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## FT Magazine

# Meet the Wallenbergs



The Wallenbergs at the Atlas Copco test mine, Stockholm, May 2015

JUNE 5, 2015 by: **Richard Milne**

One wears his protective helmet askew, like a rap star. All three jostle and bump into each other playfully as they wait for the photographer to be ready. As the trio line up in a dark mine underneath a Stockholm suburb, they appear less like serious businessmen and more as boisterously close relatives.

They are, of course, both. Together, brothers Jacob and Peter junior and their cousin Marcus are the public face of the fifth generation of the Wallenbergs, the Swedish dynasty that can arguably be called Europe's pre-eminent business family. Others may be older or richer but none can combine the Wallenbergs' longevity with the breadth of their holdings. Their company stakes range from drugmaker AstraZeneca and white-goods manufacturer Electrolux to defence group Saab and telecoms-equipment maker Ericsson. Together, they add up to an empire that controls businesses worth €250bn.

Even the mine they are standing in today is a test facility for equipment belonging to their biggest holding in monetary terms, industrial group Atlas Copco. Rather incongruously, you reach the mine's labyrinthine tunnels using a lift from the main entrance to Atlas Copco's headquarters.

Back above ground the three Wallenbergs are similarly jovial. As Jacob struggles to coax coffee out of a high-tech device, his brother and cousin crowd around to help. "How many Wallenbergs does it take to work a coffee machine?" I ask. Jacob, the eldest at 59 and chairman of Investor — the listed holding company that is their main investment vehicle — raises three fingers as the others giggle.

But they soon become serious, convening for a brief huddle in their almost matching dark suits before heading into a small and anonymous meeting room for this, their first joint interview. In keeping with the Swedish bent for modesty, the Wallenbergs prefer to stay out of the limelight and so getting all three of them on the record is big news, and not just in Sweden. "The Wallenbergs are one of the principal families of the business world, not just in Europe but globally. There is almost no industry they do not have an interest in," says a German chief executive who knows them well. Their holdings add up to a third of Sweden's entire stock exchange.



I start by asking whether they feel the burden of their history, given their great-great-

grandfather founded the bank that became SEB nearly 160 years ago. There is a long pause: with typical Swedish reserve, none of them wants to speak first. So I pick on Marcus, the 58-year-old chairman of SEB (among many other roles) who is known almost universally by his nickname, “Husky”.

He answers in typical Wallenberg fashion: with a look to the future as well as the past, all of it wrapped up in family. “We’ve known each other for our whole lives. We’ve grown up together. And this is a discussion about what is needed for the future — a discussion that we’ve had for decades among each other — not from the perspective of burden but rather from that sense that tradition has been to reinvent and to grasp new opportunities and form what is there today into something that will be appealing and fruitful and good for the future,” he says.

The success of the Wallenbergs points to the endurance of dynastic power in business. While European families such as the Agnellis of Italy and Quandts of Germany are still powerful in global business, many of the newcomers in recent years are backed by Asian families. Indeed, Jacob says they have a particular focus on the long term. “For companies that we are close to, that is the reality of the future, that’s where the competition lies, that’s where lots of the market growth will be found in the future. And then one has to learn that this long-term perspective becomes very, very important. That is a challenge,” he adds.

Although there is plenty of debate about the wisdom of each individual action of the Wallenbergs, there is no doubting their extended track record. Investor has enjoyed better returns than the Swedish stock exchange over the past 20 years. The family approach of long-term, active, engaged ownership of companies has gained plaudits from around the business world. What lies behind their success, and can it continue?

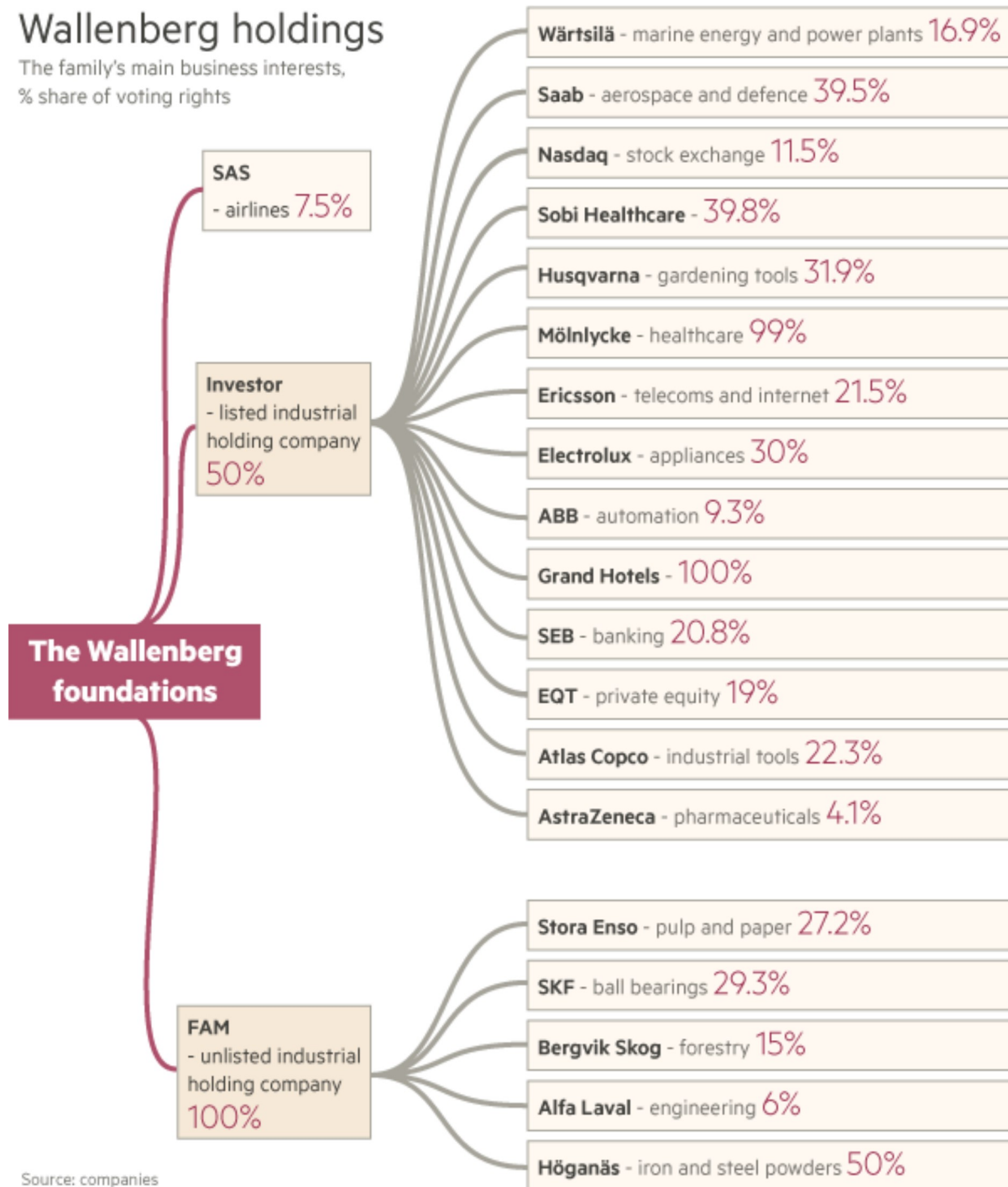
When asked to reflect on their family history, each Wallenberg picks a different date. For Marcus, it all began in 1856, when André Wallenberg, a former naval officer, founded Stockholms Enskilda Bank, which began to accumulate industrial investments. For Jacob, things really started in 1916, when Swedish law made it difficult for banks to own industrial companies. Instead, SEB’s stakes in itself, Atlas Diesel and truckmaker Scania were placed in a new holding company: Investor. Peter junior, a 56-year-old known as “Poker”, as his grandfather thought he had a poker

face as a child, talks about 1917. This is when the Knut and Alice Foundation was set up, of which Peter is now the chairman. Knut was André's son. He and his wife Alice were childless so they pooled all their investments into what remains the Wallenbergs' biggest foundation.

Strikingly, Jacob, Marcus and Peter own no personal part of the family empire. Instead, stakes in companies such as airline SAS, stock market Nasdaq and industrial group ABB are owned directly or indirectly via family foundations. "Frankly, some of the other family companies cannot understand. [They say] 'Why are you doing this? You have no stake in the game?'" says Marcus, who is married to architect Fanny Sachs and lives in the family villa Täckå Udden on the Stockholm island of Djurgården. While comfortably off, the trio do not even make rich lists in Sweden and insist they still have to work to make a living.

## Wallenberg holdings

The family's main business interests,  
% share of voting rights



But the 20 family foundations have freed the Wallenbergs from the sort of bickering and fighting that often blights family businesses by the time they reach the fifth generation, when there are often hundreds of relatives as shareholders. “I can only speak for myself,” says Jacob, a keen sailor and golfer who headed Sweden’s bid to hold the 2018 Ryder Cup, “but I must say that I feel blessed that I have the opportunity to participate in [world-leading companies] and not to have to get into the personal squabbles about personal wealth.”

The three of them, who meet every Monday for three or four hours to discuss family business, were in no way predestined for the roles. Jacob and Marcus began their

careers in banking before ending up at SEB while Peter, also known for racing Porsche Carreras, was a manager of one of Stockholm's most luxurious hotels, the Wallenberg-owned Grand.

The family has faced its fair share of tragedy: Marcus's father, Marc, committed suicide in 1971, while his cousin Raoul, a diplomat famous for saving thousands of Jews during the second world war, is presumed to have died under KGB detention in 1947. But they have survived, in large part thanks to what Peter calls the "closed circuit" system of the foundations.

There are two sides to their success. On the one hand they own vast swaths of European industry including ballbearings maker SKF, paper company Stora Enso and power systems group Wärtsilä. Together, their holdings employ about 600,000 people and have sales of SKr1.3tn (\$154bn). On the other, they are the second biggest donors in Europe to research, giving away about SKr2bn in 2014. Better performance at their companies feeds bigger grants to Swedish research, which in turn boosts the competitiveness of local business.

The Wallenberg model revolves around a few core principles. One is that the family are long-term owners. Jacob likes to say they "buy to hold", where hold can mean more than 100 years. But he adds that it is no excuse for poor performance: "The long term also consists of many short terms and you have to perform in every short-term period as well."

A second is that they are active, engaged owners. Jacob and Marcus sit on eight corporate boards between them and play a key role in discussions on strategy and the choice of directors. They also focus on people. "This is maybe the single most important ingredient in our business venture — the fact that we can never, given the size of the companies and the complexity of the businesses, stay on top of all the issues, all the details ourselves. We are dependent on a great group of people," Jacob says.



Ronnie Leten, one of the non-Swedish CEOs brought in by the Wallenbergs

Richard Twomey is one of them. The Welshman is sitting in a boardroom in Gothenburg surrounded by wound dressings, surgical outfits and other medical paraphernalia. He is chief executive of Mölnlycke Health Care, a relatively obscure medical-equipment company that is nonetheless described by one Wallenberg associate as perhaps the family's most important investment. Wholly owned by Investor, some analysts value it more highly than the stake in Atlas Copco.

Twomey's very presence in Sweden demonstrates the pull of the Wallenbergs. A keen surfer, he was happily based in California when he got the call in 2013 about the Mölnlycke job. His initial reaction was not positive. "When I was being called about the job I went: Sweden, you have got to be joking. Cold and wet, and there's no surf. But the determining factor was the ownership structure. They hold for the long term, they invest, they want to build value... If you want to be a CEO this is a dream environment to do it in," he says.

Twomey, who passionately extols the science behind the five layers of a specific dressing, has a mandate to boost sales growth. He shows product after product, all backed by Wallenberg investments, to demonstrate how he hopes to achieve it: a dressing to help prevent pressure ulcers for bed-ridden patients; a one-use pack for a hysterectomy, which for about €80 offers all the clothing, instruments and materials

needed for the operation.

We can never stay on top of all the issues. We depend on a great group of people

**Jacob Wallenberg**

Sales growth was falling when Twomey took over with an anaemic increase of 3 per cent in 2013. By the first quarter of this year, sales were rising by 12 per cent. “Having worked in US publicly traded companies where it’s quarterly pressure, your long-term

strategy becomes the next three months. A big reason I came here was the ownership,” he adds.

Ronnie Leten is another outsider brought in by the Wallenbergs. A native Belgian, he became chief executive of Atlas Copco in 2009. His first culture shock came when he realised that in Sweden everybody’s income is checkable thanks to publicly available tax returns. “A transparent society is a fast-changing, fast-adapting society. The governance structure is embedded in that,” says Leten, who recently became chairman of Electrolux as well.

Atlas Copco’s mining-equipment business is currently in the doldrums due to depressed commodities markets. But Leten says the Wallenbergs’ long-term focus allows him to keep investing in the knowledge that markets will bounce back. “Their message is, ‘Don’t jeopardise the future’ . . . I would like to have the Wallenbergs in Belgium too,” he adds.

A third non-Swede close to the family is Josef Ackermann. A former chief executive of Deutsche Bank, Ackermann also sits on Investor’s board, from where he has come to admire greatly the Swedish and Wallenberg model. “I like the board environment a lot. Everyone is contributing. No one is playing an ego game. It is to the point, a very performance-orientated atmosphere. You feel you are not just controlling [management] but co-managing the portfolio.”

Of the Wallenbergs themselves, he says: “It’s a relatively modest culture. You don’t see the family living a luxury life. They are very much focused on the companies. In the board, of course they have the final say, but you don’t feel it.”

Not all of the Swedish system is that way. The other big owner of Swedish listed





The family hero Raoul Wallenberg, who saved thousands of Jews during the second world war but died in KGB detention in 1947

companies is Industrivärden, which has controlling stakes in the likes of Handelsbanken, Volvo, Ericsson and Sandvik. It was plunged into scandal earlier this year by a [series of reports about private jet trips \(http://next.ft.com/content/74ba086c-ecca-11e4-b82f-00144feab7de\)](http://next.ft.com/content/74ba086c-ecca-11e4-b82f-00144feab7de) at SCA, the paper company that is another of its holdings. Family members and even pets were flown to sporting events and a corporate hunting lodge — something that did not go down well in egalitarian Sweden.

But the Industrivärden scandal also exposed deeper weakness in its corporate governance. Two men — chairman Sverker Martin-Löf and chief executive Anders Nyrén — controlled many of the most important board seats and there was sometimes cross-signing of each other's expenses. Both men have since had to resign as Industrivärden seeks to improve its governance.

The case raised some doubts about the Swedish model and whether its system of holding companies created too cosy an atmosphere between management and the biggest shareholders. Both the Wallenbergs' Investor and Industrivärden benefit from the dual-share system, under which, for instance, the latter owns just 2.6 per cent of Ericsson's capital but controls 15.2 per cent of its votes. Christer Gardell, a Swedish activist investor, likes the system but argues enhanced voting rights can entrench incompetence.

Unsurprisingly, the Wallenbergs disagree. Jacob says the academic debate has moved away from insisting on one share, one vote towards accepting there is a freedom to contract as parties see fit. "We have a system that works," he adds. As proof, he even cites Industrivärden. Its main shareholders did take action. "Isn't part of it the whole question about self-regulation? As much as it took a while in the situation of SCA, eventually it did happen."

Marcus says that unlike Industrivärden, where power appeared too concentrated, the Wallenbergs have consciously over generations sought to find the right people to support them. But he is anxious to avoid any thought that the family is resting on its

laurels. “Are we aware of an understanding that there is a risk of becoming complacent or cosy? Yes, we are very much aware of that. Will we always make the right decisions? No, probably not. We will also make decisions that later turn out not to be the best but at least you can rest assured that this is something that stays with us on a daily basis.”

Few pursuits are more beloved in the Stockholm business community than minutely analysing the Wallenbergs’ latest moves. And few of their decisions are so picked over as those to sell out of truckmaker Scania and approve the 1999 merger that created AstraZeneca. “Scania and Astra were gobsmacking decisions. They were crown jewels and I think the sales are seen by some as a sign of the decline of the Wallenbergs,” says the head of one investment bank in Stockholm.

Partly this comes with the territory: when Jacob and Peter’s father, Peter senior, took over the empire in 1982, newspapers quickly speculated about the end of the family. Marcus, who was himself chief executive of Investor from 1999 to 2005, says: “I learnt one thing as CEO of Investor and that is I woke up most mornings with some sort of a comment on what was done or not done at the company. At the end of the day, I think it comes down to where lies true north? Where are we heading?” He adds, in something of a family motto: “My grandfather used to say that you have to play the ball where it lies.”

They hold for the long term, they want to build value... For a CEO, it’s a dream environment  
**Richard Twomey, CEO of Mölnlycke Health Care**

Some argue the sales of Scania and Astra undermined the story of the Wallenbergs’ long-term interest: Scania, now owned by Volkswagen, is still one of the best-performing Swedish industrial groups. Astra, the Wallenbergs’ drugmaker, merged

with Zeneca, the pharmaceuticals assets of UK chemicals group ICI and set up its headquarters in Britain. Swedish scientists still bemoan the decline of the local pharmaceuticals industry.

But Jacob argues the sales actually reinforce the long-term thinking: “Even if we lost influence, we felt that it was in the interest of the company and we always try to think along those lines.”

“Rightly or wrongly,” adds Marcus, “the view was that both of these companies needed some sort of a larger base from which to compete in a very, very competitive industry at the time.”

Today, a more frequent complaint is that the Wallenbergs have stuck to staid industries, leaving a smaller Swedish holding company, Kinnevik, to invest in internet and telecoms groups. Ackermann retorts: “The Wallenbergs are not conservative but they know where their strengths are.” Investor’s shares are up 170 per cent over the past five years, compared with 140 per cent for Kinnevik and 70 per cent for the Stockholm stock exchange.

As in any family business, there is always the question of the next generation. Jacob, Marcus and Peter do their best to look offended by the thought — Peter senior carried on into his eighties. But the trio have started preparing the 30 or so members of the sixth generation — currently aged between three and 35 — for possible work in the family firm.

Peter says they try to inculcate the next generation with the history and methods of the Wallenbergs but without forcing them to do anything. At least three have jobs in the family empire already. He thinks that getting one or two of them sufficiently interested to devote their lives to the business will be harder than in the past. “Today it’s a global world: the next generation has so much more input in their lives than we ever had. We are competing with so many more interests and challenges,” he adds.

Asked if they are sick of the sight of each other after so long together, an awkward silence ensues until Marcus replies to general laughter: “We don’t live together.” He adds: “I think actually we’ve come a long way in terms of understanding each other. We’ve known each other from being kids... but more as grown-ups and professional people we’ve spent a lot of time together to figure out what our priorities are and where our interests lie.”

The three of them all nod in agreement. Peter adds: “We have grown into working with these questions and we love it.”

*Richard Milne is the FT’s Nordic and Baltic correspondent*

*Portraits by David Magnusson*

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