

Technology, Labor and the rise of a Financial Newspaper – Dagens Industri 1976-1985

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Abstract: The financial newspaper *Dagens Industri*, published by the Bonnier Group, was not only the first successful financial newspaper in Sweden but also the first Swedish paper that managed to become an international paper. In this paper it is argued that the success of the paper could be attributed to the special technological and labor market related circumstances that were present at the time of its creation – and the business model that the paper was made to adopt in order to cope with these circumstances. This includes the outsourcing of typesetting and printing, something that allowed the paper to stay out of the labor conflicts that rocked the media industry at the time.

Keywords: newspapers, business history, labor relations, outsourcing

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Introduction

The topic of this paper is the business history of the, conception, birth and early years of the Swedish financial newspaper *Dagens Industri*.

When *Dagens Industri* was founded by *Bonniers* in 1976 it was a great gamble and the prospective publishing of a financial newspaper had, when the paper was finally founded, been discussed internally in the Bonnier Group for over a decade.¹ From the early 1980s and onward the paper was highly profitable and circulation grew rapidly. *Dagens Industri* grew from 30 employees and a turnover of 30 MSEK in 1980, to 1,300 employees and a turnover of 1,500 MSEK in 2000. Circulation increased from 22 000 in 1976 to 126 000 in 2000. The paper had by then expanded into a number of foreign markets including the Baltic States, Russia, Austria, Hungary, Slovakia and Slovenia.

The research questions are: How and why did *Dagens Industri* become successful and what role did external factors play shaping the paper. The latter is of specific interest due to the fact that the period covered by this study, 1975-1985, was one of the most transformative in the history of the newspaper industry.

The period studied was one of dramatic technological (and institutional) change. More or less the entire printing industry changed technology from 1975 to 1978, and while it was perfectly possible to compete in the industry with decades old printing and typesetting equipment until the mid 1970s, this was no longer the case a few years later.² No such revolution had previously taken place in the media industry in such a short time, and the industry possibly saw more change in the decade following 1975 than in the previous 100 years combined. In hindsight this period probably was one of the most challenging, and, for those who understood the markets and the technological changes right, rewarding, in the history of the media industry.

¹ Larsson 2002 p 243

² Eriksson interview 2009

Delimitations and sources

There are plenty of research on the Bonnier group in general (Sundin 1996, 2002, Larsson 2001), on the Bonnier morning newspaper *Dagens Nyheter* (Ljungkvist 1952, Torbacke 1972, Adrup & Nordell 1989, Nyberg 2002, Borin 2002, Utbult 2008³) on the Bonnier magazine division *Åhlén & Åkerlund* (Larsson 2003, 2009) and on Swedish business press (Grafsröm 2006, Lindgren 2008), there is also a number of important studies on the media industry in general and on media economics (Hadenius & Weibull 2008, Picard 2002, 2005, Picard & Brody 1997). The amount of research on *Dagens Industri* is however very limited. There are chapters on *Dagens Industri* in Larsson (2003) and in Grafström (2006). There are also the founders own story (Bringert & Torekull 1995) which do not count as a scholarly work. The lack of scholarly interest is rather puzzling because *Dagens Industri* was from the mid 1980s clearly the most profitable part of the Bonnier Group, and successful companies often draw attention from researchers. One explanation could be that *Dagens Industri* still is quite young by publishing standards; another is that *Dagens Industri* did not keep archives in the same way as other parts of the Bonner Group, thereby limiting the appeal to historians.

In this paper I have sought to remedy the limited company archive materials by supplementing the written sources with interviews. I have also used previously unavailable material from union archives. The archive material covers the proceedings in the *Grafiska Personalklubben* at *DN/Expressen* and from *Grafikerklubben* at *Åhlén & Åkerlund*. These new sources have made it possible to write a more thorough history of especially the technological challenges the media industry – and *Dagens Industri* – faced during the period that is the scope for this paper. A number of union officials have also been interviewed for this reason, and they will supplement the interviews made with executives within the Bonnier Group.

As an historian it is easy to let the availability of archive material drive analysis. The availability of Union sources and the unavailability of corporate archives might therefore risk the analysis to be

³ The source value of Utbult might be discussed as it almost entirely is based on Ring 1981 and Ring 2001 complemented with an interview with Ring in 2008.

tilted in favor of the union view on the events. It should be noted though that all the key findings lend support on both union and corporate sources.

The description of the technical issues regarding newspaper production is to a great extent based on Nordqvist (1994) Stenberg (1994), and Kipphan (2004) but also Ekdahl (1988) has provided valuable insights. Ekdahl's perspective as a former union official has been particularly valuable since the clash between unions and management, and between different unions, was an integral part of the technological transformation. I have also benefitted from memoirs or similar works written by participants in the decision making processes. Among them are Ring (1981), Ring (2001) and Bringert and Torekull (1996).

The use of interviews makes the same demands on source criticism as the use of other source materials. It should be noted, however, that there is a risk that the interviewees to a larger extent are more distant in time compared to contemporary articles in media and that there may be some rationalizations after the fact supporting the decisions made. Because of the nature of this material, it is also necessary to be alert to the possibility of personal bias.

The interviews were made in 2009 and 2010 and the discussions about the technological changes in printing and prepress/typesetting took place in the mid-late 1970s, i.e. about 30 years prior to the time of the interviews. As time passes, the risk increases for memory lapses or that answers are based on secondary sources. A researcher must allow for this, and should also reflect on the techniques for the interview. In this case, I have used the so called half-open interview, which is that the interviewer starts by asking open questions and then asks more specific questions and follow-up questions. With half-open interviews (just like with open interviews) there is thus the risk for bias, for which a researcher needs to allow.

Persons interviewed

The choice of people to interview was based on the desire to complement printed sources with comments from some of those who were present during the process. Interviews have been made with Hans Eriksson, Hans-Jacob Bonnier, Kjell Wågberg, Jan-Åke Johansson, Sture Ring, Hasse Olsson, Bertil Torekull, Thomas Sunesson and Rune Sjöberg.

Hans Eriksson was a printer and union representative at *Dagens Nyheter* in the late 1970s and later become an official at the Graphic Labor Union "*Grafiska Fackförbundet*. In this role he was deeply involved in all the major negotiations regarding technology and labor organization during the time period covered in this study.

Hans-Jacob "Nisse" Bonnier is at present a member of the board of the Bonnier Group. Previously he was vice president of marketing at *Bonnier Affärsinformation* (Bonnier Business information) and executive vice president of *Dagens Industri* during the internationalization of the paper.

Kjell Wågberg was Technical Director first at *Åhlén & Åkerlund* and as such one of the founders of *Dagens Industri*. He later held the same position at the latter paper and played an important role in the internationalization of *Dagens Industri*.

Hasse Olsson was the editor in chief first of *Veckans Affärer* from 1965 to 1980, and then from 1982 to 2003 the editor in chief of *Dagens Industri*. Before he assumed the position as editor in chief he was hired by *Svenska Dagbladet* to plan and lead their (aborted) competitor to *Dagens Industri*. Olsson also played a leading role in the internationalization of *Dagens Industri*.

Sture Ring was a typesetter and local union representative for the Union for Printers and Typesetters. As the highest ranking official at the very militant union at Sweden's largest newspaper company he

was influential in shaping the labor relations in the industry, Ring was also an elected politician for the Communist Party.⁴

Thomas Sunesson was a bookbinder and union representative at the magazine publisher *Åhlén & Åkerlund (Å&Å)*. He began working for Å&Å in 1971 and held various positions in the local typesetters and printers union from 1974 to 1981. He was also a representative for the Typesetter and Printer Union Federation.

Rune Sjöberg is at present ombudsman at *GSFacket* (the Union for forestry, woodworking and graphic industries). He was previously a printer and union official at *Skandinaviska Tryckcentralen* (STC), which printed *Dagens Industri*, and later the head negotiator, at the *Grafiska Fackförbundet Mediafacket* (a union for typesetters and printers).

Bertil Torekull was the first editor of *Dagens Industri* and also one of the founding fathers of the paper. Before that he was editor in chief for the Bonnier magazines *Veckorevyn* and *Veckans Affärer*.

Jan-Åke Johansson was offset printer at Skandinaviska Tryckcentralen (STC) where he also was local union official. He later became Union ombudsman at Grafiska Fackförbundet and GS Mediafacket.

⁴ Ring was the only communist serving as a high level union representative in Sweden since the mid 1950s.

The Beginning

When *Dagens Industri* was founded in 1976, the publishing arm of Bonnier group was organized in three divisions: Book publishing (*Albert Bonnier AB*), Magazine publishing (*Åhlén & Åkerlund, Å&Å*) and Newspapers (*Dagens Nyheter/Expressen*).⁵ *Dagens Industri* was initially run as a part of Å&Å but later got a freer standing within the group.

The history of *Dagens Industri* began in 1965 when Bonniers – through Å&Å – had founded the weekly business magazine *Veckans Affärer*.⁶ The magazine soon proved successful and the prospective publication of a daily business paper was discussed already in 1966.⁷ However, the chairman of the board of the Bonnier Group (“Bonnierföretagen”) at that time Albert “Abbe” Bonnier Jr, assumed it to be politically impossible for Bonniers to found another daily newspaper or to acquire one.⁸ He assumed that the social democratic government would enact special legislation – perhaps breaking up the Bonnier group – if the group made further expansions on the media market. Bonniers was then the largest publisher in the country and Bonnier papers (*Dagens Nyheter* and *Expressen*) had, next to the government radio- and TV monopolies, the largest coverage in Sweden.⁹ Abbe Bonnier assumed the publication of a financial paper to be especially provocative to the government because it could be seen as a “capitalist” paper.¹⁰ The first editor in chief of *Dagens Industri* Bertil Torekull writes:

The 1970s, when *Dagens Industri* was first published in Sweden, was a period when private enterprise was frightened by growing union and government power. In the case of the legendary publishing family Bonniers it was a genuine fear that new rules and regulation would stop any future growth.¹¹

⁵ This part was listed on the Stockholm Stock Exchange but the company was controlled by the Bonnier family.

⁶ The history of *Veckans affärer* is covered in detail in Larsson 2002, and by Grafström 2006

⁷ Larsson 2003 p 247

⁸ Larsson 2003 p 247, Olsson Interview 2009, Wågberg Interview 2009

⁹ Tidningsstatistik 1961-2006

¹⁰ According to Torekull the editorial page was actually once offered to the ruling Social Democrat party in order to get their approval of publication.

¹¹ Bringert & Torekull 1995 p 72

He also adds that Albert Bonnier jr “felt really threatened”.¹² The assumption later proved to be false. Bonniers actually asked the minister in charge, Carl Lidbom, if the government would allow a Bonnier financial newspaper, to which Lidbom answered that the government would not interfere. The assumption about government hostility was however not without reason. Over the years, the government indeed published a number of official studies targeting the Bonnier group.¹³ In 1974, the government formed a study group with the directive to investigate whether it was necessary to impose special legislation to control the dominance of companies in the media industry. The proposed legislation, called “Lex Bonniers”, would make it possible to dissolve dominating media companies.¹⁴ This group published its report in 1980, when the 44 year reign of social democratic party has been replaced with a center-right coalition, and the legislation was never enacted. Torekull claimed he suggested that instead of starting a new financial newspaper, a number of existing, but unprofitable, trade magazines should be merged and be the foundation of a new industry oriented newspaper. Thereby the assumed political opposition would be overcome.¹⁵

In 1969 Bonnier acquired the Danish financial paper *Børsen*. In the meantime Bonniers entered discussions with *Dagens Nyheter*, which at the time was listed on the Stockholm Stock Exchange and had a semi autonomous status in the group¹⁶ – about a joint financial paper. Discussions about a joint venture was also entered with the struggling local, but influential, Gothenburg based paper *Goteborgs Handels och Sjöfartstidning* (GHT) which had a financial profile but had was in economic

¹² Bringert & Torekull 1995 p 72

¹³ The latest “Mediekoncentrationsutredningen” was published in 1999.

¹⁴ Hadenius & Weibull 2003 p 274. A prospective financial paper from Bonniers also met resistance from Gustaf von Platen, the editor in chief of the competitor Svenska Dagbladet. He claimed that such a paper would destroy Svenska Dagbladet and thereby severely limit competition in the Swedish media industry. Torekull, interview 2009, se also V Platen 1996.

¹⁵ Torekull, interview 2009.

¹⁶ Marieberg was controlled by Bonniers but there were other shareholders that Bonniers needed to accommodate. Marieberg was bought out from the stock exchange by Bonniers in 1998

distress and was troubled by falling circulation.¹⁷ None of these projects except *Børsen* left the ground.¹⁸

The proposed merger of the magazines in question took place, a dummy for the new paper was made and the paper was launched in 1976 with Torekull as the first editor in chief.

As a result of the way the paper was conceived, it had a markedly cumbersome organization. The paper was composed of five sections - each with its own editor. This made the job for the editor in chief difficult.¹⁹ The lineage to the trade journals it succeeded was kept in order not to lose the advertising revenue from these magazines Bonniers also chose to name the paper *Dagens Industri* (*Today's Industry*) instead of the working name "*Dagens Affärer*" (*Today's Business*). The name was also chosen out of political considerations: the publishing of an Industrial paper was considered less threatening than the publishing of a business paper.²⁰

Dagens Industri was not only the first financial paper in Sweden. It was also the first paper by a major Swedish publisher that outsourced typesetting and printing. The reason for this and its implications will be analyzed in detail later in this paper.

¹⁷ The paper went bust in 1974 but was re-launched as a weekly paper in the mid 1980s. The new paper also went bankrupt soon after its publication.

¹⁸ Bertil Torekull and Erik Westerberg were both involved in the renewal of *Børsen*. The Danish paper also functioned as a proving ground for new ideas how to run a business paper – ideas that later came to influence *Dagens Industri*. Larsson 2003 p 53, 243-246, Grafström 2006 p 108

¹⁹ Bringert & Torekull 1995 p 104, Torekull, interview 2009

²⁰ Wågberg interview 2008

Technology and labor in the early days of Dagens Industri

In order to understand the decisions made by the board of directors at Bonnier it is necessary to understand the labor market issues that the media industry had to cope with during the period.

When Bonnier outsourced the typesetting and printing of *Dagens Industri* they at the same time outsourced labor relations. This proved to be extremely valuable. In 1982 labor unrest²¹ and increasing demands from the unions almost brought *DN* and *Expressen* down.²² The conflict was solved by means of mediation 16 months later. The resulting agreement, called “*Präntareavtalet*” after the mediator Bo Präntare, included concessions from both parties and seemed to solve many of the outstanding labor issues. The firm line from the management managed – according to union sources – to convince the unions to accept new technology and Sweden could therefore avoid a “Battle of Whapping”.²³

In the late 1970s publishers started using computers to enter text directly into the phototypesetting system. The introduction of computers however met stiff resistance from the unions.²⁴ The typesetters unions demanded that even though the new technology allowed journalists (with the help of computers) to do the work previously done by typesetters, they should keep their function as an intermediary between journalists and printers. The result was the “30 per cent agreement”, signed in 1979, that limited the proportion of text that a journalist could enter directly in the computerized typesetting system to 30 percent. The agreement mandated that the remainder first was printed on typewriters and that personnel belonging to the typesetters union then reentered the text in the computers for typesetting.

Even if Å&Å like most of the Bonnier group was – compared to other newspaper and magazine publishers in Sweden – an early adopter of the analog photo typesetting technology, they were late

²¹ The unrest was not entirely connected to the relations with the employer. For example, the typesetters held a wildcat strike 1977 where their demand was that the chairman of their own union should explain himself.

²² Eriksson interview 2009

²³ The Battle of Whapping was the showdown between Murdoch’s News International (later: News Corp.) and the British typesetters and printers union. The unions lost.

²⁴ Ring 2001, Eriksson interview 2009.

mover when it came to the switch to digital photo typesetting and word processing. It was not until after 1982 when the journalists at the company begun using computerized systems to enter texts.²⁵ This was according to the local typesetters union not a result of their opposition however, but a result of the journalists' lack of interest in the new technology.²⁶ The same applied to other parts of the Bonnier group. An agreement in 1976 – the so called “Late News Agreement” – gave journalists the right to enter text directly in the computer the last 30 minutes before going to press under the condition that no more than 10 000 characters were entered in total.²⁷ Despite the agreement the journalists rarely used the opportunity to enter text directly in the publishing system.²⁸

The entire industry had problems with labor conflicts during the 1970s and early 1980s. Bonniers was particularly hard hit however even though Bonniers generally was considered to be very generous towards the unions, and the wages and working conditions at Bonnier papers and magazines were regarded as leading in the industry. This applied both to journalists, typesetters and printers.²⁹ All this meant that the labor cost in the Bonnier group were by all means higher than in the rest of the industry. The high profitability of the newspaper and magazine industry in the late 1960s and early 1970s (especially in the Bonnier group) implied that extremely good conditions for labor – especially – typesetters could be granted without the survival of the papers were at risk. Kjell Wågberg, technical director at Å&Å at the time, gives one example:

In order to make the Sunday Edition of the evening paper *Expressen* the typesetters and printers got a 825 per cent supplement to their ordinary wages, for an eight hour working day even though they only worked for six hours. They were also given food from upscale restaurants and taxi-rides home. The high profitability on the weekend editions of the Evening papers made it rational to pay the personnel these inflated wages.³⁰

The papers were able to absorb these costs since they were at the end of the technological cycle where machinery and equipment were written off and no further investments in printing equipment

²⁵ Sunesson, interview 2009

²⁶ Sunesson, interview 2009

²⁷ Utbult 2008 p 2, Utbult 2008 p 18

²⁸ Utbult 2008 p 20

²⁹ Sunesson, interview 2009, Wågberg, interview 2009, Eriksson, interview 2009.

³⁰ Wågberg, interview 2008

were foreseen in the near future.³¹ They also reflect the high bargaining power of the printer and typesetters unions. Union officials were aware that a high profile company like Bonniers was vulnerable to bad publicity and therefore often succumbed to union demands even when they would have met resistance from other companies.³² The unions also took advantage of the nature of the newspaper industry where unions had the opportunity to cause significant losses for the companies with small delays in production.³³ Another factor that probably played a role was that Albert Bonnier Jr readily succumbed to labor demands even when his colleagues did not.³⁴ In Sweden the power of the Labor Unions were greatly increased in the mid 1970s due to a number of far reaching labor market regulations. The most important of those were the MBL³⁵, which gave the unions the right to appoint board members in all companies above a certain size, and LAS³⁶ which made it much harder to lay off employees. The dismissal of staff could now only be done with union approval or when the company could prove that there was a shortage of work to be done, unless that the employee that got fired has grossly misbehaved.³⁷

In the Bonnier group shortage of work was however not enough to reduce the staff. Most Bonnier divisions – especially the high profile newspaper and magazine divisions – were heavily overstaffed. On this both the then managers and union officials agree.³⁸

³¹The newspaper Dagens Nyheter was regarded as Sweden's most profitable company in 1969 .

³² Ring interview 2009, See also Ring 2001

³³ An indication of the power of the unions in the Bonnier group was that Å&Å was a closed shop. Thomas Sunesson explains that when there was a worker who refused to join the union, union officials went to the management and had them fire the worker. Sunesson interview 2009

³⁴ Ring 2001 p 1, Sunesson interview 2009, Eriksson interview 2009, Ring interview 2010

³⁵ Lag (1976:580) om medbestämmande i arbetslivet

³⁶ Lag (1974:2) om anställningsskydd

³⁷ Sunesson (interview 2009) explains that at least in the Bonnier group anything less than criminal behavior such as assault of other employees or foremen was unlikely to get the misbehaving individual fired. Absenteeism or drug use were generally overlooked.

³⁸ Wågberg interview 2009, Eriksson interview 2009, Sunesson interview 2009. "We did not work ourselves to death to say the least. There was lots of card playing" the union representative at Å&Å Thomas Sunesson explains. It was unthinkable that an idle person hired to work with the high pressure press could man the offset press even if the latter was inoperative or running at reduced speed due to lack of personnel – even though the work and was exactly the same. The company either had to pay the personnel extra or accept a loss of production. "This was of course crazy" Thomas Sunesson the local union official comments.

The role of technology in the newspaper publishing industry

Hot metal was invented in 1886 and was the dominant form of typesetting from the first decades of the 20th century to the 1970s. However, manual typesetting – a technology that have had been in use for centuries – were still used for some tasks until 1950s. With hot metal the typesetter converted the written manuscript to printing plates by retyping it on a typesetter machine. The machine then molds the lead printing plates. At larger newspapers an interim solutions – monotype setting - was used from the mid 1950s and onward. These machines were a paper tape operated automatic variant of the hot metal typesetter. In Sweden use was limited, however.³⁹ “There were no major changes since the age of Gutenberg, the typesetting machine and cylinder press excluded.”⁴⁰ Analog photo typesetting was invented in 1949 and the use of the technology begun slowly in the 1950s. Photo typesetting disposed of lead and works by using photographic film to create a printing plate. As indicated by figure 1, the sales of hot metal typesetters were strong until 1969/70 internationally. Sweden was a laggard even though Å&Å was an early adopter of analog photo typesetting and installed the technology before 1971. *DN* on the other hand waited until 1977 before they switched from lead to photo typesetting.⁴¹ From the mid 1970s digital photo typesetting was introduced. This further simplified the process by allowing editing on computers. At the same time newspapers began using offset printing presses instead of high pressure presses. Offset printing were an old technology which offered higher quality than high pressure printing, their low speed however delayed their use in newspaper printing until high speed variants had been introduced in the 1970s. Then the costs associated with offset printing were brought down enough to make it profitable to take advantage of the technology’s higher consumer benefits.

³⁹ In 1970, at the peak of the hot metal technological cycle no more than five percent of the typesetters operated automatic typesetters (TU 1970). An important difference between manual and automatic was that the latter type to a greater extent was operated by women.

⁴⁰ Ring 1981 p 23”

⁴¹ Dagens Nyheter begun discussions on the conversion to phototypesetting in 1972 and begun using phototypesetters in parallel with hot metal in the mid 1970s. Ring p 21, p 57

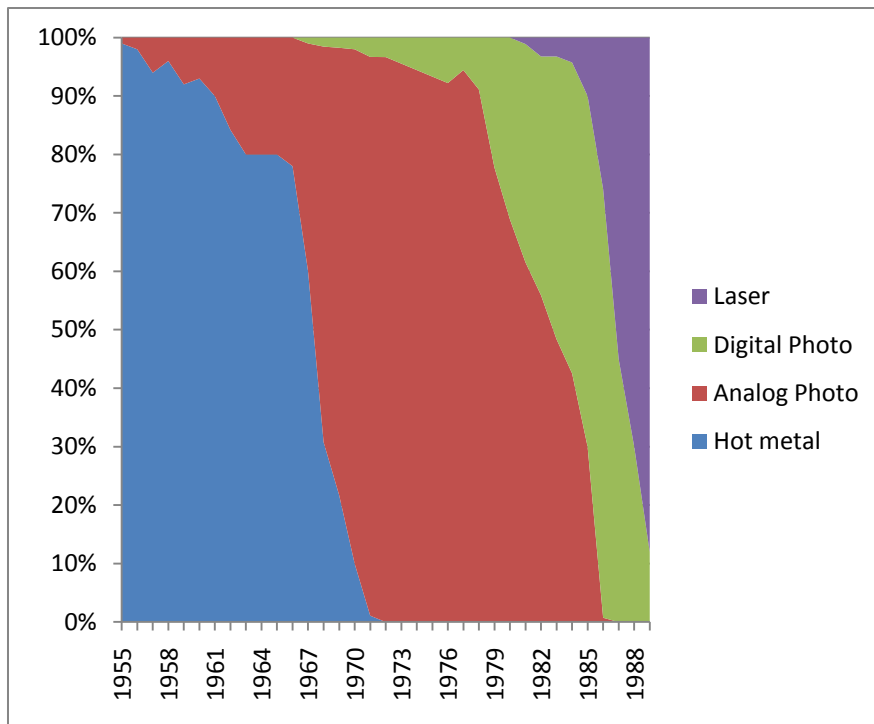


Figure 1. Percentage of typesetter sales internationally per technology 1955-1989. Source Tripsas (1997)

These technological advances made large numbers of typesetters redundant, both by the labor saving technology and by the fact that the new technology needed different skills than they possessed.⁴² Tripsas (1997) has estimated that the skill loss associated with the switch from hot metal to analog photo typesetting was 90 percent, and that the corresponding skill loss for the switch from analog to digital photo typesetting was 70 percent.⁴³ This was grasped from early on by the typesetters unions, who realized that they were obsolescent, and acted accordingly.⁴⁴

Contrary to the Bonnier newspapers the, magazine division Å&Å got rid of hot metal technology in an early stage. They however had a fairly low number of typesetters and had already reduced the ratio of graphic workers to journalists by doubling the number of journalists in a few years in the late 1960s. The introduction of photo typesetting went smoothly at Å&Å and without much labor unrest. This was however at the cost of unrealized savings. During the entire period no one was fired at Å&Å.

⁴² New printing technology also reduced the number of printers required for a specific task but this process were slower and the degree of redundancy was lower.

⁴³ Tripsas, 1997 p 126

⁴⁴ Eriksson interview 2009

The situation was far worse for the Bonnier newspapers, *Dagens Nyheter* (DN) and *Expressen*, there the number of typesetters were much higher (due to the shorter production cycle, and the greater ability for unions to disrupt production). There the introduction of labor saving technology actually increased the number of graphic worker per journalist, from 1.61 in 1977 to 1.72 in 1983. For *DN/Expressen* it actually took seven years until the ratio journalists/graphic workers was lower than when they changed technology. The management of *DN/Expressen* actually did try to reduce the typesetting workers by almost four fifths when they introduced photo typesetting. This was called the 500-program because it indented to cut the number of typesetters with 500 (from approximately 630). However, the program failed due to union resistance.⁴⁵ The staff actually increased as a result of the introduction of labor saving technology. The new machinery demanded a different set of skills than the earlier, and the paper had to hire new workers to handle the new technology while the old staff was idle. The local union leader at *Dagens Nyheter*, Sture Ring, attributed the exempt staff reductions to the reduction to the working hours to 36 hours per week and the addition of an extra week of vacation.⁴⁶ An even more plausible explanation is that the paper simply adhered to pervious agreement with the unions. In 1972 the local Union reached an agreement with the company saying e.g. that no one would lose his job as a result of the introduction of computers.⁴⁷ This was acknowledged and expanded by management in memorandum two years later “No one shall be fired due to the introduction of new technology”.⁴⁸ This was exactly what happened.

⁴⁵ The management later limited the proposed reduction to 200 for the DN and Expressen combined. Ring 1981 p 97, Ring interview 2010

⁴⁶ Ring 1981 p 282

⁴⁷ Utbult 2008 p 2

⁴⁸ Motiv och mål för fortsatt införande av ny teknik vid framställning av tidningarna *Dagens Nyheter* och *Expressen*” PM 1974-02

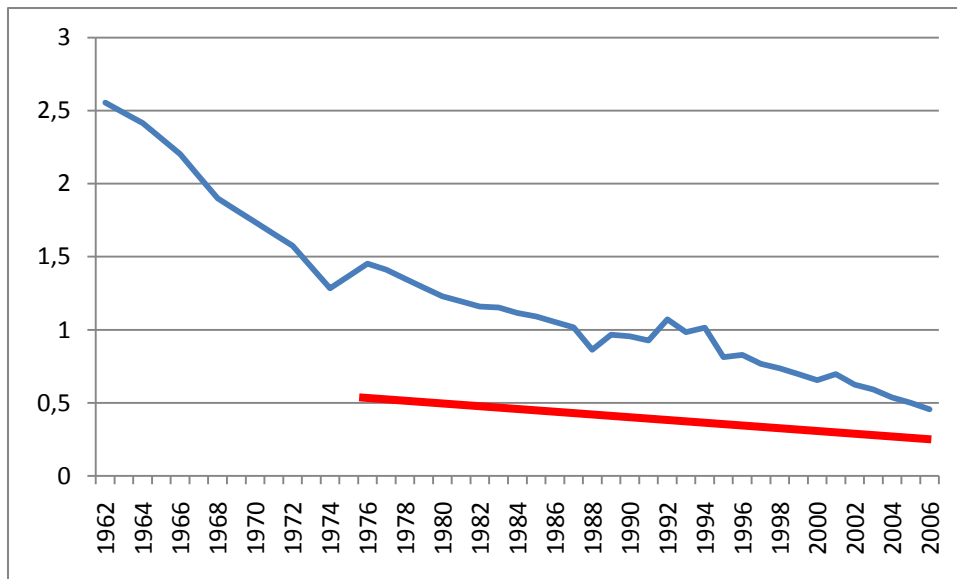


Figure 2 Graphic personnel per journalist 1962-2006 (in newspapers that were members of TU: Blue. Dagens Industri/STC (estimated yearly average): Red) Source: TU 1962-2006, Sjöberg interview 2009, Johansson, interview 2009.

As shown in figure 2 the number of typesetters and printers declined in relation to the number of journalists employed from at least the early 1960s. The graphic personnel/journalist ration fell from 2.55 per journalist in 1962 to 0.45 in 2006. The decline was however more rapid before 1974 than after. The change from hot type (lead) typesetting to less labor intensive (analog) phototypesetting, that begun in the early 1970s, would have been expected to result in an increased rate of decline. Instead, the rate of the decline was constant from 1962 to 1974 and decreased after that. Similarly, one might expect that the change to computerized word processing (which removed the need for typesetters to retype the texts entered by journalists) and to digital photo typesetting would have resulted in a discontinuity or at least in a steeper decline in the graphic personnel/journalist ratio. The explanation to that the opposite is found probably a result due to that the papers kept redundant graphic workers even when they had to hire new expertise to handle the new machinery.

The new labor laws that were imposed in 1973-1974 increased the bargaining power of the unions and made it harder to dismiss workers, for example by making it mandatory to adhere to the LIFO⁴⁹ principle when reducing staff. In a period of technological change such a principle could easily lead to

⁴⁹ Last-in-first-out

massive redundancies. One such example is the shift, seen in figure 2, between 1974 and 1976. This may be explained by an increase in the number of operators of punch card controlled typesetting machines in the typesetting departments.⁵⁰ Here the number of personnel in one category of typesetters grew without a corresponding decrease in other categories. The introduction of labor saving technology did not change this. To the contrary it further deepened the problems. The new technology was costly and the profitability in the media industry declined significantly during the 1970s.⁵¹ Strikes further worsened the situation. At *DN* the typesetters even struck as a protest against their own union leaders:

The protest was different. I do not believe that the Swedish labor movement has seen such a strike before. The strike was not aimed at Bonniers or the management, but at the Union leadership.⁵²

The entire transition from lead to photo typesetting was followed by labor unrest. “1976 was especially hard hit, in spring the issue was the division of labor between graphic workers and administrative personnel, in fall between graphic workers and journalists.”⁵³ From August 19 to December 24 1976 Bonnier’s flagship paper *Dagens Nyheter* was delayed 101 out of 109 days due to labor conflicts.⁵⁴ There were “protracted negotiations about the new technology interwoven with strikes and going slow campaigns which directly make one think of earlier periods in the history of the printing industry”.⁵⁵

⁵⁰ The use of these type of machines were not increasing at the time due to their soon obsolescence. That an increase in the number of punch card operators took place (TU Yearbooks) must therefore be attributed to declining productivity in the sector, i.e. that the same number of machines now required more staff.

⁵¹ One important reason was the new taxes on advertising and that newspapers no longer was exempt from paying sales taxes.

⁵² Ring 1981 p 108

⁵³ Borin 2002 p 223

⁵⁴ Borin 2002 p 223

⁵⁵ Ekdahl 1984 p 15

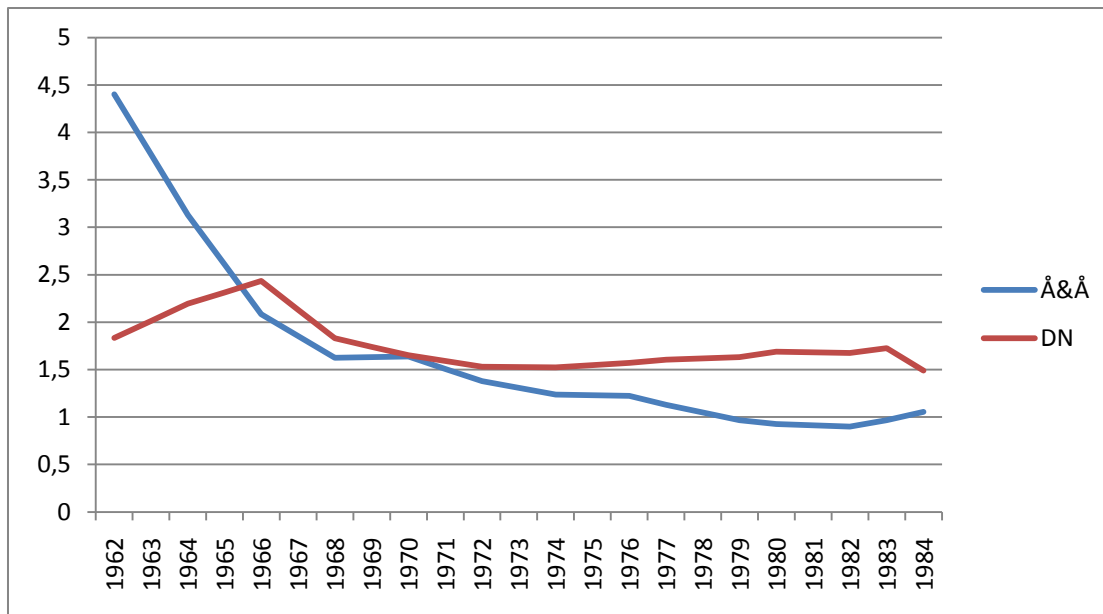


Figure3: Graphic personnel per journalist at DN and Å&Å 1962-1984 Source: TU

As seen in figure 3 the ratio of journalists/graphic personnel was higher at Å&Å than at DN until the mid 1960s. The rapid fall in the ratio at Å&Å could be attributed to a significant increase in the number of journalists employed at Å&Å during this period. A number of Å&Å publications, lead by the flagship weekly magazine *Året Runt*, increased their circulation significantly from the early 1960s to the mid 1970s. Å&Å managed this increase without a corresponding increase in the number of graphic workers, on the contrary the number of graphic workers decreased. In 1962 Å&Å employed 858 graphic workers (printers, typesetters and supervisors) compared to 195 journalists. In 1975 they employed 454 graphic workers and 371 journalists. At the same time the profitability of Å&Å grew at a steady pace and the division was then the cash cow within the Bonnier group.

The history of *Dagens Nyheter* is rather different. The paper was very profitable in the 1960s but the increase in revenue came with the cost of the employment of more staff in the typesetting and printing departments which hurt profitability later on. The number of graphic workers increased from 691 in 1962 to 905 in 1974 while the number of journalists increased from 277 to 594. The technological changes that begun in 1972 did not change the trend and the ratio graphic workers/journalists stayed at 1972 levels until 1983. Circulation on the other hand increased until

1975 when it reached 450 000 copies a day and then started to decline. In 1983 circulation was less than 400 000.⁵⁶

It should be noted that successfully managing the transition from hot type typesetting to analog photo typesetting by no means implied that the paper was safe. Immediately after (and for most papers in parallel with) the transition from hot type typesetting to analog photo typesetting, the newspaper industry begun introducing digital phototypesetting and word processing.

⁵⁶ Tidningsstatistik 1961-2006

The success of Dagens Industri – a matter of perfect timing?

The tradition within the Bonnier group was that new ventures were given three years to show profitability.⁵⁷ *Dagens Industri* managed to achieve this but without much margin. *Dagens Industri* showed a profit for the first time in 1979.⁵⁸ The paper was then still a two-day paper.⁵⁹ In 1980 the situation was different and “the profit could be counted in millions”.⁶⁰ Still, the circulation was limited. Until 1985, total circulation was below 30 000.⁶¹ However, the paid circulation increased significantly, from 11 000 in 1976 to almost three times that five years later.⁶² In 1981 the paper was published three times a week and in 1983 publication was increased to five issues a week. The reason was primarily that the government granted *Dagens Industri* an exemption from the higher VAT charged for magazines and allowed it to use the lower newspaper rate. This meant that *Dagens Industri* could compete on even terms with the established papers and their business sections. Bonniers had struggled since the foundation of the paper, seven years earlier, to get this exemption for *Dagens Industri*.⁶³

Another important contributor to the success of *Dagens Industri* was the emerging interest in the Swedish stock market. The center-right government decided in 1979 to change the tax rules regarding investments in common stock, a move that together with the reorganization of the Stockholm Stock Exchange sparked both a rapid increase in the interest in equity investments and a rapid increase in stock prices. *Dagens Industri* started publishing stock market quotes in February 1979 and the paper quickly becomes a symbol for the financially savvy professionals.⁶⁴ “Suddenly after having been sleeping for 80 years the Swedish stock market begun moving and the Swedish

⁵⁷ For the international ventures the time to profitability was extended to five years.

⁵⁸ Larsson 2003 p 261, Bringert & Torekull 1995 p 130. Antither reason for not publishing stock market quotes earlier was that Bonnier wanted to avoid competition with *Veckans Affärer*, Bringert & Torekull 1995, p 100f

⁵⁹ Bringert & Torekull 1995 p 178

⁶⁰ Bringert & Torekull 1995 p 146

⁶¹ Tidningsstatistik 1977-1983, Tidningsstatistik 1983-2006

⁶² Olsson, Interview 2009

⁶³ Bringert & Torekull 1995 p 178

⁶⁴ Larsson 2003 p 260

people begun saving in stocks. This was extremely important. That emerging interest in the stock market was crucial. *Dagens Industri* became a stock market paper.”⁶⁵

⁶⁵ Olsson, interview 2009. For a further analysis of these factors see also Grafström 2006.

The outsourcing decision and its consequences

When the decision to launch *Dagens Industri* was made, printing in-house at Å&Å or *DN/Expressen* had already been ruled out. Hans-Jacob Bonnier told Kjell Wågberg to first inquire with the printing company *Federativ* which was owned by the anarcho-syndicalist Labor Union (SAC)⁶⁶. When they have declined the business Bonniers felt free to go and find a commercial printer. Wågberg then chose the printing company *Skandinaviska Tryckcentralen* (STC) in Vällingby. The printing company had close connections to the Pentecostal Church which might have facilitated relations since both Torekull and Wågberg had a background in the very same church.⁶⁷

There is no evidence to be found that the labor issues were the driving force behind the outsourcing decision except indirectly, i.e that the decision makers saw that STC had much lower costs than the Bonnier companies. According to union sources Å&Å had the capacity to print the paper which the first years had a fairly small circulation.⁶⁸ In 1981 the circulation was still 33,000 copies.⁶⁹

Different companies had however different abilities to handle labor issues:

We [Å&Å] had the capacity. We had the printing presses. But we followed the weekly magazine union agreement and it had therefore less flexible working time regulations. The agreement only allowed two shifts. A local agreement that permitted three or four shifts was of course possible. But with only two shifts it would not have been possible. If we had worked four shifts we would have had the printing capacity to do so.⁷⁰

The decision to outsource typesetting and printing was essential for the survival, and to the success of the paper. The decision gave *Dagens Industri* important cost advantages. The prices offered by STC were far below what Bonniers could get from their own facilities *DN/Expressen* or Å&Å. According to Wågberg the price offered by Å&Å was 50 percent above the going market rate⁷¹ and the cost level at *DN/Expressen* was probably much higher than that. Since no bids were given it is impossible to tell

⁶⁶ Wågberg Interview 2009, Bonnier interview 2009

⁶⁷ Bringert & Torekull 1995 p 91, and Torekull, interview 2009

⁶⁸ Interview Sunesson, 2009

⁶⁹ Olsson, interview 2009

⁷⁰ Sunesson, interview 2009

⁷¹ Wågberg interview 2009

exactly, but the staff levels and compensation at *DN/Expressen* gives a ballpark estimate of a cost level about five times higher than what *Dagens Industri* got from STC.⁷²

The reason that STC could produce the paper at a fraction of the cost of in-house production is multifaceted. One important contribution to this is that the unionized personnel at STC followed another tariff-agreement than the staff at *Dagens Nyheter/Expressen* and *Å&Å*. The national union agreement divided the workers in different categories where people working at newspapers had the highest wages followed by people working for magazine publishers. Workers at commercial printers were paid less. The agreement also allowed for different degrees of flexibility for the respective categories of workers. The different tariffs probably reflected the different bargaining powers of unions at various types of printers. Since it was easier to disrupt production at newspaper due to the time sensitivity of the operations, labor there enjoyed higher compensation.⁷³

The most striking difference between STC and the Bonnier printing facilities is that the former could use the new technology to reduce labor costs while the introduction of new technology at Bonniers required increases in staffing. For a commercial printer which offers their services to customers on the open market, access to the latest technology was an advantage – new technology not only meant lower costs but also enabled higher quality. Workers that would have been redundant by the new technology could keep their jobs if the new technology gave new customers. At an in-house printing and typesetting facility which rarely had external customers, redundant workers faced much more dire circumstances. When *Dagens Industri* outsourced typesetting and printing they also outsourced labor relations.⁷⁴ They could thereby avoid the conflict prone unions within the Bonnier group.

⁷² Bringert & Torekull 1995 p 91

⁷³ Here, the analogy with airlines can be made. Airlines, like newspapers, produce a product of no value if not sold in time. This makes the bargaining power of unions very high. There is probably no coincidence that the airline industry is highly unionized and that the industry is hard hit by labor unrest.

⁷⁴ An explanation to the good labor – management relations at STC was that the company as a result of it's connection to the Pentecostal church also printed bibles for American missionary organizations. These orders were not tome sensitive and were used to smooth the workload and avoiding idling workers.

From the perspective of *Dagens Industri*, printing at *DN/Expressen* was less than ideal even when costs were considered. For a newspaper delays must be avoided and the management at *Dagens Industri* suspected that they would get lower priority than the flagship papers if something happened. At STC *Dagens Industri* would be the largest customer and could count on being prioritized.⁷⁵ Further, when *Dagens Industri* was founded *DN/Expressen* was still using hot metal typesetting and high pressure printing and was in the midst of the transition to photo typesetting. The decision to change technology had been made some years earlier but the outcome was far from certain. There was another advantage of the new technology and that was its ability to higher quality and STC was an industry leader in the area of four color printing on newspaper paper. Higher printing quality and the use of more advanced repro technology made *Dagens Industri* able to charge more for the advertising. It should be noted that STC by no means was an early adopter of new technology – even though they were no laggard either. The owner adhered to the philosophy that it was better to let competitors first try out new technology and only install it after the initial problems were found and corrected by the manufacturers.⁷⁶ The offset printers at STC were more modern and also faster than the ones used at for example *Å&Å*, therefore the time when the paper had to go to press could be set later.⁷⁷ This gave *Dagens Industri* the ability to include later news in the paper than otherwise would have been the case, something that made it possible to increase the customer benefits of the product.

Combined, these factors made *Dagens Industri* much more competitive than it otherwise would have been. Had *Dagens Industri* been founded five years earlier it is very likely that the printing and typesetting had been handled in-house at *Å&Å* or at *Expressen*.⁷⁸ This would have made *Dagens Industri* a victim to the labor unrest that was targeted at the Bonnier group at the time. A new paper like *Dagens Industri* could probably not have easily survived the delays and disturbances that

⁷⁵ The importance of keeping *Dagens Industri* happy was often emphasized by the managers at STC. Johansson, Interview 2010

⁷⁶ Johansson, interview 2010, Sjöberg, Interview 2010

⁷⁷ Johansson, interview 2010

⁷⁸ Wågberg, interview 2009

DN/Expressen were exposed to in the transition to photo typesetting in 1976. “Had the production been done in-house, the paper would have been doomed”, Bertil Torekull writes.⁷⁹ It must also be noted that had the papers been founded five years later – that is after the first wave of technological transition had taken place at Å&Å – they would probably have met serious competition from *Svenska Dagbladet (SvD)* who were planning a financial supplement to the paper. *SvD* even hired Hasse Olsson to design a dummy for the new venture. The project was abandoned due to the high investment needed in new printing presses, and, probably, because the competition from *Dagens Industri*, which at the time already was profitable.⁸⁰

At *Dagens Industri* it had been observed that there is only room for one financial newspaper on each national market. This is also the basic assumption behind the internationalization strategy used at *Dagens Industri* and they have stayed out of countries where they were not the first mover.⁸¹

Ex post, the protracted discussions on the political feasibility of a financial newspaper probably saved the project, and the measures taken for *Dagens Industri* were used as best practice in other parts of the Bonnier group. Torekull notes that “The initiative by *Dagens Industri* come to herald a more modern development where Bonniers step by step totally abandoned the heavy technology”⁸²

Compared to contemporary newspapers – both within and outside the Bonnier group – the entire business model used by *Dagens Industri* is vastly different. A paper could be said to primarily consist of the following components:

- Graphic Design & Content structure
- Journalistic Content
- Advertising content
- Prepress/typesetting

⁷⁹ Bringert & Torekull 1995 p 91

⁸⁰ Olsson, Interview 2009, see also von Platen 1996 and Grafström 2006

⁸¹ Olsson interview 2009

⁸² Bringert & Torekull 1995 p 91

- Printing
- Distribution

All these components could be managed or produced internally or by external contractors. When the publication of *Dagens Industri* began in 1976 all Bonnier newspapers and magazines produced all components in-house (the printing of some comic books was the sole exception). This was also the case for all competing papers.⁸³ The corner stone in *Dagens Industri's* business model was the outsourcing of printing and typesetting and the early computerization of the journalistic work. But *Dagens Industri* also outsourced the production of advertisements and distribution. As shown above this significantly reduced the cost of the paper, not only due to lower printing costs and less labor unrest, but also due to greater flexibility. *Dagens Industri* was for example not affected by the so called 30 percent agreement that in 1979 limited the amount of text that journalists could enter directly in the computers because the paper was not a member of *Tidningsutgivarna* (TA), the employer's organization for the newspaper industry and signatory of the agreement. That the *Dagens Industri* model was the way of the future was proven by the fact that most papers outsourced various parts of the production in the following 20-25 years.

⁸³ The first newspaper to outsource printing in Sweden was the Pentecostal paper *Dagen*. This paper was also printed by STC but could not in any respect be seen as a competitor to *Dagens Industri*.

Conclusions

The timing of *Dagens Industri* was almost as good as it can be. At the time the paper was born the newspaper and printing industries were undergoing rapid technological change. While it in 1970 had been possible to run a profitable paper with technology from the 19th century, it was more or less impossible to be profitable in 1980 with technology from 1970. The change from lead based hot metal typesetting and high pressure printing, to photo typesetting, offset printing and computerized word-processing and editing changed the industry from labor intensive to capital intensive in a few years, thereby turning the business models upside down. *Dagens Industri* avoided all this by, as one of the very first papers in Sweden, outsourcing layout and printing. Had the paper been founded some years earlier when the labor situation at other Bonnier papers and magazines was better, the printing probably would have been done by Å&Å or *DN/Expressen*, at far higher costs and with frequent disruptions by labor conflicts. Even if the paper, for some reason, had managed to survive the first wave of technological change, it might not have survived the second, had it chosen to do printing and typesetting in-house.

In addition, the timing of the launch of the paper coincided with the revived interest in the Swedish stock market. As the first editor in chief Bertil Torekull has noted, the paper would not have survived had it been founded five years earlier. Had it instead been founded a couple of years later it would for example have faced competition from a similar paper from *Svenska Dagbladet*.

The decision to outsource the printing and typesetting when *Dagens Industri* was founded could be seen as a strategic move, but more or less coincidental. In any case it proved essential to the success of the paper. The decision could be regarded as results of the culture within the Bonnier group where individuals were given lots of room to maneuver and make their own decisions.

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