

# FOUR SIDES

**Modesty – Morals – Artistry – Confidentially**

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## Apple's Future

**Only 12% of the companies remain on the fortune 500 list since 1955 and the turnover pace increases. It is dangerous to do prognoses, but we will try. We think Apple is gone or a very minor company in 10 years. At least it will not be on the list.**

Steve Wozniak, to co-founder of Apple, says that he has not bought the latest Apple iPhones, because “it is nothing new. They focus on sizes, colours, features etc. but nothing technologically new.”

Steve Jobs died 2011. 2001 came iPod, 2007 iPhone, 2010 iPad. Since then no breakthroughs. Samsung is today the market leader and is in tests rated higher than most iPhones. It is easy to recall what happened to Nokia and Ericsson. Jorma Ollila, the CEO of Nokia, took the decision that smartphones were of no interest. “People want to have a good, cheap phone – not a computer.” That became the end. Ericsson Mobile had the firm opinion that their mobile phones were the technologically absolute best, why people will always buy them. Col-

our, design, interesting customer interface was of no interest. That was also the end.

If you visit Apple's concept store in Silicon Valley the “new” products they talk about is Apple Coffee Mugs made of exclusive Japanese clay and Apple T-shirts made of Indian silk. Speaks for itself.

If you talk with IT-developers in the Stockholm community that are spearheading the development here they have already moved to mostly Google Phones as they perceive them as better with better interface with Microsoft, the clouds etc. All these people have been 110% Apple fans for 15 years.

Google and Amazon are focusing very hard on youngsters in schools from an early age, as Apple did in the 90-ties. Google and Amazon will soon have voice interaction with their platforms – no typing!

Apple is buying their own share for a couple of billion dollars every month. Warren Buffet has bought a lot of Apple shares. We think he for the first time left his guiding principle: “I only invest in things I fully understand.”

## How To Make Companies For Sale?

Lagerkvist & Partners works a lot for PE-companies, financial investors and industrial investors. Many of the best companies to acquire are not for sale.

Our method has been to identify interesting companies, analyse them from the outside and then approach them if they look interesting, not revealing our client.

The key here is to have senior people who have long industrial experience and who know the busi-

ness of the companies they are approaching and meeting.

We are proud to say that we have been fairly successful doing this. A more general reason for this is also that many entrepreneurs/owners of companies are so occupied by the day-to-day business that they do not see the consolidation that is going on in their own business. When they realize that, they often think it is good to join forces with a stronger actor.

# Low Crude Oil Prices And Lower Energy Prices

As we have said during a long time now – energy prices will stay low and probably get lower. To be blunt we have been better to make the prognosis of energy prices than many experts. To be honest we have been surprised that has been the case, but we think the explanation is that we have a more holistic view on the energy markets. Normally experts are focus on only oil, gas, coal, electricity etc.

We think the reasons that the energy prices will continue to be low are the following:

1. OPEC countries have never managed to keep their agreement to cut production.
2. Saudi Arabia needs the cash-flow, so they have

to pump more. To balance their budget, they need an oil price of 80 USD per barrel.

3. Russia, Iran, Syria, Venezuela etc. also need the cash flow.
4. US is now a net exporter of oil, coming from being a mayor importer.
5. Gas prices are low, now also in Europe and the supply is abundant.
6. Solar Power is now as cheap as coal.
7. The relative use of energy is going down.

We could go on but let us just quote the CEO of The Royal Shell Group Ben van Beurden: “We shall be ready for crude to stay lower forever.”

**Brent Crude Oil Price**



“ Too much of a good thing can be wonderful.

Mae West

“ A bad judgment never fails.

ML

“ If at first you don't succeed, try, try again

W.E.Hickson

“ Nothing is certain except for death and taxes.

Benjamin Franklin

# Values Govern – And Shall Do So!



**Values – what people in the organization believe in and act in accordance with are most important for an organization to become successful, says Professor Emeritus Bengt Stymne at Stockholm School of Economics, active at the Department of Management and Organization and Member of Lagerkvist & Partners Advisory Board.**

Values create the framework for the organization and guides people in the organization, so they understand what they shall ultimately achieve. Values are not just any idea but have to reflect what are the emerging needs of the organization's stakeholders; customers, owners, communities, employees etc. I think that the values can be likened to the genes that govern the processes that are constantly going on in an organization. Effectiveness and efficiency are most often crucial values but so are also change and innovation.

**Four Sides (FS):** You were very early aware of the “power” of values and efficient processes and this was also the subject for your doctoral thesis 1970. Do you still work with this?

**Bengt Stymne (BS):** Yes, indeed I do, but I am now more focusing on regions. I see regions not so much as politically delimited areas but rather as spontaneously emerging clusters of mutually dependent actors within a geographical area. Why do some regions prosper and others stagnate? A very interesting example is the San Diego region where I did research in 2004-2005 on some spectacular innovations. What struck me most was the value system that seem to be shared by most actors in the region. These values are especially prevalent in the area called La Jolla. These values include entrepreneurship, innovation, science, openness, Government support and community. The region really took off during the 1990ies with the appearance of small innovative firms as well as new products and growth in more established firms. The success attracted people with skills

and ambitions from the whole world. This influx means that the regions success seemed to be sustainable.

However, San Diego's success story did not start so recently. To understand what was happening in San Diego one must go back in history to the time around 1900. Then, some successful families wanted to do something for their humble town and make it better and more visible. One of these families was Scripps who donated a Centre for Oceanography that since then has been word-leading in that science. They also gave money for a hospital that has become well known for its research. After WWI an active congressman from San Diego convinced the American administration to move the Pacific war fleet from the Los Angeles area to San Diego where it has remained since then. This visionary congressman understood that only war-ships are not enough if they are not supported by air-force. To support the military during WWII, a capability to develop navigation instruments was built up in San Diego. Consequently, a communication industry based on satellites and remote sensing came about. From there, the step was not long to involvement in the fledging digital and wireless telephone industry in which San Diego since then has been one of the leaders. The technological development in the region meant that both the military and the growing civil sector demanded more engineers and other highly skilled labour. To meet that demand the University of California set up a new campus there called University of California San Diego.

When the city fathers and the local politicians saw how the technological and scientific development led to the founding of new entrepreneurial firms, they decided in the late 60-ties to set aside a huge area of land near La Jolla where firms based on research and creativity could set up their premises. As a result, a still growing spacious environment has emerged with attractive modern and lofty architecture interspersed with pine trees of different shapes.

One could say that the city fathers have helped to create an environment that embodies the values of creativity and innovation that have emerged in San Diego over more than a century. This creation has been highly successful both in attracting people with talent and ideas and giving birth to innovation, new firms and new products.

**FS:** Can you give examples?

**BS:** Yes, I can tell a story that is similar to other stories that were being told in San Diego. It starts with a professor at Harvard who was not allowed to continue his research after having reached retirement age. Disappointed he and his wife, who both were well known cancer researchers, decided to move to San Diego as it was known for its openness to science and to new ideas. The couple did not really have the economic means to set up a proper laboratory but were offered a small space to use at the Scripps hospital.

About at the same time, a gifted young cancer scientist in Finland had applied for a chair at Åbo Academy. However, that university decided to give the chair to another scientist. It was argued that the older person's long service was worth a reward and that the up and coming man could well wait a few years until he too would be rewarded with a professorship. The younger man got very disappointed and decided to move to San Diego that was well-known for its openness to new ideas and dedicated people. There he met the couple of scientists who had fled Boston. Together they applied for and were awarded a research grant from the national authorities. Spurred by this success they established themselves as a research institute. They formulated some basic rules for the institute:

1. It should be a private non-for-profit organization.
2. It should stand free from the university and all other organizations.
3. Its staff should be dedicated solely to research and must not have shared appointments with a university.
4. It should support itself with research grants earned in competition with other scientists.
5. No more than ten percent of the research

grants were allowed to be used for overhead.

That is a revolutionary idea in the academic world since the universities are known for charging their research groups overheads for up to half or more of the value of the grants received. The new Cancer Research institute became an astonishing success. Its applications were well-written and earned them many grants on the highly competitive market for financing of research. A contributing factor to the success were that top scientists from the East Coast joined the institute when they learned about its devotion to science and research.

An important investment in San Diego was made by Pfizer that decided to set up a large campus for cancer research in San Diego. I asked them why they chose San Diego and not the East Coast. One reason they gave was the research institute described above. Another was the culture and values of the La Jolla environment:

“Here science is central. Everybody is talking science. The social talk does not dominate gatherings or even cock-tail parties. Everybody is talking science.”

**FS:** Moving to the Swedish research community. What is your perception of the research you know today?

**BS:** When it comes to pharmaceutical research I am a bit disappointed. Big investments in buildings are being made in Stockholm but where are today's successful innovations?

If I look at research in my own area of management and organization I think it has perhaps a too narrow and too shallow perspective. To get promoted young researchers are forced to gather a certain number of points by getting articles published in respected international journals. To get the articles published, you must attack problems suggested by the journal editors or other influential management scientists. Earlier research from the Stockholm School of Economics more often tackled and dealt at length with problems experienced by industries or even individual companies. Not so many have or dare to have a more holistic approach nowadays. Some of us feel that a “relevance gap” between academic research and management practice is being created.

**FS:** You did not have to care so much about this as you were promoted immediately after you

had presented your doctoral thesis. How have this influenced your scientific work through the years?

**BS:** I quickly became the leader of large research programmes. Thus, I had to spend much time on applications for research grants and on advising doctoral students. I think I should have focussed more on developing my own thinking for a few more years. On the other hand, I am glad to have been involved in an innovative undertaking together with Eric Rhenman involving the setting up an institute that combined management consultation and research.

An advantage of becoming an established management scientist so early is that I have had time to develop contacts with leading international academics. The aspect of my job that I appreciate most is that it has given me ample opportunities to work in and learn to know different countries and cultures in the US, Britain, France, Finland, Germany and for more limited periods in Nepal, India and Japan. A short stint in an African country gave me a sad living demonstration of how bad management can wreck an otherwise richly endowed economy.

**FS:** You worked for SIAR that was a consulting company that had the idea to combine consulting and research, which to begin with was fairly successful. Now you are working to try to revitalise that concept?

**BS:** SIAR did not survive for very long as a consulting company after the death of Eric Rhenman. However, SIAR still exists as a foundation. Some capital remains from the sale of the of the consultation business to Cap Gemini. Also, some money remains of a substantial endowment from the Hartwall family in Finland in recognition of SIAR's role in the restructuring of the Russian brewery industry. The SIAR foundation supports management research especially treating the Baltic area. Also, researchers and doctoral students from University of St Petersburg are supported.

A study reported by Tommy Bergkvist has compared SIAR and two other firms that combine scientific research and consultation with three successful international consulting companies that do not combine consultation and academic research. SIAR survived for almost forty years as a consultation firm while the other two sur-

vived only shorter periods. In addition to SIAR also Richard Normans company did not survive long after his death.

The reason that the research/consulting companies did not make it was not the concept. Instead Bergkvist points at some other traits that threatened the survival of research-based consultancy. One was that SIAR started to recruit elderly people with long industrial experience. Their background was not suited for the role of consultant. Furthermore, the three research-based companies encountered many problems when they tried to expand through mergers and acquisitions. A third reason was that outstanding scientists like Rhenman, Norman and Porter may also be good consultants but may not necessarily have the characteristics needed to become a good administrator or to run a consultancy business. It can be pointed out that none of the successful consultancy firms to which the research-based ones were compared to, had leaders with a scientific education.

I believe, though, that both consultants and their clients have a lot to gain from a methodology we developed in SIAR under the label “Clinical Management Research”. It means that the consultants use established research methods or trained researchers to diagnose the malfunctions and problems of the client company. Then the results are discussed with the client. Also, appropriate actions to be taken would be discussed. When the actions have been taken, their effects are evaluated using research methodology. There is a two-fold advantage of this methodology. The client gets more reliable information about the situation and has a say in the steps to be taken. In addition, the researcher involved in the project, e.g. a doctoral student, gets reliable data and observations which can be used for the construction and testing of scientific models of management problems.

During the last few years a number of seminars with the participation of consultants, academic researchers, managers and research foundations have been arranged. Especially the research supporting foundation Vinnova has showed interest in funding experiments with clinical management research as a way of bridging the relevance gap between management theory and practice.

**FS:** Your present studies of regions and cities

in Sweden. What conclusions have this given so far?

**BS:** I have not formulated any conclusions yet and I am still gathering data. Let me just tell you a couple of observations that I find interesting. One is that an institution called Radarskolan, set up by the military in Gothenburg in 1949, has had a considerable impact through its students on the great Swedish innovations that have come about in the telecommunications area that have been marketed by Ericsson and SAAB.

Another observation, or rather hypothesis, stems more from San Diego than from Sweden. It says that it is not through the mobilization of its proper resources that brings about innovations in a region. It is rather by the region's openness and ability to welcome ideas and people from the outside world that will result in innovations that will bring about economic and social growth.

I define a region as a cluster of communities with many mutual interdependencies, for example streams of commuters. Such streams are called "Local labour market areas" by Statistics Sweden. A third observation is that the southern part of Sweden is full of such networks of communities. However, in the north which occupies two thirds of Sweden's land area, there are just a handful of them. The rest of all the

other communities in that part of the country are solitaries with minimal exchange with the outer world. If no new ways are found to create more interdependencies to form clusters of communities, I see little hope that enough innovation will take place that will bring about change and growth in that part of our country.

**FS:** You are still active and working. What is your opinion about the debate of extending working time for people, to have to retire later in life?

**BS:** If you like your job and sense that you continue to develop in the job, you should of course try to keep it as long as you can. Even if you cannot keep your job, you can set goals for yourself like writing your memoirs even if it is only the grandchildren who will listen when you read it to them.

I think we should have a law against the discrimination on the basis of age. Older people who want and are capable to continue working should be allowed to do that. I do not think that there should be any obligatory retirement age. At present, only half of the people who reach 65 come from active employment. The rest are already retired, are on sick leave, taking part of special Government sponsored programmes or are unemployed. Under such circumstances, what is the idea to say that all are supposed to work until 69?

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” *If you are going through hell, keep going.*

*Winston Churchill*

” *I used to be Snow White, but I drifted.*

*Mae West*

” *It is better to be looked over than overlooked*

*Mae West*

” *In economics, the majority is always wrong.*

*John Keneth Galbraith*

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