The Media Welfare State

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The Nordic Media Company

The media and communication system consists to a large extent of commercial businesses. In democratic societies, the press has always been a private enterprise. All of the Nordic countries’ radio and television sectors have included commercial actors for more than three decades. Likewise, the telecom sector, incorporating Internet communication, is a commercial sector consisting of private and semiprivate companies.

The perspective of this book is that private and public institutions should not be seen as opposites, but rather as complementary. One of the hallmarks of the Media Welfare State is a successful private-public mix, but how can we more precisely understand the role of commercial firms within a Media Welfare State with a high level of regulation and state involvement?

The chapter discusses the role of private companies in the Nordic media and communications market. The main emphasis is on the fourth pillar of the Media Welfare State—the tendency toward consensual and cooperative solutions that involve all main stakeholders—although we also touch on the other three pillars. The discussion of the role of private media companies and the forms of private-public cooperation is based on three cases, which are chosen to represent different types of corporations:

Schibsted is a Norwegian publishing house that has expanded to other sectors and is internationally based on strength in a national newspaper market. Schibsted is currently one of the global leaders in the online classified advertisements market.

The Modern Times Group grew out of an industrial company that expanded into media and communications, with an explicit agenda to break up monopolies and challenge public regulation. The Modern Times Group and its subsidiaries constitute a strong international player in radio, television, and free newspapers.

Nokia is the Finnish hardware manufacturer that grew to prominence as the world’s largest producer of mobile phones, but that in later years
has faced major setbacks due to competition from Apple and other smartphone producers.

All three companies took advantage of the new business opportunities arising in media and communication from the 1970s and 1980s and expanded significantly in the 1990s and 2000s. They combine a prominent role in national and Nordic markets with an extensive overseas expansion. Indeed, a significant number of media companies emerging from the Nordic region have become well-known brand names and have performed commercially well around the world. This may seem paradoxical given that we are speaking of a region of five small states, usually known for their extensive state control.

This chapter charts the strategic expansion of the three companies both nationally and internationally and discusses their relationship with the state and the policy regimes of the Media Welfare State. Although the companies in many respects have followed similar strategies, their modus operandi can also be used to exemplify their differences. In this chapter, we use Schibsted to exemplify what we have termed an adaptive strategy, the Kinnevik/Modern Times Group to exemplify a confrontational strategy, and Nokia to exemplify a collaborative strategy. Mapping various strategies is important not only in order to understand the companies, but also to understand the evolvement of market structures and the forms of private-public collaboration in the region.

The chapter has six parts. Following this introduction, part 2 discusses the characteristics of media firms in a changing marketplace and some general traits related to Nordic media and communications companies. The next three parts focus on the cases of Schibsted, the Modern Times Group, and Nokia, respectively, while the last part summarizes the main findings.

Opportunities and Challenges for Private Companies

Like other markets, the Nordic media market is also going through major transformation—technological, economic, structural, and political. The transformation of production, distribution, and consumption over the last few decades has opened new lines of business, while also posing difficult challenges for media companies.

One major factor is convergence and digitalization, which breaks down boundaries between sectors, products, and services. Companies worldwide have responded by expanding their operations across sectors, and the last decades have seen an unprecedented global wave of mergers and acquisitions (Doyle 2013; Ozanich and Wirth 2004). With convergence, there has been a strong push toward maximizing the number of “windows,” i.e. to leverage
content over an increased number of distribution channels (Ozanich and Wirth 2004, 77). The new conglomerates strive to exploit economies of scale and scope in a market that requires large capital investments. To be a player in the new media markets, the understanding has been that one must be enlarged, diversified, and vertically integrated (Doyle 2013, 15–22).

As elsewhere, expansion comes in waves in the Nordic countries. The discussion of specific strategies later in the chapter charts the development through three loosely defined phases. The first phase comprises the preliminary developments in the 1970s and early 1980s, when companies both in and out of the sector made their first investments in media and communications outside their core areas. The next phase comprises the great expansion in the 1990s and early 2000s, when a number of players established themselves in new markets opened up by deregulation and the liberalization of telecommunications and broadcasting, and later online markets (Sundin 2013, 9). In the third and last phase, the general trend is toward consolidation and expansion in some core areas, with Sundin (2013) dating this last change for most Nordic media and communications companies to approximately 2005.

Hand in hand with the vertical and horizontal expansion is the tendency toward international expansion, and in the last two decades of the 20th century, the rapid expansion of media companies into global markets dramatically reshaped the industry. Particularly dramatic was the globalization of the electronic media: telephone, television, radio, and cable (Hollifield 2004, 85). Until the 1980s these media sectors were largely domestic industries dominated by publicly regulated companies (Ulset and Gooderham 2000; Thue 2006, 10; From 2009, 24). From the late 1970s, advances in communication technology allowed parent companies to quickly exchange information with foreign-based subsidiaries, thereby making it easier to coordinate far-flung operations and move products along great distances (Hollifield 2004, 88–89). In addition, a number of Asian and Latin American countries have evolved into strong consumer economies with a growing demand for media and communication products, creating opportunities for foreign direct investments, international joint ventures, and content export. Since 1989, the collapse of the Eastern bloc has opened new investment opportunities in Central and Eastern Europe (Hollifield 2004, 90). Nordic companies have exploited these opportunities and expanded in all of these markets.

The premise in this chapter is that these changes cannot only be studied on a macro level. To understand the Nordic political economy in media and communications, as well as the evolvement of the Media Welfare State, it is also important to investigate the role of companies. As Hall and Soskice (2011, 6–7) argue, firms are a prominent unit to analyze in order to understand the political economy in a region, not least because the capabilities of companies are
ultimately relational; a company’s degree of success will substantially depend on its ability to coordinate effectively with a range of other actors. In their typology of political economies, Hall and Soskice (2001, 8, 19) place the Nordic countries in a category labelled as coordinated market economies along with Germany, Austria, Switzerland, the Netherlands, Belgium, and Japan. Their characteristic feature is the high degree of coordination and interdependence between individual firms, as well as a more extensive coordination with the state than in liberal market economies. Key actors are encouraged “to engage in collective discussion and reach agreements with each other” (Hall and Soskice 2001, 11).

However, also within the overall structure of collaboration, firms may be different. While the quest for profit is integrated as the very rationale of large firms, firms may also pursue noneconomic goals that may differ from company to company. For example, media and communication companies may wish to have political influence or to sustain status as a prestigious national cornerstone institution. Firms also differ more concretely in the ways they are operated. Some firms are dominated by their owners and managed with a more personal flair, while others are run by top management, which may be more or less collaborative and collective (Doyle 2013, 5–8). Moreover, these characteristics impinge on the relationships with other actors and the state.

Large private companies represent dilemmas for the state and policymakers, both in the Nordic countries and elsewhere. In many ways the relationship between the state and large communications enterprises is characterized by ambiguity and ambivalence.

On the one hand, governments are dependent on a strong business sector, as large companies generate employment and tax income. In the Nordic countries, there has also been a view that strong media and communication companies are important as a bulwark against foreign ownership, which is in accordance with the cultural policy and its emphasis on the media as vehicles of nation-building and identity. In general, the strength of the domestic and Nordic companies has served as an important protection against foreign dominance. Although several of the world’s media companies are represented in the Nordic market through subsidiaries, and not least through media products, Nordic players dominate. Among the 20 largest media companies by revenue in the Nordic market in 2012, there were only 2 that were non-Nordic, the British Mecom and the German ProSiebenSat (Sundin 2013, 15).

A second positive factor for governments is that large communication companies act as drivers of innovation and growth and have specifically been vehicles to turn the Nordic countries into advanced information societies. Although large companies can be barriers to innovation, economic theory suggests that strong market conditions and even a monopoly may give firms the
type of protection they need to dare to make risky investments. Additionally, regulations such as restrictions on ownership may lead to “choking off” investments in new infrastructure and limit product innovation (Doyle 2013, 179).

On the other hand, large media and communication companies represent problems for government. Within the context of the policy regime we have called the Media Welfare State, the overall view is that large companies, namely the concentration of ownership, pose threats to pluralism and diversity (Syvertsen 2004). Generally speaking, intervention by governments is called for to restrict the exercise of monopoly power, which is considered particularly important when the plurality of views and opinions is put into question (Doyle 2013, 167–69). For policymakers and governments, it is difficult to determine if and how to intervene in the media market. Yet, as a rule, if not restricted, large companies will expand their operations and try to achieve economies of both scale and scope (Doyle 2013, 188–90).

In this chapter, we explore the political duality between restricting and enabling large private companies to dominate and expand. We discuss the expansionist strategies of our three Nordic cases and their collaboration (and noncollaboration) with the state and other operators and how the companies combine their Nordic role with international expansion.

Schibsted: Innovation through Adaption

Schibsted is the largest media company in Norway, the fourth largest in the Nordic region, and has international operations in approximately 30 countries. The company has a combined share of 32 percent of the newspaper circulation in Norway and 15 percent in Sweden and owns the largest paper in both countries (Nordicom 2012b). Schibsted’s holdings include free, paid, and online newspapers, in addition to online classified services in Europe, Latin America, Asia, and Africa. Schibsted is the largest European player in the classified market (Sundin 2013, 71), competing globally with the US companies eBay and Craigslist. In 2009, Schibsted consolidated their Norwegian media interests, including four of the largest regional newspapers, into a joint company and created a similar construction for their publishing and Internet interests in Sweden (Sundin 2013, 71; see table 5.1).

A Cornerstone Institution

Schibsted plays a significant role in Norwegian and Nordic public life. Its strong editorial position, including its adherence to the principle of editorial freedom, as well as its innovative and adaptive attitude toward change,
makes it an important player within the context of the Media Welfare State. Like the public service broadcaster NRK, Schibsted can be likened in Norway to a cornerstone institution, running the two largest newspapers, operating as a book publisher responsible for the Norwegian version of Who’s Who, and also being a significant force in the start-up of commercial television. Schibsted’s Norwegian activities reach three out of four Norwegians every day (MedieNorge 2013a), and half the population of Sweden (Schibsted 2013a). At the same time, Schibsted is an expansive capitalist company that has been seen by policymakers and others as a threat to diversity and pluralism, and it has had to adapt its strategies so as to secure political legitimacy.

Schibsted’s main channel of influence on the Norwegian public sphere is through its newspapers, of which the most important, Aftenposten, can trace its roots back to 1860 (Norland 2001, 2011). Throughout the years of the party press, Aftenposten was a conservative paper, its nickname “Auntie” signifying its careful and bourgeois editorial position. In line with the process of depoliticization, the conservative stamp on the paper gradually disappeared (e.g. Norland 2011, 209ff.), and in recent years its editors have held widely divergent political convictions. Schibsted’s adaptability in this respect is illuminated by the fact that it has a majority share in the Swedish Aftonbladet, which

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<th>TABLE 5.1. Schibsted</th>
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<td>Established</td>
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<td>Original business</td>
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<tr>
<td>Geographical key areas (2012)</td>
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<td>Reach, examples (2012)</td>
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*Source: Schibsted 2012; MedieNorge 2013a; Nordicom 2012b; TNS Gallup 2012.*
is a Social-Democratic paper of which the other proprietor is the Swedish Trade Union Confederation (Barland 2012, 6ff.).

The strong editorial position and competence of Schibsted have been important for its later expansionist strategy, particularly in relation to its buying newspapers and television companies. However, just as important for its later expansion were the company’s strong commercial foundations, particularly its unbeatable position in the advertising market. An important historical explanation for its later strength is that Aftenposten continued to be published during World War II, when Norway was occupied by Nazi Germany (Norland 2011, 57ff.). After World War II, Schibsted had to pay compensation to the state, but their position was never again eroded (e.g., Hjeltnes 2010, 20ff.). Hence, Schibsted was not affected by the “newspaper deaths” in the 1950s and 1960s; instead, its strong position can explain why other papers died.

**Strategy and Expansion**

Schibsted’s strong economic position has been important for what can be seen as its three main waves of expansion. The first wave began in 1966 when Schibsted acquired its second Norwegian newspaper, Verdens Gang—which for several decades was the Nordic region’s best-selling newspaper (Norland 2011, 200ff.). During the 1970s and 1980s, Schibsted gradually strengthened its position in the national and regional newspaper markets (e.g., Hjeltnes 2010, 421ff.).

The listing of the company on the Norwegian stock exchange in 1992 indicated the beginning of the second wave and a new and rapid wave of expansion. Schibsted rapidly moved into television and film and began acquiring shares in other Nordic media companies (Norland 2001; Dahl 2003). In 1991, it was one of the founders of Norwegian TV2 (Norland 2011, 303–4), with the company subsequently buying into Swedish TV4 and Finnish Alma Media (Sundin 2013, 71). In 1996, Schibsted began to buy into the Swedish newspaper market, and two years later it acquired a majority position in Estonia’s biggest newspaper. In 1999, it also launched free newspapers in Switzerland and Germany (Norland 2011, 305; see also chap. 3).

Newspapers, film, and television have all been important for strengthening Schibsted’s capital base. Yet, it is Schibsted’s online services, and particularly the classified market, that have been its most expansive area in recent years. As early as 1996, Schibsted established an Internet portal for Scandinavian users, which within two years became the most visited website in Sweden and Norway. This was also a strategic maneuver to prevent foreign, and in particular US, companies from settling in Scandinavia (Cedergren 2007). In 1999, the company invested in e-commerce and e-auction services, founding
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the classified advertising site finn.no, which became a huge success. Figure 5.1 illustrates the growth in the operational revenues of finn.no.

In 2003, a parallel Swedish service was acquired. The company took the success of their Nordic services as an indication of a global growth potential, rapidly launching similar services in more than 20 countries (Barland 2012, 161). The strategy was to identify “green markets,” where the lack of competition would make it possible to rapidly acquire and sustain market dominance.

The late 1990s represented top years for Schibsted, in which the company increased its profitability in almost all operating areas, not least in its multimedia division. However, around 2005 the strategy changed. After meeting difficulties in the television market and problems in obtaining operational control in its television companies, Schibsted decided to sell its film and television interests (Sundin 2013, 71).

The transition to the third phase is marked by Schibsted’s decision to focus more on core areas, the traditional area of publishing and the new core area of online classified advertising. The period of broad expansion, in which all large companies seemed to compete in all major markets, was nearing the end, and many companies consolidated their interests in the markets where they were most successful. As areas of operation narrowed, ambitions rose. Self-confidently, the company changed its vision from that of being “Scandi-
navia’s leading media company” (Schibsted 1995, 6) to “being the most attractive media company in Europe” (Schibsted 2005, 2).

The Adaptive Company

In many ways, Schibsted has been a privileged media institution. The company’s reputation as a responsible and adaptive operator and the fact that its strength has prevented international operators from gaining a foothold are explanations as to why it has received political and economic support in many instances.

Although Schibsted does not enjoy direct press support, the full tax exemption for printed papers is an important form of subsidy in Norway. Print journalism is exempted because of the press’s important role in the public sphere, but the tax exemption benefits not only pluralism and quality journalism, but also the shareholders (e.g., Hjeltnes 2010, 456). The strong position of Schibsted as a responsible corporation also helps to explain why Schibsted’s consortium of interests received a license in 1991 for TV2, the first nationwide Norwegian television channel. TV2 was privileged in the sense that it was the only television channel to distribute advertising on a national scale. With a solid economy as a basis (Dahl 2003), Schibsted’s legitimacy as a responsible publisher and national cornerstone institution was seen as reassuring, and so also was their application with plans for a serious editorial profile for the new channel (Syvertsen 1997, 34–35).

But Schibsted is not only supported, its expansionist strategies in newspapers and television have been seen to threaten pluralism. After a “responsible” beginning, the new television channel TV2, which was owned in part by Schibsted, adopted a more outright commercial strategy, soon turning the channel into a “license to print money” (Dahl 2003, 184). The relationship between the company and political authorities deteriorated, and toward the end of the first franchise period, the owners were explicitly warned that the license might not be renewed (Syvertsen 2006, 52). Parallel to this development, there was great concern about Schibsted buying into local and regional newspapers, and in 1997 an ownership ceiling was introduced that prevented any company from growing beyond one-third of any specific market, with an aim of ensuring freedom of expression and media pluralism (Syvertsen 2004, 159). That the law was designed to limit Schibsted’s domestic expansion was so obvious that commentators named it Lex Schibsted; the company already had a 32 percent share of the national newspaper circulation and a significant share in TV2, and it was well known that it planned to continue to expand (Syvertsen 2004, 173).

Schibsted has been well aware of, and concerned about, the threats to its
legitimacy. In television, the company adapted to meet the political criticism and made a complete turnaround before the franchise expired; a new and more acceptable CEO was brought in, and cultural and public service programming was boosted (Syvertsen 2006 52ff.). Having secured renewal of the television franchise, and thus protecting its investment, Schibsted subsequently sold out of TV2 in 2006 with a large profit, simultaneously also selling its television holdings in other Nordic countries (Schibsted 2013b).

In the newspaper market, political restrictions have also posed problems for Schibsted. It was only in 2009, after a prolonged period of negotiation with state agencies, that the company was permitted to take control over a range of regional newspapers and construct a consolidated company. The move required Schibsted to adapt on several counts, including the selling of shares in other media companies. Nevertheless, the merger continued to attract criticism, and in accordance with historical precedents, Schibsted adopted a proactive defense strategy, arguing the benefits of the move in letters to the editor and posts on the op-ed space in papers other than its own.

Schibsted’s answer to the criticism is that their expansion and mergers benefit the public good, safeguarding employment in the media sector and leading to “better newspapers,” according to Rolv Erik Ryssdal, the CEO of Schibsted (Ryssdal 2011a, authors’ translation). Public hearings are an important collaborative institution in the Nordic countries, and Schibsted takes its role seriously in such proceedings, publicly defending the benefits of its maneuvers in different media markets. In a public submission about ownership regulations, Ryssdal argues that Norwegian media proprietors do not pose, and have not posed, a threat to freedom of speech or pluralism, since “The deep respect for editorial independence is a key reason for the media houses’ success and high circulation” (Ryssdal 2011b, authors’ translation). Instead, according to Ryssdal, the real problem is that political restrictions lead to less robust media companies and that in the current structural upheavals, “more newspapers will fail” (Ryssdal 2011b, authors’ translation).

While Schibsted is proud to act as a bulwark to foreign ownership in the Nordic countries, it sees its own expansion in another light, arguing that it aids editorial freedom through its newspaper holdings in countries with a weaker tradition of free speech, such as in the former Eastern Europe (e.g., Schibsted 2013c). It is also a fact that Schibsted’s own ownership structure has become more international in recent years. Still, in 2013 Schibsted sold Eesti Meedia, its Baltic media operation, which consisted of newspapers, magazines, and television and radio stations, as well as online classified ads (Sundin 2013).

Accordingly, Schibsted is an innovative company with economic growth as a key goal, but also with the noneconomic goal of being a national cornerstone institution. Schibsted has chosen an adaptive strategy in its relations
with the state and has benefitted in turn from a high legitimacy in the public domain, justified by the firm’s profile as a protector of free speech and a bulwark against foreign ownership.

Modern Times Group: Innovation through Confrontation

The Modern Times Group (MTG) was formed in 1994 out of the media holdings of the Swedish investment company Kinnevik. The company and its many subsidiaries and associates (which are all discussed here under the name of Modern Times Group) span activities on four continents. The subsidiary, Visat Broadcasting, transmits approximately 60 television channels to markets in the Nordic countries, the Baltic countries, Eastern Europe, and Russia, as well as some other areas. Commercial radio networks are operated in Sweden, Norway, and the Baltic countries. The portfolio further includes Strix, a leading Nordic television production company; the subsidiary Metro International, which runs free newspapers; and the e-commerce subsidiary CDON. The company is also involved in the Pan-European telecom operator Tele2 and the digital service provider company Millicom (Sundin 2013, 77; see table 5.2).

TABLE 5.2. Modern Times Group

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<tr>
<th>Established</th>
<th>1936 in Sweden by Hugo Stenbeck as Kinnevik</th>
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<tr>
<td>Original business</td>
<td>Investment company (forest and steel industry)</td>
</tr>
<tr>
<td>Employees (2012)</td>
<td>Approximately 3,000 in 18 countries</td>
</tr>
<tr>
<td>Key businesses (2012)</td>
<td>Free TV, pay TV, radio, television production studios</td>
</tr>
<tr>
<td>Total net sales (2012)</td>
<td>€1.560 million</td>
</tr>
<tr>
<td>Geographical key areas (2012)</td>
<td>The Nordic region, the Baltics, Russia, Ukraine, the Czech Republic, Bulgaria, Hungary, and Ghana. Additionally, the company has redistribution of television channels in 31 countries across Central and Eastern Europe, Africa, and North America.</td>
</tr>
<tr>
<td>Reach, examples (2012)</td>
<td>• Modern Times Group’s Swedish free-to-air television channels have a combined share of viewing of 34.8 percent. In the Baltic countries, the Modern Times Group has between 40 and 60 percent of combined share of viewing (target audience 15–49).</td>
</tr>
<tr>
<td></td>
<td>• The Modern Times Group has over 1 million premium subscribers in the Nordic countries. Through third-party television redistribution, the Modern Times Group channels reach 84 million subscriptions.</td>
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<tr>
<td></td>
<td>• The Modern Times Group is the largest for-profit radio operator in both the Nordic region and the Baltic countries and reaches over 3 million radio listeners daily.</td>
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Source: MTG 2012.
A Nordic Media Mogul

The forestry and steel company Kinnevik can stand as an example of a relative newcomer in the media markets, an industrial group with no roots in traditional publishing that moved into media and communications in pursuit of profit. The company’s base for the large-scale investments in media and communications was the profitable industrial enterprises outside the media sector (Sundin 2013, 77). The cash-rich investment company further stands as the best example of a large Nordic media enterprise that stood, and continues to stand, outside the welfare state consensus and culture, instead coming from the outside with an explicit goal of creating an outright commercial system. Many of the maneuvers have been successful, and the company can be seen as one of those who most distinctly contributed to reshaping and liberalizing the Nordic systems of communication.

The expansion into media and communications is due in large part to the strategic drive of the CEO, Jan Stenbeck (1942–2002), who inherited the company in 1976 and shortly thereafter made the first moves into telecom and media. Jan Stenbeck saw great potential for profit in media and communication, though at the time these sectors were strictly regulated, with monopolies in both telecommunication and broadcasting. Jan Stenbeck is perhaps the closest we get to identifying a Nordic media mogul insofar as resembling international counterparts such as Rupert Murdoch, the controlling owner of News Corp., and Silvio Berlusconi, the former prime minister of Italy and a controversial media proprietor. The comparisons are based on Jan Stenbeck’s controversial personality and personal leadership style, the way he has confronted regulation, and his overall controversial methods. Stenbeck’s style was inspired by his long stays in United States, where he drew inspiration from a more competitive and private-initiative-focused business culture than in the Nordic region (Andersson 2000).

Strategy and Expansion

The Modern Times Group (and its predecessors and subsidiaries) has had a formative influence on most Nordic media and communication markets, including telecom, broadcasting, publishing, and content production. There have been several waves of investments, and again we can loosely divide them into three phases.

The first phase comprises the very beginnings in the 1970s and 1980s, when the media and communications markets were still characterized by public monopolies, and the moves in this phase can be seen as a precondition for later investments. Stenbeck inherited the company in 1976 and shortly after that began to buy up small companies operating communication networks
for car phones. These investments served as a basis for the establishment in 1981 of Comvik, the first European cellular telephone company to challenge the state telephone monopoly (Garrard 1998). This pioneering initiative would later give the company advantages in both the Nordic and international mobile/telecom markets, and telecom licenses were acquired in emerging markets such as Mauritius, Sri Lanka, Pakistan, and Hong Kong (Andersson 2000, 236). In particular, the Hong Kong license turned out to be lucrative, and it was sold in 1991 for approximately 10–15 times the initial investment (Andersson 2000, 237). In 1992, Comvik was renamed Comviq to coincide with the shift to the GSM network, and five years later the company merged with Tele2.

In the first phase, the company also made crucial investments in television through its investments in the Astra satellite in the early 1980s (Sundin 2013, 77). On New Year’s Eve, Stenbeck simultaneously launched the pan-Scandinavian satellite channel TV3 in Norway, Sweden, and Denmark, challenging the national broadcasting monopolies in all three countries (Syvertsen 1992, 204). The production company Strix was simultaneously launched to produce more outright commercial programming. From the beginning Strix confronted good taste with risqué and controversial formats.

The second phase commenced in the 1990s, when the company significantly broadened its investments. From the beginning, the focus was on building vertically integrated chains involving all levels from content production to distribution by satellite or cable. Within television, there was a broad expansion with start-ups and the acquisition of channels in the Nordic countries, the Baltic countries, Eastern Europe, and Russia (Sundin 2013, 77). The first pay television channel was launched in 1989, marking the company’s efforts to obtain independence from advertising (Sundin 2013, 77). The Modern Times Group won the franchise to run the first nationwide commercial radio in Norway in 1993, which was an investment that was to become very profitable (Enli and Sundet 2007). When private local radio was introduced in Sweden during the same year, Kinnevik acquired a number of licenses that were brought together in a centralized network (Sundin 2013, 77). Two years later, in 1995, the free print newspaper Metro was introduced. At its height in 2009, local versions of Metro reached 19 million readers through 56 daily editions in 18 countries worldwide (Parmann 2010; see chap. 3). In 1997, the Modern Times Group was listed on the Stockholm stock exchange and NASDAQ in New York (MTG 2012).

The transition to the third phase was marked by the death of CEO Jan Stenbeck in 2002. The company was taken over by his daughter and continued with broadly the same strategy, but the Modern Times Group (with associates and subsidiaries) was also narrowed and its operations consolidated. Several
peripheral businesses were liquidated, and there was a concentration around core business areas. The Nordic presence continued to grow, but the bulk of the growth took place in Eastern Europe. A number of Metro newspapers were sold (Sundin 2013, 78). In 2013, Metro has only been published in seven countries and in Sweden; the company has given up their nationwide ambitions, focusing instead on selected metropolitan markets (77). Like other companies, the Modern Times Group has focused on digital markets and new revenue sources, with an increase in online revenues of 9 percent per year.

**The Confrontational Company**

We have identified a tradition for cooperation between private and public shareholders as a key characteristic of the Media Welfare State, though Stenbeck’s companies are an exception to the rule. Throughout their history, the companies have openly confronted consensual principles, political regulation, monopolies, and the cultural elite, in addition to standing for a commercial and populist business logic that is unparalleled in Nordic media history. The Modern Times Group and its predecessors and associates constitute an interesting case, both because they provide a contrast to other operators and because they have been an important force in the reshaping of Nordic media.

Three characteristics can describe the confrontational style. First, the company has entered the market from outside and established independent vertical supply chains that allow it to produce, package, and distribute its own content, and on the basis of these structures it challenged existing monopolies and policies. The company used surprising and audacious moves, frequently in alliance with populist media and right-wing parties that have needed a lever to bring about political change. The company does not bend to political pressure, but moves boldly ahead without budging. Moreover, these tactics can also be seen in telecom, television, and radio.

In telecom, the 1981 launch of the mobile telephone company Comvik came as a surprise to other operators, the launch being only a week prior to the official opening of the state telecom’s Nordic mobile telephone network (NMT) standard. The move was highly controversial because Comvik benefited from a standard initiated by the state and the dominant private telecom players (e.g., Ericsson) and because the move openly confronted the state telecom monopoly—a cornerstone of the universal Nordic communication structures. There was also considerable political and public pressure to stop Comvik, but since Stenbeck already maintained an alternative telecom network, the authorities had few alternatives. Although permission to operate was granted, the company remained controversial (Karlsson 1998, 238ff.; Garrard 1998).
In television, Stenbeck also applied a surprise tactic to crush public monopolies. In 1987, distribution of domestic advertising to viewers in Norway, Sweden, and Denmark was still prohibited, and policymakers were debating whether to liberalize and under what conditions. This ban also applied to Stenbeck’s plan to establish a pan-Scandinavian television channel to begin on New Year’s Eve. Aided by large advertisements in Scandinavian newspapers, claiming that the start-up of TV3 was the most exciting event since the beginning of television, Stenbeck managed to raise a wave of populist support, and the ban was eventually lifted. On New Year’s Eve in 1987, Stenbeck’s TV3 pioneered the broadcast of Scandinavian commercial television run from the London headquarters to viewers in Norway, Sweden, and Denmark (Syvertsen 1992, 204). Nonetheless, TV3 continued to be a thorn in the eye of Nordic television authorities since it refused to comply with national advertising regulations; instead, it operated according to the much more liberal regulations in Great Britain.

Stenbeck’s radio tactics were also highly confrontational. We have seen that the Modern Times Group was involved in the franchise for the first Norwegian commercial radio channel with public service obligations, P4, in 1993. P4 was organized as a parallel structure to the television channel TV2, and like TV2, P4 was soon criticized for being too commercial and neglecting its cultural and public service obligations (Enli and Sundet 2007). However, in contrast to Schibsted and TV2, the Modern Times Group and P4 did not adapt to political pressure and openly demonstrated that they would not oblige. Norwegian media authorities clearly wanted to set an example, and in 2003 the franchise was awarded to another operator (Enli and Sundet 2007, 712ff.). Following loud protests and a heated public debate, P4 was granted permission to broadcast on a more limited frequency, and in a bold and surprising move, it stopped broadcasting on the original frequency, thereby forcing listeners to move along before the new operator was ready to take over. As a result, P4 managed to move most of its listener base to its new station, leaving the market entrant with the difficult task of building a listener base from scratch (Enli and Sundet 2007). In the years to follow, P4 remained the more successful of the two stations.

The second, and related, confrontational trait can be found in the company’s thoroughly commercial business culture and the stubborn focus on entertainment. The company’s program profile can almost be seen as anti-diversity, openly confronting the Nordic cultural policy consensus and the understanding that media should not just entertain but benefit the public as citizens. Although some of the company’s media outlets started out with a more diverse profile, diversity was soon reduced (Sundin 2013, 78; Ihlebæk
et al. 2011). The radio channels run by the company are dominated by strictly formatted music radio (Sundin 2013, 78). The free daily newspaper, Metro, can be seen as the antidote to the established Nordic press, both in terms of production, business model, and distribution model and in terms of journalistic content (Andersson 2000; Gustafsson and Rydén 2010, 323; see chap. 3). The commercial entertainment culture is seen not least in the television programming repertoire of Strix, the production company started in 1988 that specialized in controversial reality-TV formats, including The Bar (Baren) and The Farm (Farmen), both of which were exported internationally, as well as the global success of Survivor (Expedition Robinson).

From early on, TV3 challenged established norms with these shows, in addition to talk shows in which guests were seen swearing, drinking, and even fighting. These formats were widely criticized in the Swedish and Scandinavian press and were understood as a head-on attack on cultural policy principles. Strix still recurrently exploits the criticism to brand themselves as an innovative, fearless, and cutting-edge production company, both when publicly defending their formats and when promoting the company:

It’s been said that Strix is the industry’s maverick. It’s been said that Strix is the true underdog. We can live with that. We know who we are. Strix is a unique company with a strong journalistic backbone, combined with a remarkably strong desire to engage and entertain. (Strix 2013)

The third confrontational trait is linked with the company’s personal and mogul-like leadership, which differed tremendously from the usual Nordic style, as Jan Stenbeck dominated the company to a level that is unusual in companies this size (Sundin 2013, 78). In the same way as Rupert Murdoch’s Sky Channel broke new ground and challenged the postwar regime (Andersson 2000, 254), Stenbeck challenged the postwar Media Welfare State, diagnosing the Nordic markets as “the most undertelevised countries in the world” (Andersson 2000, 245). Many of the more responsible companies refused to support Stenbeck, although they benefitted from the liberalization of the media and communications markets. In the search for partners in early commercial television, major companies in the region such as Aller, Bonnier, and Schibsted were approached, but they were all reluctant to invest in an undeveloped and politically restricted market. Stenbeck saw himself as a loner, fighting on behalf of a greater good: “No one wanted to be the first in the boat. I was alone in the Scandinavian boat” (Andersson 2000, 245).

The story of the Modern Times Group illustrates how the construction of the Media Welfare State constrains private companies and how policy mea-
sures have been confronted and changed over the last decades. It also illuminates how formerly regulated markets may represent golden opportunities for risky and well-timed investments.

**Nokia: Innovation through Collaboration**

The Finnish company Nokia is perhaps the most well-known Nordic brand. From 1998 to 2012, Nokia was the world’s largest manufacturer of mobile phones and employed approximately 100,000 people worldwide. Nokia’s core business has been in three areas: smart devices and mobile phones, location-based products, and services such as digital map data and network technology and services (see table 5.3). Since 2007 and the launch of Apple’s first iPhone, Nokia’s operating profits dropped dramatically, and in 2013, Nokia’s Devices & Services business—including its mobile phone operations—was sold to the information technology giant Microsoft (Microsoft 2013; Nokia 2013b).

**The Hardware Manufacturer**

Nokia’s roots go back to 1865 and a riverside paper mill in southwestern Finland. The innovative company invested in the early 1900s in cable and electric

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<th>TABLE 5.3. Nokia Group</th>
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<td>Established</td>
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<td>Original business</td>
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<td>Employees (2012)</td>
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<td>Key businesses (2012)</td>
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Sources: Nokia Group 2012; BBC 2012; Nokia 2013a.
The Nordic Media Company

power, branching into electronics in the 1960s. The year 1963 saw the first move to telecom and mobile telephony as the company began to develop radio phones for the army and emergency services, and in the 1970s Nokia started to produce its own computers and developed digital telephone exchanges (Goggin 2006, 42; Nokia 2013a).

Nokia’s growth and expansion from these modest beginnings must be understood in light of the Finnish state’s involvements and investment in telecommunications. Although Nokia cannot be said to be a cornerstone of the Media Welfare State, it can in many ways be seen as a product of welfare state policies and a collaborative and consensual leadership style. The Finnish labor market provided Nokia with a large pool of well-educated engineers and designers, the company drew seed money out of public funding agencies, and long-term technology programs and the overall regulatory environment encouraged innovation in telecommunications (Castells and Himanen 2002, 54–55; Moen and Lilja 2005, 360–61).

In contrast to Stenbeck’s company, which openly confronted national telecoms, Nokia has formed partnerships throughout its history and benefited from close cooperation with public telecommunication companies, institutions, and agencies. For example, Nokia formed a joint telephone exchange venture in 1978 with another major Finnish telecommunications manufacturer, the state-owned phone company Televa Oy—which Nokia took over nine years later (Goggin 2006, 42).

\section*{Strategy and Expansion}

Nokia has been a pioneer in the Nordic region and has had a tremendous impact on the way today’s global community understands the mobile phone. For Nokia, we also chart three waves of expansion.

The first wave is the early investments, which are preconditions for later expansion. As we have previously shown, the dramatic changes in telecommunications and broadcasting began around 1980. Nokia was an early mover, creating the radio telephone company Mobira Oy in 1979 as a joint venture with the leading Finnish television set maker Salora and introducing the first car phone and digital telephone three years later. In 1987, Nokia introduced the first handheld mobile phone for the Nordic Mobile Telephone System network, which was the first international automatic network for mobile telephones (Moen and Lilja 2005, 362). Along with the new network, the first handheld phone indicated a significant wave of innovation.

The second wave of expansion occurred in 1992 when Nokia made a strategic decision to focus exclusively on telecommunications and mobile telephony, selling off its rubber, cable, and consumer electronics divisions.
Nokia’s transformation was a response to the company’s own overinvestments in consumer electronics, the recession in Europe, and increasing competition from the Asian producers of consumer electronics (Moen and Lilja 2005, 360). The collapse of the Eastern bloc also led to a serious downturn in the Finnish economy, since the Soviet Union had been a major market for Finnish companies. In 1992, Nokia changed its management and moved from being an industrial company to an informational company, announcing that it was to become “telecom-oriented, global, focused and value-added” (Castells and Himanen 2002, 30–31). Both globally and in Europe, telecom networks were liberalized in the 1990s, partly as a result of pressure from large corporations wanting to exploit a converging market for information and communication technologies (Thue 2006, 22; Thussu 2006, 67; Iosifidis 2011, 127).

From this moment, a key explanation for Nokia’s success in the global market was their decision to transform the mobile telephone into a consumer product. The company’s success was based on personalizing mobile phones and targeting different consumer markets (Moen and Lilja 2005, 361; see Pulkkinen 1997; Steinbock 2005, 56–58). At an early stage, Nokia understood the importance of fashion and entertainment in the market for mobile phones. For example, while the competing Swedish mobile phone company Ericsson produced neutral, practical handsets, Nokia opted for flashy colors and fun ringtones, designed for customers with a taste for fashion, and for entertainment and leisure use rather than primarily for business (Peters 1992; Andersson 2000, 241). By 1998, Nokia was launching new mobile telephone models every 35 days (Steinbock 2005, 57), hence becoming the world leader in mobile phones. Between 1996 and 2001, the company’s turnover increased from €6.5 billion to €31 billion—an increase of nearly 500 percent (Nokia 2013a).

With the new millennium, mobile telephones began to emerge with web-based functions, including e-mail and cameras. The launch of the first 3G phone (third generation) in 2002 turned the mobile phone into a multipurpose terminal to be used for browsing the web, downloading music, watching audiovisual content, and more. This had profound implications for Nokia and marks the transition to a third phase.

While the Finnish mobile phone company had benefitted from a “first-mover advantage” in the late 1990s and early 2000s, this advantage was lost with the increasing dominance of smartphones. Smartphones provided online access and were therefore able to transfer pictures and video, display maps, and play music and radio. Not least, Nokia’s setback was a result of Apple’s launch of the first iPhone in 2007, which made the US company the market leader. Nokia’s fall is illustrated by the company’s decline from 5th place in 2009 to 57th place in 2013 in Interbrand’s ranking of global brands.
The Nordic Media Company

(Interbrand 2009, 2013), with figure 5.2 showing the dramatic decline in the company’s annual profits since 2007.

As a result of the decline in sales and brand recognition, Nokia has sought to regain its dominant market position by expanding its product line and by mergers with the mobile and communication technology companies Siemens and Microsoft (Nokia 2011, 2013a). As a result of these mergers, the ownership of Nokia gradually became more international, until Nokia sold its Devices & Services division, responsible for the production of mobile phones as well as licenses to patents, to Microsoft in the autumn of 2013 (Nokia 2013b).

The Collaborative Company

We have pointed to Nokia as an example of a company that embodies collaboration. Important for the company’s success is collaboration with the state and other operators, as well as a collaborative leadership style. Nokia has benefitted from cooperation with state bodies in Finland and also from Nordic cooperation. Four indications of collaboration are discussed here.

First, Nokia benefitted greatly from the large-scale telecom collaboration between the Nordic countries. In 1969, the Nordic Mobile Telephone Group, consisting of Sweden, Norway, and Denmark, was established with the aim of developing a new Pan-Nordic mobile telephone system (Steinbock 2003). The initiative came from Sweden, which at the time was a leading force in
telecommunications, largely due to the technological innovations of its flagship company Ericsson (Castells and Himanen 2002, 55). In 1981 the Nordic Mobile Telephone network (NMT) was launched, becoming the world’s first international cellular-telephone network standard and the first to allow international roaming, which caught on quickly across the world.

The introduction of the NMT standard was a precondition for the international success of the Nordic mobile phone industry, which expanded rapidly (Nokia 2013a). The new standard illustrates the characteristic collaboration between public and private stakeholders in telecom, a form of collaboration that was also open to ideas from equipment manufacturers such as Nokia (Castells and Himanen 2002, 55, 61).

The next step, the common European Standard for Mobile Communications (GSM), also began in the Nordic countries with a 1991 innovation by the Finnish company Radiolinja (Castells and Himanen 2002, 56). The introduction of a common technical standard within the European Union led the telecom sector into a phase of fierce competition (Steinbock 2010; Thussu 2006), as Nokia and other Nordic companies strategically made their products compatible with the new standard (Moen and Lilja 2005, 361). As a result, both Nokia and Ericsson suddenly found themselves among the top tier of international players with a “first-mover advantage”—competing with companies such as Motorola, Siemens, and Mitsubishi (Castells and Himanen 2002, 56). In 2001, the two main Nordic companies stood out due to their rapid overseas expansion and their soaring overseas revenue share of 97–98 percent (Steinbock 2003, 224). Nokia, along with other operators, had benefitted greatly from the Nordic collaborative move.

Second, Nokia has benefitted substantially in terms of both direct grants from and cooperation with the state. The Nordic states also remained key players in telecommunication after liberalization, while state involvement in the form of ownership, investments, and cooperation resulted in competitive market positions for Nordic telecom and associated companies. For Nokia, the Finnish National Technology Agency (TEKES) represented a key source of public funding for its research and development activities, and in the early 1980s, as much as 25 percent of Nokia’s development costs were financed by the agency. The agency increased Nokia’s ability to fund the development of analogue mobile communications (NMT) (Steinbock 2004, 57). Additionally, as Castells and Himanen point out, in the 1990s and the early part of the 2000s, the liberal regulatory environment and the collaboration with universities represented key factors in understanding the contribution of the public sector to Nokia’s success (2002, 61).

A third indication of collaboration concerns the strategic mode of the company. Nokia relied on industry contract producers and partners, forming
so-called collaborative systems in production and innovation (Moen and Lilja 2005, 362). With close partnerships with suppliers, and having partners with first-rate technical skills, Nokia could focus on its core areas (Moen and Lilja 2005, 362). As Nokia prepared for the launch of third generation mobile telecom (3G) in the late 1990s, such collaboration also came to include research and development and software development (Moen and Lilja 2005, 363; see Ali-Yrkkö 2001, 46–47). Nokia encouraged collaboration across the entire innovation chain, and the company became “an engine for the globalization of the emerging ICT sector of Finland” (Moen and Lilja 2005, 363).

Fourth and last, Nokia also emphasized collaboration within the company. Some argue that the Nokia executives’ preoccupation with teamwork can be explained by the strong egalitarianism that characterizes Finnish society (Steinbock 2010, 41–42). The focus on the company’s executive team rather than on Nokia’s CEO differed from the focus of other multinational companies and very strongly from the personal mogul style of Stenbeck discussed earlier. In 1998, as Nokia expanded worldwide, Business Week magazine wrote a profile of Jorma Ollila, Nokia’s CEO, and Ollila drew attention to the relationship between the company’s leadership style and Finnish cultural norms: “We want to stress the team effort,” and “I don’t want to personalize Nokia with me. [Grandstanding] is not very Finnish, it’s not very Nokia” (Ollila in Business Week, cited in Steinbock 2010, 41).

As we have shown, Nokia has benefitted from collaboration and cooperation on many levels. The company has collaborated extensively with other companies and the state, receiving direct funding and benefitting from publicly led technological advances. In turn, this provided Nokia with the opportunity for first-mover advantages and propelled the Finnish company into a global brand.

Summary

The study of the media companies Schibsted, the Modern Times Group, and Nokia aims to give a greater understanding of the role of private firms within the Nordic media and communications market. The chapter has discussed the companies’ historical role and position, as well as their business strategies and management style. A focus has been put on understanding how these commercial firms relate to the Media Welfare State and particularly the fourth pillar: the tendency toward consensual and cooperative solutions between the main stakeholders.

In conclusion, we wish to highlight three observations:

First, there are a number of similarities between the expansion strategies of the three companies. All three companies have built on their strength in home markets and have gained economic, and in some cases cultural and
political, capital to use as a basis for later expansion. Schibsted has benefitted from its protected national position and has gained economic leeway and public legitimacy, in addition to sustaining its role as a national cornerstone institution. In a similar way, Nokia benefitted greatly from direct public support for research and development and also from large-scale Nordic partnership in telecommunications. The Modern Times Group has not benefitted from direct state support, protection, or collaboration. Indirectly, though, the setup of the Nordic Media Welfare State represented a “green market” that the company exploited, and the restrictive Nordic media markets represented golden investment opportunities for the risk-taking Modern Times Group.

Second, the three companies also exemplify a typology of different strategies. Schibsted is expansionist, but simultaneously careful, and aims to avoid confrontations with regulators. Schibsted’s executives publicly promote their views and argue that what is good for Schibsted is good for the Norwegian public and the principle of free speech. The company wishes to protect its role as a national cornerstone institution, while at the same time fighting for good market conditions, which is a careful balancing act. Nokia’s development has been even more closely connected to the state through direct involvement and collaboration. Nokia earned first-mover advantage in telecommunications as a result of substantial public involvement, and a range of collaborative and private-public alliances made the Finnish company robust and flexible. Moreover, the collaborative culture also extends within the organization. In contrast to both Schibsted’s adaptive strategy and Nokia’s collaborative strategy, the Modern Times Group has chosen a confrontational style. The successes of its products and services have depended on a willingness to confront the established framework, and in cases such as that of Comvik and TV3, the company’s well-timed launches led to important changes in both telecommunications and broadcasting.

Third, there are both similarities and differences in the ways that the companies have expanded internationally. A feature that Schibsted, the Modern Times Group, and Nokia all share is that their ability to expand internationally is partly based on the experience gained from launching businesses in the Nordic markets. The Modern Times Group achieved first-mover advantages in the market for commercial satellite television in Scandinavia, both as a content producer and as a broadcast distributor (Andersson 2000). Schibsted developed its newspaper business and the online classified service Finn.no in Norway before expanding internationally, whereas Nokia expanded outside Finland after achieving a major position in the home country. The three companies’ similar approaches to expansion underline that although their relationships with the Media Welfare State differ, they are all key players in the internationalization, as well as the institutionalization and commercialization, of Nordic media.