healthy popular movement degenerate and demonstrate the ambitions of the Monopoly Capital of the past that they were established to fight." Likewise, a columnist in the newspaper *Information* invoked the savings banks' "democratic, popular and consumer friendly reputation" in protesting the attempted takeover. These newspapers were clearly referencing the traditional savings banks narrative, even while showing that these banks were not able to control it.⁴²

The struggle over Fællesbanken was a traditional clash of interests between small and large savings banks, but it was also much more than that. It enacted a cultural conflict based on the increasing tension between the traditional narrative and its changing economic and cultural context. While some of the new CEOs of the largest savings banks had less respect for and relation to the savings banks movement, the small- and medium-sized savings banks still adhered to the shared narrative. The conflict sparked many references to these cultural differences, for example, categorizing the managers of Bikuben and SDS as less than "genuine" savings bankers. It was no coincidence that they were both academics and had been recruited from outside the movement. This was unusual, since the typical savings banker

42. Hansen, *Da sparekasserne*, 250–1.

had been trained in a savings bank since he was very young and had gradually climbed the promotional ladder.

In contrast to the earlier 1983 conflict, the strongest and most explicit culturally-based protests seemed to come from the public and the newspapers. The savings banks also protested but, at least in the case of the smaller ones, economic interests came into play savings banks leaders' since they depended on the services of, for example, Fællesbanken's arbitrage office. This further emphasizes that a change was under way in the cultural assumptions and values of savings banks' leaders. The degree to which these values were shared had eroded still further since 1973, and differentiation had, in effect, become the home perspective.

The many changes occurring amid the accelerating liberalization of the Danish economy between 1960 and 1990 made savings banks take action to address a wide range of challenges. As time went by, it became increasingly clear that values were no longer sufficiently shared to provide a proper background for common strategies, decisions, and actions regardless of size and location. Both, in 1973 and in 1983, a few large savings banks tried to force through the implementation of strategies that they found were necessary for their own future survival and development. They did this without regard for a once-dominant culture based on the savings bank narrative, and in doing so they also forced through changes in the institutional and organizational architecture of the Danish financial system. As a result, like many other meta-narratives, the grand narrative of the savings bank movement was broken up and replaced by several subnarratives covering either individual large savings banks or subgroups of small- and medium-sized savings banks. The former increasingly aspired to become fullscale commercial banks, and more and more bought into the free market narrative, while the latter tried to rescue whatever remained of the savings bank movement and its historical narrative.

The CEOs of the savings banks that broke the unwritten rules were now categorized as the wrong sort of savings bankers and consequently were no longer considered genuine "members" of the movement. After lengthy negotiations, the planned takeover of Fællesbanken had to be given up, and the company was, instead, bought by a large insurance firm in 1986.⁴³

43. Hansen, *Banking Crises*, and Hansen and Mørch, *Den Danske Bank*.

“The biggest savings bank robbery in Danish history”

The scene was now set for the final act. Turbulent years in the 1970s, and the first half of the 1980s, had brought about a change in the savings bank movement. The main distinction was no longer between savings banks and commercial banks, but increasingly, between small local and regional savings institutions on the one hand and large national ones on the other. In combination with the transition towards competition and free market discourse in general, the changes within the savings bank sector had also altered and differentiated the savings banks' narrative and culture, and therefore the range of possible actions and decisions.

This became evident in the mid-1980s, when the Danish Savings Bank Association embarked on a project to transform savings banks into joint-stock companies and thus fully fledged commercial banks. Each of the earlier conflicts had gradually eroded the power of the traditional narrative, and the Association now initiated an ambitious plan to allow savings banks to change their legal status from self-governed, nonprofit institutions to joint-stock companies. Within the Association, a major effort was set in motion in order to achieve a legislative change that would allow, but not force, savings banks to become joint-stock companies. The new chairman realized that there might be protests against these plans. He argued that the change would have no consequences for the unique cultural identity and values of the savings banks.

According to this chairman, the identity of the savings bank movement was founded on values such as

customer democracy, independence from vested interests and a decentralized management. It is those individuals in particular who want to protect these values that should be most interested in the transition into joint stock companies so that the values can be preserved and strengthened.⁴⁴

This statement by the chairman, who was also CEO of the largest Danish savings bank, SDS, was a clear attempt to reframe (re-story) the narrative in order to facilitate the transformation of savings banks into joint-stock companies. The chairman's statement about identity and values made no reference to savings banks' self-governing, nonprofit status, an aspect which did not correspond with the change to joint-stock companies. Moreover, he acknowledged that it was up to the

44. Hansen, *Da sparekassen*, 279.

individual savings banks to decide whether they wanted to become joint-stock companies. This move illustrated how the classic narrative was no longer shared, and how the home perspective of the savings bank movement had shifted towards fragmentation. The coherence of the movement had ended and the classic narrative no longer held strong meaning for all its members. On the other hand the SDS head's emphasis on traditional values demonstrated that it was still important to pay due respect to the narrative in order to get support for the initiative.

By viewing narratives and culture as important determinants in framing the options available to historical agents, the gradual widening of the range of choices available to the savings banks becomes easier to understand. The slow breakdown of the narrative due first to external, and then to internal pressure, and of the number and strength of shared values paved the way for organizational and institutional change by reducing opposition within as well as outside the savings banks. As long as the narrative remained uncontested, it was not possible to embark on radical, strategic changes that challenged the Associations's shared understanding of what constituted a savings bank. As this understanding became less certain over time, the path dependence effects of the narrative and its power gradually eroded. This was due to external social changes, shifting grand narratives, and the semantic struggle about what constituted a savings bank.

It is noteworthy that the 1980s plan to convert savings banks into joint-stock companies did not provoke any strong opposition among either savings or commercial banks. There was opposition, however, from outside the financial communities. In Parliament, the Social Democratic Party strongly protested what they saw as the transformation of savings banks into commercial banks, and the consequent takeover of the savings banks' equity by private shareholders. A leading Social Democrat named it the "the biggest savings bank robbery in Danish history."⁴⁵

As usual, critics invoked the image of savings banks as a democratic alternative to capitalist commercial banks, but remarkably, with only a single exception, no savings banks protested the proposal to allow them to become joint-stock companies. The exception, the manager of one small bank, stood by the traditional narrative, stating that democracy in a commercial bank was a contradiction in terms, arguing that savings banks should maintain their historical

45. Hansen, *Da sparekasserne*, 298.

distinction. Certainly his savings bank needed to “make money in order to exist, but it does not exist to make money.”⁴⁶ His objections demonstrated that the course taken by the Association and the large savings banks was not the only one available. His view was most likely shared by many small savings banks, for it outlined cultural strategy whereby the savings banks could use their historical narrative to brand themselves as viable alternatives to commercial banks. His protest had little effect at the time, however; and in late 1988, once political opposition to the transformation was defeated, the savings banks won the right to become commercial banks.

With the establishment of Unibank a year later, the transformation was complete. While this merger would have been utterly unimaginable and, indeed, impossible just 20 years earlier, its announcement in December 1989 brought up no major objections. The narratives of both the savings banks and Danish society had changed such that most people viewed the merger as a wise and necessary move if Danish banks were to be competitive internationally. Unibank took a further step in 2000 when it became part of Nordea, the first truly cross-border financial merger in Scandinavia.

Since 1989, the concentration and structural transformation of the financial system have continued. Though there are still savings banks in Denmark, they are small, local and regional. The statistics from the Financial Supervision Authority tells us that the total assets of Danish banks in 2002 were 2,257 billion Danish kr.; only 9 billion of those assets rested in savings banks.⁴⁷

Summing up: external pressure and a changing home perspective

In the immediate postwar period and well into the 1960s, integration constituted the home perspective of the savings banks. Managers and citizens shared the same narrative about the savings banks as a democratic, nonprofit and popular movement presenting an alternative to commercial banks; and they celebrated their democratic, agricultural and therefore “natural” historical origins. As long as there was no persistent need for change due to external pressure, the integration perspective served as a strong resource for the savings banks since it developed and nurtured a common feeling of belonging,

46. Hansen, *Da sparekasserne*, 302–3.

47. Finanstilsynet, *Beretning fra Finanstilsynet 2002*.

of having the same identity and the same strategic goals. This contributed to savings banks' organizational capabilities.

By the 1970s, exogenous cultural and economic developments and—most important—the meaning that savings bankers assigned to these developments, put pressure on the savings bank narrative and led managers to consider new strategies. It then became increasingly difficult to maintain integration as the home perspective. Gradually the differentiation perspective came to dominate. Different savings banks, and groups within them increasingly developed separate narratives, values and goals. In parallel with contextual developments the larger savings banks began to use a more free market-oriented discourse. Profitability and credit risks became newly important concepts in the savings bank business; and together with some colleagues from smaller savings banks, managers in larger enterprises worked for an organizational change in the perception and functions of the savings banks.

Sparekassen Nordjylland's attempted 1973 merger with Privatbanken demonstrated that the organizational culture and the narrative on which it was based were still powerful both inside and outside the savings bank movement. The narrative therefore served as a constraint on the range of options available to the actors, which we can construe as path dependence or organizational inertia.

During the 1980s, the accelerating contextual development and the increasing divide within the savings bank movement changed the home perspective from differentiation to fragmentation. Few shared values sustained the savings bank movement, and disagreements crossed traditional lines. Some top managers aspired to become commercial bank managers, while others did not. The cultural differences were also strong outside the savings banks, where the surrounding community and stakeholders took part in the struggle over what a savings bank really was. But there was no clear answer to that question because the identity of savings banks had been constructed and reconstructed over and over again as the actors struggled to make sense of external cultural, economic, and institutional changes. Moreover, an internal clash of interests, which pushed some of the savings banks towards new discourses of global markets, shareholder value, competition and profitability, while others tried to support traditional values.

The timing of the transformation was linked to savings banks' organizational culture. As long as the integration perspective was strong, it delayed organizational change and the formulation of new strategies. Once the differentiation and fragmentation perspectives replaced the integration perspective as home perspectives, changes

came about more easily, as evidenced by the relatively smooth final shift of the savings banks' legal status from self-governing institutions to joint-stock companies.

When the fragmentation perspective became the home perspective, the narrative lost its meaning and the need for a new narrative that fit with the different strategic goals of the different savings banks became clear. Only at this point did the merger into Unibank of three financial organizations with very different historical backgrounds and narratives become possible. One of the new enterprise's very first marketing initiatives was an expensive advertising campaign in Danish newspapers. The two-page advertisements had the heading "All three of us have proud traditions," Unibank claimed that these diverse traditions were now merged, but the advertisements made no mention of the historical contradictions this merger exemplified. History was used instead to create a new narrative that combined the best from the three traditions.⁴⁸

The Danish Savings Bank Association had reached the end of the road by 1990, and the few remaining savings banks were now on their own. There was no historical inevitability or determinism in this development, however. Other roads might have been taken by the savings banks, but only the small- and medium-sized savings banks chose such options. In 1992, therefore, the remaining small and middling savings banks entered into an alliance with small local commercial banks and established the Association of Local Financial Institutions in Denmark. The important distinction in the Danish financial system is no longer that between savings banks and commercial banks, but between small banks and large banks, and the semantic struggle is about the meaning of the concept *local*.

The largest Danish bank, namely, Danske Bank, has launched an attack on the small banks' attempts to singularize the meaning of being local. *Danske Bank* claims that its many branches make them just as local as the small banks. This is strongly contested by the allied small banks. In this competition, it will be very important for the local and regional banks to be able to brand themselves as the "most local." A vital component of this branding process will be to re-story the narrative of small local banks and savings banks in Denmark in a way that makes it possible for them to conquer the meaning of the word "local."

48. See, for instance, the newspaper *Politiken* March 22, 1990.

Final remarks

This article's basic hypothesis was that culture and identity are not concepts with a homogenous and inherently stable meaning over time, and that narratives, rather than being descriptive, are constitutive of social reality. This is the reason that there is not only one true rationality (as believed by mainstream economics) but several differing rationalities and interests. Both are cultural constructs created by the basic narratives individuals and groups use to make sense of their surroundings. I have argued that organizational culture and identity is based on specific basic historical narratives, and that any attempt to analyze and understand organizational culture, behavior, and inertia must include the analysis of these narratives.

Narratives frame the way historical agents' make sense of their surroundings and in doing so, they offer resources for, as well as constraints on, human choices. Thereby, narratives create path dependence in organizations and serve as foundations for cultural assumptions and values. As a consequence, narratives can be both important catalysts for, and obstacles to, organizational change. This view has important implications for historians because it means that it is not possible to understand an organization's culture without understanding its historical narrative(s).

It also has an important implication for organizations. When they need to make organizational changes, or when they want to merge, they must take their historical narratives into consideration. To put it in the strongest possible form, an organization without a history (i.e. without a historical narrative, not without a past) will be more apt to change than an organization with a strong history. Since it is not possible *not* to have a history, however, it is important to realize the power of narratives. Narratives can be an enormous strength contributing strongly to organizational capabilities in periods of growth in a calm external environment. But when changes in the context put pressure on the organization, strong historical narratives can be a serious obstacle to organizational change, and the organization may have to re-story its narrative in a credible way in order to adapt successfully to the new context.

Understanding narratives enables us to better appreciate how and why new challenges and opportunities are sometimes seized and sometimes not. As this article has suggested, narratives are the backbone of organizational culture and because of that, they play an important role in understanding organizational inertia and organizational change.

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