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Deadlock in corporate governance: Finding a common strategy for private telephone companies, 1978–1998

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ABSTRACT

This paper looks at how a group of small, incumbent private telephone companies complied with the international convergence of market structures. The existing research has mainly focused on large national incumbents, assuming a transition to multinational enterprise. This development process is often associated with privatisation policies and various institutional factors. The article tests these assumptions using a case study of the network of Finnish local telephone companies. It looks at the development of an interfirm network, its perspectives on the different phases of the deregulation process, and how the network tried to regenerate itself but failed to form a unified corporate structure capable of mounting a common business strategy. The reason for this failure resembles the idea of *governance inseparability*: private telecom companies were committed to the objectives and form of a tried and trusted cooperation model, which no longer met the requirements of the competitive and increasingly liberalised business environment of the 1990s. This case demonstrates that the significance of both corporate governance and organisational development are, above all, related to the firm's ability to regenerate itself.

KEYWORDS

Deregulation;
telecommunications;
organisational change;
private business; governance
inseparability

Introduction

Opening the European telecommunications business to competition by the end of 1998 transformed the old national monopolies into commercial enterprises. Most of them were privatised, after which they expanded their international activities. The major change consisted of a wide range of activities in society, but one of the most discussed individual industries is telecommunications, which lies at the heart of the third industrial revolution. The business grew rapidly, technology was modernised and the industry globalised exceptionally rapidly.¹ Discussion among business historians has addressed the wider phenomenon, the general decline in the importance of the state-owned enterprise, the fall of public utility monopolies and how the national champions became multinationals.²

When these developments are examined at the level of the individual telecom company, the key elements are to be found in external change (corporate governance, deregulation

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policies, technology and economic globalisation) and internal factors (management behaviour, ability, strategic choices) that are often examined by making international comparisons. Despite the fact that external conditions have changed to some extent at the same pace, especially what comes to the international market environment, the change in incumbent telecoms' business practices and strategies has proven to be multifaceted.³ A much-discussed issue is internationalisation strategies and success in international competition.

The decisive external factors for the enterprise were deregulation and privatisation policies, which are closely linked, and the companies needed to adapt to the new realities. State-owned enterprises transformed through corporatisation and privatisation. The state as owner was totally abandoned or remained as minority shareholder. The transition from public to private is connected, at least intuitively, to a shift from a civil service mentality to a market orientation. Privatisation relieves the company of its previous obligations and limitations, allowing it to act as we think a modern private company ought to act. Privatisation could also be a means for the company to acquire more room to manoeuvre than it had under state control.⁴ How well this shift to privatisation, listing on a stock exchange, has succeeded has in turn been considered to be an important basis for a company's subsequent success. Deregulation led to a competitive market, whereby competitors' behaviour also affected that of other companies and their internationalisation efforts. A typical way of thinking is that the first mover had the advantage.

Although privatisation in particular has been deemed important because ownership is considered to have a significant impact on business practices, privatisation in itself does not suffice to explain the behaviour of the company.⁵ In fact, privatisation has not always resulted in a good outcome. Palcic and Reeves found no evidence that privatisation itself had a significant impact on telecom companies' productivity.⁶ Instead they noted that the wrong kind of private ownership, which was not interested in developing the company in the long term, was somewhat harmful.⁷ In light of these examples, the key issue associated with ownership concerns whether the owner (public or private) enabled and encouraged the organisation to reinvent itself in an appropriate way under the pressure of external factors. It is also a matter of management's desire and opportunity to change.⁸ What happened in corporate governance in the meantime as the market structure was completely changed should be examined in isolation from the typical private–public dichotomy.

Previous research has also emphasised the importance of internal organisational change. The discussion shows to some extent the ideas of path dependency and gradual adaptation to external changes. Such topics include, for example, long-term change in organisational culture, practices and historical traditions.⁹ Endogenous change in state-owned telecoms management behaviour and practices as well as organisational structures began much earlier, even decades earlier, than the flotation day. According to Harper, British Telecom had been prepared for business orientation since the 1969 public corporation reform.¹⁰ The Finnish state-owned telecom company that was privatised in 1998 had been heavily modernised since the 1970s with the introduction of a new business accounting system and management by objectives. This was largely due to the fact that the organisation was given new, more results-oriented objectives that emphasised financial performance.¹¹ Organisational change was clearly a much more complex process than a mere change in legitimate mode of action.

In this article I seek a more structural-based perspective to the organisation's internal change and its impact on the business strategy by referring to the idea of corporate inseparability. The model resembles the more widely known concept of path dependence, but

provides a slightly different and very concrete viewpoint to the issue of corporate change. According to Argyres and Liebeskind, a firm's past governance choices and strong commitment to a certain governance structure may restrict the range and types of governance mechanisms that a firm can adopt in its subsequent choices. This governance inseparability may (1) prevent a firm from switching from one mode of corporate governance to another, and (2) obligate a firm to use the existing governance for a new objective, even though new objectives would be more reasonably taken care of using some other form of corporate governance than that to which the company is committed.¹² An example of such a very strict commitment to the disappearing form of business is the case of the typewriter producer Smith Corona, which, in spite of enjoying goodwill and sufficient fiscal resources, lacked the ability to revamp its organisation to implement a new business strategy.¹³

In light of the foregoing discussion, my hypothesis is that a successful telecom company was both willing and able to adjust its corporate structure. This article brings to the discussion a case in which the single most important factor in adapting to the deregulation policies was associated with changes in strategy and organisation. This case study examines how Finnish private local telecom operators faced the deregulation and convergence of the European telecom market area. The research question is: how did the exceptional background factors (market distribution, state-owned enterprise's behaviour in the domestic market and ownership structures) affect the group's operations, especially in terms of internationalisation?

Traditional private telephone companies were somewhat rare in post-war Europe. In the United States there was a regulated private monopoly, whose disintegration in the 1980s has been regarded as an integral part of the collapse of telecommunications monopolies worldwide. The European PTT system,¹⁴ in turn, meant public monopolies, leaving little room for private companies. However, there were some exceptions. The Hull Telephone Company has remained in practice an unknown borderline case. In Sweden, private mobile operators were founded as early as the 1960s; they merged as 'Komvik' in the early 1980s and in the 1990s became a major GSM (Global System for Mobile Communications) operator.¹⁵ Finland, instead, was an example of a less common mode of 'decentralized telecommunications regulation',¹⁶ consisting of a state-owned long-distance carrier and numerous local telecom companies which continued their activities.

Finnish private telecom companies differed from the English and Swedish examples in that they controlled local networks (which guaranteed them a stable source of revenue), and the scale of the business was significant (private telecommunications companies held a market share of more than 70% for local calls in the 1970s and 1980s¹⁷). Although the individual telephone companies were independent operators, they formed an interfirm network,¹⁸ or 'contractual grouping',¹⁹ known as an association of local network operators called Puhelinlaitosten Liitto or Finnet.²⁰ Where the local companies operated at a local level quite independently, the Association was a national-level player. It was a forum for cooperation and a common spokesperson in the case of national or international affairs.

In practice, the markets and operators were divided into two camps: private telecom companies and state-owned PTT Posti-ja telelaitos. In the late 1980s the state telecom department already noted that Finland had – at least in principle – a readymade set-up for efficient competition, which was also seen as an advantage over other countries with only state monopolies. In the 1990s, Finland was at the forefront of liberalisation and call prices were among the lowest in Europe. According to Graack, the Finnish experiment shows that

local network operators with a solid position in the local market accelerated the emergence of competition.²¹ Although private telecommunications companies were able to seriously challenge the incumbent state-owned enterprise, they were not entirely successful in creating and implementing a common business strategy.

Common interest and threat

Finland's unusual market structure in the late twentieth century was the result of a historical development. When telephone establishments emerged out of private initiative beginning in the 1880s, regulation was non-existent and the intended use was decidedly local, and a large number of small and miniscule regional companies were established across the country (Figure 1). The most viable telecommunications companies were located in urban areas, while rural operators were sometimes decidedly rudimentary. This structural fragmentation was soon perceived as a problem, as the network with its various technical solutions did not operate together and making long-distance calls proved problematic. Two options were discussed in public, either to nationalise the entire industry (which would become prohibitively expensive) or to improve regulation (whereby the administration costs would increase anyway). In the absence of a political compromise, the market structure developed gradually, becoming twofold. The state-owned telecommunications company evolved as it began to build some unprofitable but necessary connections and rescued the long-distance phone company Etelä-Suomen Kaukopuhelin in 1935.²² This led to the establishment of a state-owned telecommunications department (part of the Finnish PTT), which over time accumulated administrative tasks such as setting technical standards, licensing issues and various supervisory functions.²³ In relation to the private telecommunications companies, it was in a so-called dual role.

The commission of the Private Phone Companies' Association (later Finnet) was connected with the contemporary development needs and threats:²⁴ after the Second World War private companies were afraid that the state would nationalise all private telecommunications operators, which, in contrast to the European trend and the domestic political climate, was not entirely unfounded. In the background was also a pragmatic, ever-growing need to

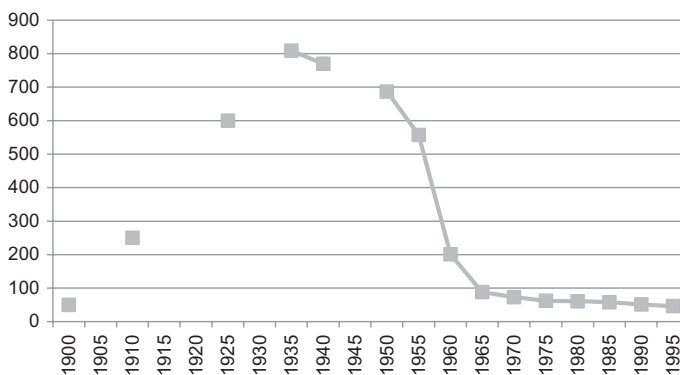


Figure 1. Number of private telephone companies in Finland.

Source: Finnet, *The White Book*. Note: In the first half of the twentieth century, a phone company had an average of only a few hundred subscribers. Today Finland has three major network operators, Finnet Association, in turn, has 23 independent members.

harmonise the national telephone network. Small companies were helpless underdogs in adapting new standards, especially since the PTT announced the new technical instructions in the mid-1950s. This caused local telecoms companies to intensify their cooperation. Another consequence was that a large number of private companies were voluntarily merged with other private telecoms companies and with the PTT (Figure 1).

The industry that developed became bipartite: one party was a government agency PTT, which had, in practice, a monopoly in trunk calls. The other was the heterogeneous group of private telephone companies operating their own domains grouped under the umbrella of a private network operators' association. Indigenous sources often suggest that there was 'indirect competition' between the two camps, which refers to the public pressure and competition for legitimacy. The government institution PTT was characterised by a unitary structure and centralised but old-fashioned management structure, while the Association's existence was based on voluntary cooperation between independent private enterprises. The Association's task was to coordinate cooperation between the private telephone companies. More precisely, it was (1) to act as a representative organisation, (2) to represent private telecoms companies in governmental institutions and (3) to provide its members with technical assistance. Especially when private and state interests were in conflict, the private companies rallied behind the Association.

Just before the beginning of the deregulation process in the mid-1970s, the Association estimated that the private telephone companies' situation was mostly good. They were regionally and functionally independent; they had appropriate organisations, flexible financing opportunities and areal monopolies to carry out their socially important mission(s). The Association's position was fairly well established: as stated, the national organisation coordinated regional operations. Although hardly anyone could imagine open competition and internationalising market structures, worries and threats were present. The familiar worst-case scenarios related to government policies: 'The nationalisation of the phone companies could receive political support.'²⁵ On the other hand, concern was raised by the PTT's dual role as a competitor and regulator, which meant that private telephones would not necessarily be treated equally in the event of any conflict. For this reason, the group's functional ability was seen in quite a critical light. Its internal problem was related to its fragmentation. There were different corporate forms and different sizes of companies. Some were too small, some had outright managerial incompetence, and the nationwide coordination was based only on recommendations.²⁶

In autumn 1978 relations between the Association and the state-owned PTT came to a head. The PTT wanted to make data services subject to its authorisation, but private companies were of the opinion that the provisions of all 'new services' were conventional phone operations, which were self-evidently included in their existing licences. The press coined the term 'Telewars' to refer to the continuous disputes that were fundamentally related to the creation of a new basic structure for the industry and the collapse of natural monopolies. These disagreements dominated the Association's activities for the next 15 years. Disputes were dealt with in various committees, courts, parliamentary debates and, of course, in the media. The preparation of the new telecommunications legislation failed time after time, as it did not satisfy the private telecoms companies in particular. In many cases, the private telecom companies' strategy was to politicize the issue and exploit their good relations to key politicians.²⁷

According to archival sources, in the 1980s the Association's attention was on PTT's operations and process of transformation into a more business-oriented mode of operation. In the Association it was known that PTT's telecommunications section was willing to rapidly change into a state-owned stock company.²⁸ Such an intention was considered a potential threat, as PTT's behaviour was anticipated to become more expansive. Also, private telephone companies were not supporters of free competition.²⁹ Liberalism as a trend or concept entered the discussion only in the middle of the 1980s: 'The worldwide development is going towards a more liberal implementation of communication policy and introduction of competition. It has been found that liberalisation has led to cheaper, more versatile and high-quality service.' For private phone companies liberalisation would mean that they would have to 'turn into business enterprises'.³⁰ The idea of future competition continued to refer to the duopoly of domestic actors.

The Association was not willing to scrap the existing, relatively secure institutional setting in which the domains were allocated by concessions. In May 1986 it announced that 'the only sustainable way to organise the smooth functioning and operation of telecommunications is to rely on a clear regional responsibility and continuous collaboration between the regions'.³¹ This statement should be partially interpreted in light of inflamed relations of the Association and PTT. On the other hand, telephone technology was still based in practice on wires. In such circumstances, the competition was only seeking its form. The Association and the PTT had outspokenly criticised each other in the parliamentary hearings, and the PTT had recently started to expand its business activities into the private domain – e.g. offering to sell telecommunications equipment to the public – which had thrown private enterprises into a state of alarm. An important milestone was the 1987 Telecom Act that cancelled the previous monopolies, making the network industry subject to licence. This in turn enabled duplicate licences and competition. The next phase of the deregulation process was marked by the question of *who* would be licensed to provide *what* telecommunications services and *where* (Figure 2).

The competition over licences was of a political nature;³² in practice each party tried to reduce the monopoly of the other while retaining all its own privileges. Even though the law of 1987 was a clear watershed, the situation really developed before and after the law. Because change had been deemed inevitable since the early 1980s, private telecoms companies, feeling that they were underdogs in 'new services', became very active, which in turn accelerated development. The main initiators were the largest private telecoms companies and the Association's role was to promote these projects.

Initially, the most heated dispute concerned data connections. As the matter failed to reach a resolution, the largest private telephone company, Helsingin Puhelinyhdistys (Helsinki Phone Company, or HPC), took the initiative on its own. The idea of establishing the new company, Datatie, in 1985 to offer trunk lines for data transmission emerged after the PTT had refused to rent long-distance connections to local phone companies.³³ In practice, the company started operating without the actual licence; its strategy was simply to offer cheaper prices than PTT. Since the PTT could not prevent Datatie from operating, it wanted to set up its own limited liability company to compete with Datatie. The Association in turn tried to prevent the PTT's competing undertaking, Yritysverkot, from obtaining a licence. At the same time it rushed to set up its own new undertaking, Teletie, 'to ensure balance in the concession policy'.³⁴ An internal memo outlined worst-case scenarios, where all possible failures in this competition would have led to victory and complete monopoly

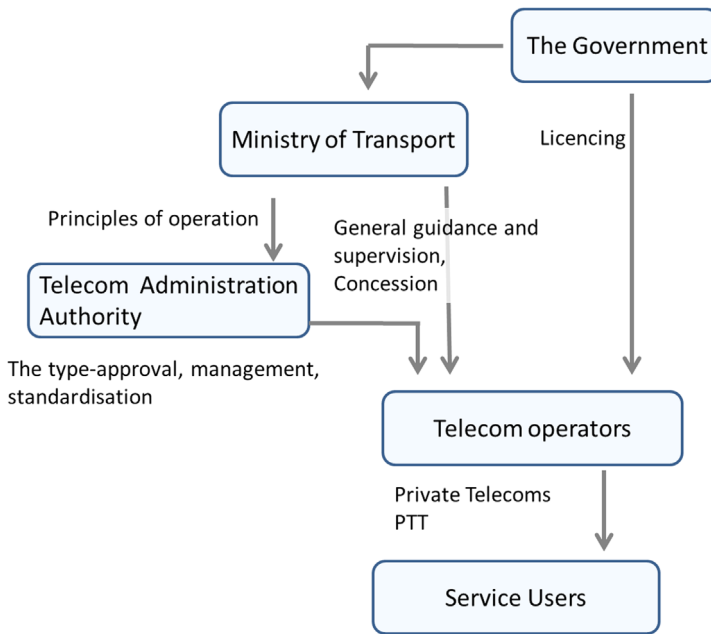


Figure 2. Public steering of the telecommunications industry at the turn of the 1990s.
Source: Kyheröinen, *National Competitiveness of Telecommunications*, 12.

by the PTT. The controversy ended in April 1988, when both parties received their licences. Later, the Ministry of Transport calculated that competition had led to a 40–60% fall in prices during the period 1985–1987.³⁵

Even though this depicted the practical nature of the deregulation process, more striking was the emergence of competition in the mobile business. The first private mobile operator, Radiolinja, was established in 1988 by the private telephone companies (members of the Association) and business sector investors. For a few years the company did not receive an operating licence: the matter became part of a political agenda which was to change the structure of the whole sector. The politicians' solution to the matter was to 'normalise' the whole industry. The outcome was that also the state owned PTT lost its regulatory assignments and was amended as a subject of authorisation.³⁶ In the opinion of the private companies, the whole process was too slow.³⁷ The issue was dealt with in the topmost echelons of central government, where it was expanded to include the PTT's legal basis. The Association's priority was simply to get the licence for its member companies as soon as possible, preferably without time-consuming processes of legislative amendment.³⁸ The negotiations between the government parties under the leadership of the Prime Minister led to a conclusion on the morning of 24 September 1990: both parties, private and state-owned, would be granted a licence covering the whole country and data traffic would be thrown open to full competition.³⁹ In 1991 Radiolinja opened the world's first commercial GSM service.⁴⁰

PTT had planned to continue building the first generation Nordic Mobile Telephone (NMT) system for a few years, but the competition forced it to increase its investments in the second-generation GSM network.⁴¹ These disputes also showed that the PTT could not continue as a government agency. The Association repeatedly accused the PTT of sharp practice: 'We

cannot accept that the supervising authority, the Post and Telecommunications Department, calls for special status for itself in relation to the private companies.⁴² From the perspective of private entrepreneurs, the PTT's efforts to obtain its own licences mainly had the effect of delaying their own application processes. Secondly, if the PTT's subsidiary were to be granted a licence to operate throughout the whole country, it would undermine the basics of the industry, destroying the division between local and long-distance calls. The private side still believed that the old division of labour was the basic solution. The private company Datatie was not comparable to the PTT, as it had been set up earlier and its share was only 0.4% of PTT telecommunications' total sales.⁴³ The state-owned PTT in turn reiterated its view, according to which the worst monopolies were located in private domains. Years later, one of the PTT's senior managers thought that the private companies were planning to take over the PTT's market share, but was surprised, as the PTT had rapidly improved its competitive performance. In the prevailing situation, it was rational for both parties to stick to their monopoly rights.⁴⁴

Internationalisation as a subplot

As the letter from Minister Kasurinen to International Telecommunication Union's Secretary-General Tarjanne in March 1991 suggests, the need for internationalization was recognized, although the lack of resources and the domestic market structure were seen as problematic:

As you yourself are in doubt, the lack of internationalisation is due to the fact that our resources are scarce and our field of telecommunications business is highly fragmented. The formation of a shared vision is affected by that uncertainty, which has arisen in the telecommunications business together with the competition.⁴⁵

Although the Association's focus was on the domestic market, it was not completely unaware of international trends. Archival sources unfortunately have little to tell us on this subject. From the early 1980s there are, above all, reports of trips to the United States, Britain and Sweden, where Association personnel were familiarised with local telephone companies. Areas of interest were management practices, technology, new kinds of service products and advertising.

Established international activity was first related to standards and regulation, especially after the passing of the Telecommunications Act (1987). At the same time the general trend was the transition of standardisation to supranational bodies.⁴⁶ The Association's interest in international collaboration related to technical cooperation, standards and advocacy. It joined various international organisations, like the European Telecommunications Standards Institute (ETSI) and the European Conference of Post and Telecommunications Administrations (CEPT). Participation in costly cooperation was justified by domestic interests: the aim was to monitor and emulate the interests of local companies in international telecommunications policies. An international orientation was seen as an absolute necessity: 'Knowledge of international trends is also a basic prerequisite for telecom companies to successfully compete with the PTT in new telecom service products.'⁴⁷

As of the late 1980s, European integration became an increasingly important factor of change. Although Finland was not an European Community (EC) member until 1995, it joined EC telecommunications projects through European Free Trade Association (EFTA). The private camp was anticipating new directives with great hopes as these were expected to favour new entrants, not the old national institutions.⁴⁸ Nevertheless, attitudes towards the

forthcoming competition were of two kinds: the EC directives were not expected to cause any particular problems, as the development favoured private companies, whose abilities were, however, secretly questioned. According to the Association's work group, local telecoms companies were accustomed to act as local monopolies, but in the new situation they were likely to meet new entrants whose strategy would be cost minimising. A memorandum (1990) noted that although the private telecoms companies were not yet particularly efficient, they would evolve in such a way as to be ready to face the competition in due course. Rather, an even more likely threat was that the sparsely populated market area would not generate enough supply.⁴⁹ Such an argument that 'the domestic market was protected by their small size and fierce competition' was quite typical in the discussions of the early 1990s.⁵⁰

Taking a stand on the EU Commission's statement in 1992, the Association supported rapid liberalisation of the whole telecommunications business.⁵¹ This view was probably first and foremost based on the domestic market situation where, according to the Association's documents, the private camp still did not consider liberalisation an inevitable trend. As the private telecoms companies do not seem to have been much concerned about foreign competitors, they did not start to conduct in-depth studies on foreign market structures and competitors until the mid-1990s, when their own position on the domestic market was becoming uncomfortable. At that time it was found that international operators had increased their cooperation through alliances.⁵² Instead, the idea of making their own foreign direct investments occurred only once, in 1994, when the board discussed whether private phone companies should invest in international business, as Telecom Finland (PTT was incorporated in 1994) had done, but the board's concluding statement was that: 'At first we will take care of the new situation at home, and after that we may consider international operations.'⁵³

In the mid-1990s, the Association (also Finnet since 1995) divided the world's telecommunications operators into three categories: the largest were global and spent large sums of money investing in foreign markets. Slightly smaller operators were forced to concentrate on more limited areas, acting either alone or through alliances. The smallest ones, like Finnet, could specialise as efficient producers in niche areas – and also abroad. Its idea was to spread its operations through cooperation. Its member companies had cooperation agreements with most of the global operators in distribution or collaboration. It was suggested that it would probably be an appropriate step to consolidate the agreement with one of these as a full alliance.⁵⁴ According to the sources, these plans did not progress at all.

A typical explanation was that small companies could not afford to make rational foreign direct investments. According to the study commissioned by the Research Institute of the Finnish Economy (ETLA), telecommunications executives were beset by unnecessary pessimism: according to them, it was difficult to catch up with international business opportunities. Western countries were protectionist, East European countries were troublesome because of central government problems and developing countries did not have much capital. However, the report noted many opportunities. For example, private telecoms companies had unique know-how that they could sell to start-up telephone companies. There had been some consulting activity, such as HPC's small-scale consulting and construction projects in the early 1990s in Germany and Hungary.⁵⁵ However, these did not lead to any long-lasting business. Nor had HPC made any strategic decision to expand operations abroad.

According to information provided to the public, the Association's international operations in the mid-1990s were relatively wide. Total income was FIM 100 million (€23.2 million)

excluding international calls. The declared target was much higher – after 2000 10% of sales, approximately FIM 500 million (€115.8 million), would come from foreign investments. The most firmly established area was research and development, which received funds from the EU and other similar sources. Another issue was the international consulting business. Projects relating to technical systems were also deemed promising export products, which were already made in close collaboration with local operators in Germany, Sweden, Italy, the UK and Thailand. These were described as ‘fascinating’.⁵⁶ Retail sale of telephone equipment was practised in the Baltic region, especially in Estonia and in the St Petersburg region. The only significant network investment was Radiolinja’s GSM subsidiary in Estonia.⁵⁷ Apart from the fact that Finnet’s structure was fragmented, another reason for the modest investment was that phone companies were typically customer-owned and investing customer-owners’ money abroad was not considered appropriate.

At the same time, Finnish PTT had invested FIM 350 million (€81 million) in international projects by 1995 and planned to invest nearly FIM 100 million more. Its declared strategy was to spread to neighbouring areas.⁵⁸ The company progressed especially in the Baltic countries in close cooperation with the Swedish state-owned enterprise Telia. Even though the Finnish PTT had been operating abroad in the past, its relatively strong internationalisation in the 1990s was explained by the fact that after the liberalisation of competition, it had lost a significant market share and sought growth from abroad.⁵⁹

Interfirm network proves to be outmoded

In 1992, the Association discovered that in Finland competition was more advanced than in the rest of Europe. This fact was emphasised in several contemporary reports that typically focused on comparing services and prices.⁶⁰ The general telecommunications policy line was to continue along the path of liberalisation (Figure 3). In the meantime, companies

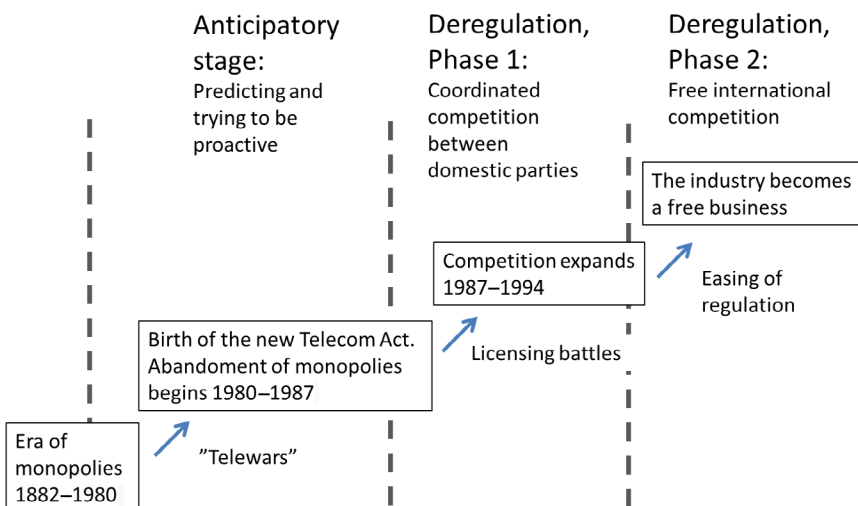


Figure 3. The opening of telecommunications competition in Finland: Three phases.

Source: Adapted from Finnet, *The White Book*, 23-4. Note: Competition in national data transfer opened in 1985, in local data transfer in 1987, in mobile communications in 1990, in long-distance calls in 1993, in local calls 1993, in international calls in 1994. The licensing system changed in the mid-1990s.

continued a race of their own. The private telecoms companies' ambition was to become involved in long-distance calls, the State Department PTT, for its part, wanted to extend competition to include local calls. At one point each party opposed the other's applications. In August 1992 the government took a political decision to open the entire telephone operations to competition at the beginning of 1994.⁶¹ According to the political decision, the only sustainable solution was to put both camps on an equal footing. The decision was essentially linked to domestic disputes between the two camps, in which both parties had submitted their requests for concessions, and again related to the PTT's long-lasting incorporation process but also to the opening up of international markets.

Historical corporate structures were still considered problematic. A memo by the Ministry of Transport noted in October 1995 that Telecom Finland suggested that the private phone companies' tendency to be user-owned enterprises, which meant that these companies were paying their profits in the form of lower tariffs, was an inhibiting factor for competition. The association of local network operators, on the other hand, had considered that Telecom Finland's corporate structure distorted competition, in particular because it could use its revenues in the mobile business to cross-subsidise other charges.

The Association understood that its problem, despite years of development work, was the excessive fragmentation which was to some extent related to the ownership and corporate forms of its member companies. Among member companies, it had sought to develop a managerial way of thinking, for example by providing training programmes. The importance of productivity had been emphasised over the traditional tariff- and investment-centred approaches. An important objective had been to intensify cooperation, but matching the liberalising competition and interfirm network of independent telecoms companies was problematic: 'companies are not yet accustomed to competing against each other. Therefore, competition has often gone to extremes, so that healthy cooperation has also been avoided'. In the meantime the main competitor PTT was abandoning its public status and was turning into a business enterprise, the competition legislation was also evolving and the importance of consumer protection was growing fast.⁶²

The domestic operators' advantage was their locality, local know-how and cooperation, but individual companies' own resources were hopelessly inadequate. Only the strongest HPC had enough money for independent research and development functions. Other telecoms companies took advantage of HPC's resources by means of cooperation agreements. HPC's 'leadership' among private operators was commonly known. However, it was concluded that the service, prices and selection were good by European standards and that the weaknesses were mostly related to technical matters, such as small switchboards and incompatible IT systems.⁶³ The Association's sole objective was to intensify cooperation and to form a group-like structure. Practical developments in this direction are reflected in new, jointly owned national companies (Table 1) as well as various cooperation projects that were established to address problems of fragmented organisation.⁶⁴

Table 1. Finnet Group in the mid-1990s: national jointly owned companies, year founded and description.

Radiolinja (1988, Mobile communications)
Kaukoverkko Ysi (1993, Long-distance calls)
Finnet International (1993, International calls)
Datatie (1985, Trunk lines for data connections)
Omnitele (1988, Planning, consulting and developing IT infrastructure)

By 1995 competition had changed the industry so much that the status of the Association came under serious review. The problem of the structure was brought to the fore once more: the Association coordinated cooperation but had no commercial liability. The clear intention was to consolidate the Association into a corporate structure. The stated objective was that the 'board of the Association should be able to declare itself as the main architect of the strategy.'⁶⁵ In August 1995, the companies published their new 'family name': Finnet-yhtiöt or Finnet Group, which was intended to signify closer cooperation. But even if the launch of the new brand was considered a success, an internal document reveals an underlying concern: the fact was that customers perceived local telecoms companies as a loose group of outmoded institutions. As noted, the new brand was only the first step in the planned reform: alone it did not resolve anything.⁶⁶

Too 'locked in' to reinvent itself

The deregulation process continued during the mid-1990s. Although the market was completely opened by the beginning of 1994, concessions were awarded at the government's discretion. From August 1996, licences were granted automatically to those who met the criteria. Another important point was that network operators were required to lease their network capacity to virtual operators that did not build their own network infrastructure. As a result, the nature of the telecommunications competition changed fundamentally. At the same time, new competition legislation questioned the Finnet cooperation (see Figure 3).

For private telecoms companies, opening up the competition had been very successful; in the lucrative long-distance calls Finnet companies had achieved more than half of the market share as soon as competition was allowed.⁶⁷ However, their fairly secure position in local calls came under threat in 1994 when the Ministry of Transport expressed its willingness to reform the telecommunications legislation. In the prevailing situation the Association's role as a network of independent companies became problematic; coordinated cooperation between independent undertakings was not consistent with the Ministry's intention to emphasise free competition. In the past, cooperation had been more acceptable as the concessions and government policy had prevented direct competition in local fixed networks. The intention to allow overlapping sales and to introduce competition also in local calls made the coordination between independent regional companies highly questionable.⁶⁸

According to information obtained, the Ministry's original idea had been to both run the privatisation of the state's telecommunications company and 'capitalise' Finnet Group. For some reason, only the latter was on the table.⁶⁹ According to a proposal, competition had emerged slowly (the mobile service had not yet replaced landlines) and the Ministry's intention was to weaken the duopoly in the telecommunications market. Customer ownership was a problem as cooperatives paid their profits in the form of lower tariffs. In this way they committed their customer-owners to themselves and prevented competition.⁷⁰ The Ministry's aim was to continue deregulation efforts so that telecommunications would become an unrestricted professional business activity.⁷¹

According to the Ministry's reasoning, 'the need to reduce regulation was observed': during the past few years, the number of complaints about telecoms competition had been reduced, which in turn meant that all parties had changed their old attitudes to favour

competition and modern thinking. The idea of giving more room to market forces had begun to surface. The practical reasoning was that virtual network operators had entered the market. In 1995 there were about a dozen such companies, and their number was expected to increase. However, the existing Act did not recognise such businesses and therefore there was a risk that the legislation would delay the emergence of competition. The third and obviously significant reason was the impact of the EU's policy to liberalise the telecommunications market.⁷² The Ministry official had been following the EU's routines, partly frustrated at the slowness of decision making, and had become convinced that Finland should continue on its path of steady liberalisation. The main argument was that Finland had already benefited from its lead, but the gap would shrink if deregulation were not continued.⁷³ Foreign competitors were not considered a threat, as the price level was already so low that nobody could come to 'scoop gold' out of Finland. The following year, the Ministry of Transport drew attention to the fact that mobile service market had evolved faster in Sweden and the UK. According to the report, the explanation was that in these countries competition between operators was harder and there were more means available, such as very cheap mobile phones subsidised by operators.⁷⁴

Other operators concurred with the Ministry's desire to pursue liberalisation. According to a statement by Telecom Finland, effective competition was seen as a necessary condition for Finns' success in European markets. Somewhat ironically, a representative of one foreign company pointed out how the Association had previously fought for open competition, but made itself into the barrier.⁷⁵

The Finnet Association opposed the obligation to rent existing network capacity to 'service providers' (i.e. virtual operators) and wanted to reduce the Ministry's inclination to meddle with private companies' ownership structures. According to Finnet, its member companies would turn into normal public limited companies, but this would take time.⁷⁶ Finnet denied that it objected to competition; rather, it was opposed to external actors trying to exert influence on its own organisation and modes of action.⁷⁷ According to Chairman Nordman's view presented to the Finnet board, the whole Ministry's initiative took the view that the Finnet Group's ownership structure was to be dismantled. However, in his opinion, the Ministry's standpoint, according to which owner discounts were barriers to competition, was inconsistent with the pan-European development, as other countries supported the development in telecommunications. In his view, the Ministry's draft meant interference in Finnet companies' freedom to do business.⁷⁸

As often in the past, the Association activated its political contacts and tried to influence a number of important politicians, but was unable to change the Ministry's view.⁷⁹ Finnet stuck to its position that competition in the traditional local network would not be profitable. It argued that 'if low prices prevented natural competition, political necessity or desire to achieve changes in market shares was not a tenable argument for competition'. In its view, the Ministry imposed unnecessary regulation in trying to create artificial competition.⁸⁰

In reality, Finnet was well aware of its own structural problems, taking the view that the rights of the owners could not be infringed in any way: 'owners should benefit from the increase in value of the companies'. However, due to their corporate forms as cooperatives, the companies did not have the correct market values. The chairman noted that the problem called for a solution, and that members other than HPC had called for action.^{81,82} As noted within the Association, customer ownership was the historic basis and common practice for private telephony, which was once considered a form of people's capitalism, but which had

turned into a problem as regards the new competition legislation and companies' need to raise capital. The solution envisaged was to separate ownership (share capital, dividends) and regular customers (connection fee). Accordingly, the new ownership ideology would be divided into two: maximising the value of ownership (owners, dividends, appreciation, limited companies) and maximising customer benefits (customer-owners, discounts, association, cooperative).⁸³

Final failure or a second chance?

The Finnet 2000 project was initiated in spring 1995 to map out future options for the Finnet Group.⁸⁴ Points of reference were sought from international competitors. According to the preliminary report (1996), 'the winners', successful multinational companies in the new market environment, were (1) vertically integrated, (2) equipped with sufficient financial resources, (3) managed their customer relations successfully, (4) had built up their own brand and (5) operated in consumer markets.⁸⁵ However, Finnet's situation was not particularly rosy.

Independent members had their own objectives, methods and standards, and they were primarily interested in their own domains. Members understood the change in the operating environment to varying degrees. Moreover, there was a confrontation between the members. Because cooperation was on a voluntary basis, Finnet had no means to force its members to adopt majority decisions; the decision making was slow and consensus-driven. In addition, the group's economic situation was not particularly bright. The productivity of many companies was low and their economic thinking was based on monopoly or 'taxation'. Because the pursuit of profit had not traditionally been the main objective, the awareness of financial performance was inadequate, which in turn was reflected in general views on efficiency and costs. Profits were typically credited to customer-owners, so that companies themselves could not accumulate financial buffers. Furthermore, raising capital was not an easy task, and the forecast was that cash flow would turn negative in the years to come. The overall conclusion was that 'maintaining our current market position will require an ability for such investments that the present economic situation will not allow'.⁸⁶

According to the proposal (1996), Finnet's new objectives were familiar: to maintain locality, to develop a common coordination system, to promote financial efficiency, to have a capability for strategic operations, to develop the ownership structure, and to meet the requirements of the new telecommunications and competition legislations. In practice, the group suggested the creation of a new, more closely integrated Finnet Group. The letter of intent was written in February 1997, according to which the idea was to form a single holding company, under which the jointly owned national companies (Table 1) would be relocated. In practice, the mobile operator Radiolinja would serve as the basis for the group's new parent company. Although each of the local member telecoms companies would continue their local operations independently, the letter contained an idea of 'advanced negotiations' with a few years' delay. The final agreement was to be signed in spring.⁸⁷ Although the final decision was pending as some of the member companies were slow in making their decision, the atmosphere was upbeat. The strategy of the company to be set up was already outlined. In November 1997, the subject of discussion was the group's possible listing on the stock exchange.⁸⁸

No progress was made, however, in the negotiations, which were at last concluded on 13 March 1998. According to communication to the Finnet board, the differences in opinion had been between the largest HPC and the provincial enterprises. The document avoided using names, but noted that one side had questioned the fairness of the proposed arrangement, while others had expressed doubts about the group's commercial capabilities. At the board meeting,

Chairman Nordman [also the CEO of HPC] regretted that the Association was not capable of creating a modern business strategy on the basis of its current form of cooperation. Each of the nationwide and local companies was focusing on their own businesses, when there was a danger that the whole might remain elusive.⁸⁹

According to Nordman's memoirs, the problems arose from the Association's internal disputes. HPC, which operated in the metropolitan region, was by far the largest and strongest member that got along with the other major telecoms companies, but the small provincial companies were suspicious of it, fearing to lose their sovereignty.⁹⁰

In this situation, the structure began to fall apart. The largest phone companies dissociated themselves from the proposal after they had lost the battle. Only a little later HPC announced its acquisition of a majority holding in Radiolinja. This, in turn, was contrary to common agreements. The old Finnet split into two camps as HPC and a few of the other largest companies formed the Elisa Group. The chairman, HPC/Elisa's CEO Nordman, declared in his farewell speech before his retirement in November 1998 that for him the fundamental problem was clear: a small telephone company could not abandon reductions for customer-owners if it was unable to show its real market value and to provide its owners with 'compensation'. The obvious solution was to list the company on the stock exchange, which was, however, not possible for a local telephone company. The choice was between remaining as a local niche player or joining a chain with a nationwide operator. In Nordman's opinion some form of consolidation was somewhat inevitable.⁹¹

This is why the failure of the negotiations came as a total shock. The crisis was followed by another bout of soul-searching. The known fact was that private telecoms had started to compete against each other and Finnet cooperation was bedevilled by internal disputes. The basic question related to the future nature of the organisation: whether Finnet was to be only an interest group or if it should involve itself in business. Finnet's opportunity to coordinate the activities was still inadequate, as the necessary business management structure was lacking. The analysis was dramatic: 'Within the group there is confusion, suspicion, indecision, hostility, destructiveness and overall a paralysing chaos-like situation. Is Finnet in the process of disintegrating?'⁹²

Finally Finnet fell apart. In September 1999 HPC withdrew from Finnet's R&D collaboration, which was a blow for the smaller companies. In August 2000, HPC announced its total resignation. By the end of the year, four other major companies had resigned and joined HPC/Elisa. As a business magazine summed up a few years later:

After the dust had settled, the Finnet camp had lost its key market areas to its competitors, was forced to set up and recruit new people for R&D functions thereby imposing a burden on the economies of its member companies.⁹³

As the mobile operator Radiolinja was merged with Elisa, the remainder of the Finnet Group was forced to establish a third national mobile operator, DNA.⁹⁴ For the third time Finnet was split in 2006, when the DNA Group resigned from collaboration (listed in 2016). The rest of Finnet has remained as a cooperative body for small, specialised telecoms.⁹⁵

Table 2. Finnish telecom operators in 2001.

	Turnover, €m	Investments, €m	Gearing ratio, %
Sonera (formerly Telecom Finland)	2187	359	52
Elisa	1463	379	40
Finnet	665	350	73

Source: *Talouselämä*, 4 October 2002.

If we look at the situation at that time from a counterfactual perspective, we find that the private telephone companies' combined resources would have been as good as the state-owned competitor's (Elisa and Finnet in Table 2). In addition, their strength, local landline networks, were located in the most densely populated areas. The difference was that the state-owned telecoms company did not have similar problems concentrating its resources, and it decided to expand strongly in international business.⁹⁶

The private telephone companies were in general small, local cooperatives. Their collaboration within the Association was based on a typical confrontation between private and public entrepreneurship in the twentieth century. The actual problems followed when the importance of traditional domestic confrontation decreased. The member companies had committed to traditional objectives, to defend themselves against the state-owned operator, which initially yielded good results, but in the new situation of free competition in an internationalising environment they could not find a common interest or engage in new shared goals. The lack of a common interest was reflected in the fact that, although the problem of loose structure was long recognised, the structural problem remained unresolved. The main difference was that the biggest member companies wanted to develop strong, centralised corporate governance, which could have allowed the concentration of economic power in foreign investments. The local companies, for their part, preferred their locality and sovereignty. Thus cooperation within the Finnet Association was successful only when it benefited all the participants. This made the organisation weak in comparison to its competitors. The structure could even have tied them to ineffective cooperation. Especially if compared to the state-owned PTT/Telecom Finland, which was a unified, hierarchical organisation, it had no similar problems in corporate structure, had gradually developed its business know-how and had achieved the preconditions to make a radical strategic turn to start investing in foreign businesses. Yet it would be a misinterpretation to claim that the private faction had totally failed; many of its members have remained viable. Elisa and DNA, as new corporate structures, consolidated their strong market position in the domestic telecommunications business.

Conclusions

In this article I examined the major liberalisation of the telecommunications market in late twentieth century Finland as a problem of corporate governance. The core issue was the collaboration between private phone companies and their failure to create a strong corporate structure. As the need to reorganise the interfirm network and to concentrate resources was closely related to international trends of deregulation and expanding international competition, I paid particular attention to private companies' perspectives and positioning in relation to the international developments. This case study exemplifies the idea of 'governance inseparability' as the Private Phone Companies Alliance was clearly tied to its historical

corporate form in a situation in which it should have made radical changes in business strategy and a common organisational structure. This case demonstrates that institutional factors (ownership, corporate governance, culture, functionality), together with auspicious deregulation efforts, were both important factors that together affected the company's success. Nor should we overemphasise the private–public dichotomy. Here it actually seems that the state-owned enterprises' inherited hierarchical structure was to their advantage in a situation that demanded a total *volte face* in business strategy.

Notes

1. E.g. Thatcher, "Varieties of Capitalism."
2. E.g. Toninelli, *The Rise and Fall*; Clifton, Lanthier, and Schröter, "Privatizing Public Enterprises"; Cuervo-Cazurra et al., "Governments as Owners"; Parker, *The Official History of Privatisation: The Formative Years*.
3. See Clifton, Lanthier, and Schröter, "Regulating and Deregulating"; Kornelakis, "European Market Integration."
4. Alonso et al., "The Race for International Markets."
5. See Oesterle, Richta, and Fisch, "The Influence of Ownership"; Alonso et al., "The Race for International Markets"; Hannah, "The 'Divorce' of Ownership."
6. Palčić and Reeves, "Organisational Status Change."
7. Palčić and Reeves, "Private Equity Leveraged Buyouts."
8. Anastassopoulos, Blanc, and Dussauge, *State-owned Multinationals*.
9. Clifton, Comín, and Diaz-Fuentes, "From National Monopoly"; Lehrer, "Micro-varieties of Capitalism."
10. Harper, *Monopoly and Competition*.
11. Nevalainen, "Facing the Inevitable?"
12. Argyres and Liebeskind, "Contractual Commitments, Bargaining Power."
13. Danneels, "Trying to Become."
14. PTT refers to the postal, telegraph and telephone services provided by a government agency. In these cases, the state generally had monopoly on these services.
15. Anderson, Hultén, and Mölleryd, "Mobile Telephone Network Operators"; Karlsson, "The Liberalization of Telecommunications."
16. Braithwaite and Drahos, *Global Business Regulation*, 326.
17. Statistics Finland, *Mass Communication Statistics*, 142.
18. Fruin, "Business Groups and Interfirm Networks."
19. Kyheröinen, *National Competitiveness of Telecommunications*.
20. The Puhelinlaitosten Liitto PLL changed its name in 1995. Here, for the sake of clarity, it is called an 'alliance', 'Association', 'Finnet' or 'Finnet Group'. This paper is based on the Puhelinlaitosten Liitto/Finnet Association's documents, selected on the basis of the archive database. The main series are the documents of PLL's Board of Directors (PLL BoD), which constitutes a temporarily unified framework. A large part of the relevant material is reports, memos and plans in conjunction with the protocols. Other important series are the various projects, such as the Finnet 2000 documentation. In addition to Finnet archives, various legislative material and published reports have been used. In some respects, I rely on my previous projects and material related to the Finnish PTT. I would like to thank the current Finnet Association for permission to use their recently opened documents in the Central Archives for Finnish Business Records (ELKA).
21. Graack, *Deregulation, Privatization and Internationalization*, 86.
22. E.g. Moisala, Rahko, and Turpeinen, *Phone and Telecoms in Finland*; Anderson-Skog, "National Patterns in the Regulation."
23. Millward, "State Enterprises in Britain."
24. The Association was originally established in 1921. See Turpeinen, *A Model for the World*.

25. Memo, December 29, 1976. PLL BoD.
26. Memo, July 26, 1976. PLL, Minutes of the Executive Team 1974–87.
27. Turpeinen, *A Model for the World*; Häikiö, *The Big Bang*.
28. Minutes, March 3, 1980. Minutes of the Executive Team 1974–87.
29. Also Niku, *Decades of Change*.
30. Commitment, October 24, 1985. PLL BoD.
31. Release, May 9, 1986. PLL BoD.
32. Turpeinen, *A Model for the World*; Häikiö, *The Big Bang*.
33. PLL Annual Report 1985. PLL BoD.
34. Report, March 16, 1988; Memo on establishing Oy Teletie Ab, March 16, 1988. PLL BoD.
35. Ministry of Transport's Memo, April 8, 1988. PLL BoD.
36. Memo, February 14, 1990. PLL BoD. This naturally affected the ability of Telecom Finland (PTL) to yield profits so the state planned to impose a new telecommunications tax, which the Association in turn opposed. While the PTL's right to compete was extended, the interest paid by PTL on government capital investments was to be transferred to other payments (Memo, October 10, 1990. PLL BoD).
37. Minutes, November 22, 1989; Radiolinja's Statement to the Government, August 9, 1990. PLL BoD.
38. Memo, November 20, 1989. PLL BoD.
39. Memo from the Prime Minister's Secretary, September 24, 1990. PLL BoD.
40. In 1994 the company had nearly 50,000 subscribers and in 1998, when Sonera was listed on the stock exchange, it had more than 100,000 subscribers (Radiolinja Annual Report 1998). Looking at the overall market shares, it seems that the two largest operators in Finland were very close to each other (1995: Finnet 43%, Telecom F. 44% and others 13%), but closer inspection reveals that the important mobile section was still dominated by Telecom Finland (PTL) (80%) (PLL, Osakkuusyhtiöihin liittyvät asiak. 1994–1997).
41. E.g. Häikiö, *The Big Bang*.
42. Letter, June 23, 1986. PLL BoD.
43. Memo, October 23, 1987. PLL BoD.
44. E.g. Interview with PTL's Senior Managers, December 14, 2011 and August 24, 2011.
45. Letter from the Minister of Transport to Mr. Tarjanne, March 4, 1991. PLL BoD.
46. Braithwaite and Drahos, *Global Business Regulation*.
47. Memos, September 4, 1991 and September 17, 1992. PLL BoD.
48. Memo, October 9, 1989. PLL BoD.
49. Work Group Report, August 8, 1990. PLL BoD.
50. E.g. Kyheröinen, *National Competitiveness of Telecommunications*.
51. Memo, May 26, 1993. PLL BoD.
52. Report, May 12, 1993. PLL BoD.
53. Minutes, January 19, 1994. PLL BoD.
54. The Association had cooperation agreements with US Sprint International and European Unisource (the latter covered only data).
55. Documents relating to HPC's project in Hungary. PLL document in ELKA.
56. Kyheröinen, *National Competitiveness of Telecommunications*, 64; Ministry of Transport, *Competition in Mobile and Voice*, 58. According to some sources, these ventures were not always economic successes but 'good lessons' or 'offered needed openings in hard times'.
57. Finnet, *The White Book*, 14. Finnish marks converted into 2016 euros.
58. Ministry of Transport, *Competition in Mobile and Voice*.
59. It should be noted that the internationalisation of European telecommunications companies (including TeliaSonera) accelerated considerably in the 2000s (Alonso et al., *The Race for International Markets*, 218).
60. Kyheröinen, *National Competitiveness of Telecommunications*; cf. Graack, "Deregulation, Privatization and Internationalization."
61. E.g. Annual Report of the Finnish Government, 1992, 230. Parliamentary Documents 1993, B1.
62. Main Goals and Plans, August 31, 1988. PLL BoD.

63. Ministry of Transport, November 2, 1993. PLL BoD.
64. Preliminary Report, May 12, 1993. PLL BoD.
65. Minutes, March 1, 1995. PLL BoD.
66. Memo, August 30, 1995; Release, August 17, 1995; Memo, October 5, 1995; Draft, October 13, 1995. PLL BoD.
67. Ministry of Transport, *Development of Telephony*.
68. Report, January 26, 1996. PLL BoD.
69. Memo, August 14, 1996. PLL BoD. In the author's opinion the obvious explanation is that at that time privatisation would have been practically impossible for political reasons.
70. Memo by the Ministry of Transport. PLL BoD, 1996/1. Even if Finland had been 'a model student', the European Commission also appealed against the customer rebate system in August 1997. According to the EC, the former monopolies should not use tariffs favouring their owners and shareholders (Minutes of Discussion/Ministry of Transport/March 1998. PLL BoD).
71. Memo, January 26, 1996. PLL BoD.
72. The liberalisation of the telecommunications sector was also included in the General Agreement on Tariffs and Trade (GATT) framework in April 1994 (Braithwaite and Drahos, *Global Business Regulation*, 338).
73. Memo by a Ministry civil servant, September 28, 1995. PLL BoD.
74. Ministry of Transport, *Development of Telephony*.
75. Memo on Hearings, February 27, 1996. PLL BoD, 1996/1.
76. In 1997, three of the members were financial associations, 11 were cooperatives and 31 were limited companies. A number of projects were pending; associations and cooperatives were typically turning themselves into joint stock companies. A few were expected to be listed on the stock exchange in the next few years (PLL BoD, October 10, 1997).
77. Memo on Hearings, February 27, 1996. PLL BoD, 1996/1.
78. Finnet criticised the Ministry of Transport's role as the owner of Telecom Finland and market regulator. A little later the EU Commission also drew attention to the Ministry's dual role. Telecom Finland's privatisation project was considered to increase the risk of misuse (Minutes, May 24, 1996; Minutes, November 21, 1997. PLL BoD).
79. Report, August 16, 1996. PLL BoD. Also Turpeinen, *A Model for the World*.
80. Minutes, May 24, 1996. PLL BoD.
81. According to its legal status the HPC, too, was an association whose members elected their representatives to a council, which in practice was composed of politicians. The company had good relations with politicians (e.g. Nordman, *Silence is Silver*, 144). The council was disbanded as the HPC was turned into a limited company in 1994.
82. Minutes, March 20, 1996. PLL BoD.
83. Report on Finnet 2000 Project. Minutes, May 24, 1996. PLL BoD, 1996/1. See also Finnet, *The White Book*, 7–8.
84. Supplementary Memo, October 18, 1995. PLL BoD.
85. Ibid.
86. Ibid.
87. A Letter of Intent, February 28, 1997. PLL BoD. The letter included a timetable for further negotiations which would take place during 1999 and 2000.
88. Minutes, November 21, 1997. PLL BoD.
89. Minutes, March 25, 1998. PLL BoD.
90. Nordman, *Silence is Silver*, 157–8.
91. Minutes, November 20, 1998. PLL BoD.
92. Note from a Seminar. PLL BoD.
93. Matti Kankare, "Finnet yhdistyy veitsi kurkulla." *Talouselämä*, October 4, 2002. Accessed April 26, 2016. <http://www.Talouselämä.fi>
94. Ministry of Transport and Communications, *Telecom Service Providers'*
95. Consultant's Opinion, June 14, 2007. PLL BoD.
96. Although the company got into serious difficulties after acquiring ultra-expensive German 3rd generation Universal Mobile Telecommunications System (UMTS) licences that drove Sonera to

the brink of bankruptcy in the early 2000s. In Finland UMTS licences were issued on the basis of a 'beauty contest', in which case telecoms companies avoided the corresponding financial risks.

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