Family ties, technological change and organizational inertia
Heroes and villains in the history of the rise and fall of the Swedish office machine industry

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I. Introduction

In the first decades after World War II, the Swedish company Facit developed into the second largest producer of office machines in Europe, surpassed only by the Italian company Olivetti. Facit produced and sold mechanical and electromechanical typewriters, adding machines and calculating machines to nearly 150 countries all over the world through its own subsidiaries and through contracted sales agents. The company’s growth rates, especially in the 1950s and 1960s, were indeed impressive. Between 1940 and 1970 annual sales increased from 10 million SEK to 1 billion SEK and the number of employees from 1 500 to nearly 15 000. More than 60 percent of the total production was exported, with (West) Germany, France and the United States as the three main markets. Facit was thus one of the export-oriented industries that contributed much to the Swedish general economic boom in these “golden decades”.

Facit’s success story started in the early 1920s, when a new CEO – Elof Ericsson – was appointed. At this time Facit mainly produced office furniture, but was also engaged in other forms of wood processing. Elof Ericsson gradually turned the company’s attention from office furniture to office machines. The exclusive rights to sell foreign-produced office machines, for example typewriters from the American company Royal, in Sweden and other parts of Europe were acquired. Elof Ericsson also managed to bring together almost the entire Swedish office machine industry within the Facit organization, mainly through acquisitions of smaller competitors, for example the typewriter company Halda in 1938 and Original-Odhner, producer of adding and calculating machines, in 1942. Another important part of Ericsson’s business strategy was the building up of an almost worldwide distribution and sales organization. Gradually, machines produced by

1 Annual reports of Facit.
Facit’s own organization, i.e. in plants localized in Sweden, thus substituted for imported office machines.

In the early 1950s it was time for the second generation of the Ericsson family to take over the management of the Facit business group. Under the leadership of Gunnar Ericsson Facit continued to grow and to specialize in electromechanical office machines. Not least, Facit took advantage of the fact that most of the German producers of office machines – producers that in an international perspective had been amongst the most prominent in the first half of the twentieth century – not yet had recovered from the aftermaths of World War II. In 1966 Sweden’s second largest producer of adding and calculating machines, Addo, merged with Facit and added further production and sales capacity to the business group. So far Facit was a true success story, including elements of skilful management and both technological and organizational adaptation.

However, in the early 1970s Facit experienced a deep economic crisis. The market for electromechanical adding and calculating machines more or less suddenly crashed, when the (much cheaper) electronic calculating machines, produced in Japan and based on American technology, conquered the world. In 1971 and 1971 Facit suffered from heavy losses due to the diminishing volume of sales. The major shareholder, i.e. the Ericsson family, did not feel they had the financial muscles to override the crises. In November 1972 Facit was sold to the white goods company Electrolux, a company controlled by the well-known Swedish Wallenberg group. Despite extensive cutbacks in personnel and rationalizations of the production and sales organization, Facit continued to suffer from heavy losses during the rest of the 1970s and the early 1980s. The remains of the Facit business group, i.e. its computer department, were sold to another Wallenberg-controlled company, the telecommunication company Ericsson, in 1983.3

The sudden fall of the previously so successful Facit business group has given birth to a long-lived image within Swedish (and to some extent international)

business history: for three decades the term “Facit crisis” has been synonymous with industrial eradication due to the introduction and general breakthrough of a new technology, in this case the development of electronic calculators, and to poor management. According to this view, expressed both in scholarly works and in the business and daily press, the management of Facit was surprised by the development of a new technology. Managers, especially the heir Gunnar Ericsson, were blinded by Facit’s earlier successes and did not take the competition from newly industrialized countries, such as Japan, seriously enough. The focal point in the explanations and analysis of the Facit case has been the role of individual managers, such as Gunnar Ericsson, while explanations pointing to macroeconomic circumstances, such as the extreme increase in labour costs in the 1970s, have been few.4

The assessments of father and son Ericsson as CEOs of Facit have thus been rather straightforward. The father Elof Ericsson managed to build up an internationally competitive mechanical industry through combining entrepreneurial skills, foresighted investments and cost-effective management. Elof Ericsson also laid the foundations for a family dynasty and passed on a considerable fortune to his heirs. Under the leadership of the son Gunnar Ericsson, on the other hand, Facit did continue to grow, even faster than before, but this was largely due to the large, almost insatiable, demand for office machines in the global markets in the post war era, and not to the skills of top management. The blame for the crisis in the 1970s has thus to a large degree been placed on Gunnar Ericsson; he has been accused of being almost paralysed and when decisions finally were taken it was too late.5


5 Such assessments are most obvious in B Torekull ed., Med Facit i hand, (Linköping 1982) and in L v Kantzow, Istället för guldklocka, (Åtvidaberg 1991), the latter written by Gunnar Ericsson’s brother-in-law.
Facit was among the first Swedish industries to be struck by the industrial crisis that swept through many of the Western economies in the 1970s, which is one reason for the attention the company has received over the years. But there are also some additional reasons, which attracted especially the public’s attention at that time. The two CEOs, father and son Ericsson, were not only managers of one of Sweden’s large mechanical industries; they were also distinguished members of Swedish society. Both Elof and Gunnar Ericsson were deeply involved in politics. Elof Ericsson was a Member of Parliament between 1936 and 1943 and Gunnar Ericsson between 1969 and 1972. Father and son Ericsson were also intensely interested and involved in sports in general and in football in particular, and both reached the highest position within Swedish football, as Presidents of the Swedish Football Association, Elof Ericsson between 1937 and 1949 and Gunnar Ericsson between 1970 and 1975. Furthermore Facit had its “own” football team, Åtvidabergs FF, which received a lot of economic support from the 1930s on. Hence, in a relatively small country like Sweden it was not that surprising that both father and son Ericsson were highly public persons (see image 1).

Family companies, technological change and organizational adaptation

In the beginning of the twenty-first century family-owned/-controlled companies are still an essential part of most modern economies all over the world. In different ways multigenerational family companies of all sizes, from the one-man firm to the large MNC, have succeeded in overcoming the timeless problems generally associated with family companies, such as succession of leadership and ownership and capital scarcity. This paper is mainly concerned with the succession of leadership and ownership in the Facit business group. The principal question addressed here is how family ties and other forms of strong personal

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6 Ironically, Åtvidabergs FF won their first Swedish Championship title the same year as the economic crisis struck the company, i.e. 1972; see R Andersson, Elofs grabbar. Fotboll, industri och samhälle i bruksorten Åtvidaberg 1922-1959, (Linköping University 1997).

relations can affect decision making within a company operating in a business characterized by a high level of internationalization, fast and/or intermittent technological change and increasing competition, and how such relations in the long run can hold back, or even prevent, necessary organizational and technological adaptation.

Family companies, especially multigenerational ones, face not only problems of attracting external capital for necessary investments, which as a result can lead to the loss of the control over the company, but also run the risk of becoming too introverted in their recruitment of new management. Insider succession, or “the family only” leadership-principle, limits the number of potential leaders of the family company considerably, and in the long run can have a negative effect on the company’s survival, renewal and growth. Strong and long-term personal relationships, or social networks, within a company (or a larger business group) also have a downside, especially if the company is operating in an environment/industry characterized by rapid technological change and development. A precondition for personal networks to have long-term positive effects is that they are continuously questioned and, if needed, renewed. Otherwise they can obstruct the company’s ability to innovation and to renew itself, especially if the company has experienced a long period of commercial success. Personal networks can, as the business historian Jan Glete has shown in his extensive empirical studies of Swedish industry in the twentieth century, thus lead to organizational and managerial inertia.  

The question in this paper of how the Ericsson family handled matters concerning the succession of leadership and ownership is also connected to the family’s self-image and the public’s image of Facit as a family company. When

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Elof Ericsson was appointed CEO in 1922, he was hired on the basis of his professional skills as a manager. Gradually Elof Ericsson gained also ownership control over Facit. When it was time to carry out the change of generations, i.e. in the late 1940s and early 1950s, Facit was in all ways a family company. The Ericsson family was now the majority owner and possessed all the major influential positions in the business group. Elof Ericsson himself viewed Facit as a family company, as did the other shareholders, the customers and the competitors. How was this transformation of Facit into a family company carried through, and, more importantly, how did the Ericsson family’s perception of Facit as a family company and their self-image of the family as the natural leaders of the growing business group affect the way management was recruited? Perhaps more speculatively, did this have a long-term effect on Facit’s capacity for organizational adaptation and on its receptiveness towards innovations and new technology? Finally, this paper also wants to question previous characterizations of the company and of its managers, especially the tendency to characterize the first generation of the Ericsson family as the hero and the second as the villain, in what can be called the history of rise and fall of the Swedish office machine industry.

From American to Japanese dominance: structural and technological changes in the office machine industry

The origins of the office machine industry can be dated to the late nineteenth century. A large number of companies, above all American companies, introduced new types of mechanical office machines at this time. Right from the beginning, four types of products were produced: typewriters, adding and calculating machines, cash registers and punch card machines. The technological development within the office machine industry took place in three principal steps. Firstly, up to the year 1900, the primary goal for the producers was to identify the needs of (potential) customers and then construct the machines that could fulfill these needs. In the second step, up to World War II, the technological

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development was mainly concerned with further development of the already existing technology, i.e. improvements in the functions, capacities and effectiveness of the (electro-) mechanical machines. The first electrical typewriters were introduced already in the beginning of the twentieth century, but, despite this important improvement, manual typewriters continued to be produced on a large scale up to the 1970s. Also the adding machines, which were one of Facit’s main products during the entire post war period, were actually fully developed by the end of the 1910s, but were electrified in the inter-war period. Not until the battery powered electronic pocket calculators were introduced in the early 1970s was the third technological step taken, a step that was a definitive and decisive technological breakthrough.10

During and after World War II the American government invested enormous sums to develop new types of military products and the office machine producers seized the opportunity to widen their product portfolios. These products were based on electronics. The new technology was also gradually introduced into civilian products. For the office machine industry, the technological developments after World War II, especially the possibilities of collecting and processing large quantities of data that the electronical technology entailed, meant that computers gradually became a main product for several companies. Some of the long-established companies within the business, with IBM as the number one example, invested early in developing computers. For IBM the step into the production of computers was rather natural. But also other companies, such as National Cash Register (NCR), a company that produced cash registers, Burroughs (adding machines) and Remington Rand (typewriters), established themselves as computer producing companies in the years around 1960.11

In the late 1960s decisive progress was made in the research and development of the core technique within electronics: that is, the integrated circuits (or the microchip). New, smaller and considerably cheaper circuits could now be produced, which meant that electronic components, which previously had mostly been used in machines only for commercial or industrial use, now could be used in much cheaper consumer products. In relation to the earlier technology, that is electro-mechanics, the electronic components were much more expensive to develop. That is the reason why much of the research and development was done by large MNCs, often with extensive financial and technical support from different governments. With the breakthrough of electronics, and the technological transfer that had occurred between the United States and Japan during the 1950s and 1960s, came the Japanese producers’ entry into the international markets for smaller office machines. From the 1970s Japanese producers (such as Sharp, Sony and Hitachi) took over the leading role in the research and development of new products, with support from American companies, such as Texas Instruments.\(^\text{12}\)

The United States had thus been the leading nation within the international office machine industry since the late nineteenth century. Besides the fact that many of the large American companies were in the forefront of technological development, not least thanks to government support, they also early identified the need for extensive market organizations, large-scale marketing and service organizations. The office machines were too technically advanced to be sold through the regular sales channels, for example department stores. Thus, the companies established their own marketing and sales organizations. Generally, the companies within the office machine industry to integrate vertically early on.\(^\text{13}\)

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After World War II the international office machine industry was also characterized by a large number of mergers and acquisitions. The increasing costs of investments in research and development were one important reason. A large number of European and American companies ceased to exist or changed their industrial focus. Some of the European producers, such as the German Siemens, the Dutch Philips and the Italian Olivetti, managed to handle the technological development and the competition from the Newly Industrialized Countries, such as Japan, partly through extensive governmental support and partly by engaging in cooperative ventures with American companies.¹⁴

To sum up, the international office machine industry underwent a number of radical changes during the twentieth century, including technological, structural and market changes. The breakthrough for electronics in the late 1960s and early 1970s meant that also smaller companies could afford to invest in computer capacity. Together with the introduction of the pocket calculators, the conditions for relatively small companies such as Facit, which mainly produced electro-mechanical office machines, changed radically. With the increasing international competition, well-functioning marketing and sales organizations, promoting the strength of corporate brands, had also been identified as yet another component for long term survival and growth. It is therefore not that surprising that virtually all non-American producers sought to establish different kinds of alliances and cooperative ventures with the leading American companies, especially in the post-World War II era.


II. The creation of a family company

And one thing should be very clear to us. It was not a family company. We did not have that percentage of the shares. Maybe we had 10 percent or something. It was not more. I never felt that I lived in a family company.

Interview with Gunnar Ericsson, 18.11.2003.

The quotation above illustrates how the second generation CEO within the Ericsson family, Gunnar Ericsson, analyzes (in retrospect) the family’s role as owners of Facit. In reality the father Elof Ericsson had been the largest shareholder since the 1930s. In the following decades his holdings of shares increased even more, and from the early 1960s two foundations, controlled by the Ericsson family, owned shares corresponding to about half of the number of votes in Facit. Taken together, the shares owned by the two foundations and the shares owned by individuals in the Ericsson family gave the Ericsson family an adequate majority (between 70 and 90 percent) at the shareholders’ general meetings in the 1960s and 1970s.¹⁵

The contrast between father and son in this matter – in the ways they imagined themselves as leaders of a family company – is striking. Right from the very beginning of his career at Facit, Elof Ericsson very deliberately tried, and indeed succeeded, to make Facit a family company. Elof Ericsson was appointed CEO of Facit in late 1922, at a time when the company had just gone through a severe economic crisis and been taken over by its largest creditor, Sydsvenska Banken (the Bank of South Sweden). Ericsson was hired entirely on the basis of his professional skills. His efforts in reconstructing another company in crisis, which was in the same line of business, had given him a reputation of being both highly efficient and vigilant in economic matters as well as being loyal to his principals. Elof Ericsson was thus given full freedom of action to bring the company back on

¹⁵ Protocols from shareholders’ meetings in Facit and Registers of shareholders, The Facit - archive, Atvidabergs community.
its feet, and ultimately, to ensure that creditors received payment for their financial claims on Facit.\textsuperscript{16}

Immediately after his appointment as CEO of Facit, Elof Ericsson also launched a number of activities intending to establish himself and his family as the local community’s new patriarchs. For several centuries the community of Åtvidaberg had been a regional centre for industrial production, primarily the production of copper, and had during these centuries been dominated by a single employer. In this regard Åtvidaberg was very much a so-called “company town”. The Ericsson family in fact overtook the role of patriarchs previously played for a very long time by the Adelswärd family.\textsuperscript{17} Elof Ericsson, and later Gunnar Ericsson, thus engaged in local politics, in different kind of local socio-economical concerns and in local sports. For example the company and Elof Ericsson himself invested large amounts in workmen’s dwellings, in social and cultural events and in building sports grounds for local athletic clubs. These commitments were obviously based on economic considerations, not least since there frequently was a shortage of educated and loyal employees, but they also contributed to establishing Elof Ericsson and the Ericsson family as the community’s patrons. Particularly from the 1940s, the commitments of the Ericsson family took on a more social and philanthropical character as several foundations, with the aim of supporting local social and cultural activities, were created.\textsuperscript{18}

Changes of ownership
In late 1936 the ownership situation in Facit was profoundly changed. The owner, Skånska Banken (The Bank of Scania)\textsuperscript{19}, was forced to sell its shares in Facit due to the new banking legislation, which in the aftermath of the Kreuger-crash

\textsuperscript{16} Minutes of the Board, The Facit -archive, Åtvidabergs community.
\textsuperscript{19} Skånska Banken had taken over Facit’s previous owner, Sydsvenska Banken, in 1933.
prohibited Swedish banks to own shares in other than financial firms. The bank offered to sell Elof Ericsson 4,000 shares in Facit, an offer that he immediately accepted. Elof Ericsson now single-handedly controlled more than 40 percent of the votes in Facit. The bank furthermore offered him loans, on rather favourable terms, to finance the purchase. The offer from Skånska Banken and its majority owner, the Roos family, was an economic bargain for Elof Ericsson, since the price of the shares rose by more than 60 percent (compared to the introductory price that Ericsson had paid) immediately after Facit was listed on the Stockholm stock exchange, and it can also be understood as a reward to Ericsson for bringing the company back to its feet and for fulfilling Facit’s financial commitments to the bank.

But the opportunity and the financial support that Skånska Banken and the Roos family gave Elof Ericsson to transform Facit into a family company was also one component in the building of a bank-industrial sphere around Skånska Banken. This sphere was in turn dependent on strong and interdependent personal relations between the four families involved, i.e. the Roos, the Malmros, the Edstrand and the Ericsson families. A common feature of these industrial and entrepreneurial families was that they belonged to a new generation of industrialists, where the companies were operating in businesses with higher refinement values than the traditional Swedish businesses of wood and iron processing and where the family’s fortune had not been inherited but had been created through its own efforts. “Self made” was the ideal self-image within this sphere. The personal and economic relations between the Ericsson and the Roos families, and their respective business groups, were especially intimate from this point on and up to the early 1970s. The head of the Roos family, Axel Roos, took over as chairman of the board at Facit in 1935 and in the 1960s, when the

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21 Registers of shareholders in Facit and Protocol from shareholders’ meeting 5.3.1937. See also Elof Ericsson–Axel Roos, 9.10.1936, The Facit -archive, Åtvidabergs community.
leadership of Facit had been taken over by the second generation of the Ericsson family, was followed in this position by his eldest son, Carl-Sigvard Roos.

Elof Ericsson’s advancement from a hired, professional manager to the majority owner of Facit also made him an equal in the sphere around Skånska Banken and thus gave him access not only to tangible resources such as capital, but also to intangible ones such as information. Elof Ericsson used these resources in the continuing development of the Facit business group, not least when Halda, a producer of typewriters, and Original-Odhner, a producer of adding machines, were acquired in 1938 and 1942 respectively. In both these cases, especially in the negotiations preceding the acquisitions, Ericsson’s personal network was essential for the outcome.22

American, German or Swedish made machines?

Elof Ericsson’s efforts as a CEO were characterized by cautiousness and the avoidance of risks in economic matters, combined with a strong market orientation. The main products of Facit, from the early 1920s up to the late 1940s, were office furniture, shop fittings and other forms of wood processing. The products were sold through the company’s own sales organization and through contracted dealers. However, the economic depression had made the need for complementary products acute, not least to keep the retail dealers satisfied. It was decided that different kinds of office machines were to be the products to supplement the existing product portfolio. Elof Ericsson identified the American market and the American producers as having a leading position within the international office machine industry. The United States was by far the largest market, it had the largest companies and the latest innovations – in technology, in marketing and in financing – were all first introduced in this market. Hence, Ericsson engaged in negotiations with several American companies concerning the exclusive right to sell office machines, primarily on the Swedish market. From

the mid 1920s Facit sold calculating machines made by Peters, typewriters made by Royal and adding machines made by Dalton.\textsuperscript{23}

Elof Ericsson did not consider it to be important that the sales organization had Swedish-produced office machines, or machines produced by the Facit organization, in the product selection. On the contrary, office machines produced by American, and German, companies were considered to be of the best quality available and were furthermore the best bargains. Setting up its own production line to compete with imported machines seemed to be an impossible task. In spite of this Elof Ericsson and Facit did make an attempt, although on a rather small scale. Facit owned the rights to produce and sell a calculating machine, named Facit. The Facit machine suffered from severe quality problems, however, and never became a commercial success. In the late 1920s therefore Elof Ericsson began negotiations with the German company Brunsviga, aiming at selling the rights to produce Facit machines and actually the whole production line, including all machines and inventories. The Facit organization was then to exclusively sell office machines made by Brunsviga and would thereby be reduced to being a sales and marketing organization. The deal was very close to finalization in early 1930 when Brunsviga suddenly withdraw from the negotiations, claiming that Facit’s contract with the inventor of the machine, Karl Rudin, was too favourable on behalf of Rudin and made the economic consequences of a deal incalculable.\textsuperscript{24}

Just a couple years later the new, improved Facit calculating machine was introduced and became an immediate success; improved versions of the machine became one of Facit’s main products up to the late 1960s.

At this point, i.e. the mid-1930s, several of the American producers started to set up their own sales and marketing organizations worldwide, including on the Swedish market and thus no longer had any need for Facit’s sales and marketing organization. Hence, due to the obvious risk of having no office machines at all to

\textsuperscript{23} Minutes of the Board, 17.3.1923, 16.2.1924, 20.6.1924, 9.2.1925 and 5.9.1925, The Facit-archive, Åtvidabergs community.

\textsuperscript{24} Folke Stenbeck, sales manager–Elof Ericsson, 27.11.1929, Elof Ericsson–Erland Berglöf, member of the Facit board, 20.1.1930 and Elof Ericsson–Folke Stenbeck, 30.1.1930, The Facit-archive, Åtvidabergs community.
sell, Facit and Elof Ericsson were more or less forced into setting up the production of office machines within the company’s own organization. In May 1929 Elof Ericsson had been offered the rights to produce a newly constructed typewriter, Norden. But since, in his own words, it was “awfully hard” to compete with American typewriters, the offer was turned down.\(^{25}\) In the late 1930s however, when the situation was rather different and competition on the Swedish market had increased, Elof Ericsson was grateful to have yet another opportunity to buy a domestic producer of typewriters, i.e. Halda. With the acquisition of Halda, and of Original-Odhner in 1942, Facit had a product portfolio of office furniture and office machines, including typewriters, adding and calculating machines, all produced by its own organization. During and after World War II this production capacity was successfully utilized to gain market-shares worldwide, while the strongest competitors, the American and especially the German producers, were occupied with the consequences of World War II.

### III. The second generation: continuity and change

In the early 1940s Elof Ericsson was the undisputable leader of the Facit business group, and he had also taken over the role as patriarch of the community of Åtvidaberg. Following the meagre years in the 1920s and 1930s, the Facit business group from now turned into a true profit-making machine, not least to the joy of the shareholders.\(^{26}\) Elof Ericsson had now started to plan for the succession in the family company. He had three children, two sons – Gunnar (b.1919) and Lars (b.1922) – and one daughter, Ulla (b.1924). The younger of the two sons, Lars, was designated as the one to take over the leadership of Facit, since he, according to Elof Ericsson, had “a mind for business”, while Gunnar, also according to the wishes of his father, was to study either medicine or law when

\(^{25}\) Folke Stenbeck–Elof Ericsson, 27.5.1929 and Elof Ericsson–Folke Stenbeck, 28.5.1929, The Facit-archive, Åtvidabergs community.

\(^{26}\) The annual rate of returns on the shares during the 1940s and 1950s was between 8 and 14 percent; see Annual reports of Facit.
the war was over. However, the predestined heir Lars died in complications following peritonitis in the summer of 1943.\textsuperscript{27}

Gunnar now had to shoulder the role as the next generation of manager in the Ericsson family. After graduating from Stockholm School of Economics in 1946, he spent the next couple of years in different positions in the company, mostly in the sales and marketing departments. In 1951 he was appointed as CEO of Facit’s largest subsidiary, and from 1957 he took over as CEO of the entire business group. Since the second remaining inheritor of the family business was female, she couldn’t get any higher, managerial position within the Facit organization. But when Ulla Ericsson became engaged to Lennart von Kantzow, the problem of how to divide the heritage, i.e. the control over the Facit business group, between the two siblings was solved. In 1953 Kantzow was appointed vice CEO of the subsidiary Original-Odhner, and in 1956 he took over as CEO. Elof Ericsson also made it very clear, not least in his contacts with other executives within the organization, that the two – Gunnar Ericsson and Lennart von Kantzow – were to be treated as equals, as brothers.\textsuperscript{28}

Continued market orientation and growth

Under the leadership of Gunnar Ericsson, Facit’s market orientation increased even more. The worldwide marketing and sales organization, together with the corporate brand \textit{Facit}, was identified by Gunnar Ericsson as Facit’s comparative advantage vis-à-vis the international competitors. Furthermore, the strength of the marketing and sales organization was to reduce the dependency on technological development, which at this time was becoming more and more costly, not least due to the introduction of electronics. An internationally strong brand was considered to guarantee a high quantity of sales of in principal any product. Campaigns, such as a market campaign named “the new deal” in the late 1950s,


were launched with the intention of both strengthening the brand on the global markets and coming to an internal consensus about what had to be done in order to continue to compete successfully with the leading companies within the business.²⁹

In 1966 Facit merged with Addo, Sweden’s other remaining producer of office machines. Facit was about three times larger than Addo at this point, and altogether the Facit business group now employed nearly 12,000 people while total sales were about 700 million SEK. The merger was first and foremost motivated by economies of scale. The tendency within the international business of office machines in the 1960s was that the companies were getting bigger and bigger, and a large number of European and American independent producers were bought by, merged with, or got involved in far-reaching collaborations with the larger ones.³⁰ These structural changes were naturally first and foremost motivated by the increasing costs connected to the research and development of new products, based on electronics. Also Gunnar Ericsson and the rest of the top management in Facit were convinced that for Facit to be able to continue to compete successfully the organization had to be much larger, and by merging with Addo this could be attained both quickly and relatively smoothly.

Furthermore, Facit’s previous attempts to develop electronic products on its own had turned into a rather costly failure. In the mid 1950s Facit had launched a program for the production of large-scale computers, based on the BESK-machine, which for a short while in the mid 1950s was among the fastest electronic calculators in the world.³¹ However, as American companies such as IBM, Remington Rand and RCA, due to relaxations in the general prohibition for American companies to export computers and other possibly military strategic products to Western-European countries like Sweden, decided in early 1959 to establish themselves on the Swedish market (which was Facit’s main market for

³⁰ For example the Italian company Olivetti and the American company Remington Rand in 1960, see Cortada (1993b) and de Wit (1994).
the BESK-machines), the project was more or less doomed to fail. In late 1961 Facit’s computer venture came to a halt. Further investments in the development and production of large-scale computers were immediately stopped. The losses stemming from the computer project have been estimated to be about 30-40 million SEK. On the other hand, the management of Facit was becoming more and more convinced that the development of electronics would, at some time in the future, completely change the entire business of office machines. The problem was only to know when this was about to happen and exactly how to meet this technological challenge.\(^{32}\)

A final motive for the merger with Addo was the previous, also failed, attempt to establish co-operation with the American company Autonetics. In August 1960 Facit and Autonetics, a subsidiary of North American Aviation Inc. and specialized on electronic products for military purposes, signed a cooperation agreement. Autonetics was to produce and sell some of the peripheral computer products that Facit had developed for the North American markets. The two companies also gradually became more and more involved in developing an electronic desk calculator, thereby make use of Autonetics’ long experience within military technology. The first 1000 calculators were scheduled to be delivered in the beginning of 1966. However, the (very few) machines developed by Autonetics were troubled by severe quality problems, and Autonetics failed to deliver the calculators. To sum up, the cooperation with Autonetics resulted in a negligible number of delivered electronic calculators.\(^{33}\)


IV. The internal conflicts and increased competition

Just like Facit, Addo was a family company. Gunnar Agrell was the CEO of Addo, a position that he had inherited from his father Hugo Agrell, and, together with his younger brother Göran Agrell, he was the majority owner of Addo. The merger with Facit (the deal was actually an acquisition made by Facit, but the Agrell family insisted that in the official documents it was to be referred to as a merger between two equal partners) gave the Agrell family a substantial amount of influence over the Facit business group. For example, Gunnar Agrell was guaranteed the position as vice CEO of Facit and became a member of the board for a minimum of ten years. As a consequence the Facit business group now had a leadership troika, consisting of Gunnar Ericsson, Lennart von Kantzow and Gunnar Agrell. All three were simultaneously managers – Ericsson as the CEO of the whole Facit business group, Kantzow as CEO of the subsidiary Original-Odhner and Agrell as the CEO of the subsidiary Addo – and representatives of the owners, a situation that would prove to have an obstructive effect on the process of structural rationalization that already had begun.

In order to speed up this process Gunnar Ericsson in June 1967 appointed a committee, jointly lead by the two vice CEOs Kantzow and Agrell, with the mission to suggest and carry out measures that would realize the intended economies of scale and produce the synergy effects, thus strengthening Facit’s ability to compete with its international competitors. This first committee, followed by several others, was however a great failure. The leadership troika time and time again failed to come to agreement about exactly how to get rid of the numerous parallel units within Facit. All the three largest subsidiaries of the Facit business group thus continued to have their own departments for research and development, for production and for sales and marketing. A circumstance that definitely slowed down, or in some cases even prevented, the structural rationalization of the Facit organization and the management’s understanding of the coming effects of contemporaneous changes within technology was the fact that Facit’s sales and profits continued to grow during the rest of the 1960s.

Especially Kantzow and Agrell opposed any form of rationalization or downsizing of “their” respective organizations, i.e. the subsidiaries Original-Odhner and Addo. Several statements from the late 1960s also reflect the positive visions of the future that some of the managers had.  

The threat from Japan

Japan had been a small, but stable market for Facit’s products since the 1920s. In the early 1960s Facit started to pay the Japanese market considerably more attention. Gunnar Ericsson and other highly placed representatives of Facit made frequent visits to Japan and thus engaged in both open-minded and more direct business negotiations with government officials and several private companies. In the mid 1960s, when the first electronic calculators produced by Japanese companies were launched on the international markets, Facit intensified negotiations with three companies; Sony, Canon and Hayakawa (from 1970 Sharp). In November 1965 Gunnar Ericsson signed a “Memo of understanding” with Hayakawa/Sharp, which gave Facit the exclusive, global right to sell a newly constructed electronic calculator; at least that was Facit’s interpretation of the agreement.

In the continuous negotiations with Hayakawa/Sharp, Facit’s attitude was that it did have the exclusive global rights to sell the machines produced by the Japanese company. In Facit’s internal discussions, however, Gunnar Ericsson concluded that he had reliable information stating that, in addition to the agreement with Facit, Hayakawa/Sharp had negotiated with several other companies in Europe as well as in the United States. The exclusive rights were thus probably a mere illusion, and Facit could only hope that Hayakawa/Sharp would deliver the stipulated machines. To prove its loyalty to the first agreement

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35 In May 1967 Kantzow stated that the electromechanical machines produced by Original-Odhner were competitive despite the current technological developments and could very well continue to be competitive as long as to the 1980s; see Protocol dated 31.5.1967.

with Hayakawa/Sharp, Facit turned down several offers from other Japanese producers, such as Casio and Toshiba.\(^{37}\)

The cooperation with Hayakawa/Sharp turned out to be a large failure on the part of Facit, very reminiscent of the way that the cooperation with the American Autonetics had ended. The first electronic calculators produced by Hayakawa/Sharp were greatly delayed and had severe quality problems. Furthermore, in the fall of 1967 Gunnar Ericsson found out that Hayakawa/Sharp had signed a deal with Burroughs, an agreement much like the one it had previously signed with Facit. Gunnar Ericsson contacted Akira Saeki, CEO at Hayakawa/Sharp and demanded an explanation: “When we made our contract with you we had no idea about your negotiations with Burroughs. Of course it might be difficult for us to judge the reaction on the market with two big groups outside Hayakawa’s own sales organization handling the same product.”\(^{38}\) Saeki was, however, indifferent to this and later protests by Gunnar Ericsson and Facit about how to conduct business. Gradually the management of Facit thus became more and more convinced that it was only a matter of time before Hayakawa/Sharp would make yet another similar agreement with other companies and then eventually, as the final step, build their own global market and sales organization. At that point Hayakawa/Sharp would of course no longer continue to deliver competitive machines to Facit. In November 1970 Hayakawa/Sharp announced the establishment of such an organization, an organization that furthermore would also include Facit’s home market. The cooperation with Facit had come to a definite end.\(^{39}\)

The experiences from the cooperation with Hayakawa/Sharp had made Gunnar Ericsson even more convinced that the technological development, combined with the new competitors from Japan, would change the entire international business of

\(^{37}\) F Kameoka, Director of Casio’s export department–Facit, 18.5.1966, N Yamanaka, director of Toshiba’s export department–Facit, 1.3.1966, C-A Skande–N Yamanaka, 4.3.1966 and C-A Skande–Runo Nessén, 8.3.1966.


office machines. Facit was definitely no longer among the leading companies when it came to research and product development; the technological development was too costly for a comparatively small company such as Facit. Thus Facit, even more than before, had to rely on its market and sales organization, on its strong brand name and on its ability to engage in fruitful cooperation with other companies. The attempts to rationalize and downsize the organization when sales had begun to drop due to the new competition was, however, continuously slowed down by the top management’s inability to reach a mutual understanding.

Individuals taking part in the discussions in the late 1960s and early 1970s, for example Bert Almqvist, manager of the R&D-department, and Göran Arvidsson, sales manager, have indicated how difficult, not to say impossible, it was to make cutbacks in and rationalize the Facit organization. Every economically rational argument fell on the fact that it did not have the support of some, or all, of the owners. Furthermore, Gunnar Ericsson has himself stressed the fact that he was too weak in his decision-making at this stage. He almost desperately tried to avoid conflicts among the owners and showed too much consideration for the inescapable socio-economic effects of cutbacks, such as higher levels of unemployment in Facit’s “hometown” Åtvidaberg, and thus he paid less attention to the more strictly economic arguments. Nor did the connections and strong personal relations with the Roos family and the Skånska Banken-sphere offer any help to Facit. The sphere was too weak financially, not least due to the fact that not only Facit, but several other industrial companies belonging to the sphere suffered from declining economic results in the early 1970s.

V. Conclusions

The case of Facit, or the history of the rise and fall of the Swedish office machine industry, can be used to analyze more fundamental questions of the succession of ownership and leadership within family companies, as well as how family ties and

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personal relationships can have an obstructing effect on the decision making process. It is also a striking contrast to the often-told stories of successfully managed multigenerational family companies. The first generation of the Ericsson family in charge of the Facit business group, Elof Ericsson, very intentionally transformed it into a family company. Once hired on the basis of his capabilities as a professional manager, Elof Ericsson in the 1920s and 1930s gradually took over also ownership of Facit and the role as the patriarch of the community of Åtvidaberg. From the 1940s and on, the Facit business group and the Ericsson family were seen as synonymous, as an indivisible unit. The wellbeing of the community also became more and more dependent on Facit’s development and continued growth.

The second generation of the Ericsson family, the remaining son Gunnar and the son-in-law Lennart von Kantzow, were appointed as CEOs of the Facit business group and the subsidiary Original-Odhner respectively on the basis of kinship and not for their professional skills, which was (and is) a natural principle of selection in family companies. The instructions from Elof Ericsson, the founder of the “family dynasty”, were clear: the two were to be treated as equals, with equal power in long-term, strategic decision-making and in their roles as representatives of the owner family. In retrospective it seems to have been a mistake to divide the power of ownership into two. The two heirs, Gunnar Ericsson and Lennart von Kantzow, defended their respective “hereditary kingdoms”: Lennart von Kantzow the Original-Odhner organization based in Gothenburg and the West coast of Sweden and Gunnar Ericsson the units based in the community of Åtvidaberg. They were thus both trapped by their heritage. When Addo was acquired in 1966, the leader- and ownership duo was enlarged into a troika, where all three members were owners and managers at the same time. The influence over Facit was now divided into three, which further reduced the ability to achieve effective and flexible decision-making. In all instances and in all issues concerning the future of the company, the vote of family members had priority. Facit was thus burdened by both tradition and by its character as a family company, ultimately resulting in a lack of the adaptability required.
It is also obvious that the management of Facit was not, in any sense, surprised by the rapid technological development within the business of office machines, i.e. the development of electronics. The management was very well aware of the technological developments already in the 1950s and also made several attempts to meet and overcome the obstacles for continued growth and prosperity. However, the inability of the top management in Facit, especially of CEO Gunnar Ericsson, to create a consensus regarding which strategies to adopt and how to execute these strategies made Facit suffer from severe organizational inertia.
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1. Facit’s CEO Gunnar Ericsson and Brazilian football player Pelé on the cover of the leading Swedish business journal Veckans Affärer in July 1966. The picture was taken when the Brazilian national team located a two-week long training camp, preparing for the FIFA World Championships in England 1966, to Facit’s domicile and “hometown”, the community of Åtvidaberg. Their stay was entirely financed by Facit.

*Courtesy of the Facit archive, Åtvidabergs community.*