Danish Foundations and cooperatives as forms of corporate governance: origins and impacts on firm strategies and societies

Peer Hull Kristensen[1] and Glenn Morgan[2]

Introduction

The idea that any large scale private organization seeking to coordinate and direct large numbers of people, large amounts of capital and complex production processes should take on the form of a shareholder driven, limited liability corporation is an ahistorical view of how industrialising societies laid the foundations for growth and development. In 19th century Europe and the USA, there were a variety of templates available ranging from family owned businesses to partnerships, cooperatives and other collective forms of organization building. This variety has continued into the 21st century with the development of other corporate forms such as the Benefit Corporation (see other chapters in this volume). The limited liability/joint stock structure was at the beginning seen as a privilege granted by the state in exchange of a set of duties specified in a charter, This corporate form was diffused across various countries from the mid 19th century onwards. However, for much of the time it has existed alongside other corporate forms in both Europe and the USA (for the discussion on the US see Schneiberg 2007; Schneiberg et al. 2008; Campbell et al. 1991). Even where such companies were established the legal duties associated with joint stock limited liability were often unclear. The question of whether the firm should be run in the sole interests of the shareholders or whether the firm had an identity of its own over which a variety of claims (including the claims of the shareholders) could be made, was contested (Veldman 2013;

[1] Department of Organization, Copenhagen Business School phkr.ioa@cbs.dk

[2] Dept.of Management, University of Bristol glenn.morgan@bristol.ac.uk

Ireland 2010; Ireland 1999). Not until the 1980s could it be said that the priority of the shareholders' claims had become an accepted part of the discourse about the nature of firms and even then this was initially mainly within the US-UK corporate governance system (Davis 2009b). The UK drove furthest towards homogeneity in corporate form during the 1980s and 1990s, particularly through the conversion of different forms of mutually owned financial institutions into public limited companies (Morgan & Sturdy 2000). In this period, the influence of the shareholder value model as a set of discourses and associated practices expanded in Europe and more globally due to the pressure of international financial institutions and international funding and certification bodies to use this framework as a norm or standard practice for firms. Nevertheless there remained substantial national differences in corporate governance mechanisms (Morck 2007) and by the 2000s and especially following the Global Financial Crisis of 2008-9, the narrow framing of corporate objectives in terms of shareholder value was being challenged by the increased exposure of the consequences of such policies for the environment, for the treatment of workers, for tax revenues and for the stability of economic systems (Stout 2012; Mayer 2013). As a result, reforming the corporation and introducing greater diversity of corporate forms has moved up the political agenda (see e.g. The Purpose of the Corporation project http://www.purposeofcorporation.org/en, (Parker et al. 2007); contributions to this volume).

This chapter seeks to recover the idea of a diversity of organizational forms by examining the experience of Denmark, a country where other forms of ownership, particularly cooperatives and industrial foundations, are common. Our aim is not just to describe the Danish system but to explore the social origins and social consequences of these forms. In particular, we return to the idea that collective forms of organization are responses to the challenges that face actors in particular circumstances and under particular institutional constraints and enablers (Kristensen & Morgan 2012; Schneiberg 2007; Djelic & Quack 2007).

The particular circumstances of early industrialization required new ways of organizing the financing and managing of enterprises that were increasingly large in scale. In the early 19th century, although there had since the late 17th century been some experiments in the joint stock limited liability form, companies based on this were considered special cases, usually brought into existence on an exceptional case-by-case basis by the state and involving duties and responsibilities as well as rights, embedded in a formal charter by which the corporation could be held responsible. Most business activity of any scale was not organized in this way and depended on personal wealth, partnership structures, bank loans and the owners/partners being responsible for all debts. Building scale in businesses and engaging in large risk-taking ventures was limited by these structures so actors began to develop new forms.

By the mid 19th century, therefore, there existed two main types of large scale organization alongside each other[3]. Firstly, there were those organizations which were governed either as cooperatives or mutually owned companies where earnings were retained internally for the benefits of the members and for the growth of the organization; in these contexts, managements had to balance off a variety of interests reflecting a broader vision of the social as well as economic purpose of the organization. Secondly there were the emerging limited liability companies, the form of which became legalised and generalised during legislative changes in the 19th century (Djelic 2013) and where a set of internal and external shareholders had an over-riding influence on the purpose of the organization. Although there

[3] Note that our focus is on large scale organizational forms, not small firms, sole proprietorships or partnerships (which were generally limited in number in most countries until the growth of the large professional services firms of accountants, lawyers etc. in the mid-20th century.

were challenges as to the meaning of these legal structures (Ireland 1999), other interests such as employees, consumers or society more generally were unable to establish any formal influence on how the firm worked or the decisions it took. Initially, as shareholding dispersed amongst the individually wealthy, shareholders themselves were more a rentier class owning a very small percentage of any company and living off their dividends rather than being active participants in the company. In the 1930s through to the 1970s, many authors discussed the rise of the managerial class who in effect controlled the large corporations with dispersed ownership (e.g. Chandler 1977). Only as shareholding became more concentrated in the hands of financial institutions and financial markets more active in corporate control from the 1980s onwards did the objectives of the firm in many countries start to narrow in order to massively prioritise the interests of the shareholders (Davis 2009a), even whilst in practice, many countries retained governance structures that allowed for alternatives. These alternatives tended to be treated in the UK especially as relics of the past, doomed to die out and decline – as mutual building societies and insurance companies did in the UK in the 1980s and 1990s shifting over to plc structures (Morgan and Sturdy 2000). Elsewhere, they have continued to be important developing new variations to meet changing competitive conditions.

Historically it seems that where economic actors were already organized hierarchically with strong social and economic distinctions between rich and poor, between those who hold forms of capital which are fungible and transferable across different assets and those who survive only by virtue of their labour power, the responses to the challenges of large-scale organization were likely to be dominated by the more powerful actors seeking to create organizational forms which reproduced and extended their status and position in control of both the firm and the society. Such contexts encouraged the joint stock limited liability company where power over the purpose of the corporation is defined in terms of the benefits generated firstly for those rich enough to invest or own collective enterprises and secondly for those who act as their agents in the running of the company, i.e. senior managers. Where such differences of power, wealth and inequality were more muted and economic organization retained a social purpose to improve the conditions of both insiders and outside stakeholders, the emphasis was on finding corporate forms that could facilitate cooperation across groups on the basis of shared objectives and interests (both inside the organization and in the wider community, whether that is defined locally, regionally or nationally). Such forms could be cooperatives or other types of mutual ownership, which worked for the benefit of their members. Such forms could find a space inside national contexts dominated by the joint stock company but usually in specific niches such as cooperative retail stores, financial institutions aimed at the working class and in agriculture as ways to protect small scale farmers against exploitation by intermediaries and distributors of products. In the UK and the US, they seldom extended into mainstream manufacturing.

In Denmark on the other hand we see a society where cooperatives and more recently industrial foundations (where majority ownership of a firm is vested in a body which has as its own purpose the serving of specific social ends) have spread throughout the key sectors of the economy and are now successful in highly competitive global markets, not just niche players. Because of their particular ownership structure, these corporations can allow themselves to be less short-term than shareholder driven corporations yet they are both highly innovative and competitive *and* focused on serving a 'social' purpose. How has this emerged and what does it suggest to the wider theme of reforming corporations?

Cooperatives

During the initial formation of cooperatives in Denmark, there were a number of social groups who applied this model to their business. It was typically farmers that got together to form a local dairy, a regional slaughterhouse or an agrobusiness co-op to sell their products and supply them with inputs to the farming process; consumers formed local retail co-ops; borrowers and lenders created mutual credit association; workers formed commonly owned plants for the supply of bread, beer or apparel, or an insurance company for a certain grouping of people with similar risk profiles. During this initial phase, members were typically very active and took part in developing the co-op under the principle of "one vote per head", while dividends were distributed according to the volume of transactions that a member had with the co-op. Shared ownership was highly present as members would bail out losses and annual general assemblies had to decide whether to continue or finish the operation of a co-op. In Denmark villages transforming to railway towns formed cooperatives whenever they were in need of adapting to new technologies[4]. A typical railway town in a farming region of Denmark, for instance, would likely form a dairy, a co-op retail store, an agribusiness storehouse; a savings bank, an electricity power station, a freezing house, an assembly hall, a library and a technical school. The emergence of such institutions created a new space for growth for a highly differentiated set of craft-shops that could construct and maintain the modernizing equipment within railway towns and the neighbouring district of farmers. In this way railway towns became highly responsive to new ideas implemented in

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[4] The literature in Danish on the cooperative movement is vast during the first decades of the 20th century and some of the references to this literature can be found in Kristensen and Sabel (1997). However as the Danish development became an inspiration in other countries, some of this material was translated to English. Harald Faber translated and adapted for the British public a handbook (made by Hertel): *Co-operation in Danish Agriculture* (London: Longman, Green and Co., 1918). Justice Brandeis wife, Alice Brandeis' published a tract on Danish cooperative democracy: *Democracy in Denmark Part II: The Folk High School* (Washington, DC: National Home Library Foundation, 1936) as the Brandeis saw the Danish route as cure to some of the problems of American capitalism during the 1930s.

neighbouring towns or its inhabitants would be inspired during stays in folk high school or national craft schools and The Technological Institute. These locations developed highly differentiated labour markets, where it was not only possible to access many different forms of crafts but also to cross class boundaries. Individuals could transform from a farm day-worker, by taking an apprenticeship and becoming a craft journeyman and ending up as the owner of a craft-shop or a manager for one of the local cooperatives. Cooperatives thus formed the basis for local economic prosperity and modernization with limited inequalities and flexible boundaries between being an owner, a manager, or a skilled worker (Kristensen 1992).

This was part of a broader emphasis in Denmark on self-help movements that formed proto-welfare state institutions for their members (such as technical schools, retirement schemes, building societies, different forms of health, unemployment and other forms of insurances among craft workers and craftsmen; folk high schools, research institutions, coops, saving banks and other credit institutions for farmers as well as trade unions). Direct deliberative democracy characterized such institutions, a tradition that was extended to all forms of industrial organization as Danish employees were granted the right to establish work councils and elect representatives to boards of corporations.

These institutions helped to give Danish industrialization a distinctive trajectory where the provision of external finance from private banking institutions or the creation of limited liability companies were of low significance outside the largest towns. Instead industrialization developed through forms of collective organization and coordination that were embedded closely in local traditions of self-help and cooperation. Particularly crucial here was the strong position of craft workers in Danish firms and cooperatives. The crafts had defended their position by creating numerous local (multi-craft) technical schools linked to national craft-specialized schools, so that a decentralized labour market was governed by general and certified curricula that made possible mobility of the workforce to anywhere in Denmark. By 1907 this school system was crowned by a Technological Institute transferring new technologies to small firms, constantly updating curricula for existing crafts and developing new craft specialization (e.g. electricians, car mechanics). In effect craft workers came to dominate industrialization as their numbers expanded explosively, both as workers and as entrepreneurs. Even where large limited liability companies emerged, craft workers were predominantly employed and the use of large numbers of unskilled workers in the US Fordist model was seldom present.

When international trade collapsed from the late 1920s until after WW2, many craft shops in railway towns compensated for the drop in demand from farmers and their co-ops by initiating the manufacturing of goods that could replace imports or innovated entirely new forms of products. Many of the most famous Danish companies, such as Bang & Olufsen, Lego, Danfoss and Grundfos, which later became important for the expansion of industrial foundations, were set up in small towns during this period. More generally this period gave impetus to the development of industrial districts around many of Jutland's railway towns. These became home to the craft production competition model which evolved in Denmark where emphasis was given to the quality of products and processes and to continuous improvement and incremental innovation in sectors such as clothing, machinery, furniture and agricultural machinery (that would later transform to windmill production) (Kristensen 1989; Kristensen 1992).

In contrast to some countries where such processes left semi-skilled and unskilled workers behind condemned to low level, low paid jobs in Denmark, these other groupings imitated this strategy by initiating their own schools and organizing evening classes in new areas of technology to compete with skilled workers over jobs that had not already been fully colonized. Gradually, the unskilled succeeded in gaining increased state support, and from the 1960s onwards they created a nationwide system of special worker schools that could organize curricula and compete more fully with the craft workers' technical schools. During the same period, craft workers were contesting the civil engineers by flocking to *technicum* engineering schools that visionary entrepreneurs originating from their rank and file had initiated. Thus, by the 1960s different groupings in Denmark were organized in different unions, associated with different schools, all engaged in a rivalry over qualifying their constituencies for whatever openings would show up in the labour market of specific industrial districts with new technologies, new organizational forms, etc.(Kristensen & Sabel 1997) This dynamic had an immense importance for the distinct Danish Business System, helping to create the focus on craft production of high quality manufactured goods. It pressurized firms to compete over reputation by recruiting highly recognized teams of workers and offering them job challenges; failure to do so would lead to workers moving to more interesting jobs at other firms with greater possibilities for skill development (Sabel 1982; Sabel & Zeitlin 1985; Whitley & Kristensen 1996). In Denmark most employees left a job in exchange for a new one rather than being made redundant (Eriksson et al 2006: 104). Even during periods of high unemployment, such as 1980, this number amounted to 200,000 whereas only 80,000 were made redundant by employers. Firms were in competition for labour but unlike other contexts, the competition was not determined by either the level of wages or the security the firm could offer; rather the key factor was whether the firm was able to offer rewarding work and good training opportunities. Thus the craft production competition model evolved not as a conservative force resisting changes in the work process but as a dynamic one, continually pushing the upgrading of skills and with this upgrading of products, processes and services, giving small, medium and large Danish firms a strong edge in the emerging global economy. Individual skilled workers or specialized male workers that wanted to pursue a career at work could find opportunities by shifting between work and vocational training institutions and by shifting job from one to another enterprise gradually building up a professional competence that made it likely that they could end up in a managerial or ownership position.

In summary, the Danish process of industrialization led to a particular pattern of organizations. Strong local associations with relatively limited class divisions in terms of status and wealth facilitated the creation of collective institutions that retained a strong sense of local identity and values of self-help and self-improvement. Economic activity was not divorced from social processes. Cooperatives and small firms grew up with a commitment to maintaining and building local institutions that reinforced patterns of prosperity and growth and this was reinforced by the central role of craft workers in the production process and their concern to work in firms which offered them the opportunity for self-improvement. This was reinforced by the way the Danish welfare state provided continuous retraining both to those in work and those out of work where benefit levels were set at a high replacement ratio to cover temporary periods out of the labour market whilst new skills were developed. The form of enterprises – cooperatives and small firms – meant there were limited numbers of absentee owners/rentiers living off their invested capital and pressing for short-term returns; instead, owners, managers and employees were embedded in specific social contexts where contributing to reproducing and developing local institutions was recognised as a crucial objective of the enterprises and local union representatives. Reputation for such activities and for offering employees interesting work and good training opportunities as well as contributing to local community institutions was an essential part of the model. Taking capital or employment out of the local districts was a negative in the Danish status order and therefore employers and employees worked together to sustain the industrial districts.

Growth and development of the cooperatives and the small firms

It is important that this system was able to evolve and change in response to new circumstances without losing its essential characteristics. Local cooperatives, for example, did not just stay local but formed second-level coops with other local cooperatives in order to receive benefits such as joint services and credits among local banks, centralized wholesalers for cooperative retail stores, joint wholesale organizations for farmers supply and sale of products. Danish farmers built a huge cooperative system for exporting high quality, branded products together with a complicated system for improving and controlling quality, e.g. raising output of milk per cow, adding an extra rib to pigs and improving favoured characteristics of seeds etc.. These more complicated and more centralized forms of organizations gave the cooperative movement possibilities for forming enterprises that could compete with larger corporations with limited liability. Thus, members of cooperatives not only gained economically from dividends on their transactions with local coops, but also benefitted in turn from dividends received from the second-level cooperatives formed by their local cooperatives and also from the lower prices at markets that these organizations generated. And because coops at any level only paid out a fraction of their surpluses, decided on by their annual general assemblies, the coops could accumulate parts of their surpluses as provisions for further expansion. No absentee owner would draw out profits as dividends on shares.

However, it is important to recognize that this did generate new tensions and problems. The process of forming coops among coops that again formed new enterprises and were run at a distance from and outside the competence of direct local producers came with a cost. The ability to construct local complementarities to a certain degree got lost, while democracy worked at a distance. Absentee membership of larger establishments within the cooperative movement became commonplace, giving managers a freer hand to make decisions that often looked similar to the ones made by managers of public stock owned corporations. Nevertheless, this process did mean that cooperative enterprises were able to grow into large corporation-like structures with a multiplicity of organizations within this structure. These larger structures emerged in diverse ways. The Danish-Swedish dairy-cooperative, Arla, seems to have expanded primarily through merging with dairies in Nordic, German and UK markets and to have offered farmers in acquired regions co-membership/ownership of the dairy-business so it became a cooperative of global reach. The agribusiness wholesale group, Danish DLG, is primarily owned by Danish farmers, who are benefitting from takeovers of foreign companies and cooperatives. A third version is Danish Crown, a conglomerate of slaughterhouses and food-processing plants of which some are cooperatives and others public corporations. In Denmark, these types of newly constructed cooperative multinationals have been made possible by incorporating certain parts of the group of companies on a limited liability basis, which in turn has made it possible for managers of the cooperatives to raise capital through bonds and shares (with very, very limited voting rights)[5]. Clearly this means that the challenge in such complex cooperatives is to manage and balance a multiplicity of stakeholders in a unified way, where all can see that their particular interests are looked after.

[5] This information was collected by visiting the homepages of the mentioned cooperatives, where detailed information about founding “charters”, policies, democratic rules, etc. can be found. Our investigation made it clear that here is a very interesting subject to be investigated more carefully and we have found no source in the literature that has done this so far.

Thus, whilst there has been an attenuation in the connection between local institutional structures and organizational forms, this has by no means disappeared. The cooperatives, even though they are often now multinational in scope, work for their members in a broad sense and have not lost control to actors lacking in any connection or loyalty to the localities and responding only to financial markets.

In relation to the growth of small firms in Denmark, a different form of evolution has occurred but one that continues to defy the shareholder value driven logic of US and UK corporations. The essential innovation here has been the creation of industrial foundations as the means whereby the control of the company even as it grows in scale and international linkages remains closely connected and embedded in Danish society. There are over 1400 Foundations in Denmark employing around 100,000 people in Denmark itself plus 200,000 overseas; they constitute 5% of domestic employment and 8% of private employment with a contribution to GDP of between 5-10% (see Thompson 2014; also, the website of the Industrial Foundation project coordinated by Steen Thomsen at Copenhagen Business School: http://www.tifp.dk/en/). Although Danish law on Foundations has changed over the years since the first foundation was set up – the Carlsberg Foundation in 1876 – the core characteristics of the Foundation model in Denmark remain the same as spelt out by Thomsen (2012).

They are:

1. Creation by donation: the founder gifts the foundation ownership rights to a business
2. Independence: no owners and no members – self-owning and self-managing.
3. Governance by charter: specifies the philanthropic purposes of the Foundation, how it should act, be governed and represented on the company board.

4. Government and board supervision: the Foundation acts at its own discretion subject to its charter and supervision by government bodies.
5. The Foundation may be sole owner of a business or majority owner or it may control the corporation through a differentiated share structure where A-shares offer rights of control (and a majority are kept by the Foundation) and B-shares receive dividends and may be traded on the stock exchange.

The creation of Foundations means that the companies which they own (in part or in whole) cannot be taken over. Foundations are therefore relatively simple ways in which founders can ensure the continuity and stability of both their companies and their connection to Danish society, a form of 'patient capital' (often called "responsible ownership" in the founding charters) that does not rest on the necessity of a particular model of banking (as in the German case) but rather on the careful stewardship of the company exercised by the independent Foundation. Such Foundations are granted certain tax-reductions dependent on how the charter specifies the distribution of profits between the various levels in the corporate group and the general good as defined in the Foundation's charter. Thomsen's analysis of the Danish foundations broadly points to these advantages as surviving over time (Thomsen 2012). In this respect, it is worth noting that many of the largest and most dynamic Danish companies such as Novo Nordisk, Maersk, Grundfos, Danfoss, LEGO, Velux, Bang and Olufsen (through the Færch Foundation) are controlled by Foundations.

It is also important that the Foundation structure has three broad effects. In brief, these are firstly, through its contribution to 'patient capital', it supports Danish firms engaging in long term research and development as well as investing directly and indirectly in maintaining the quality of skills and training institutions essential to the Danish business system. Secondly through its own philanthropic activities as well as encouraging its associated companies to think broadly about stakeholders, it maintains the commitment to Denmark's social and economic development broadly conceived. Thirdly it encourages Danish multinationals controlled by Foundations to consider the impact of their presence in different countries (especially emerging economies) in line with a commitment to working for social as well as economic development and engaging with (and even helping develop) stakeholder communities.

Examples of these processes are widespread both in Denmark and in Danish multinationals working overseas. In 2009, for example, Maersk announced closure of its shipyard north of Odense in Denmark. The closure was predicted well in advance and lay-offs came gradually as the yard was finishing the last orders on new ships in 2012. The A.P. Møller Foundation owns more than 50 % of the voting shares in A.P. Møller – Mærsk A/S and two other foundations have smaller, but significant holdings. Mærsk which is a lead member in the U.N. Global Compact league of firms, initiated the usual (in the Danish context) retraining and re-employment initiatives, but it also invested 200 million DKK in preparing the shipyard, which had facilities that were previously used to build huge container ships, to become an industrial park. Even before the plant closed, another small shipyard had moved to the facilities, and a development and research institution, Lindoe Offshore Renewable Center (LORC), had been established, in part financed by the Maersk family foundation, with board members from the wind turbine industry and offshore industries, and chaired by a former Social democrat prime minister. By the end of 2013, 68 firms had established themselves at the park, 1,200 jobs had been created, and the park had become a key center for producing very large wind turbines, novel forms of foundations for deep-sea windmills, and other large scale steel constructions. Today the activities at the site are probably much more promising than they were ten years ago, though the present employment, 1,300, is only a third of the previous level. In 2013, Maersk sold the facilities to Odense Harbour for 300 million DKK, which was probably only a fraction of its worth. In this way, the park has become an instrument for local economic development. Mass production of sea windmills and their jacket foundations may never become established at the park, but the facilities make it possible to make prototype 'zero' series models, have them tested, and develop industrial processes that can later be employed in countries closer to the market or with access to cheaper labor costs. So, in many respects, Danish green tech industries were given a site that was ideal for developing the next technological leap toward making green energy cost-competitive compared to fossil fuels.[6] One of the most remarkable aspects of Maersk's way of handling the plant closure was that preparations for the closure of the Maersk facility and for its replacement by a more diverse model of economic activity began simultaneously at the time of the announcement in 2009. Other firms were from early on invited to take over some of the facilities of the yard. Simultaneously, Maersk organized schemes for retraining, helping employees find new jobs and taking a very active role in making the yard a host of new activities for other firms. These steps were taken long before protesters and political circles got involved. Probably this occurred as a result of being both embedded in an implicit, and having simultaneously formed an explicit, offensive corporate social responsibility strategy.

A large proportion of the charters that set the framework for these foundations directly emphasize and set up particular grants to support the further education of employees, and their family of firms often play a key-role in advancing educational institutions. Through this behavior they reinforce the dynamic of skill acquisition that is so deeply ingrained in the

[6] The story of Maersk is based on a series of Google articles, primarily in Danish. The LORC homepage http://www.lorc.dk/ contains information on the new green-technology activities, firms associated to the park and how the board is constituted today.

Danish society and which has enabled a broad spectrum of Danish firms to develop advanced forms of work organization and new business models, even if and after they have been taken over by foreign multinationals, and exposed to the pressure from financial institutions and shareholder dominance (Kristensen, Lotz and Robson 2011).

These sorts of development are not confined to Denmark itself. Such engagement overseas by Danish companies is often associated with complicated negotiations and the creation of a field of supportive local stakeholders (financial institutions, ICT companies, local and national authorities, local interest groups, etc.); it demands a long term view, where profits come late and with risks. A good example of how complicated such engagements are is the route that the Danish multi-national corporation (MNC), Danfoss, in association with the engineering consultancy firm, Cowi, had to take before it could sign the Anshan (China) district heating system contract in 2013 which won it the Greentech Award in 2014[7]. The project will supply 1.8 million people with warm water in a district heating system that makes use of waste-heat at factories (particularly the local steelworks), combining it with alternative energy-sources and the district heating system that engages several district heating operators. It uses intelligent hard- and software to control and balance the whole integrated system so effectiveness in terms of robust heat-supply, energy-saving, reduced pollution and lowering of CO2 emissions can be achieved. Though the project has cost many billions , its payback period is expected to be only three years.

This project has not come about quickly. In 2007 Danfoss engaged in its first joint venture in Anshan, established a factory producing district heating substations in 2008, started to create contacts to heating suppliers, local politicians and began working together with other Chinese

[7] http://www.districtenergy.org/blog/2014/05/12/danfoss-wins-greentec-award-2014-for-chinese-waste-heat-recovery-district-heating-solution

suppliers of parts to heating systems. During this period, Danfoss engaged in close cooperation with Anshan city Government, Angang steel and Qianfeng District Heating Company. The preparation of the contract went on from 2011 until 2013 and engaged both a party secretary and a presidential visit to Denmark before the contract could be signed, a process during which the energy-saving systems in Denmark could also be demonstrated and documented. In a way Danfoss had to make the infrastructural ecosystem visible and also bring the potential ecosystem of the Chinese field of stakeholders together to make the project imaginable[8]. The project has far reaching consequences for the environment and city life and reflects a maturation of many years of investment in control- and monitoring technologies informed by the broad perspective on the responsibility of firms that exists within Danfoss itself and the local home-district it has participated in forming. Simultaneously it activates and benefits a multiplicity of firms and institutions in Denmark that can work on such integrated systems, thus creating a form of co-development between China and Denmark, where numerous companies across different countries and localities can be combined in large scale projects for sustainable development.

Another example of this is how Novo, the pharmaceutical company with a specialism in insulin and diabetes treatment has worked in China and other Asian countries such as Bangladesh and Indonesia to create educational programs for pharmacists and awareness campaigns and training of patients. Novo A/S is a holding company wholly owned by the Novo Nordisk Foundation. Novo A/S in turn owns shares in Novo Nordisk A/S and Novozymes A/S. According to its website (http://novonordiskfonden.dk/en/content/ownership-and-subsidiaries), at the end of 2015, Novo A/S owned A (multiple voting rights) and B (ordinary) shares in Novo Nordisk A/S

[8] See the file on The Anshan Project on http://www.lsta.lt/lt/events/view/470

equivalent to 27% of the share capital and 74.5% of the votes and A and B shares in Novozymes A/S equivalent to 25.5% of the share capital and 70.7% of the votes. The A (multiple voting rights) shares in the two companies are unlisted and are not traded. In both Novo Nordisk A/S and Novozymes A/S, the A shares have voting rights that are 10 times greater than those of the B (ordinary) shares. Its direction is therefore set by the Foundation through its control of the holding company even though there are external shareholders.

The strategy pursued has been to set up a whole set of strategic partnerships with various actors in the field of diabetes in emerging economies: policy makers, local manufacturers, healthcare providers and of course patient. In China, for example, 'It … earned the trust of the Chinese government by delivering quality products and being involved in sponsoring national prevention campaigns … . It … increases the awareness of diabetes in rural China and other remote areas which have little or no access … to healthcare professionals to inform them … and screen the disease's incidence … . (Chitour 2013:39). By 2013 55,000 doctors had participated in series of seminars and conferences, and 280,000 patients had been educated since 1997 (Ibid). It has applied a similar approach in Bangladesh, but given that the national legacy and the institutional context are different, the company followed a different route. It focused more on helping an NGO which supported diabetes patients and sought to improve the governance of the healthcare system as a whole, educating doctors, subsidizing medicine for low income groups and setting up a logistics system for distributing medicine that would not jeopardize quality[9]. Recently, Novo Nordisk has engaged itself in a similar way in Brazil and Indonesia. Girschik (2014) has documented how Novo Nordisk activates foreign educators and the World Diabetes Foundation to empower a professional organization

[9] See http://www.novonordisk.com/images/Sustainability/PDFs/Blueprint%20for%20change%20-%20Bangladesh.pdf

of doctors and the University of Indonesia so that they are able to improve the regulatory capabilities of the government and in this way, improve early discovery and early treatment of diabetes patients. By making periodic assessments of the emerging system's ability to improve on making early detection, improved diagnostics and correct treatment of patients, Novo Nordisk is able to assess the progress, identify problems and help advise patient-organizations and professional organizations and through them health-authorities to improve the entire health system.

Danish Foundations provide a framework within which firms can legitimately and effectively engage with social issues, maintaining and building institutions both in Denmark and overseas. This reflects the long-term embeddedness of Danish enterprises in the social order and their resistance to being reduced to economic instruments for the benefit of absentee shareholders.

Discussion and Conclusions

We have shown that Danish cooperatives and firms owned by industrial foundations have become highly competitive and innovative in traditional market terms but also shown a willingness to engage both at home and overseas in seeing the social purpose of their organization. This reflects how Danish society industrialised through a combination of cooperatives, small firms, and skilled craft workers that maintained the local roots of many organizations and created a co-dependence between economic and social development where extremes of wealth and inequality were mitigated by a focus from all groups and their trade union and political representatives on education and training as routes to autonomy, reputation and status as well as income. The result was a drive towards firms which were innovative and willing to allow employees to use their discretion and autonomy to improve production and also contribute to improving society. Because many of these organizations were cooperatives or owned by industrial foundations, there was an absence of shareholder pressure to produce quick returns and to cut out expenditure on training and development or on social purposes.

What lessons does this hold for current debates about corporate form? Most obviously, the idea that there is only one efficient form of organizing collective economic activity and that it corresponds to the shareholder driven model of the limited liability firm is a powerful myth but it is inaccurate. Danish coops and firms run by industrial foundations are highly successful in global markets and they also clearly retain a social purpose as well as an economic one. In the UK, this myth has led to a dismissal of alternative organizational forms as aberrant and ineffective even in a context where the shareholder driven firm has been behind many scandals in relation to work conditions, environmental standards, inequality of pay etc. and has been central to the genesis of recent financial crises. Exceptions to this rule such as the John Lewis Partnership or the Scott Bader Commonwealth show that it is not impossible for cooperatives that have a social purpose to develop in the UK. However, as the decline of mutualism in the building societies and insurance companies shows, the context is not favourable. Efforts to tilt the balance in the UK more towards these structures through developing new corporate models such as the Community Interest Corporation or the B-Corp (Benefit corporation where social and economic objectives are ranked equally) may open up some new possibilities.[10] However, organizational forms fundamentally reflect social contexts and where that context remains characterized by deep inequalities and class divisions, there is only likely to be marginal adjustments to the dominance of the shareholder

[10] See Hunter, Chapter [*] and Boeger et. al., Chapter [*] in this volume.

driven firm. It is therefore no surprise that as societies have become more unequal (Piketty 2014), shareholder driven firms have become more significant.

Our discussion of Denmark has emphasized a number of key points. Firstly the structure of corporate forms arises out of a social context and where that context is highly unequal, it is likely that unequal corporate forms benefitting the rich and powerful will arise. Where the context is less unequal and more consensual, then other corporate forms will emerge that will be concerned more with their role in the wider community. In the Danish context, this explains the particular and continued importance of both cooperative structures and Foundation led companies. The power of the original context to support the development of craft based skills as a way to develop long term processes of innovation and improvement further mitigated the development of extreme forms of inequality and even provided highly successful entrepreneurs and their families the opportunity to focus on their reputation as much as the generation of wealth. These families created Foundations with philanthropic purposes that provided a shelter from short-term considerations to the firms in which they held dominant ownership. Instead they have been steadily able not just to support Danish social development but also to take a leading role in certain forms of institution building in emerging economies. In this paper, we cannot claim to have provided a definitive account that shows they do this to a greater extent than firms from other economies but we feel that our illustrations make a compelling case for further research.

On the other hand, we also recognize that our argument does depend on a form of path dependency in Denmark which goes back in part to the early industrial period if not before. However, we are not proponents of institutional determinism; on the contrary, we show in our discussion of the evolution of Danish society that there were always moves going on by social actors to improve their position and change aspects of institutions. So whilst it would be naïve to assume that organizational models from Denmark can simply be transferred to other contexts such as the UK, what can also be learnt is that through political struggle institutions can be remade.[11] Going beyond isolated examples of successful cooperative forms like the Scott Trust (which owns the Guardian), the John Lewis Partnership and the Scott Bader Commonwealth is only likely to occur as broader inequalities at work and in society more generally are challenged. By challenging the hegemonic myth of the shareholder driven corporation itself (Stout 2012) and showing that other organizational forms can be at least as innovative and competitive whilst still having a social purpose, it should be possible to open up the debate on the diversity of possibilities available in the corporate landscape. One place to start in countries where the limited liability company is dominant is to take the founding charter more serious. Limited liability is a privilege granted by the state, and originally came with specifications concerning purpose, governance, responsibilities towards internal and external stakeholders, etc. formulated in the charter. It also used to come with rules of periodic reviews, assessments and renegotiations, where the state authority had to decide whether the privilege should be continued or terminated. Corporate law in the UK has been reformed recently and the obligation towards other stakeholders has been explicitly stated.[12] However, this change of law has only had limited effects (Corporate Reform Collective 2014). A next step could be to reemphasize the importance of the company's charter and its responsibilities to live up to that.In recent years, negotiations over trade agreements such as TTIP, TPP (both of which are now in the bin, thanks to the Trump administration) and the recently approved Canada-EU Treaty (CETA) have included rules allowing corporations to sue national governments under the Investor-State Dispute Settlement procedure where they can show that governments have caused them

[11] See Boeger, Chapter [*] in this volume.
[12] See s. 172 UK Companies Act 2006

a loss (on TTIP see De Ville and Siles-Brügge 2015). In a way, it is very strange that governments seem without a similar institutional channel to challenge companies when they act in ways that are detrimental to broader social welfare (but are within the law, e.g. tax avoidance strategies). Taking charters seriously and insisting that companies obtain licenses for certain activities where social obligations are made explicit may provide the beginnings of new institutional mechanisms that could make governments and other stakeholders more equal to shareholders (see e.g. the proposals on licensing in the 'foundational economy' developed in Bentham et al. 2013; Bowman et al. 2014) and could over time turn companies into development agencies for the benefit of society.

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