

100 years of determined stubbornness

By Ronald Fagerfjäll

“Ahead of us, we face an entrepreneurial epoch, dependent on information and high technology. We face ‘a new economy’, similar to that when the textile and coal industries broke through in the 1700s, the railroads in the mid-1800s, or electricity and the automobile just prior to the 1900s. The old companies have passed their zenith. It is time to focus on the role of entrepreneurs in the Swedish economy.”

That quotation did not refer to the year 2001 but to 1981. That year, I invited “tomorrow’s men and women”, some 50 young Swedes successful in business and public life, to participate in celebrating the 80th anniversary of the business magazine *Affärsvärlden*. As editor-in-chief of the magazine, I welcomed these young people with the above words.

Among the invited guests were *Klas Eklund*, today chief economist of SEB, Sweden’s largest commercial bank; *Leif Pagrotsky*, current Minister of Trade; and *Erik Åsbrink*, former Finance Minister. The three seemed quite skeptical to my grandiose message. I got the inspiration for my ideas – which I agree today were a bit exaggerated – from a reporting trip to California.

The point I want to make in telling this story is that America’s present golden age was not a “quick fix”. The seeds had already been sown for the world companies of the future. They were also sown for today’s Swedish corporate wonders – in telecommunications, IT and the music industry. Back when I was telling young leaders of my visions, *Åke Lundqvist*, head of an LM Ericsson subsidiary, was already convinced of the bright future for mobile telephony. At the same time, *Jan Stenbeck*, a Swedish industrialist who lives in the USA, was planting the seeds not only to his present telecom business but also to Vodaphone, the British mobile phone leader. And the late *Stikkan Andersson* had created ABBA, one of the world’s most successful pop music groups.

Now, 20 years of experience later, I am delighted – along with many others – at Sweden’s entrepreneurial wave, the likes of which are unequalled. There are ideas, ambition, and venture capital wherever one looks. When the Davos Symposium gathered for its 30th year last winter, four young Swedes were among “Tomorrow’s World Leaders”, a strong over-representation for a small nation of the north.

But entrepreneurship and fast-growing companies are nothing really new in Sweden. I understand this much better after having spent several years researching industrial history. Sweden has had proportionally far more “super-entrepreneurs” for over a century than any other nation. One of the best confirmations of this is that the Stockholm stock market has shown the world’s best performance during the 20th century.

Enterprise at a smaller level in Sweden was no less successful – but that’s another story.

By “super-entrepreneur” I mean company owners or executives who expand their companies from small businesses to large firms in a period of several decades. It is almost impossible to scientifically describe what makes up such an entrepreneur. The difference between winning or losing in a competitive economy can depend on very small things. Often, one single person makes the entire difference.

What we now see, above all in the IT sector, is one of the many waves of creativity. In this article, for mainly pedagogical purposes, I call it the Fifth Swedish Wave of the 1900s.

We Swedes like to speak of our efficient administration. But Sweden’s being a nation of administrators, rather than a nation of entrepreneurs, is a myth. Nor is our industry based primarily on achievements of inventors rather than of businessmen. That is a second major myth.

Instead, the realities that I have studied show that Swedish business people have been first and foremost talented in solving problems and serving customers’ needs. They have copied and improved rather than having originated entirely new products. This pattern has been repeated time and again, even during the present wave.

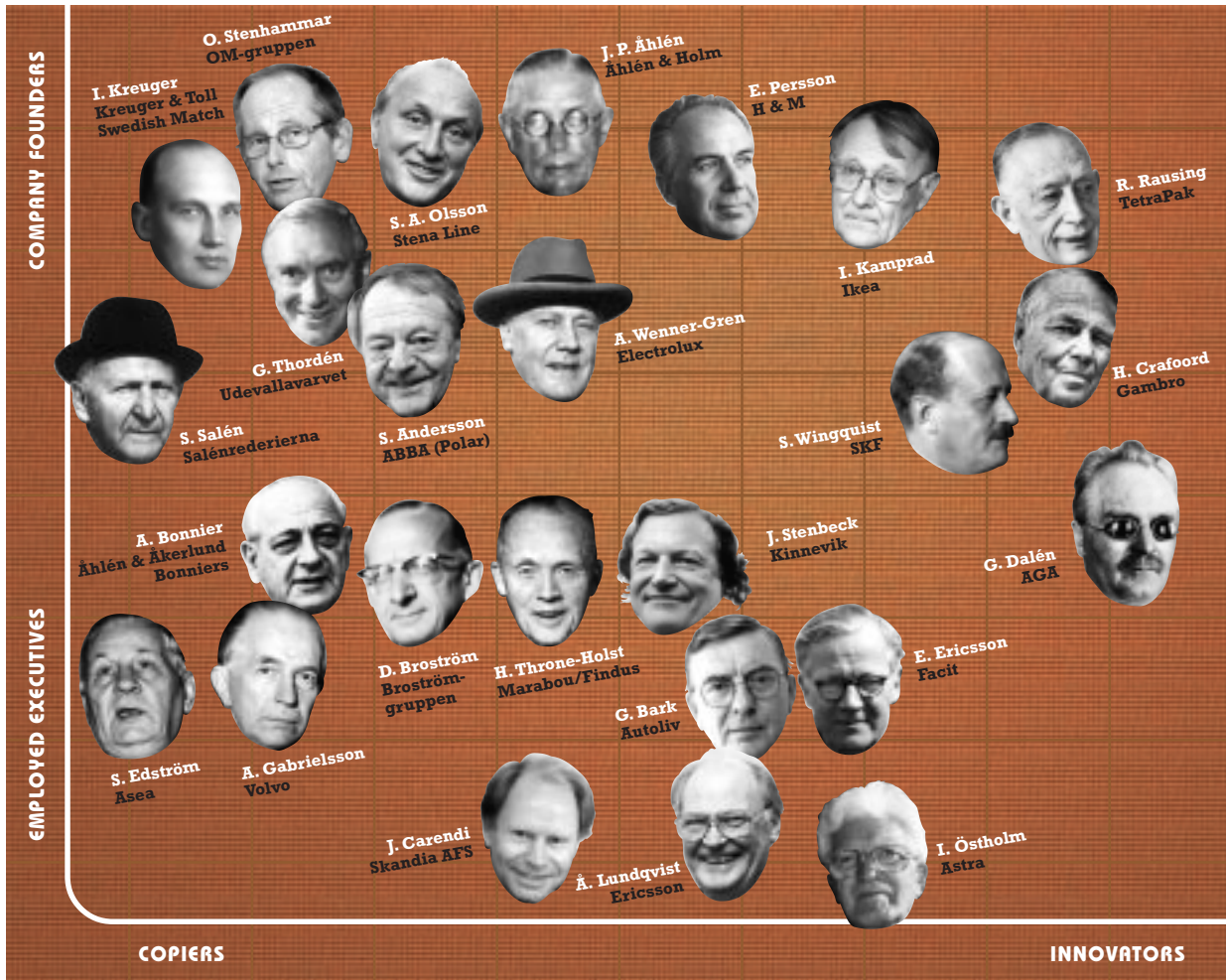
CLEVER COPIERS RATHER THAN INVENTORS

Enterprise will always be a challenge by the new and unknown. In experimenting, it is always less risky to be clever copiers. Being number two is nothing to be ashamed of.

The myths of the genial inventors, grand projects and shrewd administration can be traced back to the “modern national economists” of the 1920s. They liked to play down entrepreneurship and business in order to emphasize forecasting and planning. The Social Democrats embraced this,

COMPANY EXECUTIVES OR COMPANY CREATORS

Some of Sweden's multinational giants were built up by employed executives, others were created by the very founders of the companies.



GRAPHICS: RICHARD OLOFSSON. PHOTO: PRESSENS BILD

since it offered an attractive alternative both to socialism and liberalism.

The “social engineering” champions preferred to see company executives as salaried employees rather than businessmen. Companies and technology were admirable, while businessmen and business were almost repugnant. Because of this, many Swedish businessmen called themselves inventors or sought honorary academic degrees. In this way they could camouflage their business identity.

But behind the official curtain, business continued as usual. Here are several brief examples.

THE FIRST WAVE OF THE 1900s

The first business leader generation of the 1900s was born between 1870 and 1880. These men were active when electricity, the internal combustion engine and the telephone made their breakthrough.

Super-entrepreneur *Gustaf Dalén*, who built up AGA into a global industrial gas concern, started out as a farmer. But he received advanced academic training at Polytechnicum in Switzerland after receiving an engineering degree at Chalmers University in Gothenburg. Gaining similar

technical education was *Sigfrid Edström*, who turned around Asea and made it a world giant in electric power equipment. Both men worked abroad in their early years.

Sven Wingquist, the founder of SKF, whose academic engineering studies were at an Örebro high school, was a diligent reader of foreign trade publications. *Ivar Kreuger*, with an engineering degree from the Stockholm Institute of Technology, worked for years outside Sweden before founding Kreuger & Toll construction company. Later, world famous as the Match King, he was a pioneer in multinational business, but he was also a reckless speculator.

Dan Broström was born into a family that owned a small shipping company. Following graduation from high school, he too worked abroad for several years. After he came home, he created the world's leading ore shipping company and he backed development of Sweden's shipbuilding industry. *Axel Wenner-Gren*, son of a retailer, emigrated after high school to study business in Germany and then to take a job at Separator's German subsidiary. One day he saw an American vacuum cleaner and that was the seed for founding of Electrolux.

Departing from the pattern of foreign influence

was *Johan Petter Åhlén*, the son of a farmer. He did not get to attend university nor travel abroad, but acquired his know-ledge through correspondence courses. However, when his newly-founded mail order business, Åhlén & Holm, ran into supplier problems, he contacted American colleagues for assistance.

SECOND WAVE IN YEARS BETWEEN THE WARS

The Second Wave of super-entrepreneurs started working in the 1920s. In the post-war financial crisis, Swedish companies were forced to rationalize to meet low-priced competition from abroad. These entrepreneurs were active when taxes made up only 10–20 percent of the GNP and when many countries erected tariff walls. The Swedish middle class expanded.

Ruben Rausing, who had a business university degree, received a stipendium to study distribution in the USA. This led to the founding of packaging company Åkerlund & Rausing and later to Tetra Pak. *Abbe Bonnier* was something of a black sheep in his family's respected book publishing company. He dropped out of high school to apprentice in

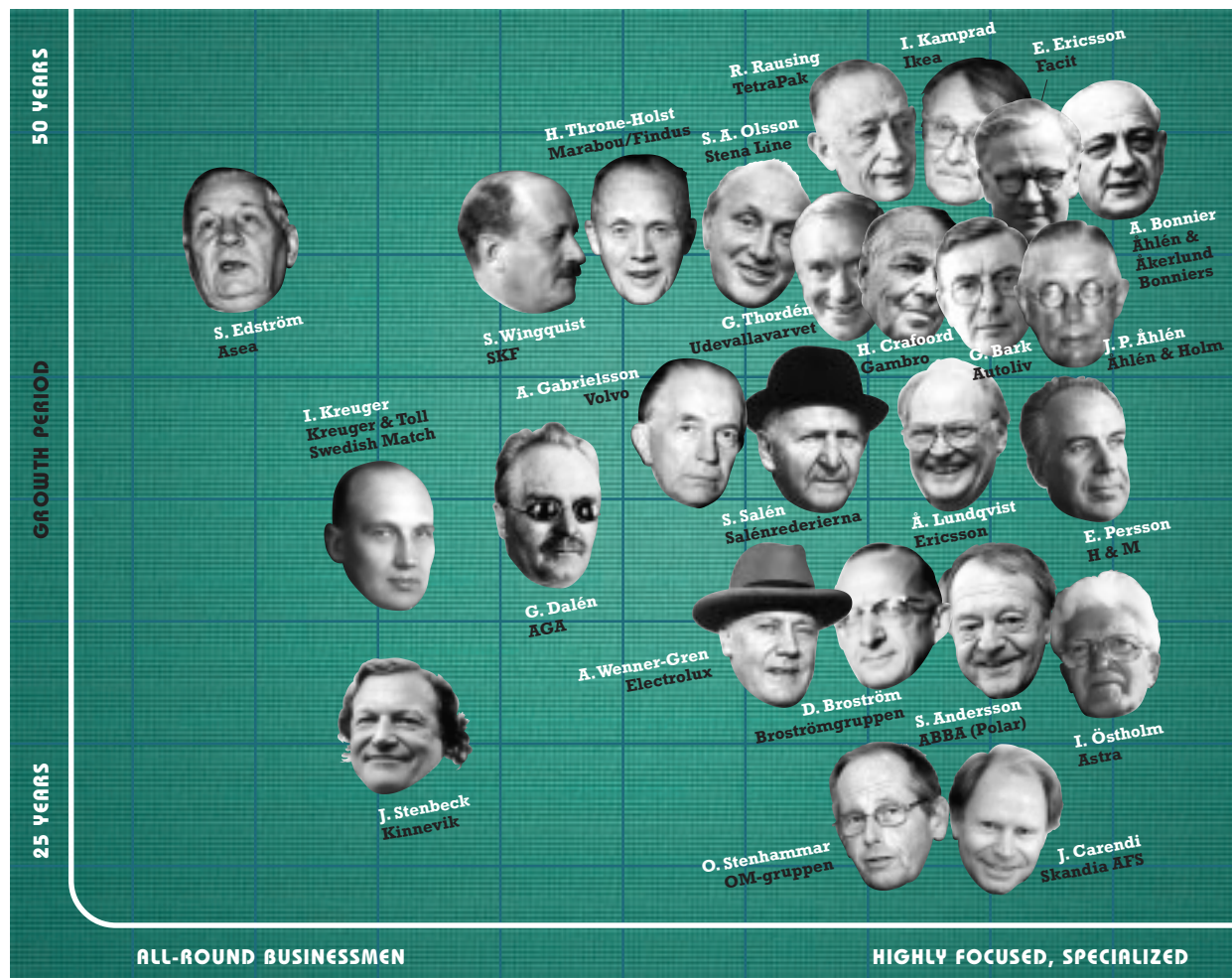
an English printing company. Returning home, he expanded the family's newly acquired magazine publishing company, Åhlén & Åkerlund. Bonniers became one of Europe's largest publishers.

The father of *Henning Throne-Holst* created Freia, a Norwegian confectionery company modeled after Britain's Cadbury. Freia ran into setbacks with its Swedish subsidiary, Marabou, and the young Henning was assigned to solve the problems. He not only succeeded but also turned Findus into Europe's leading frozen food company, based on an American model.

Volvo's founder, *Assar Gabrielsson*, a business school graduate, was marketing director of SKF when he got the idea to copy American industry and start assembly-line auto manufacturing. *Sven Salén*, who graduated from a business school, was a speculator in the stock boom during the First World War. He tried to make a comeback in shipping, the same branch that attracted *Gustaf Thordén*, who came from a poor family and who had little formal education. Thordén transferred an entire scrapped shipyard from the USA to Uddevalla, on Sweden's west coast. Companies owned by

HISTORICALLY, NO OVERNIGHT SENSATIONS

Companies generally took many years to expand into international giants.



GRAPHICS: RICHARD OLOFSSON. PHOTO: PRESSENS BILD.

Salén and Thordén collapsed in later shipbuilding and shipping crises, but were major concerns for several decades.

Elof Ericsson, son of a blacksmith, worked his way up to become head of Åtvidabergs Industrier at the age of 35. He turned this small mechanical engineering company into Facit, the world's leading manufacturer of office machines before it was knocked out by electronics.

THE THIRD WAVE:

SUPER-ENTREPRENEURS OF "THE PEOPLE'S HOME"

In the third wave of entrepreneurs are furniture retailer *Ingvar Kamprad* (IKEA); clothing retailer *Erling Persson* (H&M); son of a shipping company family *Sten A. Olsson* (Stena Line); songwriter *Stikkan Andersson* (ABBA group creator); pharmacist *Ivan Östholm* (Astra pharmaceuticals); and Rausing partner *Holger Crafoord* (Gambro).

In some ways, these were "the new industrialists" of the Swedish welfare state, the "People's Home". They worked in parallel with the "political entrepreneur" *Olof Palme*, who dominated the center of power for 30 years, a highly unusual achievement for a politician in a democracy.

It was during this time that oil, petrochemicals, the logistics revolution, aviation, nuclear power, electronics and infrastructure construction dominated economic expansion. The industrial establishment focused its attention here. Companies as OK, KemaNord, Scania, Asea, LM Ericsson, SAS, and Skanska expanded. Saab became the Wallenbergs' technical experimental workshop.

In the Sweden of *Olof Palme* (and of *Tage Erlander*, Palme's predecessor), savings took on a collective form within the framework of state controlled pension funds, known as AP Funds. Investments from these funds were directed to the housing sector in a program aimed at building one million apartments in ten years. The labor market was regulated through legislation. The public sector expanded rapidly. Sweden was quickly transformed into a high-tax nation. One interesting distinction was free trade, especially noticeable in clothing and electronics.

Ingvar Kamprad and *Erling Persson* utilized this distinction to their advantage. Furniture sold as never before because of the huge new housing construction, while low-priced imported clothing was attractive in a nation with a relatively small share of private consumption. *Sten A. Olsson* grabbed the opportunity to start ferry traffic to Denmark based partly on tax-free sales.

Ivan Östholm worked in the pharmaceutical industry, which had a large, well-organized health care system as a main customer and an established university system for research. For a certain period, Astra was regarded as one of the world's most promising pharmaceutical companies. *Holger Crafoord*, at an age when most men planned

retirement, backed a medical-technical invention, the disposable artificial kidney. This led to the creation of Gambro, a global medical-technical company.

Stikkan Andersson, finally, emerged in the Swedish music world, which had mainly worked with translations of foreign hits and local music. But Sweden, as usual, was wide open to Anglo-Saxon trends, and *Stikkan Andersson* succeeded in exploiting this with ABBA.

THE FOURTH WAVE: THE 1980s

The *Wallenbergs* ventured into computers at Saab and ended it at Ericsson. But Ericsson, then one of the world's largest companies in conventional wired telephony, also owned an old radio equipment company, SRA. It specialized in taxi, police and emergency radio communication systems. But in order to expand into public mobile telephony, standards were needed. Sweden's state-owned telecom company, Televerket (now known as Telia), led neighboring Scandinavian telecoms into adopting a regional standard, NMT (Nordic Mobile Telephone). But even more decisive for Ericsson in wireless was *Åke Lundqvist*, who was mentioned earlier. And it was Ericsson that stimulated its local competitor in Finland, Nokia, to become a world-leader in mobile phones in the 1990s.

Jan Stenbeck entered from an entirely different direction. He was the youngest son in a finance family that controlled investment company Kinnevik. He was educated at Harvard and worked in the USA for investment bank Morgan Stanley. He returned home to Sweden not only with American ideas of competition and deregulation. He founded telecom and media companies, where many future IT leaders got their start.

The other Swedish entrepreneurs were mainly in finance, but only two of them, *Olof Stenhammar* and *Jan Carendi*, would attain international star status. Stenhammar founded the options trading firm, Optionsmäklarna, OM, in 1985. When he worked in New York in the early 1970s, he learned the options business. OM today operates and develops securities trading markets in a number of countries.

Carendi, whose father worked for SKF, grew up abroad. He took over a savings and fund company, AFS, within the framework of insurance company Skandia. He expanded AFS into the world's largest service for customer-designed pensions, insurance and savings. This expansion took place almost entirely outside Sweden.

One additional entrepreneur of this epoch was *Gunnar Bark*, who worked in the Electrolux group's auto safety belt subsidiary, Electrolux Autoliv. Bark expanded Autoliv into the world's leading company for air bags and automotive safety systems, with headquarters in the USA.

These, then, are introductions to some of the foremost Swedish business people of the 1980s. There are hundreds

of others, but few in this same class. Most companies remain a certain size after the first decades. Others disappear rather quickly. And in not a few cases, the difference in results seems to depend on endurance, adaptability and business sense of one or two people.

THE FIFTH WAVE: THE IT ENTREPRENEURS

Can experience from former super-entrepreneurs teach us something about new entrepreneurs in the Fifth Wave?

The pattern of the 1900s was that super-entrepreneurs were clearly better educated and more knowledgeable of foreign languages than the average person. More than half were university graduates. A relatively large percentage had worked abroad. They gathered up ideas. The new entrepreneurs here follow the traditional pattern.

Many of the old entrepreneurs grew up in business families. If they were poor, the father was most often a small trader or farmer – in this way something of a businessman. There were few factory workers' sons in this category and no daughters whatsoever. Hopefully, we have broadened the recruiting base, even if norms and valuations still hold back men from a blue collar background and women from all environments.

Entrepreneurs have seldom been technicians, but almost all have a great interest in products. Above all, they are businessmen rather than clever administrators. And this generally describes IT company founders.

In the choice of being an independent business person or an employee, there are all variations, from owners as Kamprad and Rausing to division managers as Gabrielsson and Lundqvist. Several of the super-entrepreneurs inherited their companies. In the IT world, the situation is similar.

However, the most obvious pattern of the past is that super-entrepreneurs must start young and work with great dedication for several decades, often an entire lifetime, before achieving great success. Almost all got their ideas before the age of 30, and many of them had begun as early as in their teens. Entrepreneurship stands out clearly as a long, evolutionary process.

IT entrepreneurs are about as old as their predecessors. But how many will have sufficient endurance to succeed? Naturally, nobody knows.

It is said that developments occur so much faster today and that establishment on a global level is necessary from the start. Backed by external capital, entrepreneurs can take much greater risks and expand so much faster. It doesn't matter if most fail. What's important is that some do succeed from the outset. Many venture capitalists think this way when financing entrepreneurs.

The question is whether this may not be a new myth, like that of the art of social engineering. The global economy – involving cooperation between billions of people – is so

complicated that no one can envision it, no less create it in a model. It is a journey into the unknown, to as great an unknown as in the past.

Even if large companies are created, most of the experience that forms the companies will be gained some time after the start. Considerable knowledge, caution and intuition will be needed to steer a growing company safely around all dangers. No technocratic solutions or rescue systems exist that can manage this better than one or several stubborn, talented and fast learning entrepreneurs.

If one studies history closely, it will be seen that hardly any of the old super-entrepreneurs had ideas that were good enough to be internationalized in the first 5 or 10 years. At the start, they lacked experience rather than capital.

There is also a very slow-moving involvement with customers and with employees. It doesn't make any difference if technology is quickly in place. Radio technology was available 50 years before the founding of radio broadcasting companies. Telephony was decades old before people started to have phones at home. Automobiles were on the roads for a half-century before large markets outside cities got cars. Such developments seem to be the rule rather than the exception.

That the ordinary consumer is still not ready for e-commerce depends only partly on technology. That dot.com companies' employees are generally incompetent when it comes to logistics is not at all surprising. Social processes, not technology, put the brakes on development.

This does not mean that the IT phenomenon is overrated, simply because we still can only envision little of how the technology will be applied in the end. And this is why we need a large flock of entrepreneurs who, with almost zealous energy, develop and continue to develop their business ideas for 20–30 years ahead.

In the year 1900 no one in the media knew any of the coming century's super-entrepreneurs. The established company founders and business leaders were in focus. Today, through the media, we know the names of hundreds of young promising IT and music stars. But experience shows that the really big winners will be those who manage to keep at their business a bit into middle age.

Those who were in the audience back in 1981, when I delivered the lecture I referred to at the start of this article, can – like Microsoft's Bill Gates – already today hand over the reins to the next generation. Others – like Apple's Steve Jobs – quit too early and were forced to take another tour at the rudder. □

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