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Agents of change: inventors, entrepreneurs, financiers, and small business owners in the beginning of the Swedish fast food industry.

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Introduction and purpose

The study deals with an investigation of the introduction and evolution of the fast food industry in Sweden. After the turn of the 19th century, 121 small firms – all joint-stock companies – originating from the same fast food business concept were founded. The companies studied, so-called “automated restaurants” (Automatrestauranger) were all established between 1899 and 1931. “Automat” was the Swedish name for a fast food restaurant in which the guests served themselves from purposely designed mechanical vending machines. Called "automatic" or

"waiterless", they first appeared in the 1890s¹ and, though concentrated in Germany and Scandinavia, establishments of this sort spread some years later to the United States. Enormously popular at the beginning of the twentieth century, these restaurants featured bank upon bank of glass-fronted, coin-operated cells, each containing a single serving of dishes. Beverages were similarly vended mechanically, producing a restaurant in which the boundary between kitchen and dining room was mediated by a machine and not a human. The growth of this new fast food industry can be seen almost simultaneously in cities such as Berlin, Vienna, Paris, Stockholm, as well as, slightly later, in New York, Philadelphia, Chicago and Los Angeles.²

The empirical description of how automated restaurants were introduced in Scandinavia, and specifically in Sweden, primarily means to highlight some general developmental tendencies, such as globalization, standardization, and the emergence of a consumer society. Moreover, the text describes and analyses the way in which an invention leads to a radical innovation that spreads globally and irreversibly alters the terms of its industry. It also concerns the role that inventors, entrepreneurs, financiers, and small business owners played in the economic transformation and growth process around the beginning of the 20th century. Finally, this case study delineates how this outsourcing of food-related activities from households to other actors changed the terms, particularly for the female workforce in the restaurant industry.

Theory

The main theoretical purpose of this study is to, at a micro-level, shed some light on how economic transformation and growth took place during the first decades of the last century, and what role inventors, entrepreneurs, financiers, and small business owner-managers may have had in this process. Can we distinguish "Schumpeterian entrepreneurs" from ordinary small business owners? Another theoretical purpose is to describe and analyse how even small firms started to operate on a national level and how innovations migrated in a globalizing world. The development theory of Joseph Alois Schumpeter and the work of Georg Ritzer have a central position in my attempts to elucidate these questions.

Entrepreneurship: Two theoretical perspectives

It is now generally recognized that entrepreneurial activities are one of the main driving forces of economic development, growth and industrial dynamism.³ Entrepreneurship is a concept that describes a complex set of behaviours, like the start-ups of new firms, growth in incumbent firms and innovations of different kinds and of different importance.

¹ "The Automatic Lunch Counter", *Scientific American*, December 5, 1896

² Empirical descriptions of the forgotten story of automatic restaurants in Europe and the US have been presented by Gratzner Karl, 1994, *Småföretagandets villkor. Automatrestauranger under 1900-talet*, (Conditions for Small Firms. Automatic Restaurants during the Twentieth Century), Stockholm, Almqvist&Wicksell International; Gratzner Karl, 1998, *Snabbmat i automat* (Fast Food in Vending Machines). Stockholm: SNS; Gratzner Karl, 1999, "The Making of a New Industry - the introduction of Fast Food in Sweden" in Johannisson B & Landström H (Eds) *Images of Entrepreneurship and Small Business- Emergent Swedish Contributions to Academic Research*. Lund: Studentlitteratur; Shuldiner Alec Tristin, 2001, *Trapped Behind the Automat: Technological Systems and the American Restaurant, 1902-1991*. Dissertation unprinted, Cornell University; Diehl Lorraine B & Hadart Marianne, 2002, *The Automat*. New York: Clarkson Potter Publishers; Epple Angelika, 2009, "The 'Automat'. A History of Technological Transfer and the Process of Global Standardization in Modern Fast Food around 1900" in *Food & History*, vol 7 no. 2 (2009); Epple Angelika, 2010, *Das Unternehmen Stollwerk*. Frankfurt: Campus Verlag

³ The relationship between new business and economic growth has been extensively examined by the Global entrepreneurship Monitor (GEM). This is an annual international survey, which quantifies the correlation between entrepreneurship and macroeconomic growth. In 2010 it surveyed about 60 countries. <http://entreprenorskapsforum.se/wp-content/uploads/2012/10/GEM-2011-Global-report.pdf> downloaded 2013-04-10

Despite the fact that the entrepreneur and the entrepreneurial function are seen as being as old as the division of labour and trade itself, the entrepreneur has been an elusive character in the development of economic theory.⁴ It is this diversity of the entrepreneurship phenomenon which has led to frustration, particularly regarding the lack of a common understanding of what, precisely, entrepreneurship is.⁵ But in practice, all economic entrepreneurship theories have concerned themselves with either risk, innovation, or a combination of the two.⁶

Today, the research surrounding entrepreneurship is extensive, and there are a number of theories that have gained acceptance and had an impact. It is possible to separate the research in the area into a variety of directions. For simplicity's sake, I will, throughout this study, partly choose a direction that could roughly be referred to as the *Business School Approach*, and partly the direction that often goes under the collective name of *the Schumpeterian System*.

The Business School Approach is mainly founded on a quantitative tradition derived from, amongst others, Gartner⁷, Davidsson⁸ and the international so-called GEM - studies.⁹ Within the context of entrepreneurial as well as national economic research, the school is probably the most established one. It operationalizes entrepreneurship chiefly by measuring attitudes to entrepreneurship, the amount of new business establishments, the amount of self-employed companies, and by measuring growth in incumbent firms.¹⁰ One problem with this tradition is that the theoretical connection is weak or entirely absent. Entrepreneurship is measured at an organizational level, which can be potentially problematic. Definitions as well as the operational measurements mean that qualitative economic phenomena such as transformation, development, innovation, and renewal within new and established businesses cannot be delineated in a satisfactory way. The measurements suffer from a rarely discussed lack of validity.¹¹ The advantage of the approach is that the mode of measurement is relatively simple and the data is available for several levels of research; this has simplified comparative studies contributed to the generation of scientific articles.

The main advantage of the *Schumpeterian System*, which emphasizes innovation, is that its indicators have a solid connection to theory. The theory also separates economic (quantitative) growth and (qualitative) transformation. The downside is that innovation can be difficult to operationalize in empirical measurements; moreover, easily available data is lacking at the

⁴ Baumol W J, 1968, "Entrepreneurship in Economic Theory" in *The American Economic Review*. Vol. LVIII, May, nr 2.; Landström Hans, *Pioneers in Entrepreneurship*. Shane Scott, 2003, *A General Theory of Entrepreneurship. The Individual-Opportunity Nexus*. Cheltenham UK: Edward Elgar; Davidsson Per, 2004, *Researching Entrepreneurship*, New York: Springer; Davidsson Per, 2008, *The Entrepreneurship Research Challenge*. Cheltenham UK: Edward Elgar

⁵ Davidsson Per, 2008, *The Entrepreneurship Research Challenge*. Cheltenham UK: Edward Elgar; Landström Hans, 2005, *Pioneers in Entrepreneurship and Small Business Research*, New York: Springer; Carlsson Bo et al, 2012, *The Evolving Domain of Entrepreneurship Research*. CESIS Electronic Working Paper Series Paper No. 284. <http://www.cesis.se>

⁶ Hébert Robert F & Link Albert N, 1988, *The Entrepreneur: Mainstream View & Radical Critiques*. New York Praeger.

⁷ Gartner W, 1990, "What are we talking about when we talk about entrepreneurship?", *Journal of Business Venturing*, 5(1), 15-29.

⁸ Davidsson Per, *Continued entrepreneurship : ability, need and opportunity as determinants of small firm growth*. Umeå : Institutionen för företagsekonomi, Umeå univ., 1990.

⁹ *Global Entrepreneurship Monitor*. <http://www3.babson.edu/> 10/10/08.

¹⁰ Shane Scott, 2003, *A General Theory of Entrepreneurship. The Individual-Opportunity Nexus*. Edward Elgar, Cheltenham GB.

¹¹ Moreover, entrepreneurship is not caught up by public business. Also, internal entrepreneurship in existing, larger (private) companies remains outside of the measurements.

micro-, meso-, and macro-level. Despite this, it was Joseph Schumpeter's perspective on entrepreneurship that came to dominate the world's understanding of the term.¹² In a study such as this, in which an innovation and its diffusion are in focus, the Schumpeterian system allows for insights that the *Business School Approach* cannot provide.

The contribution of J.A. Schumpeter: A whole new economic theory based on entrepreneurship

The Schumpeterian System occupies a remarkable place in the history of economic thought.¹³ His model has, at its basis, an economic system in general equilibrium. All economic activity in the model is essentially repetitive, following the course of familiar routine, and the model may thus be regarded as a circular flow of economic life. Every firm in the system is in perfect competitive equilibrium, with its costs, consisting of wages and rents, exactly equal to its receipts. Prices everywhere are equated to average costs. Profits are zero, profit opportunities are non-existent, interest rates are zero and there is no involuntary unemployment of resources. Every household, like every firm, is in full long-run equilibrium, with receipts equal to expenditures, and with a budgetary pattern that cannot, under the existing circumstances, be advantageously altered.

Into this system of synchronized adjustment an innovation intrudes. This innovation consists of a new production function introduced by an entrepreneur with a view to making monopoly profits. It is assumed that such an innovation entails the creation of new plant and equipment requiring non-negligible time and outlay. Moreover, it is supposed that a new firm is always founded for this purpose, and that this invariably involves the rise of a new person to business leadership.

These entrepreneurs differ, according to Schumpeter, from ordinary business people in the sense that they possess, to more than an ordinary degree, the ability to create new profit possibilities in unproved commodities, organizations, methods, markets and so on, and to overcome the obstacles that may stand in the way of getting new things done. Innovation is financed in Schumpeter's pure model by the creation of bank credit.

The first entrepreneur to enter a new field must overcome all obstacles that lie in the way of an untried project. The first new firm, however, eases the path for others, and entrepreneurial activity takes place in a wave that exhausts the opportunities for gain. After the introduction of a successful innovation by the entrepreneur, other businesspersons will follow suit and the new product or technology will spread throughout the economy. Innovative activity tends to come in "clusters", in "bunches", because of the herd-like action of followers in the wake of successful innovation. Whenever a few successful innovators appear, a host of others follow. The appearance of a few innovating entrepreneurs facilitates the appearance of others, and these, in turn, facilitate the appearance of an ever increasing number. The new contribution appears "discontinuously in groups or swarms". Output of new enterprises begins to compete strongly with the old. The whole economy has to now undergo a process of readjustment before a new circular flow of routine activity can be established. The capitalist system thus rests upon the pillars of innovation, adaptation and growth. The transformation of the system is articulated in the process of "creative destruction". What is destroyed are the outdated production functions, forced to give way to emergent lines of production.

Entrepreneurs and imitators

Schumpeter presents five main types of entrepreneurial behaviour, which are all of practical interest to the analysis of entrepreneurship: 1) the introduction of a new good, 2) the introduction

¹² Hébert Robert F & Link Albert N, 2009, *A History of Entrepreneurship*. Taylor & Francis.

¹³ Schumpeter J A, 1911, *Theorie der wirtschaftlichen Entwicklung*. Leipzig 1912.

of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of raw material and, 5) the creation of a new organization of an industry.

Therefore, the real source of economic development, transformation and growth in the economy, is, according to Schumpeter, found in the activities of the innovative entrepreneur, not in the activities of the mass of the business community, which, according to Schumpeter, more or less consists of risk-averting followers. Not all that many owner-managers are entrepreneurs in this sense, nor need all such entrepreneurs be owner managers.¹⁴

The globalization and McDonaldization of society

McDonaldization is a term used by George Ritzer (1993). He explains that it occurs when a culture possesses the characteristic of a fast-food restaurant. McDonaldization is a reconceptualization of rationalization or moving away from traditional to rational modes of thought and scientific management. Where Max Weber used the model of bureaucracy to represent the direction of this changing society, Ritzer sees the fast food restaurant as having become a more representative contemporary paradigm. In a globalized world, capital, commodities and labour represent, according to Ritzer, an unimpeded quest around the world. This fits in specifically with fast food restaurants. According to Ritzer, the fast food restaurant is a characteristic American product; he states that one of the original territories for the product was the USA. One of the reasons why this innovation could only have originated from that particular region is the increase of real wages and the mobility made possible by motoring. The spread of American consumerist culture was, according to Ritzer, from a global perspective, parallel with the spread of American political hegemony.¹⁵ Fast food has been used as a metaphor for a process of globalization itself, because it seems to deliver evidence for global standardization. When it comes to the early history of fast food this popular American conception regarding the rise and diffusion of fast food has several times previously been shown to be incorrect by empirical research, without that image having been amended.¹⁶

Modern times

Automatons and machines of different kinds symbolized and were a part of “modern times”. People considered themselves flooded by automatons, claiming that it would not be long before various jobs and arts would be practiced by machines that, for the price of a coin, would be available to everyone. A contemporary source states that, “one can, in our days, hardly visit a

¹⁴ Where classical growth theory stressed the economic factor of the size of capital accumulation, the late Schumpeter emphasized non-economic, cultural and sociological factors in his analysis of the role of the entrepreneur. Especially during the last decade of Schumpeter's writings, he shifted from economic theory to sociology and economic history. Landreth Harry & Collander David, 1994, *History of Economic Thought*. Boston: Houghton Mifflin and Swedberg Richard, 2000, *Entrepreneurship. The Social Science View*; Oxford University Press. The contrast between this view of growth and that of mainstream neo-classical economics was stated succinctly by Schumpeter: “What we are about to consider is that kind of change arising from within the system which so displaces its equilibrium point that the new one cannot be reached from the old one by infinitesimal steps. Add successively as many mail coaches as you please, you will never get a railway thereby”. Schumpeter, 1911

¹⁵ Ritzer Georg, Globalisierung, “McDonaldisierung und Amerikanisierung” in Dieter Bögenhold (ed.): *Moderne Amerikanische Soziologie*, Stuttgart: UTB 2000

Even though fast food restaurants can trace their emergence to a specific nation, they are increasingly adopting global characteristics. One reason for this is that the American internal market has slowly become saturated and increased expansion has become relatively unimportant. Therefore, McDonalds opened more branches per year in the foreign market than in America and was active in 119 countries in 2012.

¹⁶ See for instance Walton John K, 1992, *Fish and Chips and the British Working Class, 1870-1940*. Leicester University Press; Gratzner 1996, 1998, 1999, Shuldiner 2001 and Eppler 2009, 2010

place without seeing an automatic scale, a vending machine for chocolates, or a music box that, for a mere penny, plays you the most popular waltz of the day”.¹⁷

The automated restaurants clearly showed that the machine was about to be incorporated into daily life. The waiter turned into a maintenance worker who simply stocked the machine, hidden behind it, or corrected any potential problems with the mechanical process. Hand in hand with the machine’s integration into daily life came an aesthetic and emotional appreciation of the new, modern environment. The entrepreneurs that introduced the automated restaurants in Sweden succeeded in capturing those feelings, and the new need that had developed on the side of demand. The new self-serving restaurants with their automatic solutions appealed to, and were part of, the optimism about the future that was prevalent at the turn of the 20th century. The automated restaurants were seen as technical miracles. When the first Automat in Stockholm opened its gates, it was described in the futuristic, optimistic terms that the mood dictated:

*“The serving is automatic without waitressing. Almost as if the different courses were to walk up to you at the table. /.../ The machine seeks to be a stop on the way to the happy time when, without effort, one simply receives services, as the machine works by itself. Instead of waitressing, dishes, and so on, the machine only has three large cases with shining, mirrored glass, and other fine details”.*¹⁸

Following the German model, Swedish business owners wanted to attract customers from the middle class with innovative technology, lavish interiors consisting of glass, mirrors and marble.¹⁹ The machine, with its standardization and repetitions, was also seen as something final. The technology behind it had gripped the imagination, and the machines themselves were seen as desirable. The specific atmosphere surrounding the new self-service restaurants was described thusly by a Swedish writer in a description of Stockholm:

*“I regarded the Automats as a miracle of technology /.../ For the longest time, I refused to believe there were humans inside the machine. I wanted to believe that they were purely ‘automatic’. I imagined that, behind the nickel-plated wall with its hatches, the work simply handled itself. Up until the day a red, sweaty face poked up from inside the half-moon hatch in the wall, asking whether my forty pennies meant sausage or rice pudding /.../ I was shocked. The machine had not understood me clearly. The human had to intervene”.*²⁰

Illustration 1. Automated restaurant in Stockholm 1907

¹⁷ de Vries Leonard, 1977, *Fantastiska uppfinningar från 1800-talet*; Stockholm: Prisma; Segrave Karry, 2002, *Vending Machines. An American Social History*. London: Jefferson.

¹⁸ *Stockholms Dagblad*. 15 Sept. 1899 and "A Nickel in the Slot", *Washington Post*. Sunday, April 19, 1891.

¹⁹ For a description of the German Automats see Eppe 2009 and Eppe 2010

²⁰ Lo-Johansson Ivar, 1954, *Stockholmaren*. Stockholm: Bonnier

The locale of the automated restaurant was covered with wall panels, marble desks and automatic hatches holding beverages such as beer or wine. Hot drinks, such as tea, coffee and broth, were made in the kitchen and subsequently poured into cylinders on the machine's back panel. The cylinders were attached to taps. To keep the drinks inside the cylinders hot, they were surrounded by water that was kept at boiling point with the use of gas. Consequently, the futuristic façade had a shadow, powered by traditional technology such as wood-burning stoves, which were kept invisible to the customer.

Illustration 2. The kitchen of Djurgårdsautomaten in Stockholm 1903

KÖKSAFDELNINGEN: INTERIÖR AF DJURGÅRDSAUTOMATEN I STOCKHOLM, ÖPPNAD DEN 27 JUNI 1903

Die Küchenabteilung; das Innere des Tiergarten- Automatrestaurants in Stockholm, den 27. Juni 1903 eröffnet

The kitchen; interior of the Automatic restaurant at Djurgården, Stockholm, opened June 27th 1903

La cuisine; intérieur du restaurant automatique à Djurgården, Stockholm, établi le 27 juin 1903

The clientele of the Automats

Why is it important to be familiar with the clientele of the automated restaurants? One answer we might receive by carrying out such an analysis is how, specifically, the niche in the market that the companies existed in appeared. The Swedish restaurant business at the end of the 19th century was still characterized by traditional methods of serving. The main source of income originated from alcohol, and earnings from food played a subordinate role. This situation that resembled the notion of static equilibrium changed at the turn of the century. New modern, and hectic, times had come to stay. "Time is money" was the new catchphrase.²¹ Industrialization, urbanization, increased income, democratization and demographic changes created new customer demands and new opportunities for entrepreneurs and owner-managers within the restaurant industry. At the turn of the century, a lot of people had the feeling of facing a future with unlimited opportunities. A reconstruction of the customers of the automated restaurants gives us a picture of the part of the market in which these fast food companies dealt, and what other type of firms they competed against.

Like other lunch restaurants, the automated restaurants were aimed at customers that were not able to go home for their meals. They wanted to fill the demands of an emerging middle class public whose time was already money.

As a consequence, their positioning was determined by contact with workplaces and a crowd that had sufficient income to pay for their services. The first restaurants opened up on the main streets

²¹ Bjurling Oscar & Fridlitzius Gunnar, 1985, *Malmö Stads Historia*, Part IV, 1870-1914. Malmö: Allhem

in inner-city Stockholm, were there were “*absolutely first-class*”²² and “*better places*”.²³ Nothing indicates that workers frequented Automats to a larger extent during the industry’s introductory stage or during its growth. Workers instead primarily visited the numberless communal, and simpler, beer cafés.²⁴ Only when the Automats spread to peripheral parts of Stockholm, did the clientele consist to a greater extent of members of lower social strata:

*“The guests at the Automats were workers, streetwalkers at a defensible age, late-night wanderers with wet shoes who left footprints on the floors, violinists with violins but deprived of anyone to play for. The tables were round. At them, I sat and wrote poems”.*²⁵

A democratic restaurant

Automated restaurants mirrored and embodied a concurrent process of democratization. In Stockholm around 1900, members of different social classes still did not mix and mingle in traditionally finer restaurants.²⁶

*“If a simple grocer’s assistant were to enter a nicer restaurant, he could potentially jeopardize his future. Conversely, “an educated gentleman did not feel at home in a simpler pub”.*²⁷

This can be interpreted to mean that the crowd in most restaurants in Stockholm was quite homogenous at the time of the introduction of the automated restaurants. A gradual undoing of previously clearly demarcated boundaries of class, the arrival of new groups of customers, and the establishment of services outside of the city’s centre of business changed the crowd of customers. Automated restaurants were at the time described by reviewers as both *comme il faut* and thoroughly democratic.²⁸

*“Nowhere do the different social classes mix so freely and casually with each other as they do here. An errand boy or shop girl is seated at the same table as an elegant lady or an officer. The one is not made uncomfortable by the other. Everyone with a penny in their pocket can avail themselves to the same rights. Not one looks down their nose at the other. Strangers speak to each other without embarrassment and I imagine that even the most class-conscious of workers seated at our automated restaurants has a difficulty finding anything there to feed his resentment to those uninvolved in physical labour.”*²⁹

A new and important clientele that entered the Automats were the women who had previously been excluded from male-dominated restaurant settings.³⁰ For the owners of the Automats women began to become an important target group. In Aktiebolaget Automaten’s restaurant,

²² *Restauratören*, 1901, 5 November. National Library of Sweden

²³ *Kommunalarbetarminnen*, 1958, (red) Rehnberg Mats. Nordiska Museet, Svenskt liv och arbete

²⁴ *Motioner väckta hos Stockholms Stadsfullmäktige* år 1909, Nr 26 (1910), National Library of Sweden, ephemera

²⁵ Lo-Johansson Ivar, 1954, *Stockholmaren*. Stockholm: Bonnier

²⁶ Ekström A, 1994, *Den utställda världen: Stockholmsutställningen 1897 och 1800-talets världsutställningar*. Stockholm: Nordiska museet

²⁷ From *Svenska Hjärtans Djup... , Bilder från Oscar II:s Stockholm*. Compiled by Johansson, G, Rehnberg, M & Selling G, 1987; Lundin Claës, 1890, *Nya Stockholm: Dess yttre och inre förhållanden; dess olika folkklasser, typer och personligheter; dess kyrkor och bönesalar, vetenskapsmän och konstnärer ... under 1880-talet*. Stockholm and “Hos automatkulturens skapare. En svensk framtidsindustri” in *Vårt Land* 1907-07-07.

²⁸ The American Automats in Philadelphia and New York where described in a similar way: “For both cities, the Automat belonged to everyone. Rich and poor, famous and common, tourists and locals - they all came here.” Diehl Lorraine B & Hardart Marianne, 2002, *The Automat*. New York: Clarkson Potter

²⁹ “Automaternas stad” in *Göteborgs Handels Tidning*, 1905-12-16

³⁰ Carsten B & Krantz C, 1952, *Göteborgs och västra Sveriges Hotell och restaurangförening*. Göteborg: Minneskrift

founded in 1899, they had constructed a special room for women.³¹ The few preserved pictures of German Automats often show only male customers.³² In contrast (see figure 1) in 1907 the customers in one of the Stockholm Automats mainly consisted of women. Some years later, in 1912, the customers were described as consisting of “*a large contingent from the spinning industry*” and “*many female workers, whose small incomes do not allow for luxury, but who do not wish to abandon themselves to the foul dishes of the guesthouses*”.³³ Working women who did not want to visit the male-dominated, more suspect municipally-owned company pubs, had now discovered a type of restaurant where they could eat their meals.³⁴ Young people were another new, important clientele that appeared alongside with and at the same time as the women.³⁵

Invention

The economic expansion during the second half of the 1890s manifested itself partially in the glorification of technical and industrial progress. Solid businesses were constructed around innovations. Consequently, it is hardly surprising to note that the end of the 19th and beginning of the 20th century was characterized by optimism and a belief in the possibilities inherent in technological development. Goods began to be mass-produced and serialized; the development led, amongst other things, to the attempted mechanization of as many work activities as possible. Distinctive for the change is the arrival of automatically labouring machines.³⁶ This was predicated upon standardization and the specialization of production methods and products. At the end of the 19th century, a variety of automatons had begun to appear on the market.³⁷ The first modern coin-operated vending machines appeared in England in the 1870s. From London and other large cities these vending machines rapidly spread to other European cities and the industrialized world at large. Most likely Ludwig Stollwerk, a German entrepreneur, heard of vending machines when travelling to England. The first *Automat* in Berlin 1896 was a joint venture between the Berlin engineer Max Sielaff, who had invented different types of slot machines, and the largest European chocolate maker, the Cologne-based Gebrüder Stollwerk. It was Sielaff who solved the problem regarding how to make the automat deliver the same amount of liquid every time and to accept a coin that would trip the mechanism. Sielaff registered his patent in 1887 in Sweden, too.³⁸ Going through the register of the Swedish Patent and Registration Office showed that, during the period of 1885-1908, approximately 150 patents connected to the automatic delivery of food, drink, stamps, etc., were registered.³⁹

³¹ "Bredvid stora salen är ett damrum anordnat särskilt för kvinnliga kunder". *Sydsvenska Dagbladet Snällposten*, 1899, nr.479, 16 Oktober

³² Epple, 2009

³³ *Inbjudan till bildandet av exportbolag. Nya Aktiebolaget Svenska Automatfabrik*, 1912, National Library of Sweden, ephemera

³⁴ Meyersson Gerda, 1917, *Arbeterskornas värld: studier och erfarenheter*. Stockholm: Geber,

³⁵ *Revisionsberättelsen för Automat AB Victoria*, Räkenskaper, E5A:9670, Bolagsbyrån, National Archives and the Regional State Archives of Sweden

³⁶ Linder E, 1966, "Den mekaniska verkstadsindustrins utveckling under årtiondena närmast före världskriget" in *Kring industrialismens genombrott i Sverige*, (red.) Lundström Ragnhild, Stockholm: Wahlström & Widstrand

³⁷ Drachmann A G, 1988, *Antikens teknik : om den västerländska civilisationens första tekniska hjälpmedel*. Stockholm: Prisma

³⁸ Patent No 1081. Beskrivning af Kongl. Patentbyrå. M. Sielaff, Berlin. *Automatisk försäljningsapparat. Patent i Sverige från den 1 april 1887*. The Swedish Patent and Registration Office. Archive, Stockholm

³⁹ *Register till patent*. Meddelat af Kongl. Patentbyrå åren 1885-1908. The Swedish Patent and Registration Office. Archive, Stockholm

The innovation process

Innovative processes are central to an understanding of how economies develop over time. Schumpeter clearly distinguished between the process of invention and that of innovation. Innovations can be roughly defined as new ideas which come into use. It is thus not only a discovery or an invention. It can be seen as a system that connects ideas to markets, production, utilization and commercialization. Innovation is generally seen as one result of an interconnection between various activities, within or between organizations, research and development, production and marketing as well as users and producers. It is in the actual implementation that entrepreneurship enters into the innovation process.⁴⁰ A radical innovation triggers, according to Schumpeter, a process of creative destruction. Incremental innovations are seen as minor improvements to existing products and processes, which can rarely be patented; this is particularly true when it comes to the hospitality sector.⁴¹

The matrix in Figure 1 illustrates a Schumpeterian interpretation of the innovation process. By dividing the process into different parts, the entrepreneurship's important role of initiating economic transformation and growth can be clarified.

Figure 1. Model of the process from invention to innovation and growth

Change over time		
Invention Developed by the visionary/inventor	Innovation New market, product, process, method, or organization (the <i>qualitative</i> aspect of change); implemented by the entrepreneur <i>ex ante</i>	Diffusion The news spreads and becomes routine, standard, imitators will generate growth (<i>quantitative</i> aspect of change); implemented by the imitator <i>ex post</i>
Measurements: R & D, Patents	New products, methods, brands etc. New firms	New firms, growth in incumbent firms

Note: The abbreviations *ex ante* and *ex post* refer to where the action is in time.⁴²

⁴⁰ Modern research differs broadly between process-, product and organizational innovations. With regard to the diffusion of innovations or their importance in the economy, one can make use of the concepts of radical(system-changing) and incremental(small) innovations. Radical innovations create fundamental, often irreversible changes within an industry and often outcompete earlier technologies and knowledge and/or make them obsolete. Schumpeter J.A., 1939, *Business Cycles*, Vol. I; OECD 2009; Rogers 2003; Van de Ven 2008.

⁴¹ Birksjö D & Gratzner K & Löfgren H, 2012, "The Swedish Innovation Paradox Revisited - A Discussion about Measurement Problems" in *Entrepreneurship and innovation networks*. Trollhättan: University West. See even Schumpeter: "It should be observed at once that the 'new thing' need not be spectacular or of historic importance. It need not be Bessemer steel or the explosion motor. It can be Deerfoot sausage". Schumpeter J.A. "Creative response to economic history" in *Essays on entrepreneurs, innovations, business cycles, and the evolution of capitalism*. Joseph A. Schumpeter ; edited by Clemence Richard Vernon, 1989. New Brunswick, N.J. : Transaction Publishers

⁴² *Ex ante* refers to expectations or plans "before an event" in contradiction to *ex post* that refers to an outcome after "after an event". The model should thus be interpreted as the entrepreneur is introducing an innovation, but it is not possible to determine at the time of the introduction whether or not the introduced will turn into an innovation (*ex ante*). If the "new" that is being introduced, has significant economic impacts, this could only be measurable retroactively (*ex post*). The model identifies three functions in one process. It is the visionary/inventor that invents and develops the new, but does not necessarily introduce it in a market. It is the entrepreneurial function (carried out by an individual, organization, network, team, group of firms etc.) that introduces and commercializes the innovation in the market, thus creating a new condition, a so called irreversible change. Innovation opens the door

One conclusion we can draw from Figure 1 is that the spread of the innovation is a necessary means towards it resulting in significant financial gain. The diffusion generally happens through one or several companies' attempts to turn the new idea into action; they create a product or service that was previously unavailable on the market, or they identify a hitherto unexploited market. The companies that succeed in doing so initially have the potential to grow comparatively rapidly, as the innovation allows them to occupy a temporary monopoly. In conclusion, we can see that either someone – or several someones – are required to fulfil the entrepreneurial function, which realizes and organizes the implementation of the idea created by the visionary. Sellers are needed to commercialize it. Financiers, who believe in the potential value of the product, and are willing to provide starting capital, are necessary. Sometimes, the process involves several individuals and organizations; other times, one individual or organization can embody one or several of these economic functions.

The first automatic restaurant in the world opened its doors in Berlin in 1896. The new firm was aiming to profit from one of the most urgent problems in big cities of the time: rapidly feeding hundreds and thousands of employees during their lunch hours. The company, the Cologne-based Gebrüder Stollwerk, not only ran such fast food restaurants but sold them fully equipped throughout Europe, Scandinavia and the US, where the Automats were developed into the world's largest restaurant Chain - Horn & Hadard.⁴³

Introduction of the Automats in Sweden 1899-1902

Automats had been used for a number of years in several European cities before reaching the Scandinavian countries. Two joint stock companies were established in Oslo in 1898, whose purpose was to run restaurants with automated vending machines. These two firms used competing patented systems (the German Sielaff system and the French Quisisiana system).⁴⁴ If this new business concept was to be introduced on the Swedish market, there was a need to establish contacts between the Norwegian holders of the licenses for patents and the Swedish business community.

A century was ending and another was about to begin when, almost simultaneously, five Automats opened their doors in different Swedish towns (two each in Stockholm and Malmö and one in Gothenburg) in 1899. Two small supporting coalitions of brokers could be identified when the transfer of automats from the Norwegian market to the Swedish market took place. They were both, to varying degrees, connected to the broker firm Steen & K:i in Stockholm. These brokers can be regarded as a necessary condition for the transformation, as they had business contacts in both countries. They established the first companies in Stockholm and these companies had acquired the right to use the patented automatic machines from the Norwegian owners. These brokers acted as professional establishers and investment bankers. They organized companies around their project, sold the firms they had founded after some months, and collected the profit from their projects without developing any lasting personal relationship with their companies. Neither of them reached any dominating position within the industry, nor did they play an active role in the continuing development of the industry.

to something new and forms the basis for imitators to exploit this new opportunity. Depending on how large the commercialization potential is, the business opportunities are developing, which results in effects affecting the overall economy. The terms were introduced by Myrdal in his doctoral dissertation. Myrdal Gunnar, 1927, *Prisbildningsproblemet och föränderligheten*. Uppsala: Almqvist & Wicksell

⁴³ Epplé, 2009

⁴⁴ Quisisiana ("the French system") was according to secondary sources probably a French or a Swiss patent. Gratzner 1996; Diehl & Hardart 2001

Were these brokers entrepreneurs in the Schumpeterian sense? One argument against such an interpretation is that those restaurants using vending machines already existed in other countries before being introduced in Sweden. If the market is defined in global terms, these acting groups cannot be seen as entrepreneurial. However, if we look upon this chain of events from the perspective of Norwegian and other foreign patent holders, the introduction into the Swedish market meant the opening up of a new national market. For the Swedish part, we can stipulate that the establishment of fast food served through automated restaurants inevitably changed the production function in an irreversible way within the restaurant business. The brokers fit the Schumpeterian description of a pure entrepreneurial function. When the brokers withdrew after only a few weeks, their shares were taken over by other interested local parties. There is no evidence pointing in the direction that these small business owners brought something new to the industry. From a Schumpeterian perspective, they can be looked upon as imitators in the circular flow that use or repeat an already established innovation.

Breaking the law: a prime mover of economic transformation and growth

In the period after the innovation, a prominent figure comes to light - the businessman Josef Jonsson. In the beginning of the introductory cycle, Sweden satisfied its demand for vending machines by importing them from Denmark and Germany.⁴⁵ The licenses to use the machines were bought at a tremendously high price from the patent owners in Norway.⁴⁶ Thus, for small business people who wanted to compete in exploiting the new possibilities, there were strong incentives to break the rules of the market. The one who succeeded in doing this could expect competitive advantages. A set of circumstances point in the direction of Jonsson being able to imitate the patent owned by the foreign producers and licensed by the first automats on the Swedish market. According to founding documents, Jonsson, in 1901, delivered the first Swedish fully equipped automatic restaurant to Uppsala.

According to an article in the restaurant industry's main journal, *Restauratören*,⁴⁷ the joint-stock company Aktiebolaget Automaten had allowed the owner of *Humlans Automat* (partner, Josef Jonsson) to protest against the continued usage of certain mechanisms in the vending machines. These mechanisms were, it seems, almost completely identical to those invented by Mr Sielaff in Berlin and patented in Sweden.

Only one company – AB Automaten – had the right to lawfully use these particular mechanical contraptions in Stockholm and the surrounding area. According to the restaurant industry's journal *Restauratören*, the company was going to be prosecuted if the protests did not have the intended effect.⁴⁸ Against the background of two independent sources, Jonsson emerges in 1901 as the first supplier of two automated restaurants made in Sweden. At the time, and in the relevant group of persons, he was the only one who had the practical possibilities and knowledge-based capabilities to become the first main actor in the burgeoning industry. The décor of the automated restaurants consisted, apart from the machines themselves, of large wooden, glass and mirrored panels and surfaces. Jonsson combined his previous business, sign-painting with

⁴⁵ The Automats from Denmark were manufactured by the firm Automatfabriken Sören Wistoft in Copenhagen. This company had a general sales agency in Stockholm. According to an advertisement in *Svensk Handelskalender* in 1904, the company manufactured Automatic restaurants and automatons for stamps, postcards, cigarettes, sweets etc.

⁴⁶ The licenses to use the patents for the vending machines cost 200 000 skr which was equal to 200 annual incomes for industrial workers in 1900. For this sum one could buy 2013 goods and services for 1,24 million Euros according to the Swedish consumer price index

⁴⁷ *Restauratören*, 1901, November 5

⁴⁸ Systematically going through all contemporary source material from the district court archives in Stockholm yielded no results. No cases against these companies or persons were found.

a mechanical workshop.⁴⁹ Other indicators of Jonsson's dominant role as a manufacturer can be found in the registry documents for *AB Djurgårdsautomaten*⁵⁰ in Stockholm, *AB Götaautomaten* and *AB Automaten in Göteborg*⁵¹, according to which he had supplied them with a completed restaurant.⁵²

By breaking the patent, Jonsson created the opportunity for a cheaper national production of operating devices for automated restaurants, thereby lowering the obstacles for entering the business and paving the way for a small-business based manufacturing industry. These firms supplied readymade and fully furnished restaurants to the Swedish and European market. The evolution of this industry for factory made restaurants enabled an expansion of the market to other cities and to areas in Stockholm other than the central parts.

Through the first Swedish manufacturing process in 1901, a potentially better version of the so-called Sielaff system was created; moreover, the need for import decreased and competition began. Most likely, both Jonsson and the men in the firm *I.M. Larsson & A.F. Lundbohm* worked independently on improving the machines' systems, which had previously only been found abroad. As a result, a small-business based Swedish special industry was created. But it was not until 1903, when the sign-painters J. Jonsson and I.M. Larsson, and the bookkeeper, A.F. Lundbohm, came together and founded a joint company called *AB Svenska Automatfabriken*. The new company's board consisted of its CEO, *J. Jonsson*, and the associate partners *I.M. Larsson* and *A.F. Lundbohm*. These three would mean more to the industry's subsequent development than any other actors.

Figure 2. Formation of Svenska Automatfabriken AB

*1893
J. Jonsson's
Sign-Painting L
*1897
J. Jonsson's

⁴⁹ Josef Jonsson had, under the name *Josef Jonssons skyltfabriks aktiebolag*, run sign-painting and construction via factories; he had also worked with interior designs for shops, polishing glass, and other industrial movements. This company, founded in 1897, was bankrupted in the year 1900. The bankruptcy estate was almost certainly transformed to the firm founded by Jonsson's mother: Josef Jonsson sign-painting factory. Both businesses had the same address and Josef Jonsson was appointed as the new firm's CEO by his mother. *Handelsregistren* year 1900.

⁵⁰ Registreringshandlingar, (Protocol at the company's constituent meeting), reg nr. 5165; E3A:668. Bolagsbyrån, National Archives and the regional state archives of Sweden.

⁵¹ Josef Jonsson had, in 1903, and as the founder, created the rights for stocks worth approximately 10 000 kr. In addition, he delivered the required automatic equipment together with furnishings and fixtures as well as all other items necessary for running the business for a price of 90 000 kr. *Ab Automaten i Göteborg*, nr 5 365, E3A:690. Bolagsbyrån, National Archives and the regional state archives of Sweden.

⁵² The founding documents show that Jonsson, who was among the founders, delivered to the company the necessary vending machines together with furnishings and fittings and everything else that was necessary for operations at a price of 90 000 skr. reg. nr. 5365 E3A:690. Bolagsbyrån, National Archives and the regional state archives of Sweden.

Source: Gratzner 1996

* = year of founding, + = year of death, BK = bankruptcy, L = liquidation

Jonsson was the innovative small businessman who established a new production, invested in new techniques, created a new product, and made possible a development and a change of terms for the business. From a Schumpeterian perspective, Jonsson can be seen as a person who carried out the entrepreneurial function in this process.

Apart from Jonsson, small business owner-managers like Larsson and Lundbohm proved to be important for the market expansion. As Figure 1 shows, their earlier enterprises were either short-lived or went bankrupt. This, however, did not stop them from soon establishing new firms in the market. In 1903 they established a joint stock company: Aktiebolaget Svenska Automatfabriken. This factory sold ready-made and fully equipped restaurants to local small business owner-managers in Stockholm, other towns in Sweden and in other countries. The contacts between Jonsson and other parties, possibly interested in establishing automated machine production companies, probably developed in the sign-painting business.⁵³ Jonsson, Larsson and Lundbohm had earlier been active in the sign-painting industry. It was above all this activity, but also an ability to see the possibilities in new products, which explained why this particular group of small business owners would become active in the Swedish manufacturing of key-in-the-hole ready automated restaurants. Consequently, in this case, sign-painting seems to be a necessary condition. The sign-painting trade had the function of an important intermediary for industry-specific knowledge.

⁵³ Sign-painting was/is a learned craft. It has a very long history within the realm of "artisans-crafts". Historically, apprenticeships were the means of learning the craft, though many, in the earlier history of the craft, were self-taught. An apprenticeship could last for years, depending on the skill of the apprentice and the knowledge of the "master". The skills learned were varied and often quite complex. Basically, learning to manipulate a lettering brush was the core of the learning process. This skill alone could take years to master. There were a number of associated skills and techniques also taught, such as: gold leafing (surface and glass), carving (in various mediums), glue-glass chipping, stencilling, silk-screening. The "craft" has all but disappeared, and in only a few "technical schools" or specialty schools is the craft still taught today.

Diffusion and decline

A reconstruction of the life-length of all joint stock companies gave an industry life cycle with four discernible stages. By putting together these stages, including information about economic cycles and other important changes in the firms' environment, an analytical framework was created.

The introductory stage for automated restaurants began in 1899-1902, coincided with a boom, and was closed with a depression in 1901-02. The period of growth began in 1903 and coincided in time with the establishment of a Swedish automated restaurant production company. In the same year a period of economic expansion began, which lasted until 1907. Firms that were established before 1907 met favourable conditions.

Figure 3. Industry life cycle for Automats in Sweden. Stockholm and other towns 1899-1945

Source: Gratzter database on automated restaurants in Sweden 1899-1990

The period of saturation began in 1910 with a period of recovery, which lasted until 1913. The following period was characterised by turbulence, conditions of war, inflation and speculation. The introduction of the so-called "Bratt system" (an alcoholic control system, originally developed in Sweden but also applied in other Nordic countries) with revoked licenses, rationing etc., characterised the ridiculous politics relating to alcohol.⁵⁴ The competitive climate hardened through the establishment of several large-scale publically owned restaurant companies in the industry. The genesis of new forms of serving meals and so-called "cheap bars" exposed the Automats to a negative transformation pressure (write-offs on capital values and shut downs and the dismantling of older investments and enterprises). There was no alternative use for the factor of production the "automatic facade" anymore. The costs for the investment could not be recouped (e.g. by transferring assets to other users).⁵⁵ These "cheap bars" did not use the expensive and complicated automated facade. Now the customers themselves picked up their meals from the kitchen, a new method that further reduced the costs for entrance to the industry.

The stage of decline began about 1920 and coincided with a deep recession that fell through the floor in 1922. The Swedish restaurant market expanded during the 1920s. Together with "cheap bars", public and partly public restaurant companies filled a large part of the increasing demand in the market. Finally, the last Swedish Automats closed its doors in the middle of the 1940s.

⁵⁴ From a businessman's perspective the regulations created chaos. The private firms had licensing permits for a year at the most and the total volume of licensing rights was reduced and redistributed for the benefit of public owned restaurant firms. This created an unstable economic environment that made planning more difficult.

⁵⁵ The losing firm is left with capital equipment that it cannot use and there are substantial costs of exit. In this case these fixed costs are known as "sunk costs".

Automated restaurants had a cost and price reduction effect during the growth period. There were no signs that those restaurants with other serving methods were immediately forced to shut down. Automated restaurants were established alongside companies with other methods of serving and managed to satisfy the increase in demand of an expanding market. Traditional restaurants were not exposed to “creative destruction”. The rapid spread of the innovation indicates low obstacles against entrance and a well-functioning market.

Why did the Swedish automated restaurants disappear? Was their business concept wrong? Fast food is now a global phenomenon where the automated serving has also been developed further. The incapacity of electrifying the Automats in Sweden and a lacking capacity to integrate other new production techniques made the Automats technically obsolete. Decisive for the fall of the automated restaurants was that the business people working in the trade maintained an all too narrow definition of their business concept and hung on to that specific method of serving. With a broader definition of the business concept – of being in the fast food business and not of being in the Automat business – many of the firms could have survived the decline of the trade.

The Automats and the establishments that used them have now disappeared from nearly every corner of the world – from Sweden which once boasted 121 restaurants, from Germany where the first such restaurants were opened, and, of course from the US.⁵⁶ Automatic eating, on the other hand, has become all but ubiquitous in many countries. Vending machines are now so common in many societies as to pass without any comment.

Different kind of business people in different stages of the industry's lifecycle?

Finally, an investigation was made of all the 374 men who founded the Automats and of all the 171 women who were actively involved in the automated restaurant industry at later stages. The 374 founders of the automated restaurants were all members of the upper social strata where no workers can be found.⁵⁷ Amongst a group of 31 men who were active in more than one automated restaurant, a sample of 13 “very active” were chosen for further investigation.⁵⁸

Through longitudinal analysis one can make visible certain individuals, their working relations, and the vertical integration of the business that was dominant. It was a striking feature that different types of business people were active in different stages of the industry's development. The new fast food restaurants had been introduced simultaneously in Gothenburg, Malmö and Stockholm. Two groups of brokers carried out a “pure entrepreneurial function”. Economic growth triggered by the creation of new firms occurred once Swedish entrepreneurs had substituted the imported automats with domestic production. The majority of these “very active” businessmen established automats during the growth stage. The industry group lost its financial attraction through high firm entry, increasing competition, and negative transformation pressure. When the profit expectations in the industry had decreased, the group of highly active male businessmen began to abandon the industry in its saturation stage. Then, new people with

⁵⁶ Gratzner 1999; Shuldiner 2001.

⁵⁷ A similar pattern has been found for recruiting big business owners and managers within the early Swedish mechanic industry and from international studies. For example: Gårdlund Torsten, 1955, *Industrialismens samhälle*. Stockholm Tiden Newcomer M, 1961, “The Little Businessman: A Study of Proprietors in Poughkeepsie, New York”, in *Business History Review*, Vol. XXXV and Savage Dean, 1979, *Founders, heirs and managers*. Beverly Hills: Sage library of social research.

⁵⁸ Gratzner, 1996

other motives and less resources (e.g. the motive to make a living) entered the industry.⁵⁹ Often they took over existing enterprises. This fits well with Schumpeter's notion that entrepreneurial competence occurs according to the law of diminishing returns. When barriers to change are weakened, a lower quantity of entrepreneurial competence is needed.

About 170 women represented an important part of this group of “late-followers”.⁶⁰ Women did not play any part during the introduction and development stages of the industry's development. The majority of the 170 women only became active when the industry was no longer attractive - during the stages of saturation and decline (1915-1945). On the whole, women became active as minority owners and members of the management. One explanation is that women chose another form of business for their activities (e.g. sole proprietorship) and did not establish joint stock firms to the same extent as men did. Another explanation is that women lacked capital and prior experience from other entrepreneurial activities.⁶¹

Ownership, business concept and management: one unit?

A common assumption is that the key components in business - ownership, management, and business concepts - are a unit kept together in the person of the small businessman. In earlier stages of capitalism “owners managed and managers owned” according to Chandler.⁶² This assumption is confronted with another picture, which is the result of the small business owner-managers actions. What background did the small business owner-managers who were active in the business of automated restaurants have? What kind of involvement did they have in the firms and how long did it last? How was the enterprise financed? Were there different kinds of small business owners during different stages of the industry's life-cycle?

Table 1. Different types of involvement in the automatic restaurants

NAME	CEO	MoB	OO	TOTAL
Lundbohm A.F.	2	7	32	41
Jonsson J.	13	8	7	28
Andersson A.	13	0	1	14
Larsson I.M.	1	0	13	14
Hansén F.	1	10	0	11
Frisk C.A.	6	1	1	8
Pfeiff A.W.	0	8	0	8

⁵⁹ For an overview of why people start up business and why some individuals are more enterprising than others see Bridge Simon et al, 1998, *Understanding Enterprise, Entrepreneurship & Small Business*. McMillan Business and Storey David & Greene Francis, 2010, *Small Business and Entrepreneurship*. Pearson Books.

⁶⁰ Late followers can be defined as a new venture or a business person that enters very late in an industry's stage of development. A pioneer and a late follower thus represents two anchors of a continuum of timing of entry along which entry may occur. Shepherd Dean A & Shanley Mark, 1998, *New Venture Strategy. Timing, Environmental Uncertainty, and Performance*. London: Sage publications

⁶¹ Gratzner, 1998

⁶² Chandler Alfred D, 1977, *The Visible Hand. The Managerial Revolution in American Business*. Cambridge Massachusetts: Harvard University Press; Chandler Alfred D, 1984, “The Emergence of Managerial Capitalism”, in *Business History Review*, Vol 58, No 4.

Lindgren E.W.	0	3	4	7
Hallström S.P.	1	4	0	5
Dehlin A.	1	1	2	4
Lodén J.	0	3	1	4
Hanner A.D.	1	2	0	3
Helleberg I.R.	2	1	0	3
Sum	41	48	61	150

CEO = chief executive officer, MoB = member of the board, OO = ownership only, TOTAL = sum of different automated restaurants, where every businessman had involvements as director, member of the board or owner.

In a group of five "very active" persons, with involvement in over ten automated restaurants each, Lundbohm and Jonsson are of special note. They were involved in 41 and 28 different firms, respectively. Three groups of small businessmen can be distinguished in Table 1. One group had had a striking involvement in the automated restaurants as chief executive officers (CEOs) without a corresponding part of the ownership (Andersson, Frisk, Hallström, Hansén and Lodén). Within this group the function as leaders was pronounced, but the risk-sharing function was low. In a second group (Jonsson, Haner Hellberg and Dehlin), the two functions coincided at least for a certain period of time. One individual represented the largest part of the observations (Jonsson was CEO and the largest part owner in 12 automated restaurants). A third group of individuals was mostly involved as financiers while their managing function was weak (Lundbohm, Lindgren, Larsson and Pfeiff). A remarkable feature in Table 1 is the large proportion of commitments as owners that did not result in any kind of engagement as CEO or as member of the board. 61 (or 41 per cent) of the total observations belonged to the category "ownership only". These people were important mainly in a financing position and had the function of "business angels".⁶³

The numerous but short-lived relations that many of the entrepreneurs and small businessmen had with the automated firms were surprising. As we can see in Table 2, more than half of the observations were involvements that lasted less than a year.

Table 2. The duration of involvement in the automatic restaurants

Name	0-1 Years	2-5 Years	6-10 Years	11- Years	Total
Lundbohm A.F.	34	6	0	1	41
Jonsson J.	(1)8	9	4	6	(1)28
Andersson A.	3	1	2	8	14
Larsson I.M.	12	1	1	0	14
Hansén F.	2	6	2	1	11
Frisk C.A.	3	2	1	2	8

⁶³ A "business angel" is an informal investor, often an affluent individual, who provides capital for a business start up, usually in exchange for convertible debt or ownership equity.

Pfeiff A.W.	0	5	3	0	8
Lindgren E.W.	7	0	0	0	7
Hallström S.P.	4	1	0	0	5
Dehlin A.	2	2	0	0	4
Lodén J.	3	0	1	0	4
Hanner A.D.	2	0	1	0	3
Helleberg I.R.	1	2	0	0	3
Summa	(1)81	35	15	18	(1)150

Total = sum of all automatic restaurants every person was active in as CEO, member of the board or owner; (.) = data missing.

The business people active in the first five Automats had the shortest relations and this was a usual behaviour also among the small business owners that followed. Especially evident was a pattern of very short connections between businessman and firm among a group of four individuals (Lundbohm, Lindgren, Larsson and Hallström). Less than a third of all the observations consisted of the kind where small business owners had been active from the establishment of the firm until its closing. Among individual involvement, the capacity as director showed the most continuity over time. The picture of small business owner-managers with a high level of activity and a high horizontal mobility was further emphasised, since the largest share of the high continuity of involvement could be traced to two individuals - Andersson and Jonsson.

The workforce

A study of the conditions of the workforce could serve to inform us about how the gains created through the automated restaurants were divided in terms of salaries and profits between the employees and the entrepreneurs. After all, the gains made by the owners and the salaries distributed to the employees come from the same source, namely the overall gains made by the companies. It is reasonable to assume that there is a conflict of interest surrounding that distribution. The outcome of that conflict of interest could be a result of the type, and amount, of power and resources each group is in charge of. The kind of democracy established by the automats did not include everybody. On the contrary, the striking economic success of the Automats in Sweden relied on the exploitation of an invisible female work force. It was their extremely low payment that made food in the Automats cheap and the owner's profits high.

The ownership of the means of production is the root cause of the *entrepreneurial side's* right to hire and fire people. The state, with its resources of power, legally and judicially guarantees them this right. The entrepreneurs and the employees' level of organization, and their respective opportunity to affect the division of production-related income into salaries and capital, are crucial. Rough estimations of the power each party has on a market can, on the workers' side, be level and degree of organization (i.e., the extent to which the employees in an industry are connected to unions), laws and the exchangeability of labour. Judicial support regarding wages and working hours is an important factor. In situations with a significant disparity in power, the likelihood for open conflicts is small and the weaker party is forced to accept the terms. A rundown of the workforce's composition, level of organization, the existence of legislation

and/or collective agreements, and agreements surrounding wages and working hours, can highlight the degree of control that the entrepreneurs had over the – for the operation – important investment, the workforce.

The composition of the workforce

Compared to the rest of the proletariat in Sweden, the hospitality industry was, early on, regarded as the bottom of the barrel. Waiters, chefs, doormen, cleaners and servants composed a group outside of the growing workers' movement. They were regarded as the lowest of the low; only the poorest itinerant workers in the countryside and crofters had worse conditions. In the Swedish restaurant industry during the first two decades of the 20th century, the workforce consisted of significantly more women (83%) than men (17%). The corresponding numbers for workers at automated restaurants were 95% and 5%. A majority of the women in the restaurant industry had the kind of jobs that did not require apprenticeships and extensive education. Male workers, however, generally held positions in which some knowledge of the labour performed was needed (for example, some automated restaurants had their own maintenance crew). The majority of the women were unwed (96%) and very young – the average age for assistants at the automated restaurants was 22, and they had recently migrated to Stockholm from the countryside.⁶⁴

The absence of unions and labour laws

That increased unionization provides workers, as a collective, with more power is a given. However, the staff manning the automated restaurants and cafés were described as, “one of the groups that are the worst off regarding wages and working conditions, and uncomprehending regarding the question of organization”.⁶⁵ That the living conditions for the women hired to work – hidden behind the futuristic façades of the machine – were extremely difficult is also made clear by an appeal:

*“Our wages can vary between 12 Swedish kronor per month, from which we must pay lodgings, clothes, laundry, etc. As we also have an average working day of 15 hours per day, each and every one should understand how absolutely necessary it is for us to change the wage-and-work conditions; at the present, however, with our insufficient organization, it is impossible for us to affect this change through a strike.”*⁶⁶

The only organization within the Swedish restaurant industry was Kamratklubben Servitörerna, founded in 1916. The association was only open to male members. In 1917, the restaurant workers were organized via a union.⁶⁷

⁶⁴ Some work groups amongst the staff, such as kitchen staff and cleaners, consisted almost entirely of women. Generally, men made up 4.6% of those employed at the automats (but approximately 30% of the staff at first class restaurants and hotels). *Sveriges officiella statistik. Socialstatistik. Arbetsförhållandena för hotell- och restaurangpersonalen i Sverige. Av Kungliga Socialstyrelsen (1922) and Hotell- och restauranganställdas förbund*, Labour Movement Archives and Library, Stockholm

⁶⁵ "Kafé- och automatpersonalens organisationsförhållanden", *Svensk Hotellrevy*, No 18, 1918 12 16

⁶⁶ *Upprop från 1919, Stockholm. Kafé- och automatpersonalens fackförening avd. 48. Hotell- och restauranganställdas förbund*, Labour Movement Archives and Library, Stockholm

⁶⁷ On the 7th of November, the magazine *Politiken*, a voice of the Social Democratic left, published an ad aimed at all the Stockholm employees of cafés and automats. They had brought up the gains made by the unionized workers in Finland since their organization, while reminding the readers of the terrible conditions the Stockholm employees laboured under. An initial meeting was held on the 22nd of November and 224 members signed up to show their interest.

In a meeting in April 1918, it was reported by a representative who had been present at talks with the owners of the automatons that the latter had refused to admit the union's authority as the primary negotiator for the employees. Therefore, no settlement could be reached and the association maintained a tenuous existence. With much difficulty, the founders at least managed to keep Stockholm's Kafe'-and-Automatpersonals union alive for one and a half years, after which their resources were spent. The organization appears to have ceased in April 1919.⁶⁸

One consequence of the absence of both binding labour laws and unionized organization was that the types of employment for the workers were terrible. Only 4% of the women actively working within restaurant industry were bound to their employment with contracts (the corresponding number for men was 10%). Everyone else was hired entirely through oral contracts.⁶⁹ Numbers that highlight the rate of turnover bear witness to the flexibility within the industry. This was particularly true for the women; half of the staff appears to have switched jobs within the course of a year. The job insecurity and the interchangeableness is further highlighted by the fact that about 25% of the female staff only held six months of employment with the employer in question.

The employees' wages and living conditions

A significant proportion of the restaurant employees primarily or mainly made money by receiving gifts from the public, so-called "tips". This type of wage system results in some uncertainty when it comes to determining the employees' exact pay. It becomes particularly difficult due to the industry's employee benefits, the most common of which were "free board" and/or "free housing". Other employee benefits such as "free laundry", "free healthcare" were also frequent, but less significant than the former. Moreover, the employees frequently had specific fees they were forced to pay their employers.

The overwhelmingly female staff that ran the automated restaurants was generally salaried. In the cases when tips were involved, these usually consisted of smaller amounts. In 1915, the staff at automats and cafés was given "free board" and "free housing", but salaries and tips taken together generally amounted to a net income of about 34 kronor.⁷⁰ For staff that was not

⁶⁸ The continued operation was run according to a process by which meetings were held with each group independently (workers at cafés, automated restaurants, and kitchen staff). At a meeting in March 1918, the board found reason to discuss the upsetting apathy shown by these groups regarding the association's operations. To increase the interest for the union, the board determined in 1918 that a movement regarding wages would be started up to benefit the automated restaurants' personnel. The propositions for a new agreement put forward by the organization contained, amongst other things, a demand for a monthly wage of 45 skr including housing provided by the employer, or 60 kr for employees who had obtained their own lodgings; moreover, "*dignified housing should be provided to those who obtained them via the employer.*" Lantz S W, 1968, *Vi serverar: Hotell- och restauranganställdas organisationskrönika*, vol. I, Stockholm: Tiden

⁶⁹ Usually, or about half of the time, oral contracts also stipulated some time before termination. For the female staff, about 5% stated that they were given 8 days before termination; 35% had 14 days, 13% a month, and, finally, 1% were given three months. It can, however, not be determined whether these stipulated times were mutually determined or if they were actually implemented. It was not until the collective agreement in the autumn of 1920 that a mutual deal of 14 days was decided upon.

⁷⁰ In 1915, three quarters of the employees had "free housing". Again, female employees, primarily kitchen staff and cleaners, were paid in this way. In a variety of business groups, the automats offered their employees the smallest living spaces. One investigation found that the living conditions were unsatisfactory (i.e. less than 15 m³ per person) for more than a third of the staff. In some companies, the shared spaces were even smaller than the numbers revealed. No less than 67% of those working at the automats in Stockholm had less than the minimum space of 15 m³. *Socialstyrelsen*, 1922

given “free housing”, the pay amounted to 43 kronor. The corresponding number for 1920 was 90 kr and 133 kr.⁷¹

Apart from extremely close quarters, the system of “free housing” resulted in a number of problems for the women. In the aftermath of the war, rationing was controlled by coupons. The employers handled the coupons for the staff; as a result, the employees had to turn to the unions for their rationing. The entrepreneurs kept some coupons for the benefit of the guests.⁷²

Working hours

The employers’ control over the important resource that was labour was also significant when it came to working hours. A contemporary source described the conditions in the following way: “When it comes to long and laborious working hours, there is one category of women that, without too much hesitation, has earned the number one spot. It is the female staff at our celebrated automatons.”⁷³

The staff’s general working hours in 1915 were 92 hours per week. The working hours were significant, even considering the fact that the 8-hour day had not been introduced to the industry in general. The semi-publically owned restaurants had the best conditions. There, the waiting staff’s working week consisted of 70 hours in Stockholm.⁷⁴ Some work groups had no holiday or leave at all; others had from four to 14 days off. According to a statement issued by Stockholm’s Kafé-och automatanställdas union, those conditions, in 1920, persisted in being miserable:

*“Of all the work groups, no one has it as tough as us girls at Cafés and Automats. Many of us work from 06⁰⁰ till 21-22⁰⁰ and sometimes have to mop the floors until midnight. Most of us receive very poor pay for our labour. As a rule, we have to accept rudeness from our superiors and the general public; we are also deprived of our rights when faced with the abuse of our superiors”.*⁷⁵

In legislation dated 1919, the limitations of the working week were specified to a net time of 144 hours in three weeks, for those employees not directly involved with waitressing. On the employers’ behalf, this reform was felt to be less positive. The union, which had set up the 60-hour week as a goal, was pleased, as the new legislation led to a 48-hour working week for

⁷¹ Socialstyrelsen, 1922

⁷² Nyström, 1968

⁷³ "16 timmars arbetstid i sträck. En af automaternas skuggsidor", *Dagens Nyheter* 1911-01-20

⁷⁴ For the entire restaurant staff (first class restaurants, first class hotels, other hotels and hostels, etc, Systembolaget’s semipublic owned restaurants, Automats, beer cafés and sober cafés) it amounted to 97 hours. The working hours varied depending on the characteristics of the job, the size and placement of the company, and specific work skills. In Gothenburg, the corresponding number was 77 hours. For the qualified kitchen staff, the working week was 77 hours in Stockholm and 91 in Gothenburg. Those working with the dishes had 84 and 98 hours. Overall, the waiting staff had the best conditions: 80-90 hours a week. Cooks and dishwashers had a working hour of at least 100 hours. Only the head waiter had time off, every eight days, which amounted to 20-30 hours in a row. Other groups generally did not have a coherent holiday per week or even per month. *Arbetsförhållanden för hotell- och restaurangpersonalen i Sverige*. Kungliga Socialstyrelsen, 1922

⁷⁵ These conditions led to the demand for a 60-hour working week as well as 36 hours of consecutive time off. *Upprop år 1920. Hotell- och restauranganställdas förbund. Berättelse och cirkulär*. Stockholms Kafé- och Automat, P 491, Labour Movement Archives and Library, Stockholm

people who had previously been putting in double that amount of time. The employers, however, remained bitter, particularly because smaller businesses faced more problems obeying that law.⁷⁶

According to a survey conducted in 1929 by The National Board of Health and Welfare, the average working hours per week for those employed at beer cafés and automats had, according to reports from the employees, decreased from 88 to 67 hours between the years 1915 and 1929. The investigation concluded that this decrease was caused by the legislation implemented in 1920, as well as the collective agreement between the union and the employers. A second decrease of the working hours did not occur until 1929.⁷⁷

Concluding remarks

The common assumption that the position as CEO and owner at the turn of the century was held by the same individual is corroborated only in a few cases. On the contrary, entrepreneurs and small business owners were involved to varying degrees and periods of time in their respective firms. Only in the case of one person amongst the highly active small business owners did the function of manager and owner coincide (owners managed and managers owned). This was true only for the early period of this person's career.

In this study, Schumpeterian entrepreneurs could be distinguished from ordinary small business owners. If we use the two categories of innovation and founding of a new firm we can - if longitudinal methods of analysis are used - distinguish four categories of business people that all played an important part in the development of the industry. The first group (the brokers) was important for industrial transformation. The second group (Jonsson et al) carried out an entrepreneurial function and was important for the organizational formation of the new industry. This involved the coordination and the establishment of technical standards, norms and systems. A third group (imitators) played an important role in the creation of economic growth. By starting new organisations they cloned an already established business concept and were important for job creation and generating increased income. Business people in the fourth group were not innovative and did not start new firms. They acquired incumbent firms already founded by other people. This large group of self-employed (often family firms) added stubbornness to the economic system. They continued in business after the financial attraction had left the industry, providing jobs to themselves, their family, and service to the public. Their motive was to make a living rather than "to make a fast buck". Women did not play any part in the introduction and growth stage of the industry. The majority of women only became active when the industry had lost its financial attraction and was on its way out of the market. Using the terms of Schumpeter, entrepreneurs can very well be separated from ordinary small business owners. There is no need to water down or abandon the important distinction between creative, innovative activities and repetitive and mechanical activities. In my view, there is no need to broaden the concept of the entrepreneur to a degree that it comprises owners, managers, founders and other activities during a firm's life cycle.

According to my opinion, two kinds of objections can be made against the now common approach (GEM-studies) to equal entrepreneurship looking only at the founding of new organisations. On the basis of the empirical results from my study we saw that only a few persons were active in the transformation process. A few people changed the conditions for serving food in an

⁷⁶ Nyström, 1968

⁷⁷ *Sveriges officiella statistik, Socialstatistik*. Undersökning rörande arbetsförhållandena inom hotell- och restaurangnäringen 1929/30 av Kungliga Socialstyrelsen, 1931

irreversible way. The large bulk of business people who imitated the business concept established in 1899 started many new firms in the industry, and created many jobs over the following 30 years. These “imitators” entered the industry in “swarms”, their contribution was important for quantitative economic growth but did not add anything new qualitatively. This large bulk of business people was not evolved in entrepreneurial activities.

The employers’ control over the important resource that was labour was significant, when it came to working hours, wages and the absence of labour contracts. Taking into consideration that the majority of the workers had to live in housing designated by the employer, that they had extremely long working hours and low wages, it is possible to talk about the workers as suffering under slave-like conditions. The working conditions that the creative entrepreneurs of the Automat business had created for their employees are reminiscent of those that still permeate modern fast food chains; in both cases, a young, unqualified, poorly paid workforce is hired.