

Newly Established Fast Growing Nordic Companies

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1. Introduction

It is of utmost importance, for the vitality of the business sector and of the economy as a whole, that there is a continuing restructuring of the economy. Old companies change or die away, new companies are established and grow. Unprofitable companies exit from the market and resources are moved to more efficient (profitable) producers.

The creation and growth of new successful firms makes up one of the most important factors in the transformation process. In this study we will describe forty fast growing Nordic companies established (except for Norway) during the last decades. The ambition of the study is not to make any deep analysis of each company, but rather to present short descriptions and stress the main business strategies and factors of success. Furthermore, our case studies are not a listing of the most successful companies in each country. Many other companies may have had a better or – at least – as good a development. The study could thus be seen as an empirical, micro-based description of some of the recent industrial trends discussed in the different country chapters.

Success can be defined from three different viewpoints: a) technological success – a technologically superior product, b) commercial success – a product selling in large volume, and c) economic success – a product which rate of return is higher than that of all alternative uses of the money invested. Success in the first two fields does not guarantee economic success. In this chapter we will study economically successful companies. However, as data are often missing, we will sometimes have to use profitability proxies such as growth in sales and number of employees. It is also important to stress that success yesterday and today doesn't guarantee future success. The chosen companies may not be as successful in the future (Jagrén 1986).

As one main ambition of the chapter is to give some empirical examples regarding the creation and growth of new companies and the transformation of the business sector, we have primarily chosen to include companies established after the second world war. However, it is important to stress that a major part of the restructuring of the economy takes place within the old and large companies (Oxelheim 1984 and Jagrén 1986) analyzed in the 1984 Nordic long term survey. Thus, companies like Ericsson, Volvo, Novo, Nokia, Wärtsilä, and Norsk Hydro are not included.

Another important point to stress is that small companies seldom become large independent enterprises. Instead they are in most cases acquired by larger firms due to financial difficulties caused by the rapid expansion (Jagrén 1986).

The other main ambition of the study is to discuss the factors explaining the rapid growth of the companies. Is success primarily explained by:

- Growing international demand?
- New marketing strategies?
- Price competition?
- Financial strength?
- Other factors?

The sample of companies has not been chosen according to any strict definition rule regarding average growth, number of employees, profitability etc. Criteria differ somewhat between the Nordic countries. Due to missing data, some of these criteria had to be relaxed for some of the companies. Company data was collected through interviews and annual reports, but especially profitability data often proved impossible to get for earlier years. This means that we can have included fast growing firms with low profitability during the earlier periods.

In all countries we have tried to include companies from different sectors, with different owner categories and with different organizational forms, to show that there does not exist any single best solution as to how to achieve growth and success. Success depends on individual entrepreneurial skill which differs from case to case and from individual to individual. Economic policy plays an important role in creating incentives for the potential entrepreneurs.

The chapter is divided into four separate sections describing companies in each of the Nordic countries. It is concluded with a section summarizing the different categories of factors explaining the success.

2. Danish Fast Growing Companies

The Danish case studies have been selected according to the following criteria:

- among the 500 largest Danish enterprises in 1985
- high growth and good profitability
- established after or during the Second World War (with the exception of Radiometer, which was founded in 1935)
- it has been our aim to select firms from many different lines of business.

A large number of enterprises qualified for being included in the group. It is neither solely nor primarily among the more recently established firms in Denmark that we can find the growth potential of the last few years. There has been a long series of old, well-established enterprises that have demonstrated good growth and earning capacity, and among these are several of the largest firms in Denmark. None of the selected cases can be found among Denmark's 100 largest firms, which is characteristic of the structure of industry in this country. Industry mainly consists of small and medium-sized firms and among the 100 largest firms in Denmark, it is only a few that have been founded after 1945. In the final selection the enterprises listed in Table 1 were chosen.

Table 1 Successful Danish companies

	Estab- lished	Turnover (Mill. DKK)						Number of employees		Foreign sales %	Business areas
		1950	1960	1970	1975	1980	1985	1980	1985		
Coloplast A/S	1957					165 ^a	394	434 ^a	769	96	Paints
Egetaepper A/S	1951				147	380	740	444	654	67	Carpets
Eskofot A/S	1941				67	240	425		765	95	Graphic
Flügger A/S	1946	2 ^b	5 ^c	33 ^d		167	364		415	20	Measuring equipment
In-Wear A/S	1973				52	160	1 191		545	90	Clothes
Micro Matic A/S	1953				20	45	155	285	251	70	Extractor tubes
Migatron A/S	1970			0.01	18	79	153	190	235	70	Welding machines
Radiometer A/S	1936		12	66		291	658	841	1 309	93	Medical equipment
System B8 møbler A/S	1941				33	65	105	173	220	33	Office furniture
Vestas A/S	1946				33		800		800	85	Windmills
Total manufacturing ^e	(average)						42 ^f		56 ^f	-	
200 largest companies	(average)						2 286 ^f		2 626 ^f	-	

^a 1983/84, ^b 1949/50, ^c 1959/60, ^d 1969/70, ^e companies with more than 6 employees, ^f 1984.

Note: The producer price index rose from 100 in 1950 to 131 in 1960, 177 in 1970, 286 in 1975, 413 in 1980 and ca 595 in 1985.

Coloplast A/S

Coloplast is a typical example of a firm with a large market share in a pronounced niche product area. Coloplast started in 1957 with a patent for products for ostomy-operated patients (patients with an artificial anus) and experienced a constant, good growth from the beginning.

Since the end of the 1970s Coloplast has demonstrated a high rate of growth and a good earning capacity which is primarily due to very active marketing efforts on the export markets.

During the 1970s Coloplast diversified its activities to include a number of related areas, namely the incontinence products as well as products for the care of the skin and wounds. Ostomy products still account for 80 percent of the turnover.

Coloplast has approximately 33 percent of the world market for ostomy products but is up against keen competition from two American firms. Coloplast's strength is a specialization in the development of products which compete on a high quality level and on supply security. Coloplast sells 3/4 of its products on the European market, which with the company's high quality requirements is a relatively safe market, and in addition to this the customers buying the products are relatively loyal to the brand.

Egetaepper A/S

Egetaepper was founded in 1951 by Mads Eg Damgaard, who is still controlling the firm as far as finances and management are concerned.

Egetaepper started with a mixed textile production but began to specialize in manufacturing carpets from 1953, which brought about a quick increase in sales. Egetaepper has attached great importance to the development of advanced production technology which has been a very favourable thing as far as competition is concerned. The acquisition of the Millitron dyeing plant and a design computer gives Egetaepper the possibility – as the only firm in Scandinavia – to weave carpets with an individual design, for example with a firm's logo. The production of carpets of a high standard with regard to both design and quality combined with intensive marketing has given Egetaepper a trade mark position as one of the few in the line.

Since the end of the 1960s Egetaepper has acquired a number of firms that are affiliated to yarn and carpet production and through rationalizations and new investment Egetaepper has extended the product range and secured a subsupplier of yarn. Egetaepper is today the largest carpet manufacturer in Scandinavia and one of the ten largest in Europe.

Eskofot A/S

Eskofot was founded in 1941 and was a private limited company until it was quoted on the stock exchange in 1984.

Eskofot's first activity was production of photocopiers, and the sale of photocopies contributed to developing the photocopiers in the 1960s. In 1972 the company launched its first reprographic camera.

Today Eskofot is a leading manufacturer of equipment for the graphic, photographic and electrographic industries and has a very wide product range within offset and reproduction equipment, colour copying, etc. Eskofot finds it important to be a "total supplier" and has only one (Japanese) competitor in the world with the same wide product range.

It has been decisive for Eskofot's continued progress that the company has been able to occupy a leading position with the newest technological development so that it is Eskofot that leads with new products in the line. Therefore Eskofot has a strong position on the market and in addition to selling its products under its own name, Eskofot manufactures equipment which other firms (Kodak, Agfa, 3M, etc.) sell under their names. Competition from Japan has forced Eskofot to give up the photocopy sector definitely at the beginning of the 80s.

Eskofot started using industrial designers at a time when only a few others had thought of using designers for industrial products and since then the company has been awarded many design prizes. Eskofot has also attached great importance to the marketing of its products on other points, and part of the success that the company has had can be explained by the conscious way in which they have aimed at good marketing.

Flügger A/S

From 1890 Flügger was a small branch of a German company, but in 1946 Flügger was taken over as a completely Danish personally owned company. Flügger was converted into a limited company in 1970 and was quoted on the stock exchange in 1983.

Flügger is one of the biggest Danish producers of paint products. At the end of the 1960s Flügger was the chief supplier in the market for house paint with a market share of 50 percent. After the first oil price shock in 1975, the activities in the building sector declined and so did the sale of house paint. For Flügger this was the beginning of intensive marketing efforts on the retail market where Flügger established a chain of retail shops, most of which were owned by master painters on a sort of franchising basis. This led to a considerable expansion in this market where Flügger now sells 25 percent of its output.

Neither as to price nor quality do Flügger's products deviate from those of the competitors. The major reason for the growth experienced by Flügger during the last few years is the aggressive marketing of the products through the expansion of the chain of stores. With its 135 shops Flügger has one of the largest chain of shops dealing in paint products in Denmark.

As for the product range, Flügger's expansion is based on the philosophy of "production and marketing of a complete range of paint products" and the company has diversified its activities to comprise a number of related fields through acquisitions of a number of Danish and Swedish firms within the lines of wall-paper, paint brushes and sandpaper.

In-Wear A/S

At the end of the 1960s Niels Martinsen and the designer Kirsten Teisner started a fashion firm, which on top of the cowboy style of the 1960s wanted to launch a style of clothes for the new generation: The In-Wear line for women, which was followed up six years later by a men's line of the name Matinique.

Since the end of the 1970s In-Wear has expanded very markedly and has at the same time demonstrated a great earning capacity. 90 percent of the sales are handled by foreign sales companies in a number of – primarily Northern European – countries.

In-Wear is concentrating on product development/design and marketing of the collections whereas the collections are produced at a number of suppliers' factories.

With its collections In-Wear has been able to create its own style without being too far from the main current at the same time. The design and the quality of the clothes have made In-Wear/Matinique branded goods which are only slightly sensitive to price fluctuations.

The company also intensifies its efforts within the marketing of the collections with video tapes, travelling shows, advertisements, etc., and the company is selective with a view to its choice of shops: they are to "be in the right spot" and they must be ready to focus on In-Wear/Matinique as far as sales and displays are concerned. In return In-Wear will assist the shops with the advertising, the lay-out of the shop and in this way try to create the uniform sales and advertising strategy that contributes to creating the special image.

Micro Matic A/S

Micro Matic is the world's biggest producer of extractor tubes for breweries, and with a global market share of more than 40 percent Micro Matic is more than 50 percent bigger than its largest competitor.

Micro Matic was founded in 1953 and at the beginning the company produced time-switches and simple electronic products. In 1970 Micro Matic started production of dispense equipment which later turned out to be the future principal product of the company.

With this product Micro Matic secured a large share of the European market at the end of the 1970s, which was further strengthened at the beginning of the 1980s. The export growth has accounted for almost all growth in sales that Micro Matic has experienced since the end of the 1970s.

The fact the Micro Matic has managed in a short time to achieve a leading position in the market is due to several factors: Micro Matic has specialized within a very small field and only produces high-quality goods. Furthermore it has been decisive that the company has been flexible with respect to both production and products, and it has therefore been able to cover the requirements and meet the specifications of the individual breweries. With small changes Micro Matic thus produces 400 different versions of extractor tubes. Finally it is a market with a high degree of brand loyalty.

Migatronic A/S

The welding machine factory Migatronic was founded in 1970 and has since then displayed a high rate of growth and a good earning capacity.

Migatronic produces a wide range of welding machines, advanced electronically controlled ones as well as less advanced standard welding machines, and recently the company started producing welding robots. The medium type of machine accounts for most of the sales.

Already at an early stage Migatronic exported a little but not until 1978 did the company really intensify its efforts on the export markets. At the same time as the home market is contracting, Migatronic sets up subsidiaries in England, Germany and France.

Migatronic's success can be ascribed to several factors:

- 1) A business culture which has created a high degree of motivation among the dealers.
- 2) The small size of Migatronic compared with the giants on the market gives the company greater flexibility, and with its wide product range Migatronic has manufactured products which are adaptable to the individual requirements of industry. Moreover, the products are built according to a modular systems which facilitates repairs.

- 3) The implementation of a long-term production planning and rationalization project to get closer to an "ideal factory", the main idea of which is a division into five mini-factories where each link in the chain provides the next link with the daily requirements. The project has resulted in considerable profits based on rationalization.

Radiometer

Radiometer was founded in 1935 and started by delivering measuring equipment to the expanding radio industry. In 1937 the company developed a pH meter for the measuring of the acidity of liquids and in the course of the 1950s Radiometer developed measuring instruments for the determination of the acid-base balance of blood. Today these and other medico-technical apparatus constitute the cornerstone of the product range of Radiometer. The products are primarily sold to the hospital sector, to research institutes and to the chemical industry.

Radiometer was converted into a limited company in 1964, but is still controlled by the former owner family.

Radiometer has experienced rapid growth during the last few years. Since 1979 sales have increased by an average of more than 20 percent annually and Radiometer has also demonstrated a good earning capacity. Radiometer's products are not very sensitive to price fluctuations and they compete on precision and durability. Radiometer's success can first and foremost be ascribed to the combination of technological know-how and experience within a number of related areas which have enabled the company to produce accurate and reliable instruments and measuring systems. The high technological level is ensured through large research and development costs equaling 10 percent of the sale, which is even expected to be raised to 15 percent in future in order for Radiometer to hold its own in the competition.

Radiometer has introduced a more expansive strategy on the export markets and has wanted to diversify its production to include related areas and markets through acquisitions of foreign firms. Financially this has been rendered possible on the basis of the profitability of the last five years, which has created a large liquidity reserve.

System B8 møbler A/S

System B8 møbler, which is one of Denmark's leading manufacturers of office furniture, started its activities in 1941 as a sawmill. The mill only manufactured furniture in the winter months when there was not enough timber to be cut up.

In 1973 System B8 marketed its first office furniture system and as this was a success, the company has launched another two systems since then. Today office furniture constitutes 70 percent of System B8's sales and the production of kitchens accounts for the remaining approximately 30 percent.

The furniture systems are specially developed with a view to "the electronic office" where the modules are designed to be used in connection with VDUs, PCs, etc. The company invests heavily in product development and makes a point of the products being of good quality, well designed and ergonomically correct. In return the products are relatively insensitive to price fluctuations.

The market for office furniture is today experiencing a tremendous growth, but System B8 møbler has also been able to present good growth figures in periods when the market was stagnant. The success can be ascribed to good strategic planning in product development as well as marketing, and especially the company philosophy in the product development – to produce office furniture systems which can be expanded and adapted for almost any requirement for office lay-out – has turned out to be lucrative.

A/S Vestas

Vestas, which is today the world's largest manufacturer of windmills, is a personally owned limited company, that was founded in 1946 with a production of kitchen appliances and agricultural machinery. After the first energy crisis in 1973–74 sales conditions were impaired and Vestas tried to find new products. The first attempts with windmills were made in 1978–79, and in 1979 it was decided to start production.

Right from the beginning the sale of windmills has been subsidised as plants for renewable energy have received government grants in Denmark since 1979. Thus a market potential was created for a technology which could not otherwise break even. The exportation of windmills to California has also been assisted by favourable taxation conditions for investors.

In 1985 Vestas had a market share of 26 percent of the American market representing 90 percent of the world market. The major competitors are other Danish windmill producers and competition is fairly keen. Windmills are sold solely on the relation between the electricity output of the mill and the price.

It has of course been very important to Vestas that the actual market for windmills has shown such an explosive growth, assisted by public subsidy schemes. However, besides this there is a number of factors underlying Vestas' success which are more specific:

- Vestas' products – and those of other Danish windmill producers – are more competitive than the windmills of the American airline companies even though these companies have a much larger development budget and many years of experience in aerodynamics. This is due to the fact that Vestas as a manufacturer of agricultural machinery has been used to making technologically simple and dependable products contrary to the technologically advanced mills that the aviation industry has produced and which in return have been vulnerable and unable to live up to the demands for reliable operation.
- Vestas came into the market for windmill production so early that they can document several years of experience in the operation which is the buyers' guarantee for dependability and efficiency.
- A third factor has been the close cooperation between research, authorities, users, producers as well as light and power companies in Denmark.
- Vestas is manufacturing more products at their own factory than most other windmill manufacturers which means greater supply security, flexibility and better control of the product development.

The prospects for the future of Vestas are good. On a somewhat longer view the great potential for exports is expected to be in the third world, especially in the countries where the trade wind blows and where there are ideal possibilities of production of electricity by means of a windmill. At the same time Vestas has strengthened its position within its old product areas and has purchased a number of firms in order to strengthen and expand its product range.

3. Finnish Fast Growing Companies

The enterprises listed in Table 2 were chosen in Finland as examples of newly established successful companies.

A majority of the chosen firms can be classified to be small or medium-size companies. Three of the companies are primarily oriented towards domestic markets, the others are highly internationalized. With one exception (Jaakko Pöyry Group) all companies are originally manufacturing firms, but some of them have developed towards service production by growing close to customers and supplying not only goods but also various kinds of services in the form of production systems, "turn-key" packages, maintenance services, etc.

Table 2 Successful Finnish companies

	Estab- lished	Turnover (mill. FIM)				Number of employees				Foreign sales %	Business areas
		1960	1970	1980	1985	1960	1970	1980	1985		
The Ensto Group	1958	1	8	110	240	25	165	600	713	25	Electrical equipment
Isku Companies	1928	10	55	260	500	505	1 450	1 800	2 090	3	Furnitures
Kemppi	1949	7	17	150	186	80	200	666	526	70	Welding equipment
Larox	1962			20	63			95	150	80	Measuring equipment
Makron Companies	1965	—	2	11	140 ^a	—	10	80	396 ^a	60	Machinery plastic
The Martela Group	1945			117	255			495	674	12	Office furnitures
Mobira	1979	—	2	68	660	—	50	300	1 300	65	Mobile telephones
The Oras Group	1945	2	17	125	272	110	334	500	964	40	Mixers, valves
The Jaakko Pöyry Group	1958				375				2 000	78	Engineer- ing and consulting services
Vaisala	1936			68	118			265	370	90	Meteoro- logical in- struments
Total manufacturing ^o	(average)				17.5				40	35	
500 largest companies	(average)				470				880	40	

^a 1.5.1985–30.4.1986.

Note: The producer price index in manufacturing rose from 100 in 1950 to 170 in 1960, 250 in 1970, 769 in 1980 and 1 096 in 1985.

The Ensto Group

The Ensto Group specializes in marketing and producing electrical accessories for electricity plants and telephone companies; distribution boards and components; programmable switching timers; electrical heating systems; installation materials, light fittings and wiring fittings. With a market share of about 75 % the company is a market leader in Finland. It has plants in three localities in Finland, subsidiaries in Stockholm and Oslo and, since 1986, a factory for light fittings in Ireland.

The company was founded in 1958 by Ensio Miettinen as an engineering company, the origin of the present Ensto group. The business idea was to produce small electrical accessories by means of automatic lathes. The 1960s also saw a strong expansion of plastic pressing tools.

For a long time, the company was managed with an entrepreneurial strategy in the hands of the founder. It did not proliferate into other fields but stuck strictly to its traditional field of know-how. As the company expanded, production units were organized into profit centres. In 1979 the company began to move towards delegated management responsibility: a new MD was hired and the owner assumed his duties in the Board of Directors.

To keep ahead of customer demand and technological advances is an essential strategy of the Board. The latest project launched in 1985 is an automatic lighting system for airports, which is rapidly gaining markets at home and abroad.

Isku Companies

In the 1920s a young man – Eino Vikström – started to work as an apprentice in a joinery shop, becoming soon a partner and ultimately the owner. The company called Lahden Puukaluste Oy was established in 1928, specializing in office furniture.

Steadily gaining market shares in the 1950s, the next step for the company was to set up a network of retail outlets. A new dynamic name "Iskukaluste" was adopted, the Finnish word "isku" meaning a strike, a blow etc., up to a striking success. End 1960s saw an upstream expansion: the company built its own sawmill and production facilities for chipboard and plywood. In the 1980s it was the leading manufacturer in its field in Finland. This decade saw a new surge of investment in retail outlets. Farsighted financial planning and the revision of the corporate taxation laws by end-1960s enabled the company to improve its capital structure and accumulate risk capital.

Key elements in Isku's strategies are a large assortment for both home and public facilities; Isku's own retail network and production of materials to assure control over quality; financing facilities geared to marketing efforts (terms of payment and hire purchase). There is an integrated process from logs to finished furniture covering all the requisite techniques. Designers are involved in the planning process from preliminary sketches to finished products and they follow the market response so as to get a quick feedback through Isku's sales organization. All steps of the production and marketing process are under control.

1982 saw the beginning of import and wholesale of carpets through Isku's outlets and other retailers to make for a more complete service. Isku provides interior furnishing service in cooperation with the customer's own architect or interior designer. A major effort has been put into designing interiors for hospitals, schools, hotels, theatres and conference rooms.

Kemppi

Kemppi, a pioneer in the field of welding technology, a market leader in Finland and in a great number of countries, was founded in 1949 by Martti Kemppi, a talented electrician from Carelia.

The original business idea was startlingly straightforward: the need to attach metal components to each other and detach them. This holds good today. Production range covers the entire field of electric welding from handyman's portable tools to industrial robots. The key to success lies in intensive research and product development enabling the company to maintain its pioneering role.

In 1986 Kemppi won a national prize for its quality approach. Maintaining quality is an essential ingredient in its business strategy: to be the first or in the forefront in introducing new technology.

Larox

Larox is a Finnish medium-size company producing classification, concentration and filtration equipment for process industries. It was founded by Nuutti Vartiainen, who is one of the most successful Finnish entrepreneurs.

In 1977 Nuutti Vartiainen acquired control of Lappeenrannan Konepaja Ltd, an old engineering firm. He renamed it to Larox Ltd and shifted the production to classification, concentration and filtration equipment for the mining and mineral processing industries, based on prototypes developed by Roxon Ltd (a company earlier owned by Vartiainen) and purchases of domestic and foreign licenses. The idea of the new company was to produce equipment for a specialized market segment.

Larox carried on an active product design and marketing effort. A fruitful cooperation was established between the company and the local University of Technology in Lappeenranta. The company soon became successful both in the domestic and international market. It has showed good profits: the gross operation profit rate has been around 25 % during the last few years. The diversification of products for other processing industries, such as food industry and pulp and paper industry, and for waste water treatment started in the 1980s. However, the production assortment is still very concentrated and the company size has not been greatly expanded. The current number of employees is around 120.

The company established, among others, mobile filter laboratories and pilot testing facilities. Flexibility and high quality have been its great assets in competition with large established international companies. An internationalization of activities started in the early 1980s.

Makron Companies

The origin of Makron companies traces back to 1965, when Mr. Jalo Paananen founded a small company, Terspeikko Ltd, producing fastening techniques and equipments for the construction industry. Strong expansion of construction activities and fast progress in construction technology at that time formed a favourable external environment for the company.

In the early 1970s a decision was made to systematically search for new business. In 1972 a new unit of mechanical engineering was founded and production of machinery for plastic ski production started in 1974. The timing was perfect, since the break-through of new materials, i.e. plastics, in ski production had just taken place. Close co-operation with customers gave basis for successful product development.

Recently the Makron companies have started a new product line of stone working machinery and acquired a dynamic medium-size company producing various plastic products on a sub-contracting basis for a wide range of industries. Today the Makron group consists of four small or medium-size companies.

The expansion of the Makron companies is characterized by carefully designed strategies, active and systematic search for new business and accurate timing of new operations which has made it possible for the firm to make use of unexploited profit opportunities. The key elements of success can be summarized as follows:

- Clear customer oriented approach: identification of and effective response to customer needs have formed the basis of new activities, co-operation with customers in product development has reduced risks and created firm business relations
- Search for superior technical solutions to specified customer needs
- Compete on quality rather than costs
- Systematic utilization of technological opportunities, searching gaps between technological frontiers and currently applied techniques in potential customer industries
- Systematic internationalization of business
- A special feature of late 1970s and early 1980s: utilization of business opportunities offered by rapidly expanding Soviet trade
- Development of project management relying on highly educated personnel.

The Martela Group

Established in 1945, Martela specializes in furniture for full range office systems, libraries, conferences and training areas and other public premises, banks, canteens, restaurants, etc.

It is market leader in Finland and among the largest in Europe. The strategy of the company is designed around end-use; to create optimal and ergonomic working conditions by means of office furniture and equipment. A CAD layout planning system helps to find individually fitted solutions. Exports account for less than a fifth of total sales but their share is rising. Since 1984, the company has been organized into four profit centers for domestic and foreign sales. There are subsidiaries in Scandinavia and a Profit Center in the U.K., with bases in Milton Keynes and in Singapore. Martela Office Consultants operate worldwide for in-depth studies, and another company ATK-Väline – which specializes in EDP supplies was recently acquired to complete the range of services.

Mobira

The market for mobile telephones is one of the most dynamic in the world with an annual growth rate of some 50 percent. Every third client is a Scandinavian: Nordic countries with a single integrated cellular system offer better sales ground than countries with their own separate systems.

The Finnish company Mobira was established in 1979 by an agreement between Nokia Electronics, and the TV set manufacturer Salora, to put together the radiotelephone activities of the two companies with a view of producing mobile phones and related equipment and systems. The company expanded rapidly. Today Mobira has a market share of 13 per cent, which makes it number four in the world, market leader in Europe and the undisputed ruler in Scandinavia. Recently Nokia acquired Salora's share of Mobira which now is one of Nokia's ten industry groups known as Nokia-Mobira.

From the very beginning Mobira aimed at exports. Thus, without any intermediate steps, Mobira entered into global competition with such giants as Mitsubishi, NEC, Matsushita and the American Motorola.

The main strategy of Mobira is to stay well ahead in technology. It has built up a very innovative-minded organization for this purpose. A powerful impetus was given by the rapid build-up of the automatic Nordic Mobile Telephone network since 1982. A key product was the recent innovative product Mobira Talkman, a compact portable weighing 4.5 kilograms including rechargeable batteries, and being adaptable to a multitude of gadgets and users. Moreover, Mobira competes successfully in the market for cellular base stations and complete cellular systems.

A great number of small or medium-size countries were won over to Mobira: in addition to the Nordic countries, rocketing sales were the result in Britain, Austria, Malaysia and Canada. Mobira co-operates with a local manufacturer in France. For the U.S. market, Mobira set up a factory in South Korea as a joint venture with an American company. Certain size is necessary for competitiveness, and this is why Mobira is putting a lot of weight on market leadership and growth.

The Oras Group

The Oras group originated as a family firm in 1945 looking for a product well suited for mass production in those years when scarcity was the dominant factor. The company soon found its own line in the field of mixers, valves and other sanitary fittings, well adapted to the buoyant housing market.

An intensive product development brought a successful single lever mixer Safira to the market by mid 1970s; some 50 000 units were produced in 1976 but a tenfold production was attained by early 1980s. By the time the rivals caught up Oras had gone over to a more automated mass production which guaranteed profits even at the face of a fierce price competition. The number of steps involved in production was radically reduced. A decisive factor was the early competence acquired in plastics technology.

The export strategy has been to focus on a small number of countries, co-operate with local manufacturers and put up or acquire establishments in these target countries. Oras have subsidiaries in the Nordic countries, France and Germany.

In marketing, Oras aims at approaching not only the final customer but also all the intermediate agents in the field of housing. An extensive training given to interior decorators and other suppliers keeps the Oras mixers and valves well in foreground. The recent boom in house repairs as compared to new housing has given weight to marketing efforts aimed directly at the final consumer.

The Jaakko Pöyry Group

Jaakko Pöyry is an internationally known consulting engineering company. Founded in 1958 by two young engineers, Jaakko Pöyry and Jaakko Murto, to design a pulp mill in Finland, the Jaakko Pöyry Group soon became known for the quality of its engineering services for the pulp and paper industry.

The Jaakko Pöyry Group provides a wide range of independent engineering and consulting services to the forest-based and other process industries. Its services cover every phase of a project: basic idea, preliminary studies, basic and detailed engineering, construction management, operation management services, follow-up routines, maintenance, development and training. In addition to engineering projects, the Jaakko Pöyry Group carries out a variety of techno-economic studies for forest-based and other process industries: forestry master plans and other major forestry studies, feasibility studies, R&D studies to test raw materials, extensive marketing research, and special studies such as transport systems planning.

Functions auxiliary or relating to the project work have gradually been developed into operating arms of the mother company. Thus, the services of Jaakko Pöyry are backed up by subsidiaries in Finland and abroad specialized in project and construction management, structural design, electric and HVAC design, energy studies, computer technology, maintenance consulting and comprehensive marketing research services.

Large amount of valuable information has been accumulated in the Jaakko Pöyry data banks over the years: current information on the site, products, capacities and technical features of virtually all pulp and paper mills in the world, covering about 9 000 paper machines. The forestry data banks include a vast amount of data by countries on production, consumption and trade of forest products. This information is used in work for individual clients and published in the form of independent reports of which some are published on a regular basis and other are updated upon request.

Vaisala

The Vaisala Company was established in 1936 by Dr. Vilho Väisälä, a mathematician interested in meteorological instrumentation and radio technology. Following the proverb "measure a thousand times, cut once", this talented inventor developed special instruments and methods to get information from weather balloons. The unique radiosonde found a brisk demand on world market and paved the way for a leading position in a narrow market segment of highly sophisticated technology, with subsequent emphasis on measurement problems in general and systems to solve them.

Vaisala develops, manufactures and markets solutions to measurement problems and opportunities for meteorology, environmental sciences and industry. This comprises upper-air systems, surface weather systems and sensor systems. Meteorological services, research institutes, telecommunications, industry and defense count among customers as well as the programs and campaigns of the World Meteorological Organization (WMO).

In this business area it is an absolute necessity to be among the leaders in technology. Vaisala's R&D activity represents some 25 percent of net sales, to assure a steady flow of technologically advanced measurement systems. Laser technology is the most recent addition to the tool box.

To build up a unique, company culture, internal training plays an essential role in Vaisala's strategies. It aims at creative and analytical trouble-shooting as well as team work. A decentralized "Total Quality Control System" has been developed which places responsibility with each individual instead of an independent inspection and quality control. This means a comprehensive grasp of customer's problems, R&D quality control, manufacturing quality and the development of service, with the whole company, through each individual, motivated to quality control.

4. Norwegian Fast Growing Companies

The Norwegian case studies were chosen according to the following criteria:

- among the 500 largest Norwegian companies 1984
- high profitability
- independent companies (or subsidiaries)
- fast growth

A large number of companies qualified in terms of these criteria, to be included in the group. In the final selection the companies listed in Table 3 were selected:

As can be seen from the table the companies differ considerable in size and internationalization. The largest company in the group is Dyno with a total turnover of 2 900 million NOK, the smallest Simrad Optronics with 65 million NOK. Only two of the companies are typically home market oriented companies, the others are highly internationalized.

Table 3 Successful Norwegian companies

	Estab- lished	Turnover (Mill. NOK)			Number of employees			Foreign sales % 1984	Business area 1984
		1966	1975	1984	1966	1975	1984		
G. Block Watne	1927	52	585	1 384	200	1 383	3 192	1	Building contract.
Dyno Industrier	1865	154	833	2 914	1 268	2 421	3 192	56	Chemicals
Ekornes	1934	35	121	566	315	450	1 585	45	Furniture
Frank Mohn	1938	-	135	559	-	277	738	92	Pump systems
Kverneland	1879	49	206	688	510	988	1 333	86	Agricult. machines
Norsk Data	1967	-	55	1 371	-	165	2 214	48	Computers
Nyco	1874	-	-	468	-	250 ^a	568	78	Pharmaceuticals
Simrad Optronics	1980	-	-	65	-	-	117	49	Electro-optics
Toro	1946	-	-	303	-	250 ^a	585	9	Food products
Ulstein	1909	18	190	893	245	713	1 115	58	Ship- building
Total manufacturing ^b	(average)			-			-	26	
500 largest companies ^b	(average)			460			578	40	

^a 1976, ^b excluding oil companies.

Note: The wholesale price index rose from 100 in 1966 to 172 in 1974 and 348 in 1984.

G. Block Watne

Block Watne, who is the largest manufacturer of system built, light-weight constructed family-houses in Scandinavia, was founded in 1927.

The Block Watne group is organized in four divisions:

- Residential House
- Commercial Buildings
- Trade Division
- Block Watne International.

The residential House Division is the company's most important activity and represented 61 % of the company's total turnover in 1984. In addition to a wide range of tailormade detached houses, Block Watne also offers expertise and experience in planning and construction of housing development of different sizes – from architectural and consulting services to finished houses.

Block Watne's market share in Norway is about 10 %, and the company has succeeded to increase the market share the last two years. The total housing market in Norway has declined by 30 % in the same period. The market for reconstruction and renewal, however, is a growing market in Norway.

In Norway there is a great demand for planning and building of schools, play schools, public health and office buildings. The market for commercial buildings has been stable during the last two years. Block Watne's market share in this field is small, but it is a fast growing activity in the company.

Another fast growing activity is the trade division, which has developed a chain of do-it-yourself shops. This nationwide chain of shops, selling building components and wooden materials, complements the company's activities in the local markets. Furthermore, Block Watne expects that substantial revenues will come from international operations in the years to come. The growth will take place through mergers and acquisitions. It remains to see if this will be a successful strategy.

G. Block Watne was listed on the Oslo Stock Exchange in 1972.

Dyno

Dyno was founded in 1865 as a manufacturer of explosives. Today Dyno is a more diversified company. The activities are organized in five groups:

- 1 The Chemicals Group
- 2 The Explosives Group
- 3 The Construction Machinery Division
- 4 The Plastic Processing Group
- 5 Dyno Engineering

The Explosive Group is the largest division in the company with a share of total turnover of about 37 % in 1984. Today Dyno is one of the leading manufacturers of explosives in the world. The take-over of the American explosive company, Ireco, has to a high degree contributed to Dyno's success. The acquisition was part of Dyno's strategy for increased internationalization. In 1985 Dyno acquired the American company Hercules. Through this acquisition Dyno will be the main producer of explosives in the US and one of the largest explosives companies in the world.

For several years Norsk Hydro has been the largest shareholder in Dyno with a 36 % ownership by year-end 1984. Hydro is an important Dyno supplier of strategic raw materials, such as urea for the adhesives business and nitrates for the domestic explosive business. In March 1984 an agreement was reached between Dyno and Norsk Hydro, which made Dyno to a daughter company of Norsk Hydro (50.5 % ownership). Dyno continues to be quoted on the Oslo Stock Exchange and operates independently to Norsk Hydro's organization.

For the time being, Dyno have partly or fully owned companies in 17 countries. The foreign sale represented nearly 60 % of total turnover in 1984, but this share is rising fast. It is the company's aim to increase it to 70–75 % during the next few years. The internationalization will take place through foreign establishments, acquisitions, joint-ventures etc. The reason for this strategy is a limited growth potential in Norway. Expansion must therefore be secured through entries to new markets, especially for parts of the Chemicals and Explosives Groups, which are very dependent on activities within the construction sector.

J.E. Ekornes

Ekornes was founded in 1934 as an ordinary small scale furniture producer. The product range has gradually been extended, and today the company has a thoroughly prepared and composed assortment of furniture. Among the most important products are stressless/armchairs, lounge suites, tables, mattress/beds and cupboards.

Ekornes is now the largest company in Scandinavia in its field. The Stressless-chair, which has been produced since 1970, has become the company's main product. 52 % of the operating revenues in 1984 came from the production of Stressless and other armchairs. In world scale Ekornes is among the market leaders in this field. Ekornes is also Europe's largest producer of skin furniture.

Ekornes' strategy can be summarized as follows:

- concentration on consumer-oriented marketing, mainly direct-mail,
- internationalization; with the Scandinavian market as a base,
- expansion through specialization and acquisitions,
- financial safety.

Until spring 1985 Ekornes was a family owned company. In April 1985 the company made a new share issue, and another one is planned next year, perhaps followed by an introduction to the Oslo Stock Exchange.

Ekornes' rapid growth had until 1983 been accompanied by high profits. However, in 1984 the profits deteriorated, partly due to an unexpected high price on raw materials.

The home market is too small for a continuing expansion. Therefore the company is concentrating on the export market, especially Scandinavia, Great Britain and USA. The strategy for the next coming years is to work out a balanced growth in the different export markets. Competitive products, offensive marketing and a concentrated effort on those markets which are expected to give the highest growth possibilities, are the company's strategies for a continuing internationalization.

Frank Mohn

Frank Mohn, which is a fully owned family company, was founded in 1938. Frank Mohn is one of the leading companies in the world within design, development and production of pump systems for shipping. At the end of the 1970s, Frank Mohn diversified into the offshore market with its pump technology.

Frank Mohn started to develop and produce their own products after the last war, but it was the introduction of hydraulic pumps in the early 60s, and some years later cargo pumps for chemical tankers and product carriers, which put speed to the company's expansion and introduced Frank Mohn to the world market. Besides this product, Frank Mohn's product portfolio includes various hydraulic pumpsystems for shipping and offshore.

The offshore-share of total turnover is small, but it is a fast growing activity and several larger contracts have been concluded. But this activity is very dependent upon the activity in the North Sea.

Frank Mohn is a internationalized company with subsidiaries in 5 countries; USA, Great Britain, Sweden, Singapore and the Netherlands, together with offices in Japan and Brazil. The market for Frank Mohn's products is the world's shipbuilding nations. The biggest market is the Far East and especially South-Korea. For the future the company expects a rising homemarket share, due to increasing offshore deliveries to the North Sea.

The fast growth of the company during the last decades has been followed by a rising profitability and solidity. Frank Mohn's strong financial position has secured economic freedom of action in such a way that the company can use over 5 % of total turnover to research and development.

Kverneland

Kverneland was formed back in 1879. Kverneland produces machines used in agriculture, and is the world's leading producer of ploughs.

An important part of the company's internationalization strategy has been the building up of trading companies abroad, either as fully owned daughter companies, or as joint-ventures. In this way Kverneland can operate close to its markets. Nevertheless the company's market strategy is to let 50 % of total production go through importers.

Kverneland was introduced to the Oslo Stock Exchange, stock brokers list, in 1983 and was accepted on the regular Stock Exchange list as from 1984.

In the last 5-years period the company has gone through a strong growth. Measured in current value, the total turnover has doubled. The growth has also been accompanied by a satisfactory economic rate of return. This growth forms a sharp contrast to the general development in the market for machines used in agriculture in Europe and North-America, which stagnated during the period.

The company is expecting further growth for the next years to come. The basis for further expansion will be a concentrated effort on product development and product gearing, together with marketing and service. The growth is expected to distribute fairly evenly between the company's traditionally, well-established markets. Kverneland's marketing policy for the next years is to market other products which will complement the company's own products.

Norsk Data

Norsk Data was founded in 1967. The company designs, develops, manufactures, sells and services a compatible line of minicomputers. The computers are designed for three main areas of use:

- 1 Business data processing, including time sharing and transaction processing
- 2 Office automation, involving word processing and information retrieval
- 3 High-speed scientific and technical applications.

Sales and services are organized from fully owned daughter companies in 11 countries with totally 57 offices. Other markets are served by agents or cooperating companies.

It is Norsk Data's firm belief that integration of the company's products is a major competitive strength, and it is mainly this strategy which lies behind the company's success. The company's integrated information system permits users of the company's terminals to perform all office automation and transaction processing tasks from a single workstation.

Norsk Data has gone through a remarkable growth since its start. The company's total turnover in 1984 was 25 times greater than 10 years ago. This rapid growth has also been accompanied by a high and rising profitability. Norsk Data is in this respect in line with, or even better, than its large American competitors.

Norsk Data was introduced to the Oslo Stock Exchange in January, 1974. The shares are also traded at the Stock Exchanges in Stockholm, London and New York. The company are planning an introduction to the Stock Exchanges in Frankfurt and Hamburg. No shareholder have more than 20 % of the share capital, and most of the employees are shareholders in the company.

Norsk Data's strategy, at present, is to put increasing efforts in research & development and marketing of the company's products and thereby increase the marketshare, rather than to seek higher profit margins, which in 1984 was 17 % before taxes. Norway is the biggest market for Norsk Data. However, at the present stage of the company's development, it has chosen to concentrate on building up marketshares in the European market. The next step in Norsk Data's expansion is an activity within the informatics industry with markets that encompass the world.

Nyco

Nyegaard & Co. (Nyco) was founded in 1874 and is the oldest pharmaceutical company in Norway. Today Nyco is a research-based company which uses about 15 % of total income on research and development. Besides Norway, Nyco is marketing its products through its own subsidiaries in Sweden, Denmark, Great Britain, the Netherlands and Belgium. In other countries Nyco is represented through licences.

In 1981 Nyco was taken over by Actinor, and in 1985 Actinor was taken over by Hafslund. Today Nyco is a fully owned subsidiary of Hafslund.

Nyco's main products are contrast fluid, pharmaceutical products, reagents and medical-technical products. Nyco's newest X-ray contrast fluid, Omnipaque, is now introduced to the European market and has obtained substantial market shares. In USA, where Omnipaque has not been introduced yet, the contrast fluid Amnipaque has maintained a very satisfactory market share. In Japan Amnipaque's share of the market has increased radically during the last years.

The company is expecting a substantial growth in total turnover and profits for the next years to come. The X-ray contrast fluids will still be the company's largest product area. In this field Nyco is the leading company in the world. It is also Nyco's aim to develop products within other areas, which can obtain as strong position in the international pharmaceutical market as Nyco's X-ray contrast fluid has today.

In the coming years, Nyco will continue its internationalization process. To do this the company will carry on its extensive research activities, intensify the marketing, expanding through acquisitions and co-operation with companies in its field. As a strategic investment on the research side, Nyco bought 17% of the shares in Seragen, Inc., USA in 1984.

Simrad Optronics

Simrad Optronics was formed in November 1980 as a fully owned daughter company of Simrad and took at the same time over all activities and responsibilities earlier handled by the Electro Optics Division of Simrad. The electro-optics activities within Simrad were from the start in 1970 based upon application of advanced electronic and optical technology.

Gradually the company has expanded its product line and is today a manufacturer of laser rangefinders for infantry, artillery, mechanized troops, anti-aircraft systems as well as for naval applications. Simrad Optronics is today one of Europe's leading companies in the electro-optic field. The company is approved in accordance with NATO's highest classification standard.

Simrad Optronics has also moved into civilian markets and formed a separate division which will handle all civilian products. The strategy behind the success has been quality combined with advanced technology and first class customer service.

Simrad Optronics was introduced to the Oslo Stock Exchange, Stock Brokers' list in April 1983 and were accepted on the regular Stock Exchange list as from January 1984.

The future for the electro-optic markets looks rather bright. The need for laser rangefinders, night sights and thermal imagers is big and increasing in all the countries where the company markets its products. Simrad Optronics seems today to be on safe ground with an increasing backlog of orders, good liquidity and a number of products which is expected to contribute to increasing sales and profits. It is expected that the company will expand its civilian activities more than the military activities in the years to come.

Toro

Toro was founded in 1946 as a fully owned family company by Rieber & Son. It started with production of bouillon cubes and, a few years later, with different kinds of soups. Already in 1959 Toro was Norway's leading producer of ready-made soup. During the years a number of products have been developed and today Toro is the largest producer of dried foods in Scandinavia.

Through an acquisition in January 1985 Toro's scope of interest widened from dried foods to other preservation methods.

About 90% of Toro's production is sold in Norway. The company has a marketshare between 70 and 90% for all its products in the domestic market. 3/4 of the products is sold to household and 1/4 to institutions. Most of Toro's export goes to Sweden, Denmark, USA and Canada.

The company's strategy for the future seems two-fold:

- 1 Development of the company's share of the fresh-food market in Norway.
- 2 Internationalize the traditional Toro-production; both by increasing export and by establishing production plants in foreign countries.

Toro has gone through a steady growth since its foundation, and the results have been improving over the last years. The company is expecting further progress in its profit margins for the next coming years.

Ulstein

The Ulstein Group, a family dominated company which was founded in 1909, is located on the West Coast of Norway. The group includes a number of yards and marine equipment manufacturers.

The Ulstein Group's companies have in spite of the hard competitive conditions since 1973 been able to strengthen their financial position considerably during the last years. This is to a large extent due to successful efforts in product development of specialized vessels for the offshore industry and active marketing and sales efforts of such vessels and designs at home and abroad.

Combined with this the group's ships equipment manufacturing companies, which all are very export oriented, have made considerable investments in buildings and in particular in sophisticated CNC machines to increase productivity and ensure that the high quality demands for marine gears, propellers and other ships equipment are satisfied. It is the Ulstein Group's goal to expand the product range with sales and service related products within this sector.

Ulstein's basis for future business is a capital intensive production with international market potential, in an area where Norwegian industry should have the possibility and ability to compete internationally. However, one has to accept that shipbuilding in Norway will not return to its previous level. But the Ulstein Group today has a good basis for further development within their special areas, but this will, according to themselves, continue to require considerable efforts for product development, international marketing and productivity improvements at all levels within the group.

5. Swedish Fast Growing Companies

The Swedish case studies were chosen according to the following criteria

- among the 500 largest Swedish companies 1984¹⁾
- established after (or during) the second world war
- independent companies (or subsidiaries)
- high profitability
- fast growth

A large number of companies qualified to be included in the group.²⁾ The ones selected are listed in Table 4.

Table 4 Successful Swedish companies

	Estab- lished	Turnover (Mill. SEK)				Number of employees				Foreign sales %	Business area
		1950	1960	1970	1984	1950	1960	1970	1984		
Ellos	1947	–	–	82	1 004	–	–	326	762	30	Mail order
Fermenta	(1952) 1982	–	–	95 ^h	449	–	–	179 ^b	358	98	Pharma- ceuticals
Frigoscandia	1948	1	–	500	1 400	9	–	1 269 ⁱ	2 402	55	Cold transp. and storage
Gambro	1965	–	6 ^c	400 ^e	1 400	–	121 ^d	200– 300	2 800	96	Medical engineer- ing equip.
Hemglass	1959	–	–	11 ^f	220	–	–	45 ^f	300	10	Food products
Hennes & Mauritz	1943	–	–	170	3 047	–	214	750	3 635	37	Clothes retailing
Ikea	1943	3 ^a	79 ^b	616 ^c	7 000	15 ^a	250 ^b	1 500 ^e	8 300	70	Furniture retailing
IKO Kabel	1947	–	30	109	556	–	200	390	480	21	Electro- techn. products
Carl Munters	1955	–	–	41 ^f	491 ^g	–	–	215 ^f	880 ^g	85	Energy products
Tetra Pak	1950	–	(45)	(330)	12 738	–	(250)	(1 173)	9 000	90	Machinery
228 large manufacturing companies	(average) ^k				1 100 ⁱ	–	–	–	1 413 ^j	54	

^a 1954, ^b 1964, ^c 1974, ^d 1967, ^e 1973, ^f 1983, ^g 1982, ^h 1982, ⁱ 1972, ^j 1985, ^k companies included in IUIs planning survey.

Note: The producer price index in manufacturing rose from 100 in 1950 to 138 in 1960, 173 in 1970 and 625 in 1984.

¹⁾ Hemglass is not among the top 500 companies but is an interesting case as a small company in a one firm dominated, mature market.

²⁾ Other companies, which could have been included, are Crawford Door, Pågens, Forsheda, Inter Innovation, Stena and Eldon.

As can be seen from the table the companies differ considerably in size and internationalization. The largest company in the group is Tetra Pak with a total turnover of 12 billion SEK, the smallest Hemglass with approximately 220 million SEK. Four of the companies are primarily oriented towards the Swedish market, the others are highly internationalized.

The selection of companies reflects rather well the trends towards more service- and soft ware-intensive production in the Swedish business sector. An increasing part of firm value added is made up of R&D, services and marketing. The selection also highlights the growth of the service sector compared to the traditional manufacturing sector. Thus of the chosen companies 4 are primarily active in the service sector, and of the remaining 6 manufacturing firms a majority is producing knowledge and soft ware-intensive products and systems.

Ellos

Ellos was founded in 1947 as a mail order company. The company grew rapidly and was in 1968 Scandinavia's leading company in its field. The growth has partly been achieved by a couple of acquisitions. The strategy behind the success has been a combination of a broad product range, high degree of automation, low prices, quality control and efficient marketing. The company has no production facilities of its own.

The mail order business is very capital intensive, especially regarding inventories and customer accounts receivable. Ellos was therefore introduced to the Stockholm stock exchange in 1985.

The future of the mail order markets looks rather bright. The share of mail order trade compared to total retailing has been increasing steadily in the last decade. Ellos strategy is to increase its markets and market shares by a combination of internationalization, acquisitions and segmentation and broadening of the product range. In 1983 the company penetrated the Norwegian market which today accounts for some 30 % of total turnover. Denmark and Finland seem to be next in line.

Fermenta

Fermenta can trace its origin back to a fermentation-unit, built in 1952, as a part of Kabi AB. In the middle of the 1970s Astra bought the factory but sold it in 82-01-01 to Reefat El-Sayed. Since then the growth has been very fast. Fermenta was listed on the Stockholm stock exchange in 1984.

Fermenta produces raw materials for penicillin. Many of the large chemical companies produce the same kind of products, but the industry's profitability has, on the whole, been very low.

Fermenta has therefore tried to take a structural hold on the industry; i.e. buy competitors, specialize production between different plants and through larger scales of production get a higher profitability. The rapid growth has thus been accomplished by a series of acquisitions, which has made Fermenta one of the leading companies in its field. Just like Electrolux the acquisitions are partly financed by the selling out of odd products and divisions, partly by the printing of new shares. Through the acquisitions Fermenta has also succeeded in integrating forward and has become less dependent on the most basic products which tend to fluctuate quite much in price. The profit margins have also increased.¹⁾

Thus, the rapid growth has been accompanied by a high and rising profitability and, thanks to large issues of new shares, by a rising solidity.

Today Fermenta's products are primarily aimed for the penicillin-market, which in global terms is growing with only 6–7 % per year. Fermenta is therefore also trying to increase the share of products going to the "animal feed" and "animal health"-markets.

¹⁾ During 1986 major changes regarding the future management and ownership-situation have occurred. This has also affected future strategies. We have not been able to take these late developments into consideration in this analysis.

Frigoscandia

Frigoscandia, which is a company specializing in cold-storage and (cold) transports, was founded in Helsingborg in 1948. The company's business idea was the need for a specialized distributor for frozen food, where the quality of the products is dependent on low temperatures in each and every link of the chain.

The company began its operations in Sweden, but established during the 50s cold storages in Denmark, Germany and Great Britain. During the 70s further establishments took place in Australia, Middle East Europe and South America.

At the same time the company diversified into related areas, for example design and marketing of freezing-equipment and machinery, and production of building units for cold storage (sold in 1982). The company has thus utilized its accumulated know-how in deep freezing and are in these areas among the world leaders. In cold storages the company is one of the leading in Europe, in transportation among the leading in Sweden.

Frigoscandia's strategy is, at present, to specialize in complicated transports and storages and thereby being able to compete with higher qualities and higher knowledge. The company tries to concentrate its resources on a few markets and there to reach a dominant position. The present strategy is aimed at maintaining and improving the profit levels by becoming less price sensitive.

Frigoscandia was until 1978, when AGA purchased it, a subsidiary of Malmros Rederi AB. No major changes took place following the acquisition by AGA.

Gambro

Gambro was founded in the mid 1960s by Holger Crafoord for the commercial exploitation of the artificial expendable kidney, invented by Nils Alwall. The first kidney was produced in 1967.

The growth was very rapid from the early beginning. Due to foremost unofficial trade barriers Gambro was "forced" to internationalize from the very beginning. At the same time the company broadened its assortment of dialysis products and corresponding machinery. Gambro's strategy was at this time defined as "low production costs for standard equipment and high and continuous investments and R&D in new areas". In 1980 the company had become world leader in hemodialysis.

In 1981 the company diversified into the heart-lung product area and built up a special network of suppliers.

Due to the rapid growth the solidity decreased to less than 20 % in the end of the 70s. In 1982 the company made a new share issue and was in 1983 listed on the Stockholm stock exchange and on the New York OTC-market as well. In 1984 and 1985 the founder's family chose to sell a majority of the shares to the Sonesson Group.

Gambro's rapid growth had until 1983 been accompanied by high profits. In 1984 the profits deteriorated very sharply, partly due to a fall in prices in U.S.A caused by a change in federal compensation to hospitals, partly to problems with new product generations.

Hemglass

Hemglass was founded in 1959 as an ordinary small-scale ice-cream producer. The company did not show any spectacular growth or profits in the beginning. In the end of the 60s, however, Hemglass introduced a new concept. The main idea was to transport frozen products in an unbroken chain straight to the consumer's home, instead of having them to buy frozen food in a store and risk its melting on the way home.

This concept was an immediate success. Another main strategy is to distribute the products through individual entrepreneurs who franchise the right to use Hemglass sign and equipment, but with central marketing. This means that the need for capital decreases, and that the seller's incentives may increase.

In 1973 Hemglass was taken over by Hexagon, a stock listed development company.

The ice-cream market in Sweden has for a long time been relatively mature. Hemglass has, therefore, tried to expand its market base in two ways: a) internationalization into Denmark, Norway and Germany, b) broadening of the product assortment by including frozen juice and hamburgers.

The future of Hemglass will to a large extent depend upon the success of the diversification and internationalization efforts. The ice-cream market in Sweden will probably remain rather constant and is furthermore heavily dominated by Glacebolaget with its market share of more than 55 %.

Hennes & Mauritz

Hennes & Mauritz is Sweden's largest retailer of clothes. The company was founded in 1943, and in 1947 the first Hennes-shop (women's clothes) was opened. At the beginning the company only sold women's clothes, but has since then diversified into men's and children's clothes as well.

The growth of the company was steady until the mid 1960s, when it suddenly increased rapidly. This was due partly to the growing up of the 1940s baby boom, partly to an intensified new establishment of shops in Sweden and in Norway and Denmark.

Hennes & Mauritz' strategy can be described as

- large volumes and relatively low prices,
- high utilization of shop space for product exhibitions, high inventory turnover, many product changes per year,
- intensive marketing and special offers.

The growth of the Swedish clothing market has decreased during the last decade due, among other things, to sinking or constant real wages and decreased population growth. Hennes & Mauritz has tried to adjust to this new development by internationalization and diversification. The English market was penetrated in 1977, Switzerland in 1978 and Germany in 1980.

The diversification has mainly taken place inside Sweden, partly by buying up competitors in slightly different market segments, partly by investments in perfumes, make up, mail order etc.

Hennes & Mauritz was listed on the Stockholm stock exchange in 1974 but is still controlled by the founder's family.

Ikea

Ikea, the world's largest furniture store chain, was founded in 1943 as a mail order company. In 1950 the first furniture was included in the product range. Low prices were the company's basic strategy.

In 1958 the first store house was established, and contrary to all conventional wisdom it was situated far away from any larger city. The store house became a tremendous success. Another innovation was the fact that the customer himself fetched the unpacked prefabricated furniture, transported it home and assembled it.

The real break through came in the mid 1960s with the opening of the store house outside Stockholm and with the establishment of stores in Denmark and Norway in 1963 and 1975. In 1973 the first apartment store outside Scandinavia was opened in Switzerland; in 1985 the number of apartment stores in total were ca 70 in 20 different countries.

Ikea's strategy can be summarized as follows:

- low prices thanks to large series and low storage rents, transportation and labor costs,
- high flexibility, no own production capacity,
- efficient control of suppliers with regard to design, technical specifications, machines etc.,
- high internationalization,
- a very special corporate culture trying to maintain entrepreneurship and fight inflexibility within the organization.

Although Ikea is the world's largest furniture chain, there is still an enormous growth potential. There are some more markets in Europe to cover, i.e. the United Kingdom and Finland, and even in Sweden the market share is not higher than 20 % – in most other markets considerably lower.

Ikea is still wholly owned by the entrepreneur – Ingvar Kamprad – or by trusts dominated by him.

IKO Kabel

IKO Kabel was founded by Karl Ohlsson in 1947 as a producer of plastic isolated electric cables. The company was purchased by ITT in the middle of the 1960s, but the company has maintained its own profile and its independence, probably due to its fine record of high profits. IKO Kabel is mainly a domestic (or Scandinavian) supplier.

During 1983 all of ITT's units in Sweden except the Flygt group were transformed into subsidiaries of IKO Kabel. It remains to be seen if this will be successful strategy. The total IKO-group had a turnover of 1.4 billion SEK and 1 600 employees in 1984.

The market for cables is, to a large extent, depending on the volume of construction and on the use of electric energy. The market is in most senses mature. For some areas, notably telecommunications, a change toward fiberoptical cables is expected. IKO Kabel has therefore spent a lot of resources on developing these kinds of cables.

Carl Munters

Carl Munters was founded in 1955 by the inventor Carl Munters, as a development company. The development of the heating and moisture transmission technology was the company's first goal. The company was early internationalized and had in the beginning of the 70s two production plants and four trading companies abroad. In 1973 the company was acquired by Incentive, a development company.

The rapid growth has continued during Incentive's ownership. Especially during the energy crises demand for Munters' products increased rapidly. In 1979 and 1980 Munters also made acquisitions abroad.

Today, products for dehumidification account for ca 40 % of turnover, products for freezingtowers for 20 % and refrigerator products for 10 %. The company also has a rapidly expanding leasing and sanitation business. 30 % of production is situated in Sweden, the rest abroad.

Tetra Pak⁴

Tetra Pak is one of the world's largest producers of packaging systems for milk and other liquids. The company was founded by Ruben Rausing in 1950. The company is still owned by the Rausing family.

The new revolutionizing concept behind Tetra Pak was to produce, fill and close the container in a continuous process, instead of first producing the container and then filling and closing it. The paper containers were cheaper and easier to transport than the glass bottles used until then. The sales growth potential was thus enormous.

The strategy behind the success has been:

- trying to reach a dominant market position. Today more than half of all milk in Western Europe is distributed in containers from Tetra Pak.
- selling the concept, the know-how. Tetra Pak covers the whole range from packing machines, packing material and service to educating the users. The machines are leased to the customers and Tetra Pak provides them with everything else needed. This gives the company a strong position on the market and possibilities to tie its customers very close to the company.
- internationalization. More than 90 % of total sales is generated abroad.
- large investments in R&D.

⁴) Due to the facts that a) the company is family owned and not listed on the stock-exchange, b) the company in reality consists of a group of individual companies in different countries, connected by a very complicated juridical organization, there are no figures for the Swedish parts of the group for earlier years than 1976 and almost no figures for the group as a whole.

- concentration. All resources have been put in the development of the main idea. No diversifications have taken place. The company has tried not to bind resources in large production units, most of the inputs used are bought from other companies and just assembled at Tetra Pak.
- decentralization, but with efficient central monitoring and control.

The future growth and success of the company depends primarily on the expansion of non-European markets. Especially the LDC are very fast growing markets. Another potential market is USA, where Tetra Pak's marketshare is rather low, due to domestic competition.

6. Summary

The factors explaining the success of the 40 companies studied, broadly falls into one of four different categories; a) new products, b) new marketing strategies, c) dominating the industry and d) cost efficiency/more flexible production systems.

a) New products. The success of 19 of the companies can be attributed to the development of products new to the market. In Denmark Eskofot, Vestas, Radiometer and Coloplast; in Finland Kemppi, Makron, Mobira, Oras, Vaisala and Jaakko Pöyry; in Norway Simrad, Ekornes, Kverneland, Nyco and Mohn and in Sweden Gambro, Frigoscandia, Munters and Tetra Pak.

b) New marketing strategies. The success of 10 companies can primarily or to a large extent be explained by new marketing concepts. In Denmark System B8, In Wear and Flügger; in Finland Isku and Martela; in Norway Norsk Data and in Sweden Hemglass, Hennes & Mauritz, Ikea and Ellos.

c) Dominating the industry. Four firms have based their success on the domination strategy. In Norway Toro, Block Watne and Dyno and in Sweden Fermenta.

d) Cost efficiency/more flexible production systems. 7 firms have to a large extent based their expansion on a more cost efficient or more flexible production than other competitors. In Denmark Migatronic, Micro Matic and Egetaepper; in Finland Ensto and Larox; in Norway Ulstein and in Sweden IKO.

Thus, of the 40 companies studied, at least 33 have based their success on new ideas and products, i.e., on product and market knowledge. In the remaining cases, the competitiveness was based on process technology knowledge. This underlines the fact that the major innovations and successes mostly are generated from the market – rather than from the process – side. Market knowledge is one of the crucial factors for maintaining a fast growth in the future. Another important implication of this result is the fact that marketing, services and R&D probably will increase its share of total company employment. This will affect the companies' need for different labor categories, and – as a consequence – the total labor market as well. However, it must be remembered that we here only studied 40 companies and that pure luck in some cases has played an important role. It is therefore difficult to draw any definite conclusion regarding the business sector as a whole.

A crucial decision for many companies is how and when to broaden the financial base. A continued fast growth requires a large capital base, but this may mean that the entrepreneur loses control over the company if, for example, a substantial part of the shares must be sold. On the other hand, larger borrowing means increased rents and decreased solidity, and a decision not to grow so fast may also bring about a lot of negative consequences, i.e., a loss of initial advantages, decreased incentives for employees etc.

Of the companies studied, some, for example Frigoscandia (Sweden) and Simrad (Norway) have not – due to the fact that they have always formed a part of larger groups – had any major problems regarding the financial resources.

Others, for example Mohn and Ulstein (Norway); Ikea and Tetra Pak (Sweden); Egetaepper, In Wear and Vestas (Denmark) and most of the Finnish companies have succeeded to grow very fast using only internally generated finance and bank borrowing. In these cases the companies have managed thanks to a high profitability and a strategy of tying as little resources as possible in capital intensive production plants.

In all other cases, the companies have been sold or listed on the stock exchange. A stock exchange introduction is one way of acquiring risk capital at a reasonable cost and still retain control of the company. This highlights the importance of a well working stock exchange for the rising of new risk capital.

Another important aspect of the stock exchange and capital market is that there must exist an efficient market for the valuation of companies. Of the companies studied, Nyco and Dyno (Norway) Gambro, Hemglass, IKO Kabel, and Carl Munters (Sweden), have all been acquired by larger business groups.⁵⁾ Especially in Sweden, the acquisitions of smaller companies plays a major role in the transformation of larger companies and of the economy as a whole. An important, but still unanswered, question is why Sweden differs in this respect. From this aspect as well as from the entrepreneurs side, it is very important that there exists a reliable market value for small companies. This also gives rise to the question if incentives and possibilities in the Nordic countries are strong enough for making small business entrepreneurs continue on their own.

To summarize; this study has identified and discussed a couple of strategic factors explaining success, rapid growth and high profitability in newly established companies. As the sample chosen is small and the data collected limited it is not possible to draw any definite conclusions from the study, but rather to stress the need for more research regarding

- small business strategies, R&D and marketing
- the importance of education
- the importance of the financial markets
- the existence of entrepreneurial incentives.

⁵⁾ This can substitute for a listing on the stock exchange.