Abstract

In this paper I discuss the organizational change of Danish savings banks from self-governing, non-profit organizations into joint stock corporations and commercial banks. This change took place from around 1965 and was completed in 1990. I focus on three key events in this transformation and I analyze them in order to show how the narrative of the savings banks were instrumental in understanding their organizational culture and identity. Furthermore, I argue that these narratives lay behind the savings banks’ culture and that they were important obstacles to organizational and institutional change because they created path dependence. Finally, I use this perspective to argue that Douglass North’s concept of informal institutions need much more elaboration and stringency and that narratives should be considered informal institutions.

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Introduction

Historically, savings banks have played an important role in the Danish financial system. In the post-war period, however, savings banks increasingly lost market shares to the commercial banks. This development was initiated by structural changes in the international and national economy as well as institutional changes in the regulatory framework.

The result was increased competition between financial organizations and during the 1960s the merger movement within the banking system also accelerated. The consequence was a concentration of the hitherto rather decentralized Danish financial system that culminated in 1989 when to large mergers took place and in 2000 when the second largest bank, Unibank, merged with MeritaNordbanken into a big Nordic player Nordea.

The release of market forces on the heavily regulated and highly traditional Danish financial system caused worries among the savings banks and their organization, the Danish Savings Bank Association. During the 1960s it was gradually realized that the savings banks’ survival was at stake, and that action had to be taken in order to secure this survival.

The change that was needed was in the first place institutional in the sense that the existing regulation put obstacles to the savings banks’ possible lines of operations and in general segmented the supply of financial services into several different markets. However, a regulatory change would also require organizational changes in the savings banks. A liberalization of the legislative framework would necessarily include new lines of business as well as a more market oriented, profit-maximizing attitude among the savings banks. The savings banks were not geared to this new situation.

The required institutional and organizational changes thus called for a readiness from the savings banks and the Danish Savings Bank Association to accept a new role for themselves as well as a new understanding of what constituted a savings bank altogether. The readiness or lack of it proved to a large extent to be determined by the organizational culture and the related dominant narrative or “collective memory” of the savings banks.

In this paper, I discuss the extinction of the Danish savings banks and the role of organizational culture in the transition of the savings banks into commercial banks. I do not mean to say that there are no savings banks at all in Denmark today. This all depends on the definition of the concept, of course, which is not stable over time but on the contrary will change according to the meanings that

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1 The case studied in this paper is based on my book in Danish, (Hansen 2001b) and (Hansen 2000)
are assigned to the savings bank concept. As a matter of fact, as I will discuss below part of the problem was fought over exactly this issue – what constitutes a savings bank. What constitutes a savings bank is not determined once and for all. Different groups may, and did, engage in a semantic struggle over the meaning of the concept, and thus over what a savings bank really is. In other words history and language matters.

However, if for the purpose of this paper savings banks are defined as self-governing, non-profit financial organizations the few remaining savings banks have no national economic, social or cultural significance in Denmark anno 2004. By this definition savings banks are paradoxical remnants from a past when free markets and profit maximizing were not the only conceivable way to organize economic activity. They are, in other words, testimony from a not too distant past, when free market discourse was not as dominant as now.\(^2\)

The extinction of the Danish savings banks is quite remarkable since historically they have played a more significant role in the economy than in many other countries. Savings banks were important intermediaries for agriculture and the cooperative movement but also for low-income wage earners in the cities. In 1913 savings banks held more deposits than commercial banks and their total assets were bigger as well.\(^3\)

During and after World War One commercial banks experienced rapid growth, but following the banking crisis of the 1920s the savings banks again won market shares. Even in 1939 there were 517 savings banks or three times as many as commercial banks and savings bank deposits amounted to 84 per cent of commercial bank deposits. By the end of 2003 there were 90 savings banks left in Denmark with total assets comprising only 2.7 per cent of total bank deposits.\(^4\)

While the savings banks had no problems surviving and thriving during the first period of a global free market economy in the second part of the 19th century, the present period of globalization has not been good to the Danish savings banks. They have proved unable to preserve their identity and business strategies in the face of the post-war triumph of the global, free market economy and the ambitions of their own leaders.

In quite a few other European countries (Norway, Germany, Spain, France) savings banks seem to have been more successful in adapting to the liberalization of markets while adhering to at least part

\(^2\) The Danish case are rather similar to the development in Finland ((Kuusterä 1996)) and Sweden ((Körberg 1995)), but not in Norway where the savings banks are still a significant part of the financial system.

\(^3\) (Hansen 1991), (Hansen 1995), (Johansen 1991) and (Clemmensen 1985)

\(^4\) (Johansen 1985)
of their identity and historical heritage. The rather dramatic and important change in regulation in Denmark over a relatively short period is interesting for several reasons. First, it raises the question about institutional and organizational change and what causes it. Secondly, and this is the primary focus of this paper, it also raises the question of the role of organizational culture and identity in this transition.

There is an impressive amount of literature on organizational culture and identity that suggests that a “strong” organizational culture and identity is important or even decisive in order for an organization’s ability to survive and succeed in ever more competitive markets. The same literature often assumes that culture is what (values, assumptions) is shared in an organization, and that culture is a managerial variable, which can be adjusted by top management in order to achieve its objectives and strategy for the organization. Culture is, in other words, a top-down phenomenon.

It goes without saying that it takes a definition of organizational culture in order to discuss these assumptions more closely. Again, concepts cannot be defined once and for all regardless of the specific context in which they are used. I will, therefore, get back to a discussion of organizational culture later in this paper, when I have presented the context in which the Danish savings banks fought their existential struggle. For now, suffice it to say that the traditional narrative of Danish savings banks has always emphasized the savings banks as a genuine alternative to commercial banks – especially for smallholders, farmers, workers and other wage earners.

This is not surprising, since “… subcultures form in opposition to other subcultures.” Thus, the opposition of one organization to other organizations is part of constructing ones own identity and culture. The way you understand a concept or an organization is by telling, what it is not, and the savings banks understood themselves in the context of not being commercial banks. In this process they often employed certain concepts that framed the understanding of what constituted a savings bank.

The historical representation of savings banks as alternatives to and very different from commercial banks has been constructed on the background of a narrative of savings banks with a

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5 Certainly, this must have to do with regulation, which raises the interesting comparative question why the regulatory regime was changed dramatically in come countries but not in others, and what was the role of the savings banks in this institutional change?
6 In this paper I use the terminology of New Institutional Economics where institutions refer to formal and informal constraints like regulation, culture, norms etc, and organizations refer to companies, interest organizations, banks etc. Cf. (North 1990)
7 Cf. for instance (Peters & Waterman Jr. 1982), (Deal & Kennedy 1982) and (Schein 1985).
9 Concerning framing and the use of language and metaphors in creating meaning, see (Lakoff 2004), (BuzzFlash 2004) and (Lakoff & Johnson 1980)
very different historical background and therefore also different values than those of commercial banks. The dominant or master narrative has focused on the savings banks as a popular, democratic and social “movement” with a strong historical tradition and a link to the co-operative movement. The roots and traditions of savings banks have been represented as agricultural and rural as opposed to the commercial banks’ urban, commercial and industrial roots.

Furthermore the urban and industrial environment has often been represented as unhealthy and unnatural as opposed to the representation of the agricultural and rural environment as idyllic and natural. In this way savings banks was represented as directly opposed to commercial banks and they became part of the conflict between rural and urban Denmark that has been an important dichotomy in 20th century Denmark.

This dichotomy was represented in novels as well as in historical narratives and contemporary debates and the savings bank narrative was part of the representation of rural and agricultural Denmark as healthy and natural. In 1912 one famous Danish novelist wrote about Copenhagen, that “This is hell, while the smallholding farmer with his cow is the happiest person on earth.”

This narrative became an obstacle to change in the post war period, however, when Denmark developed into a more industrial and urban economy. In this paper I will look at the interplay between the structural and institutional change of the Danish economy (i.e. the macro level) and the organizational culture and organizational changes of the savings banks (the micro level). It goes without saying that I cannot possibly discuss the transition in total. I am therefore going to focus on three key episodes. These key episodes were marked by conflicts about the destiny of the savings banks and it is my basic contention that conflicts are particularly well suited to point to and demonstrate historical actors’ basic cultural assumptions.

In the next section (section 2), I present a brief account of the structural development of the savings bank sector in the post-war period. In section 3 I briefly present three key episodes in the history of the transformation of the Danish savings banks into commercial banks, and I discuss these episodes with special reference to what they indicate about the organizational culture, narrative and identity of the savings banks. Based on this, in section 4, I discuss the concept of organizational culture and identity from a theoretical point of view. In section 5 I conclude the paper.

10 On narratives and history, see (Roberts 2001). On narratives and organizations, see (Czarniawska 1998) and (Czarniawska 2004)
11 (Pontoppidan 1912). For the general representation of this dichotomy, see also (Kjærgaard 2000), (Kjærgaard 1979) and the contemporary (Foss 1912)
The structural transformation of the Danish savings banks

By the end of World War Two there seemed to be no particular reason to worry about the future of the Danish savings banks. Quite the contrary they seemed to be positioned rather well vis-à-vis the commercial banks. The establishment of the Danish Savings Banks Association in 1947 also bears testimony to the self-confidence and close cooperation of the savings banks after the war. The Association became an important instrument, first in the savings bank “movement’s” attempt to stand together when the external pressure became strong, later in the eventual dissolution of the savings banks as a movement when pressure for deregulation from within the Association became ever stronger and resulted in important institutional and organizational changes.

In the first twenty years of the postwar period the Danish Savings Banks Association was instrumental in promoting the cooperation and coordination of the savings banks. This strengthened what was perceived to be a strong and shared cultural identity and unity about savings banks as a genuine alternative to and with different values and meanings than commercial banks. Their financial standing and public reputation was good, which was more than could be said about the commercial banks that had experienced a devastating crisis in the 1920s. This crisis left them with a bad reputation in the public and in the parliament and among companies as well. The consequence was that commercial banks’ market share declined in the interwar period.\(^\text{12}\)

Competition was not strong, however. Since 1935 the savings banks and the commercial banks had agreed with the central bank upon a maximum interest rate ceiling on deposits. This cartel agreement limited competition until 1973 when free riders among the commercial banks forced it to be abolished. Furthermore the savings banks did not compete with each other like commercial banks.\(^\text{13}\) On the contrary, they split the market between them in effect setting up a cartel; and to a certain degree they shared marketing, computing, education and probably most important, they shared a feeling of belonging to a movement rather than to individual business firms.\(^\text{14}\) Besides this informal institutional framework there were legal constraints as well.

Because of the interwar banking crisis commercial bank regulation had been strengthened in 1930, and in 1937 a new savings bank act served to emphasize politicians’ and regulators’ view that commercial banks and savings banks were acting in different, and more or less separate markets. Thus, financial regulation strengthened the division of the market into different segments, and not

\(^{12}\)(Hansen1991), (Hansen1995) and (Hansen 2001a)

\(^{13}\)(Mikkelsen 1993), (Lange 1992) and (Hansen & Mørch 1997)

\(^{14}\)(Hansen2001b)
only for commercial banks and savings banks, but also for mortgage institutions and insurance companies. This regulation, of course, also served to limit competition, and the rationale was built on the different historical origins of the various financial institutions.\[15\]

In this view, commercial banks were supposed to serve the business community while savings banks provided financial services to wage earners, small shopkeepers and smallholders and farmers by accepting their savings and advancing loans primarily against mortgages and other high quality security. In short, the risk profile of commercial banks and savings banks were, therefore, very different. In fact, savings banks were not supposed to take risks of any significance, and as a consequence the legal capital requirements were smaller than for commercial banks.

Furthermore, savings banks were not allowed to deal in shares and foreign exchange or to discount bills of exchange, provide cash credits or blank credits beyond small amounts. It was probably this fact that had accounted for the savings banks’ increased market share during the interwar period, when the public’s trust in commercial banks’ ability to manage risk was severely disappointed.

And apparently, the restrictions on the savings banks’ operations did not present a big problem during the immediate post-war years. There was not much competition partly due to the lack of competition partly because of the modest demand for credit. In 1949 the Danish savings banks established a commercial joint stock bank, Fællesbanken, which they owned jointly relative to their size. Fællesbanken was meant primarily as a means of distributing liquidity among savings banks, but quite early it began offering commercial bank services to savings bank customers that would otherwise have had to be referred to a commercial bank. In other words, the Fællesbanken was used as an instrument by the savings banks to bypass regulation.

I will argue that there was a set of formal (regulation) and informal (different historical origins narratives, and cultural values and assumptions) institutional constraints that limited the choice set available to the actors and organizations and thus created path dependence. The important thing is that the informal constraints proved to be at least as strong as the formal, and for some time between the mid-1960s and mid-1980s they delayed the savings banks’ ability to cross the dividing line between what constituted a savings bank and a commercial bank.

This institutional framework was particularly strong because it consisted of both formal and informal institutional arrangements. Its basic element was a historical narrative that determined what constituted a savings bank – it is not likely that any regulation would be passed or any

\[15\] (Hansen2001a) and (Hansen2000)
decisions and actions taken that was not consistent with this narrative particularly because the narrative was not only circulating within the savings bank movement itself. It was also circulating in the public and among the authorities, further influencing the possible actions of the savings banks.\textsuperscript{16}

In general, even though the savings banks lost momentum compared to the commercial banks, everything went reasonably well until the end of the 1950s. However, from then on Denmark entered its golden age of economic growth, and during the 1960s the country was transformed from an agricultural to an industrial country.\textsuperscript{17}

This development put pressure on the savings banks and their narrative. As long as there was no significant external pressure on the savings banks they functioned well and was served well by their dominant organizational culture and identity based on the narrative. However, as liberalization and economic development took hold, the savings banks lost market shares and this put pressure on them to formulate new strategies that did not correspond with their organizational culture and identity.

The structural development of the Danish economy changed the composition of demand for financial services on the asset side as well as the liabilities side of the balance sheet. Farm sizes increased and they industrialized as well. Industrialization spread to the smaller cities and to the countryside, and forced through a merger movement among commercial banks and savings banks.\textsuperscript{18}

Furthermore, the 1937 savings bank act meant that the new demand from expanding farms and businesses could not be readily met by the savings banks. The emerging market for consumer loans was difficult to enter for the savings banks as well, partly because regulation made it difficult, partly because the savings banks’ employees did not have the required knowledge and skills to assess these new credit risks. On the liability side increased emphasis in banking on attracting deposits and on liability management made the banks enter the market for wage earners’ accounts and savings and thus increased competition for wage earners’ and others short and long-term deposits (see figures 1 and 2).

In other words the segmentation of the markets was under pressure. The consequence was that during the 1960s the Danish financial sector experienced quite a dramatic change, where the savings banks increasingly lost ground to the commercial banks. While the regulation issue was an

\textsuperscript{16} (Czarniawska2004)
\textsuperscript{17} (Pedersen 1996), (Johansen 1987)
\textsuperscript{18} (Hansen & Mørch1997), (Hansen2000)
exogenous factor limiting the savings banks’ possible actions, the concentration movement, was quite another problem.

Mergers and takeovers were not a well-known phenomenon in the Danish financial sector, but it was still more acceptable among the commercial banks, where a free market discourse and competition had always been more or less prevalent – at least when talked about. The savings banks on the other hand nourished a discourse of shared values, democratic management, charity, cooperation and non-profit-maximizing ideals. One of the values that followed from this was that savings banks did not engage in takeovers of savings banks.

Defined in legal terms as well as by the public opinion, savings banks were self-governing, democratic organizations and they were not driven by the need to make a profit for shareholders. They didn’t pay taxes. Most savings banks and especially the small ones had more or less divided the market between themselves, but with the structural transformation of the economy, they increasingly experienced the pressure to form larger units in order to remain competitive.

This presented a problem, which the Danish Savings Bank Association tried to solve by dividing the country into ten regions. Within these regions or “structural development areas” as they were called, mergers were to be allowed, cross-regional mergers were not to take place, however. This attempt at exercising social control (and, one might add, setting up a cartel) undoubtedly expressed some basic views and values of most members of the Association. It was not supported wholeheartedly by all savings banks, however.

The larger savings banks were more ambitious than that. They wanted to expand beyond their “natural” limits – regionally as well as operationally. Thus, a few of them free rided, and crossed the regional borders of the “structural development areas” and took over smaller savings banks in other regions. By the beginning of the 1970s the formation of a few large, national savings banks was well under way and so was the division between member savings banks within the Association and among the savings banks in general.

Furthermore from around the mid-sixties the Danish Savings Bank Association began lobbying the government for a liberalization of the 1937 savings bank act. The savings bank Association’s answer to the external pressure was that the savings banks had to be able to offer the same services as commercial banks. If this change in strategy was not realized, they feared that they would not be able to compete with the commercial banks for customers and market shares.

In spite of what was perceived to be a shared attitude to what constituted a savings bank, both developments caused tensions within the savings bank “movement”. This is quite understandable,
because the concept “savings bank” and the meanings and values assigned to it were challenged by the development. Savings banks were not supposed to take over other savings banks, to operate for profits or compete with other savings banks let alone carrying out hostile takeovers. But this is exactly what some of them started doing in the second half of the 1960s.

The upheaval in the savings bank movement demonstrated that the shared values were not really shared and therefore that there was less cohesion than imagined by the most ardent supporters of the narrative. The narrative on which the idea of a savings bank had been based slowly eroded but the path dependence it had created was much more difficult to change and put constraints on the available choice set of the actors.

The attempt to reform the structure of the savings banks and liberalize their operations while at the same time stabilizing their identity and thus the content of the savings bank concept, proved more difficult than the Association’s leaders had imagined.

Even the strongest supporters of the changes were, therefore, forced to keep within certain limits. It was not “possible” to say openly in the 1960s that you wanted savings banks to become commercial banks. Or rather it was not possible if you wanted to belong to the “movement” or the community of savings bank people. In order to do that, you would have to stay within the borders outlined by the narrative and the idea of what constituted a savings bank. For instance, even the most eager reformers had to emphasize that they did not want savings banks to become commercial banks; they just wanted them to have equal opportunities.

In 1968 the lobbying for a revision of the savings bank act bore fruit and a committee was appointed by the Government to write up a proposal for a new and more liberal savings bank act. Since that is not the subject of this paper; suffice it to say that this attempt was not very successful for several reasons. The two most important reasons for the failure of the savings banks to get a satisfactory liberalization of their operations was that there was strong disagreement among the savings banks themselves and that the commercial banks fought it quite strongly. It didn’t help, of course, that the savings banks refused to accept the obligations that would follow with equal opportunities – i.e. paying taxes and accepting higher legal capital requirements.

In the second half of 1971 the committee reported, and the result was very disappointing to those savings banks that had waited eagerly to be able to trade shares and foreign exchange and – more importantly – to grant blank credits and cash credits to their customers. The disappointing result prompted a radical action from one savings bank, to which I shall now turn.
Three key episodes in the transformation of the Danish savings banks into commercial banks

1) An unwelcome merger
On Monday 15 January 1973 most Danes in general and savings bank employees in particular had a shock when they opened their newspapers. The headlines that day told that the large commercial bank *Privatbanken* based in Copenhagen and the aggressive medium sized regional savings bank *Sparekassen Nordjylland* based in northern Jutland had decided to merge.

The continuing organization would be *Privatbanken* meaning that *Sparekassen Nordjylland* would become a commercial bank and give up its name and identity as part of the savings bank movement. The new opportunities obviously meant more than the identity as a savings bank and this was why the merger was agreed upon in the first place. *Nordjylland’s* managers were strongly opposed to the meagre result of the new savings bank act proposal.

It was not the merger itself that caused the shock and the protests. Mergers had, after all, become a quite frequent occurrence in the Danish financial system during the late 1960s and early 1970s. There had even been a few mergers between small commercial banks and savings banks. Rather the protests were due to the much more provocative element that it was two important examples of these fundamentally different types of financial organizations with very different narratives and traditions that merged – a large commercial bank and a large savings bank. While the agreed merger made perfectly good sense from an economic perspective the very different connotations and meanings assigned to the two organizations could not be easily combined.

What made the agreement even harder to accept for many savings bank employees were the specific meanings assigned to *Privatbanken*, which was not just any commercial bank. Quite contrary, it signified all the values that the traditional savings banks opposed and that they had used to construct their own narrative about what constituted a savings bank. Since its establishment in 1857, *Privatbanken* had been considered the “big business” and big urban joint stock bank par excellence. Its first manager from 1857, C.F. Tietgen, had been an entrepreneur and truly internationally oriented financier who turned his bank into a universal bank engaged in the establishment of several large industrial corporations.19

Tietgen was, of course, a firm believer in one vote per share a principle that was in stark contrast to the (at least in principle) democratic principles of the cooperative and savings bank movement where one voted “per head not per head of cattle”. In short, *Privatbanken* signified everything that

19 (Hansen 1970), (Hansen1991)
the savings banks represented and understood themselves as an alternative to, and from 1880 institutional arrangements supported this distinction. Still, in 1973 *Sparekassen Nordjylland* wanted to merge with this particular commercial bank. There were very strong protests that cannot be traced in detail in this brief paper. Suffice it to mention a few examples.

Upon hearing the news, the head of the powerful Danish labor unions claimed that he was “appalled by this coup by Big Business” – even though nobody was forced into the agreement. And he was not the only one. On this windy winter morning most people and political parties were united in their condemnation of the merger and the give in by a democratic and popular organization to a commercial bank that was perceived to build on the very opposite principles. The *Danish Savings Bank Association* also denounced the merger in very strong words, and *SDC*, an electronic data processing center jointly owned by the savings banks, threatened to stop data processing for *Sparekassen Nordjylland*. The union of savings bank employees ordered its members (which meant practically all employees) in *Sparekassen Nordjylland* to go on strike, and in Parliament both the *Social Democrats* and the Liberal (in the European sense of the word) *Venstre* party were strongly against the merger.

In fact, the social control and therefore the opposition to the merger was so strong that *Sparekassen Nordjylland* was forced to ask *Privatbanken* to cancel the agreement that had already been signed by the boards of the two banks. The board of *Privatbanken* accepted this and the agreement that had been agreed upon and signed by the boards were cancelled.

Obviously something larger and more significant than a merger between two financial institutions was at stake. It was the symbolic value of the merger that was at stake. Two very different narratives and cultures confronted each other, and the opposition against the merger was based on the representation of savings banks as direct alternatives to commercial banks. This was the reason why the merger had to be cancelled. *Sparekassen Nordjylland* had deliberately broken the unity among the savings banks, and by that it was deemed to have acted without solidarity – another sign of the breach of the perceived shared values of the savings banks. The price for breaking the unwritten rules of the savings bank community was ostracisation.

The paradox of the whole story is that the managers of the *Sparekassen Nordjylland* had agreed on the merger, and quite likely initiated it, because the proposal for a new savings bank act did not

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fulfill their expectations. But by their action and the strong protests and political fuss it opened, a new and liberal savings bank act was in fact passed in Parliament shortly after.

On 1 January 1975 the new combined commercial bank and savings bank act came into force. The act allowed the savings banks the same operational freedom as the commercial banks. From then on, the only legal difference between savings banks and commercial banks was on the liabilities side of the balance sheet as well as on the cultural side. Commercial banks were joint stock companies while savings banks were still self-governed non-profit organizations and therefore tax exempt. Even though *Sparekassen Nordjylland* had not merged with *Privatbanken*, its actions had ended the deadlock and forced through an important institutional change – a new and more liberal act that regulated savings banks and commercial banks in the same way.

The chairman of the *Danish Savings Bank Association* appreciated that but loathed the way it had come around and the free riding of *Sparekassen Nordjylland*. According to him *Sparekassen Nordjylland* had failed to live up to the other savings banks’ trust. “With the stroke of a pen”, he said, “the management of *Nordjylland* betrays the savings bank idea.” Nevertheless, he assured the public, his colleagues, and probably himself as well, that “statements from savings bankers all over the country have demonstrated that we will live up to what is expected from us. Savings banks are savings banks and will always be savings banks.” This last statement was a very explicit attempt of singularizing the content of the savings bank concept. 21 It was, however, in vain.

2) What’s a hostile take-over among friends?

With the new act in force from 1975, the savings banks could trade in shares and foreign exchange and advance blank credits and cash credits as well. The most aggressive savings banks immediately took advantage of the new opportunities. When financial distress hit most of Scandinavia in the early 1990s, quite a few of them were to regret this, but that is another story.

The savings banks most eager to take advantage of the new opportunities were the largest but some of the medium sized savings banks also moved swiftly into the business opportunities opened up by the new act. As a consequence they no longer needed their joint stock commercial bank *Fællesbanken* that had been used to bypass the restrictions of the 1937 savings bank act.

The small and some of the medium sized savings banks, on the other hand, had neither the know-how nor the customer base and incentive to take on commercial bank activities on any significant

21 Briefly, the concept of “singularising” means that groups will engage in a semantic struggle about the meaning of a concept. When a group succeeds in conquering the meaning it has been singularised and this group will be able to set the agenda in public discourse. See (Koselleck 2004)
They wanted *Fællesbanken* to remain jointly owned by the savings banks. *Fællesbanken* had gradually grown into a commercial bank in its own right, however, and was recognized for the expertise of its arbitrage department. Basically, its management wanted the links to the savings banks to be eased and eventually dissolved.

That, however, was not an option and the Danish Savings Bank Association was forced to present a plan concerning what to do about *Fællesbanken*. Due to the joint ownership and not least their narrative and culture, the savings banks had to agree upon the plan and that proved difficult. Especially because even though *Fællesbanken* was a joint stock company and the large savings banks owned most shares they were expected not to exercise their voting power. They were, after all, not commercial bankers, and they should not act like them either. That position, however, could only result in stalemate because of the diverse interests of the owners.

Once again it was the newspapers that broke the news what the solution might be. On Monday 15 August 1983 the newspaper headlines carried the news that the two largest savings banks in the country were buying *Fællesbanken*. There had been no discussion whatsoever about this within the Danish Savings Bank Association, which were completely taken by surprise just like in 1973. It appeared now that the major savings banks were actually prepared to use their voting power and break the unwritten rules of and the trust within the savings bank community.

While the Parliament did not take part in the discussion as it had done 10 years earlier, both the public and the savings banks’ reaction was as strong as ever. The two large savings banks were accused of behaving in a way that no genuine savings bank and savings banker would act. They were said to act like commercial bankers, and even though there was not total agreement within the Danish Savings Bank Association, the small and medium-sized savings banks were able to block the attempted hostile take-over.

Again, there is no doubt that from a business and economic point of view the take over made perfect sense. But that was not the point. It was once again proved that, contrary to what was claimed, not all shared the traditional values within the savings bank movement. Very different views had developed about what strategy to follow and what decisions to take in response to the external pressure and institutional changes.

It is interesting that this time the claim that values were shared in and outside the savings bank movement was probably stronger in the newspapers than within the savings banks. While the narrative was losing its power within the savings banks, it was still strong in the public. For instance one of the big daily newspapers *Politiken* wrote in a leader “it is always pathetic to see businesses
with roots in a healthy popular movement degenerate and demonstrate ambitions like the past Monopoly Capital they were established to fight”.

Likewise, a columnist in the newspaper *Information* referred to the savings banks’ “democratic, popular and consumer friendly reputation” when he protested the attempted take over. These newspapers were clearly hanging on to the traditional narrative of the savings banks. These examples demonstrate that the savings banks were not able to control their own narrative.

While the struggle over *Fællesbanken* among the savings banks can be viewed as a traditional clash of interests between small and large savings banks, it was much more than that. It was a cultural conflict based on the increasing inconsistency and incoherency between the traditional narrative and the surrounding world.

It is interesting, however, that in contrast to the conflict in 1973, the strongest and most explicit culture based protests against the planned take over now came from the public and the newspapers not really from the savings banks where the arguments were more based on interests. This indicates that a change was under way in the cultural assumptions and values of the savings banks. The shared values were fewer and not as strong as they had been in 1973. Still, the two major savings banks were not very popular within the *Danish Savings Bank Association*.

The deep structural and institutional changes that occurred with the accelerating liberalization of the Danish economy between 1960 and 1990 forced the savings banks to take action on a wide range of challenges. Over and over again it demonstrated that no values were shared to the degree that they could provide a proper background for united strategies, decisions and actions. Some actors tried to force through strategies that they saw necessary for their own future survival and development and in doing that they were also changing the institutional and organizational architecture the Danish financial system.

The price they had to pay was ostracization. They were no longer considered worthy of membership of the movement; they were in effect excommunicated and categorized as a wrong sort of savings bankers. During the struggle over *Fællesbanken* a semantic struggle took place over what constituted a genuine savings bank. The managers that initiated the take over were categorized as “not real savings bankers”.

Once again there was a deep irony to the story. In 1973 the action of *Sparekassen Nordjylland* had forced through the long awaited liberalization of the savings bank act. In 1983, the hostile take over
had to be given up, and Fællesbanken lingered on for three more years. In 1986 it was even more obvious that it could not survive as the savings banks’ bank, and it was then taken over by the large insurance company Hafnia which wanted it as its banking arm in the construction of a financial supermarket – another important institutional and organizational change in financial markets that went on in this period.

With the new name of Hafnia Erhvervsbank it was supposed be the investment bank arm of Hafnia. It still carried this name when Hafnia and its bank went bankrupt as a result of an attempted hostile take over of another big insurance company went wrong during the financial distress of 1992.22

3) “The biggest savings bank robbery in Danish history”

The scene was now set for the last act of the play about the transformation of the savings banks into commercial banks. The turbulent years in the 1970s and the first half of the 1980s had definitely brought about a change in the unity and solidarity among the savings banks.

It became ever more clear that the main distinction was no longer between savings banks and commercial banks but rather between small local and regional institutions on the one hand and large national ones on the other. In combination with the transformation towards competition and free market discourse in general, the changes within the savings bank sector had also changed and differentiated the savings banks’ narrative and culture and therefore the range of possible actions and decisions.

This became very clear when, in the mid-1980s, the Danish Savings Bank Association embarked on the fulfillment of the transformation of savings banks into commercial banks. The Association initiated a plan to allow savings banks to change their legal status from self-governed institutions to joint stock companies.

Within the Association a major work and planning effort was carried out in order to prepare the transition of savings banks into joint stock companies. The new chairman, Lars Eskesen, was aware that there might be protests against the plans and he argued that the change would have no consequences for the unique cultural identity and values of the savings banks.

The identity and values were connected to “customer democracy, independence from vested interests and a decentralized management. It is those individuals in particular that want to protect

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22 (Hansen1995)
these values that should be most interested in the transition into joint stock companies so that the values can be preserved and strengthened.”

This statement by the chairman, who was also CEO of the largest Danish savings bank SDS, was a paraphrasing of the famous statement in Giuseppe Tomasi de Lampedusa’s novel The Leopard, that “if we want everything to remain as it is we must change everything.” It was part of the ongoing semantic struggle over the meaning of the savings bank concept. But it also proved that there was no longer any important opposition among the savings banks against the transition. This would have been absolutely unimaginable just 10 years earlier.

By viewing narratives and culture as informal institutions in the NIE framework the broadening of the choice set available to the savings banks becomes easier to understand. The gradual breakdown, due to external and now also internal pressure, of the narrative and the number and strength of shared values paved the way for organizational change by reducing opposition within as well as outside the savings banks.

As long as the narrative was uncontested it was not possible to embark on any strategic changes, but as it became challenged over time, the path dependence effects of the narrative gradually eroded. This was due both to the external changes of the society and discourse at large but also to the semantic struggle about what constituted a savings bank.

It is, indeed, noteworthy that the plan to convert savings banks into joint stock companies did not provoke any strong opposition among neither the savings banks nor the commercial banks. There was opposition, however, from outside the financial world. In Parliament the Social Democratic party strongly protested what they saw as the transformation of savings banks into commercial banks, and the consequent take over of the savings banks’ equity by private shareholders. It was labeled the “the biggest savings bank robbery in Danish history”.

Once again, the perception of savings banks as ordinary peoples democratic alternative to the capitalist commercial banks was spoken out. The truly remarkable thing, however, was the fact that as there were no protests this time no savings bank seemed to agree with the Social Democrats. Except for one manager of a small savings bank. He stood by the traditional narrative when in 1988 he stated that democracy in a commercial bank was a contradiction in terms and that the savings banks should keep the historical distinction from commercial banks. His savings bank was supposed to ”make money in order to exist, but it does not exist to make money”.
His voice didn’t matter, however, and in the end, in late 1988 the political opposition was defeated and the savings banks won the right to transform themselves into joint stock companies – and therefore into commercial banks.

The symbolic emphasis of this development came one year later, when the commercial bank *Privatbanken*, the cooperative bank, *Andelsbanken*, and the largest savings bank in the country, *SDS* announced that they were merging into the country’s second largest commercial bank *Unibank*. As a consequence the interest organizations of the savings banks and the commercial banks also merged into one organization, *Danish Bankers Association*. The last year that the Financial Supervision Authority published separate statistics for commercial banks and savings bank respectively was in 1989.

The transformation was completed. The establishment of *Unibank* by the merger of the large commercial bank, *Privatbanken* with the cooperative movements’ bank *Andelsbanken*, and the largest Danish savings bank, *SDS*, would have been completely unimaginable and, indeed, impossible just 15 years earlier. Yet when it was announced in December 1989 there were no major objections. On the contrary it was seen as a wise and necessary move in order for Danish banks to be competitive in international markets. The very same *Unibank* took a further move in 2000 when it merged into *Nordea*, the first truly financial cross-border merger in Scandinavia.

Since 1989 the concentration movement and the structural transformation of the financial system have continued. The result is that even though there are still savings banks in Denmark today they are very small local ones. There are also a few regional savings banks but no national savings banks.

The statistics from the *Financial Supervision Authority* tells us that the total assets of Danish banks in 2002 were 2,257 billion Danish kr. Among the 24 largest banks total assets were 2,133 billion and only 9 billion of those assets were held by savings banks.23

The important distinction among banks is no longer based on type but on size and the markets they operate in. This shows that the interesting part is no more the legal organization or the historical background of the bank, but rather the market position and the stakeholders of the organization. A small, locally based commercial bank is not that different from a small locally based savings bank but they are both very different in any conceivable way from large commercial banks with offices and operations worldwide.

23 (2003)
The confusion of the traditional narratives about commercial banks and savings banks respectively can be illustrated by a brief story. Morsø Sparekasse is trying to preserve its perceived identity as a savings bank, but at the same time it has carried out a hostile siege of the commercial bank Morsø Bank. For years the small savings bank has been launching a hostile take over attempt of the commercial bank by acquiring a majority of its shares. It is only due to limitations of voting rights that the Morsø Bank is still not fully owned by a savings bank.

The development that I have described with the three key episodes bears testimony to the overwhelmingly dramatic structural, institutional and organizational change Denmark, and the financial system has experienced during the last 40 years. The establishment of Unibank on the basis of three highly different financial organizations with very different historical origins, cultures, identities and values shows how cautious one must be with the concepts of culture and identity.

Culture and identity are not concepts with a homogenous and stable meaning over time. No concepts are and therefore they are not only descriptive but also constitutive of social reality. If culture and identity is based on the basic narratives of organizations and even nations this means that narratives are important informal institutions that can actually be analyzed by means of historical methods and theory. Narratives would then be instrumental in organizational and institutional change. This would break the stalemate that NIE’s concept of informal institutions has been in for years.

**Organizational culture, narrative and identity**

Culture is a difficult concept that should always be defined in a context-specific way but also in relation to the theoretical framework applied in this context. There are numerous different definitions of culture, and most of them are of little practical or theoretical use in order to understand organizations from a cultural point of view. The most widespread definition probably is that organizational (or corporate) culture the values that are unique to and shared in an organization. This idea that culture is what is shared is often connected to a functionalist view of culture as a thing or a variable that can be changed by management and, consequently, it is usually the organizations’ top management that defines culture and changes it according to the company’s strategy.

The most well known work on organizational culture that presents this approach is probably Tom Peter’s bestseller *In search of Excellence*. Other studies of organizational culture that subscribes
more or less to this somewhat simplified categorization are Deal and Kennedy’s, *Corporate Cultures* and Edgar Schein’s influential *Organizational Culture and Leadership*.\(^{24}\)

However the cultural turn and social constructivism has put more emphasis on an anthropological definition of culture. The influential anthropologist Clifford Geertz has defined culture in a semantic and non-essentialist way:

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\text{man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretative one in search of meaning.}^{25}\]

This definition implies a very different view of culture than the one presented by Schein and Deal and Kennedy. In Geertz’ view culture is not “out there” as a variable waiting to be discovered and, if need be, changed. Culture is unstable and it is not at thing, it is about the way people make sense of their world. With Geertz’ words ‘what we call our data are really our constructions of other people’s constructions of what they and their compatriots are up to’.\(^{26}\)

Furthermore, Joanne Martin has challenged the conception of culture as that which is unique and shared.\(^{27}\) According to Martin there certainly are shared values in an organization, but there are also subcultures and confusion and lack of coherence. And, equally important, any organization has cultural links that goes beyond the boundaries of the organization itself.

Thus, Martin argues, in order to understand culture in organizations you must apply not a single but rather a three way perspective. Martin defines the cultural observer’s focus as an “… understanding of the patterns of meanings that link … [cultural] manifestations together, sometimes in harmony, sometimes in bitter conflicts between groups and sometimes in webs of ambiguity, paradox, and contradiction.”

Martin does this by pointing to three perspectives on culture in organizations that together, and this is the important part, constitutes an organization’s culture, but not in a stable way. Since culture is primarily about the construction of meaning, it is a dynamic and not a static concept.

The three perspectives are

\(^{24}\) (Peters & Waterman Jr.1982), (Deal & Kennedy1982) and (Schein1985)
\(^{25}\) (Geertz 1973), p. 5.
\(^{26}\) (Geertz1973), p. 9.
\(^{27}\) (Martin 2002), p. 3 and passim.
1) the integration perspective, which describes what is shared in a culture from top management to floor operators, i.e. there is a degree of consensus in the organization about some values.

2) the differentiation perspective which includes different subcultures within the organization, i.e. top management is likely to have another cultural perspective and perception than the IT people. Consensus is within subcultures in the organization, but not across subcultures, and

3) the fragmentation perspective, which comprises those manifestations of culture that are incoherent and without any consensus about the organization.

According to Martin all three perspectives are present at the same time in any organization, but she also operates with a so-called home perspective. The home perspective is the perspective (integration, differentiation or fragmentation) that is dominant at any given time of an organization’s lifecycle.

There is a close relationship between an organization’s culture and its identity. But as it should be clear from the definitions above identity should not be viewed in a realist way – that is as a thing. Like culture, identity is a construction of meaning and a dynamic concept. Thus, with the advent of postmodern thought, the discussion of personal and organizational identity, image and culture has taken a new and interesting turn. Generally, modern thought on identity would claim that a person or an organization has an identity that is more or less stable and integrated. Postmodern theory, on the other hand, view identity as a construction, and neither a person’s nor an organization’s identity is integrated and consistent. Rather it is variable and fragmented.28

Martin’s three perspective theory of organizational culture seems to me to be a fruitful approach, but like most other theories in the field it does not take the history of the organization into consideration. This is a serious shortcoming, and I therefore suggest that the three perspective theory of organizational culture can be expanded by including history and narratives as an important part of any group’ culture.

There are several theories of the relation between narrative and social reality and some are more radical than others. I use the definition by the philosopher David Carr according to whom, narratives create meaning and are constitutive of action and experience and of the self as well as of groups. Stories are

28 Cf. (Martin2002), (Schultz, Hatch, & Larsen 2000), and in particular the article by (Czarniawska 2000)
... told in being lived and lived in being told. The actions and sufferings of life can be viewed as a process of telling ourselves stories, listening to those stories, acting them out, or living them through. ... Sometimes we must change the story to accommodate the events; sometimes we change the events, by acting, to accommodate the story.\textsuperscript{29}

By establishing causality and distinction narratives create meaning and provides the background for any actor’s decisions and actions. Through this paper I have argued that there is a link between narratives and culture and that narratives should be considered as informal institutions that constrains human activity. This means that narratives create path dependence in organizations and serves as the underlying foundation for the cultural assumptions and values in these organizations. As a consequence, narratives are important catalysts or obstacles to organizational change.

If I should consider the organizational culture in the Danish savings banks from Joanne Martin’s three-perspective theory as well as from a narrative point of view, I would first have to acknowledge the fact, of course, that the savings banks were not one single organization but several hundred independent organizations. I would argue, however, that for the purpose of this paper it does make sense to analyze the savings banks’ as one movement or organization because they all based their culture and identity on the master narrative of savings banks as democratic, non-profit alternatives to commercial banks. It is clear, however, that it would also be possible to analyze the organizational culture of the individual savings banks from a three-perspective approach.

It makes very good sense to argue that no organization can hold only shared values from top down. To believe the contrary is wishful thinking by top management and management consultants. It is clear from Joanne Martin’s and other’s empirical studies that no organization fits entirely into an integration perspective. That also applies nicely to the Danish savings banks. What makes it possible to make some order out of the three key episodes I have presented, however, is, I think, the concept of the home perspective.

The home perspective will be changing over time emphasizing different “stages” of an organization’s lifecycle. At one point in time the integration perspective may be the strongest but it is never the only perspective. This will change over time and at another point in time the differentiation and then the fragmentation perspectives will dominate the organization’s culture. It is important to note, however, that this is not a stage theory. There is not only one order for one or

\textsuperscript{29} (Carr 1986). See also (Mordhorst 2004)
the other of the three perspectives to dominate and each of them they can dominate more than once during the life cycle of an organization.

Therefore, I would argue, very briefly that in the immediate postwar period, the home perspective of the savings bank was the integration perspective. They shared the same narrative about the savings banks as a democratic and popular movement presenting an alternative to commercial banks, and they nourished their agricultural and therefore “natural” historical origins. As long as there was no persistent need for change due to external pressure the integration perspective served as a strength for the savings banks since it developed and nurtured a common feeling of belonging together and of having the same identity and the same goals.

As time went by exogenous structural developments put pressure on the savings banks and forced them to consider new strategies. It became increasingly difficult to keep the integration perspective as the home perspective. In stead the differentiation perspective became the new home perspective. Now different savings banks and groups within them had very different values and goals. The large and some medium sized savings banks began to use a more free market oriented discourse. Profitability and credit risks became new important concepts of the savings bank business and together with some colleagues from smaller savings banks they worked for an organizational change in the perception and functions of the savings banks.

The climax came when the *Sparekassen Nordjylland* attempted to merge with *Privatbanken*. This event demonstrated that organizational culture and the narrative on which it is based limited the range of options available to the actors and thus narratives create path dependence.

During the 1980s the accelerating development of institutional change and external pressure once again changed the perspective. Fragmentation became the home perspective. The shared values were few in the savings bank movement, and disagreement crossed traditional lines. Some top managers wanted to become commercial bank managers, some employees agreed, others didn’t. The cultural differences were even strong outside the savings banks were the surrounding community took part in the struggle over what a savings bank really was.

But there was no clear answer to that question because savings banks’ identity was constructed and reconstructed over and over again as external structural developments, institutional changes and the internal clash of interests pushed some of the savings banks towards new discourses of global markets, share holder value, competition and profitability.
The timing of the transformation of the savings banks was linked to their organizational culture. As long as the integration perspective was the strongest, it delayed organizational change and formulation of new strategies. Once the differentiation and fragmentation perspectives replaced the integration perspective, changes came about easier as evidenced by the relatively smooth change of the savings banks’ legal status from self-governed institutions to joint stock companies.

The change in home perspective from integration to disintegration and fragmentation also meant, however, that the savings bank movement, as we knew it ceased to exist. The statement that everything should be changed in order for everything to remain the same could not stand for closer scrutiny but there is little doubt that it was a clever strategy to insist that the changes would not mean a change to the meaning of the savings bank concept.

When the fragmentation perspective became the home perspective the master narrative broke down. It was only at this point in time that the merger into Unibank of the three financial organizations with very different historical backgrounds and narratives became possible. The Danish Savings Bank Association was at the end of the road and the few remaining savings banks were more or less on their own. On the other hand those that remain today probably have more in common than the savings banks did 20 or 30 years ago. Thus, the remaining savings banks may be on their way back to the integration perspective as the home perspective. They are, however, no longer a significant part of the national economy and it is only in a few local areas that the present a real alternative to commercial banks.

**Final remarks**

The Danish Savings banks proved themselves able to both adapt to external pressure and to create institutional and organizational changes. It was, however, not because but rather in spite of their shared history, culture and values that they managed to transform themselves into viable financial institutions by the end of the 1980s. It was only when the home perspective changed from integration that radical change became possible and that happened when the inconsistency and incoherency between the savings banks’ dominant narrative and culture on the one hand and the surrounding world on the other became too big. The price they paid was that savings banks in the old sense of the concept are no longer a real and viable alternative to commercial banks.

Thus, the adaptation to the new global free market environment took the negation of the narrative of Danish savings banks’ historical heritage. Most – if not all – of those savings banks that were successful up to the 1960s are no longer savings banks in any meaningful sense of the word. They
are profit maximizing, joint stock commercial banks operating in a competitive environment, some of them more or less globally others nationally or regionally.

What is left are quite a few small savings banks that still adhere to the old values from the time when savings banks presented a popular and democratic alternative to commercial banks, not to big business – they never did – but to wage earners, shopkeepers, smallholders and others with a modest need for financial services. In the big picture, however, they don’t matter anymore. Whether this is good or bad is mainly a matter of personal temper and taste, but for now they are gone and so is the savings bank movement.

From the perspective of financial history and the role of financial organizations in promoting economic growth and development, this is an important story as well. The contribution of financial organizations to economic development should not only be investigated at the macro level. It is necessary to open the black box and look into banks, savings banks and other financial intermediaries in order to understand how and why the promoted or retarded economic development.

In the case of the Danish savings banks it is clear that if they had not been able to provoke important institutional changes in the legal framework and organizational changes among themselves their contribution to Denmark’s economy would have been historical only and not for the future.

From the narrative perspective, the bottom line is that narratives take active part in constituting social reality and in determining historical agents’ available choice set as well as the meaning they assign to events. Since it is the meaning they assign to events that form the background for their decisions and actions, understanding narratives as informal institutions may take us further in our efforts to understand how new challenges and opportunities are sometimes seized and sometimes not.
Figure 1: The number of Danish commercial banks and savings banks, 1939-89\textsuperscript{30}

Table 2: Deposits/total assets of Danish commercial banks and savings banks, 1939-1989\textsuperscript{31}

\textsuperscript{30} (Johansen1985) and (Mikkelsen1993).

\textsuperscript{31} Note: From 1939 to 1959 the figures are total deposits. From 1964 the figures are total assets.

Source: (Johansen1985) and Annual Reports from the Financial Supervision Authority.
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