

Ronald Fagerfjäll

Shape living for the better

The first 100 years of Electrolux

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About the author

Ronald Fagerfjäll, born in 1945, is an author, journalist and business analyst. He has published about 25 books on economy and commercial enterprise. Among his publications are *Företagsledarnas århundrade* (The business leaders' century), a work in three volumes, *De gjorde Sverige rikt: 1900-talets entreprenörer, företagsledare och riskkapitalister* (They made Sweden wealthy: the entrepreneurs, business leaders and risk capitalists of the 1900s), *Ivar Kreuger: en komplicerad finanshistoria* (Ivar Kreuger: a complicated financial history) and *Investor 100 years*.

Ronald Fagerfjäll was also the editor-in-chief for several news publications in Sweden and Great Britain, mainly for *Affärsvärlden*, one of Sweden's most prominent business magazines. He has also been a correspondent in Japan and France.

BUSINESS HISTORY

–PUBLISHING–

www.naringslivshistoria.se/en

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Editor: Karin Jansson Myhr

Photo editor: Martin Månson

Project manager: Jenny Bergman

Project manager Electrolux: Paul Palmstedt

Design & Production: Johan M Sandell

Cover illustrations: Kajsa Eldsten

ISBN 978-91-984265-2-6

Printed in Sweden

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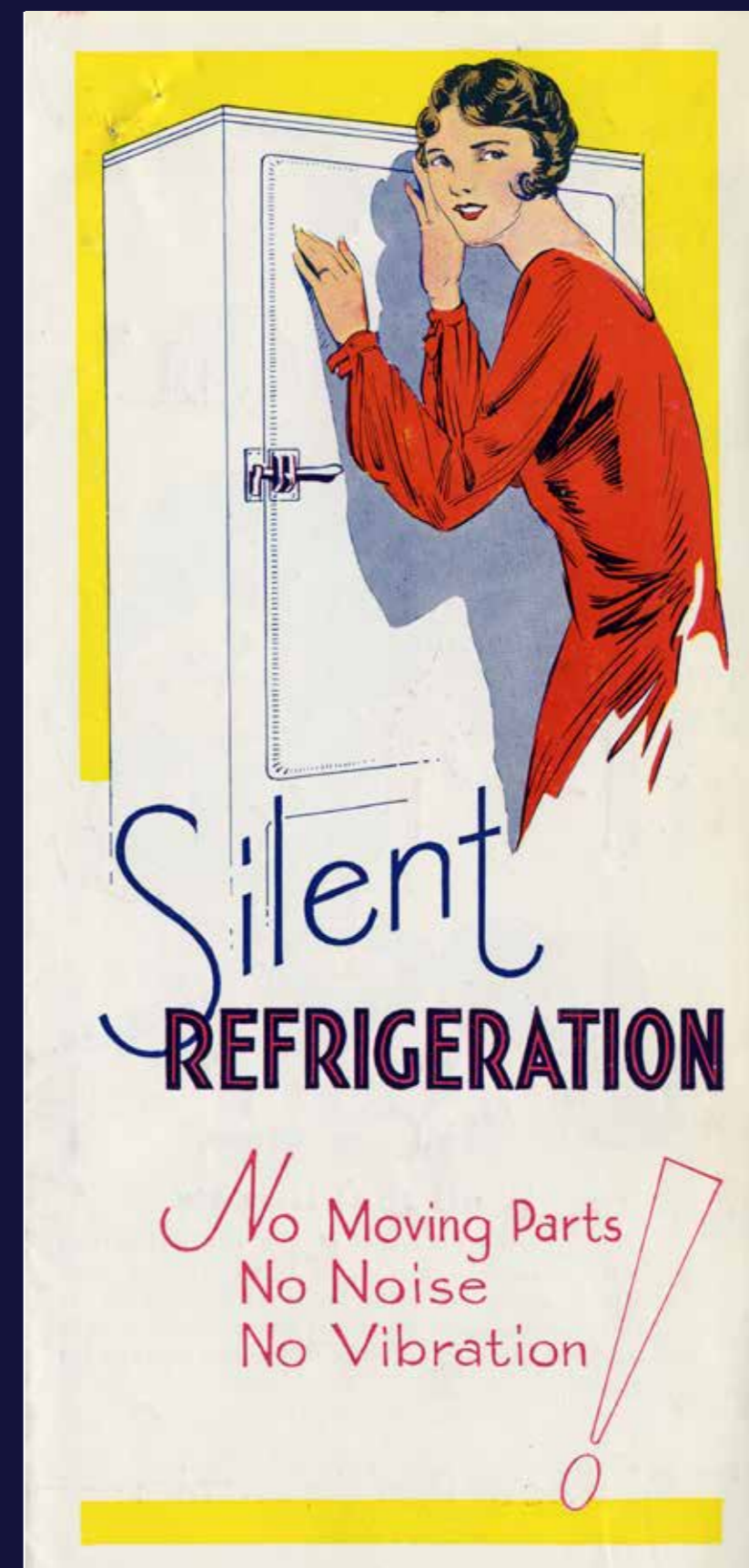
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Great customer experiences are key

Electrolux President & CEO Jonas Samuelson talks about the company's long history, its present and its future.



Jonas Samuelson, President & CEO of Electrolux since 2016, emphasizes the importance of the consumer's positive experience with Electrolux products. Here with the latest robot vacuum cleaner Pure i9, which can be controlled with a smartphone app.



A tiny triangle-shaped robot vacuum cleaner, designed to get into corners, is heading towards us at high speed but suddenly stops and turns when it apparently senses our shoes approaching. It carefully navigates around a briefcase left on the floor of the office and continues towards a corner of the room. A brush at the front is spinning incessantly, but overall it is pretty quiet.

President & CEO of Electrolux Jonas Samuelson has just been interviewed for this book and on the way out we happen to pass a demonstration of the robot vacuum cleaner Pure- i9. It is just about to launch in North America. This is nothing out of the ordinary here at the head office in Stockholm, which houses 1,500 employees from more than 60 countries. They are joined by visitors from all corners of the world. Electrolux is more like a large, never-ending global convention than the fairly homogenous workplace of

Swedish engineers and factory managers that was at the heart of the organization just 30 years ago. But even then, the company stood out from other Swedish engineering companies due to its focus on consumer products.

Vacuum cleaners, the product that built the global enterprise, is relatively speaking no longer a large segment of its business: only 1/14th of turnover now comes from the business area called Home Care & Small Domestic Appliances. But this little robot, with its many competitors, is perhaps a better indication than anything else of how much can change over a hundred years of company history – how the company and its products have developed along with society. Soon, vacuuming will no longer be a manual chore, but simply part of a greater automated process, or even experience.

Samuelson discusses how the Internet of Things is now affecting our view of future household products and all the ways in which the consumer is now in charge thanks to digitalization. After deciding what air quality you want in your home, you can coordinate the dehumidifier, heating system and vacuum into a system to give you the most. The system can be energy-efficient too, as the optimal conditions are only necessary when the family is at home. When the last person leaves the house and closes the door, the system goes into standby mode, but as soon as someone approaches the house, it comes on again at full speed – for a short while.

Electrolux introduced its pioneering first robot vacuum prototype the Trilobite in May 1997 in the BBC program *Tomorrow's World*. Unfortunately, the Trilobite was ahead of its time and only sold in relatively small volumes. Consumers were equally hesitant to embrace “the connected home,” which was launched as a concept around the year 2000. Consumers were not prepared to pay for complicated appliances and incomprehensible systems. A television screen on the refrigerator was a bad idea for example, as the refrigerator is rarely replaced as often as a television set. But time and technology have finally caught up to Electrolux.

50-year-old Samuelson became CEO in 2016 after eight years at the company, first as CFO and then as Head of Major Appliances in Europe, Middle East & Africa. With a Master of Science in Business Administration and Economics, he had previously pursued an international career at General Motors. One of his main challenges is to navigate a global company, controlled by its owners in Sweden, through one of the greatest changes in history – digitalization. The primary competition will likely be companies in the rapidly growing markets of China and Southeast Asia. And who knows what the tech giants of Silicon Valley have up their sleeves, considering their enormous financial resources.

“The point isn't the technology in itself,” says Samuelson. “The technology is becoming increasingly secondary to the experience. We no longer talk about how fast the micro-processor in an appliance is, but what it can do for the consumer.”

“The major appliance industry has long been controlled by retailers. Before, the rule was that if Electrolux managed to bring in a prominent retail chain for a new product, it would sell well. However, the Internet has already shifted that power balance. Consumers have been given brand new tools to search for products that suit them, and they come to the store with their minds already made up. They are looking for different experiences, and our job is to provide them.”

The interesting thing is that companies with a strong brand are strengthened by the new technology, as they can stay in contact with customers purchasing their appliance. In the past, this was both difficult and expensive as the customers could not be identified other than by the retailers.

“I feel that Electrolux has a stronger position now in terms of giving the consumers great experiences at home; it is harder for new competitors to challenge us,” says Samuelson. “We are specialists, which gives us an advantage over the generalists. Electrolux is focused on three areas where the company needs to continue being the best in order to survive. All employees at Electrolux are familiar with those areas: Great-tasting food, perfect care for your clothes and healthy well-being in your home.”

“None of this is easy to learn or imitate. Electrolux has been developing products for both consumers and professionals for a long time. The professional market has always been ahead.”

This applies not least to the restaurant and hotel sector to which the Electrolux Group supplies cookers, refrigerators, freezers, dishwashers, kitchen aids and laundry equipment. Offering food of the highest quality and keeping sheets and towels clean and crisp requires advanced equipment.

» I feel that Electrolux has a stronger position now in terms of giving the consumers great experiences at home; it is harder for new competitors to challenge us. «

“We know exactly what is needed to manage a five star hotel! And half of all Michelin-Guide restaurants in Europe use our products.”

On the Group's primary markets in North America and Europe, there is a strong trend among premium consumers to organize cooking experiences for friends and family. The kitchen and its equipment has come into focus in a way that has not been the case in Japan, for example, where houses are too small to entertain a lot of company. However, this trend is also starting to emerge among wealthy consumers in China. An advanced cooker becomes part of a lifestyle, much like an expensive car can be.

“This is a positive development for us as we can take technology that we have already developed for professional customers and transfer it to great numbers of new consumers. With the help of features such as Teppanyaki cooktops, steam functions and sous-vide

technology, it is possible to achieve culinary experiences that were previously only offered by luxury restaurants. New types of kitchen equipment, like wine fridges, are being purchased by an increasing number of customers.”

“Even those who just cooking regular meals for their family can see the great possibilities of having functions that can increase their variety from the regular five or six options to so much more. We will be able to offer aids for everything from fridge and freezer inventory, where a list of items needed is displayed, to getting started on the different steps in the right order and remembering all the ingredients.”

The culinary trend has also brought an increased interest in food products, sustainability and health. What is the best way to store food to make it healthier or to keep it from spoiling? Temperature and lighting requirements vary greatly. Different freezing technologies are being developed along with new distribution methods. The same product needs to be able to treat food items in many different ways.

There is an equally interesting development when it comes to washing machines. Most people spend an increasing proportion of their income on clothes and expanding closets, even though most of them will prefer to wear the same item over and over again. Surveys have shown that 80% of clothes are hanging unused in the closet. Ironically, many people hesitate to use their most expensive and treasured clothes for fear of ruining them by washing them too often. For this reason, there is growing interest in advanced clothing care. If laundry equipment is able to clean and dry our clothes without wearing or altering their shape, the consumption patterns will change.

“If an exquisite black blouse can be washed hundreds of times and stay just as nice, both blouse and laundry equipment will have an entirely different value to the consumer.”

One major technological trend is Artificial Intelligence, where machines carry out tasks based on the continuous analysis of large amounts of data. In reality, this is simply another step in the automation that has been underway for a long period of time. A laundry or dishwashing program will run the appliance, but it is possible to have it set to modify instructions as consumer needs change. This is thanks to the company’s ability to collect, store and analyze information. And it is rapidly going in that direction.

Exactly 100 years ago, in 1919, the small Swedish company Electrolux changed the idea of how a vacuum cleaner should look and be used. The new vacuum cleaner models from Electrolux reinvented the whole notion of cleaning.

Just like earlier washing machines or telephone switchboards, new aids will radically take over and open up for new work tasks and social changes. Electronic switchboards propelled globalization and the washing machine shifted the gender balance.

For a global consumer product company like Electrolux, this technological development is a realistic description of strategic opportunities and challenges. As shown in this book, Electrolux continues to represent a constant reflection of global development, increases in standards, technological development, global competition and demographic changes.

The time has now come to tell the story of a company that survived all those challenges and demands.

Electrolux – a collection of companies



The story of one hundred years of Electrolux is also the story of hundreds of other companies that were either swallowed up or reformed in order to then reemerge. Strong brands within the Electrolux Group, such as Zanussi, AEG, Frigidaire and Westinghouse, are examples of this, as well as a number of independent companies.

A large part of the conglomerate that was created before the 1990s was spun off to the stock market and then continued to grow through acquisitions and market investments. Some say that without this spinoff, the Group would have been four to five times larger. But more likely, perhaps, Electrolux would have been bought up and picked apart.

The fact that so many of the spinoff operations have seen such a strong expansion is an indication that Electrolux chose the right path. The shareholders were given more alternatives to choose from, and more businesses survived. On the following four pages, some of these companies and brands are listed.

Spun-off companies

A large part of the conglomerate that was created before the 1990s has been spun off to the stock market, either by Electrolux or the buyers.

Getinge, spun off in 1989 to a number of employees, then expanded through acquisitions to eventually become a listed company within medical engineering worth SEK 42 billion. The entrepreneurs were Rune Andersson and Carl Bennet.

Autoliv, listed in 1994. It was a long journey, but this company has become a world leader in automotive safety and is now worth over SEK 100 billion.

Gränges, listed in 1996. Following several different acquisitions, this is a medium-sized international aluminum company listed on the Stockholm Stock Exchange (worth around SEK 6-7 billion). Parts of the company still exist in a different form.

Ballingslöv was sold to a venture capital firm in 1998 and was listed on the stock exchange in 2002. The company is now part of the Stena Group. Ballingslöv has a turnover of SEK 8 billion, primarily in Sweden and the United Kingdom.

Dometic, which was sold to a venture capital firm in 2001 and listed on the stock exchange in 2015 following various delays, is a world leader in recreational vehicles and leisure boat equipment valued at SEK 23 billion.

Husqvarna, listed in 2006, is a world leader in outdoor products valued at SEK 44 billion.

GETINGE 

 GRÄNGES

Autoliv

Ballingslöv®

 DOMETIC

 Husqvarna®

Integrated and sold companies

The Electrolux Group managed to make hundreds of acquisitions, both large and small, during its internationalization phase in the 1970s and 1980s. These are a few of the most important ones, which live on within the Group or in other companies – in order of acquisition year.

Elektro-Helios was a Swedish appliance company that merged with Electrolux in 1962, laying the foundation for the direction that the company has taken today.

Facit was a crisis-prone office equipment and data group that was taken over in 1973 and then sold on to Ericsson in 1983 following reconstruction and division.

National Union Electric was an American vacuum cleaner company behind the brand name Eureka. It was acquired in 1974, giving Electrolux a new holding in North America.

Arthur Martin was previously a brand in the largest appliance group in France and Belgium which became part of Electrolux in 1976.

Tappan was an American company manufacturing cookers, microwave ovens and kitchen joinery. It has been part of the Group since 1979.

Océanic was a French television company that was acquired in 1980 and sold again in 1987.

Progress was a German vacuum cleaner manufacturer, and Paris-Rhone was a French one. They were both incorporated into the Group in 1981.

Elektro  Helios

FACIT

TAPPAN

PROGRESS™
STUTT GART

ARTHUR MARTIN

Integrated and sold companies, continued

Hugin, which made cash registers and vacuum cleaners, was purchased from Swedish Kooperativa Förbundet in 1981. The cash registers were quickly sold on.

Zanussi, the large Italian appliance manufacturer, was an enormous and successful deal in 1984, which immediately made the Group into a major European player.

Zanker was a small German washing machine manufacturer that was acquired in 1985.

Beijer Bygg was a chain of home improvement stores that was bought in 1985 and sold in 1990.

White was one of the main American competitors of Electrolux, holding the rights to Frigidaire and other brands. At the time, this was the only major competitor on the American market for sale. It was a costly enterprise, but it laid the foundations for the Group's strong position in North America and Latin America today. The deal was made in 1986.

Poulan from the US was bought in 1986 to be part of the outdoor products segment

Thorn EMI was a British discount Group in major appliances and professional kitchen equipment that was acquired in 1987.

Corberó/Domar were two domestic unprofitable Spanish appliance companies from the Franco era. Both were acquired in 1988.








American Yard Products was acquired in 1988 and became a new cornerstone for the outdoor products segment in North America.

Britax was a British competitor of Gränges' seatbelt operation, which later became Autoliv. The company was acquired in 1988.

Buderus was a German group manufacturing cookers, professional kitchen equipment and industrial laundry equipment. It was acquired in 1989.

Allegretti & Co supplemented the outdoor products segment in US when it was acquired in 1990.

Lehel was a Hungarian major appliance manufacturer (with its own zoo). Since 1991, several of Lehel's facilities have served as important parts of the European manufacturing operation.

AEG Hausgeräte was the first move into the major appliance market in Germany. The deal was carried out in 1992-1994. Today, AEG is a premium brand in different parts of Europe and China.

Refripar was a successful acquisition of a Brazilian appliance company in 1996 which laid the foundation for the strong position Electrolux now holds in Latin America.

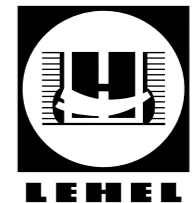
Email, Australia's largest appliance company, was successfully acquired in 2000.

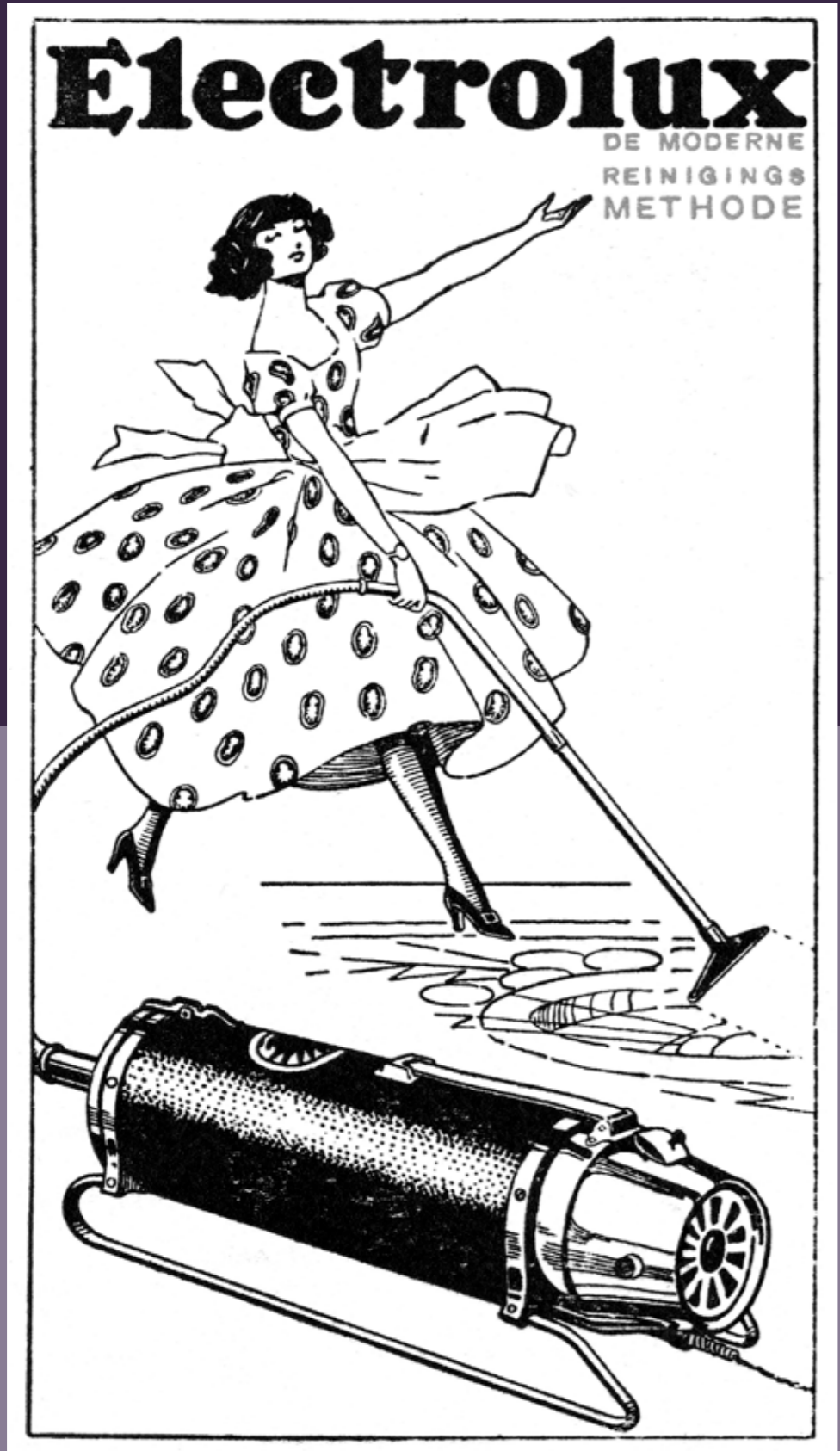
Olympic was an Egyptian appliance company purchased as part of the Electrolux expansion in Middle East & Africa in 2011.

CTI, the largest appliance company in Chile, was acquired in 2011.







CHAPTER

1

The seeds of a global enterprise

1919-1939

Significant milestones

Year	Event
1881	Axel Wenner-Gren is born.
1901	Foundation of the limited company Lux, which manufactures gas lamps.
1902	Wenner-Gren graduates from Berliner Handelsakademie.
1908	Lux relocates to premises at Lilla Essingen in Stockholm. Wenner-Gren sees a vacuum cleaner for the very first time – in a window display in Kärntner Straße, Vienna.
1910	Elektromekaniska AB is founded by engineer Sven Carlstedt. The company eventually starts manufacturing motors for Lux vacuum cleaners.
1912	Wenner-Gren and Lux enter a collaboration. The vacuum cleaner Lux I is launched.
1915	Wenner-Gren starts the sales company Svenska Elektron.
1917	Elektron acquires all shares in Elektromekaniska AB.
1918	Elektron and Lux, which is now owned by AGA, enter a collaboration agreement. This entails Lux assuming control of Elektron's operations, while Elektron acquires 49% of the shares in Lux. AGA in turn becomes the majority shareholder of Elektron.
1919	Electrolux is formed on August 29 as a wholly-owned subsidiary of Elektron, the sole owner of which is now Wenner-Gren. Lux and Elektron enter a collaboration in which Elektron is given exclusive rights to sell Lux vacuum cleaners, but also undertakes to exclusively buy vacuum cleaners from them. Electrolux is already becoming established abroad: in Denmark, the Netherlands, Switzerland and France.
1920	Elektro-Helios launches the first electric cooker in Sweden.
1921	The "Model V" vacuum cleaner is launched.
1922	As part of their thesis project, engineering students Baltzar von Platen and Carl Munters invent the absorption refrigerator.
1923	Wenner-Gren buys all of Lux from AGA.
1924	Electrolux becomes established in the US.
1925	Electrolux builds its first factory abroad – in Berlin, Germany. Wenner-Gren acquires the Swedish vacuum cleaner manufacturer Volta. Electrolux initiates a collaboration with American Servel to sell refrigerators.
1926	Wenner-Gren steps down as President to chair the Board of Directors. He is replaced by Ernst Aurell.
1928	Electrolux is listed on the London stock exchange.
1930	Electrolux is listed on the Stockholm stock exchange. The first built-in refrigerator is launched.
1931	Electrolux begins manufacturing its own vacuum cleaners in the US. The first air-cooled absorption refrigerator is launched. Harry G Faulkner is appointed as President after two years as deputy Vice President.
1937	Wenner-Gren authors the political pamphlet <i>Call to Reason</i> , which is published by Albert Bonnier. Centrallaboratoriet, the central laboratory, is inaugurated at the factory in Lilla Essingen.
1938	Launch of the Z30 vacuum cleaner, nicknamed "the Loaf," designed by Laurelle Guild.
1939	Wenner-Gren leaves the Board of Electrolux and Sweden to live in the Bahamas. He remains the principal owner of the company up until 1956 however. Axel Enström is appointed as the new Chairman of the Board for Electrolux.

"Let's get this over with so we can go to dinner." The mood in Handelsbanken's boardroom at Kungsträdgårdsgatan 4, Stockholm, on this Friday in late August 1919 would have been something akin to inattentive. Most of the people in the room had more important things on their mind than the agreement and the new name they were there to decide on. This was mostly a formality.

The subject of the meeting was Electrolux. The primary five actors involved were: The listed company AB Gasaccumulator (AGA), the vacuum cleaner manufacturer Lux, the sales company Elektron, the large Swedish bank Handelsbanken and, last but not least, the 38-year-old entrepreneur Axel Wenner-Gren.

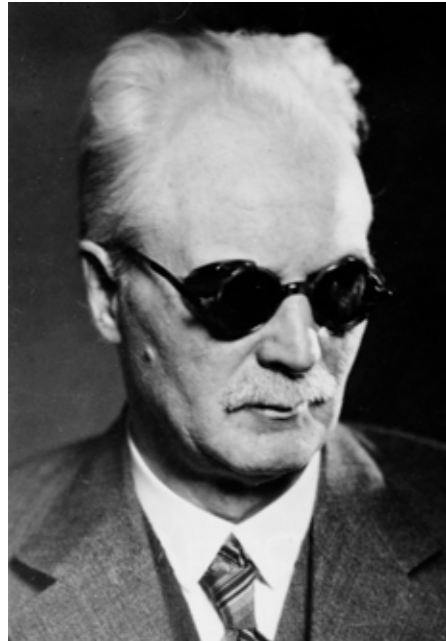


Swedish bank Handelsbanken backed several of the companies that were involved in the founding of Electrolux. This picture shows the large board room at the bank's Stockholm headquarters in 1911.



Entrepreneur Axel Wenner-Gren, born in Uddevalla, Sweden, founded Electrolux in 1919 after a long career as a salesman and sales manager in Germany, among other places.

AGA had been founded in 1904 and developed into an internationally renowned company thanks to inventor and entrepreneur Gustaf Dalén. He had invented a revolutionary lighthouse system which had become the world leader in the industry. He lost his sight in an accidental explosion in 1912, but continued running the company. That same year, he was also awarded the Nobel Prize in physics. In the year that Electrolux was formed, Dalén was still President of AGA, and the Chairman of the Board was Arvid Lindman.



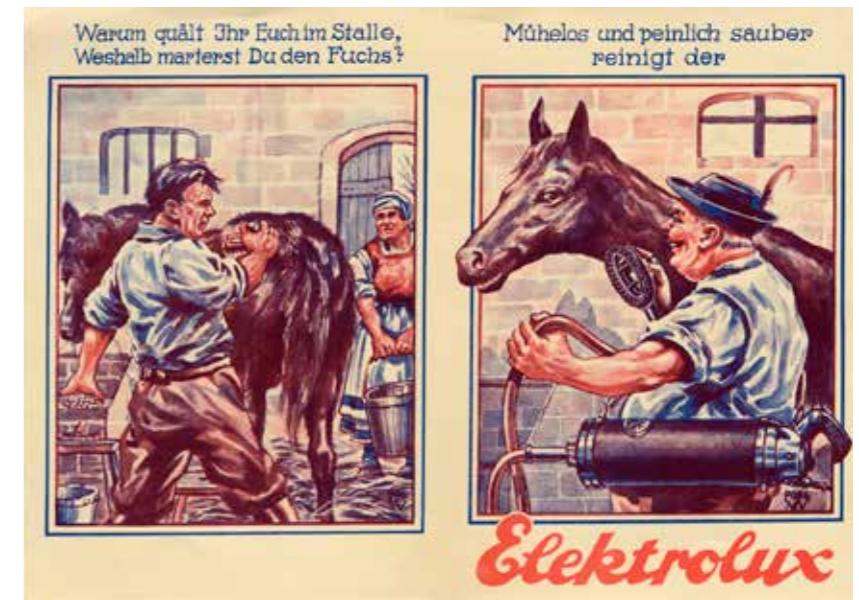
The Swedish inventor Gustaf Dahlén was awarded the Nobel Prize in physics in 1912. His company AGA was one of the owners of AB Lux, where vacuum cleaners would begin to be made.



Early ad for the Lux outdoor lamp, which was run on kerosene and manufactured by AB Lux in Stockholm.

Lindman was one of the great industrialists of his time and a politician. He had previously served as Prime Minister of Sweden and held leading positions in several Swedish industrial companies. Not only was Lindman the Chairman of AGA, he also chaired the board of Handelsbanken – the bank that made it financially possible to start Electrolux. The bank granted Wenner-Gren a loan of SEK 700,000 against a surety provided in Elektron shares.

The listed company of Lux had been founded in 1901, at the time manufacturing kerosene cookers and lamps. However, there was no future in kerosene as electricity had its breakthrough shortly after. So the company instead turned to lighthouse engineering. This was not met with the approval of their competitor Dalén, who promptly acquired the company. Lux once again changed direction, and from the early 1910s it started making vacuum cleaners, including a copy of the American brand Santos. In 1919, AGA owned 51% of the shares in Lux. The rest was owned by Elektron.



An advertisement for Elektrolux vacuum cleaners in Germany, one of the first markets vacuum cleaners were exported to from Sweden. Germany was the only country beside the Nordics where the spelling with "k" was used.

» Not only was this a brand that Wenner-Gren controlled alone, having used Lux before, but also an ingenious and unique international name which worked in all languages. «

Elektron was founded by Wenner-Gren in 1915. It was a sales company that primarily sold vacuum cleaner models made by Lux. At the start of 1919, the majority of the shares in Elektron were owned by AGA. The rest were owned by Wenner-Gren. Now that Electrolux was formed, he would be the sole owner of Elektron. The newly formed Electrolux would be a subsidiary of Elektron. In return, Wenner-Gren had undertaken to purchase large volumes of Lux vacuum cleaners. Lux, for its part, agreed for a 10-year period that Elektron and Electrolux would sell all vacuum cleaners made in its factory.

To put it briefly, this meeting was part of a process entailing both a new distribution of responsibilities and a new name for one of the world's most promising vacuum cleaner projects. A new agreement had now been concluded between the manufacturing company AB Lux and Wenner-Gren's sales company Elektron AB, which meant that the latter assumed exclusive sales rights to vacuum cleaners of the brand Lux, along with an obligation to purchase all its vacuum cleaners from Lux. At the same time, the name of Elektron's subsidiary Elektromekaniska was changed to Electrolux. Not only was this a

brand that Wenner-Gren controlled alone, having used Lux before, but also an ingenious and unique international name which worked in all languages.

Complicated? It is not uncommon for agreements with capital-strapped entrepreneurs to become complex as the collaboration evolves naturally. Those who know how to practically develop the business want more control, and the more conventional corporate management wants to keep its new promising venture onboard.

The parties tried to hammer out a collaboration format that would benefit them all and which would run smoothly for a long period of time. The fact that they had planted the seed of an international company with the ingenious name Electrolux, which worked in most languages, probably did not cross their minds. This book will use the spelling Electrolux, as it was only in the Nordic countries and Germany that the name was spelled with a “k” up until 1957.

To accompany him at the company formation, Wenner-Gren brought his close childhood friend, lawyer Axel Hemming-Sjöberg, who became the Chairman of the new venture. The documents were passed around, read and signed before the gentlemen strolled over to the restaurant to have dinner. Perhaps they would play a game of cards.

During the meal, they probably discussed the first president of the German Weimar Republic, social democrat Friedrich Ebert, who had lamented the harsh terms of the

» The fact that they had planted the seed of an international company with the ingenious name Electrolux, probably did not cross their minds. «

Versailles Treaty of the early summer of 1919 by calling it a violent peace with no limit or end. The Germans would be forced to live in abject submission. Some were concerned about the new Bolshevik Russia, which was in the midst of civil war, terror and great pogroms against the Jewish population. Some were perhaps aware that a national socialist party had been formed in Munich with the former soldier Adolf Hitler at the helm, or that there was a soldier returned from war in Italy, Benito Mussolini, who had founded a fascist party.

More likely, the men spoke that night of the revolutionary changes happening in Sweden: the decision to introduce universal suffrage in May and the regulations concerning an eight-hour work day which would be decided that September. In this respect, their opinions were divided. They probably toasted the new Electrolux, but then went on to discuss more dramatic changes. It is unlikely that any of them foresaw that Electrolux would soon become an incredibly successful enterprise, except perhaps Wenner-Gren.

A young sales wiz with global dreams



Axel Wenner-Gren with his degree from the Berlin School of Business (Berliner Handelsakademie) in 1902.

Who was he then, this fascinating founder of Electrolux, who with his rapid international successes and donations could be likened to a Henry Ford, Ingvar Kamprad or Bill Gates in his field? Writing about Swedish entrepreneurs poses a particular problem as the view of entrepreneurship has shifted with the view of capitalism. Some have been depicted as saints, while others have been disparaged, depending on the Zeitgeist. Wenner-Gren is among the latter. The fact that most great leaders of industry are known both for their visionary character and their inflated egos makes it easy to paint them in black-and-white. Once given, judgements and labels have a tendency to stick. So what would a more balanced description of one of the most prominent Swedish company founders be?

There is a picture of a young Axel taken after his graduation from the Berlin trade academy just before Christmas in 1902. A 21-year-old man, ready to enter working life. He is posing at a photographer's studio holding his diploma, attained in record time, dressed in a double-breasted suit, waistcoat and high collar. Based on his posture, a determined

young man, but with that pale, faraway look in his eye that people would talk about later in his life. One of his closest collaborators, engineer Torsten Elfving, would later write this about him:

“In many ways, he gave the impression of being placid, almost slow-witted. Those who met him expecting brilliance were disappointed, but it was not wise to underestimate him.”

It would appear that one of Sweden's most prominent entrepreneurs and salesmen of all time lacked the ability to make a good first impression. Perhaps that is the reason why he had to keep asking ten Wednesdays in a row to secure his first real job at the Separator subsidiary Alfa-Berlin in Germany. Separator, which was founded on Gustaf de Laval's invention of the manual milk-cream separator, was at that time Sweden's most sophisticated and profitable exporting company.

Wenner-Gren realized that this is what he needed to be in order to learn from the best Swedish salesmen. Manager Axel Kullberg may have considered this applicant something of an opportunist, but his persistence was impressive, and Kullberg finally gave in. Wenner-Gren was hired as a clerk and advanced after a short while to the position of managerial secretary. But he soon left his office career behind, establishing himself as one of Separator's best salesmen.

» It would appear that one of Sweden's most prominent entrepreneurs and salesmen of all time lacked the ability to make a good first impression. «

After only two years – in the summer of 1904 – he quit due to the adverse attitude of his sales colleagues. No-one loves a careerist, and what else could he really learn from these listless coworkers?

The farmer's son who wanted to be a businessman

That Wenner-Gren would receive an education and have a career in Germany was far from set in stone. His father, Johan Leonard Wennergren, was a wealthy farmer and formerly a successful timber trader from a revivalist region in the vicinity of Uddevalla on the Swedish westcoast, and his mother Alice was a hatter's daughter from the more liberal Gothenburg. Axel Wennergren changed his name to Wenner-Gren in his 30s, after he started the magazine *Svensk Export*, in order not to be confused with a competitor in the publishing industry.

In other words, Wenner-Gren came from a relatively well-to-do family and started dreaming at an early age of surpassing the achievements of his relatives. The farm Urhagen, where he grew up alongside his older sisters and his little brother Hugo, even had riding horses. All of his sisters died at an early age, which perhaps affected his view of family life, but nothing has been documented on the subject.

The German author Margot Boger-Langhammer was the first to write Wenner-Gren's biography in the late 1950s, when he was close to 80 years old. Her literary style has its pitfalls, as it is hardly possible to recount conversations from memory or imagination.



Axel Wenner-Gren, in bowler and standing, together with his parents in 1903. Furthest to the left is his younger brother Hugo.

But the sheer effort of recounting the details of the childhood home and circle of friends in order to make the account come alive gives it some interesting nuances. The family in Uddevalla were apparently proud of their standing in society and their fancy belongings. The eldest son, with his creative imagination, was the obvious choice to succeed his father and manage his legacy.

But Wenner-Gren dreamed of being more than a big fish in a small pond, he wanted to be a great businessman. His ambition manifested at an early age, when he sold stamps and souvenirs to summer tourists at the beach resort of Lysekil while staying with his aunt Caroline. He had a good head for learning, but at the age of 15, after five years of secondary school, he started working in his uncle Eric Tunell's import business in Gothenburg. He was going to be an entrepreneur, not a teacher or a priest.

In Gothenburg, he not only worked long hours at Tunell's for five years, he also managed to take language classes at the Berlitz School in the evenings: German, English and French. He even squeezed in piano lessons at the YMCA. And he often took the opportunity to converse with the foreigners down at the docks during his free hours.

Off to Germany

Working at the same firm as Wenner-Gren was his friend Hemming-Sjöberg, who would later become the first Chairman of Electrolux. At the end of this period in his life, the young Wenner-Gren was lodging with his friend's family, and in the summer they went together to take German classes in the sleepy little town of Greifswald in Western Pomerania, whose university had been under Swedish governance for hundreds of years.

Tunell probably expected Wenner-Gren to marry his foster daughter and take over the firm. But not even this was good enough. Wenner-Gren wanted to leave for Europe and become a titan of industry.



Axel Wenner-Gren in Gothenburg in 1902. Here, he is leaning over his friend Axel Hemming-Sjöberg (at left). Sjöberg was to become the first Chairman of the Electrolux Board.

This was of course also disappointing to his 70-year-old father Leonard in Uddevalla. However, he had a change of heart when his son showed him the impressive funds he had managed to scrape together for the journey while working as a trainee in Gothenburg. Following a dinner where one of the finest wines in the house was brought up from the cellar, father and son went to the bank the next day to take out a credit of SEK 10,000 for Wenner-Gren, an amount equivalent to 10 year's wages for a worker.

His friend Hemming-Sjöberg came home from Germany in the fall of 1901 to begin a career in law while Wenner-Gren applied to be accepted at Berliner Handelsakademie. The fact that he took the examination for his degree in commerce only four months later shows that he had been well prepared by his work at the firm and his language classes. Admittedly, the business schools of the time did not have any high academic ambitions. In addition to general studies, students had to be able to neatly keep accounts without typographic or counting errors, write impeccable business letters and master the various rules and institutions of commerce, such as shipping documents, bills of exchange and financial contracts.

His choice of degree was strategic and smart, but it would label him for the rest of his life as an uneducated person who had worked his way up from the bottom. Wenner-Gren was good at acquiring general knowledge and he constructed a fragile self-image as a

renaissance man, a man who had his finger in everything and who insisted on being referred to with the title of doctor once he had received his first honorary degree. This of course says as much about the academic snobbery of the time as it does about Wenner-Gren as a person.



Axel Wenner-Gren makes a return visit to Vienna and the place where he saw a vacuum cleaner for the first time in 1908. This picture is from 1959.

First encounter with a vacuum cleaner

After leaving Separator, Wenner-Gren bought shares in a German firm that manufactured agricultural equipment and marketed these together with Swedish separators and American mowers. Riding a motorcycle over the muddy roads of southern Germany, it dawned on him that the business he had chosen did not have the development potential that he had been hoping for. So he sold his share in the company at a profit and took some time off before continuing his learning journey, first in England and then in America. He wanted to learn more about how to invest in the right products, in the right way.

In February 1908, at the age of 27, he arrived in New York. He would go through many hardships before returning to Germany as a sales agent for an American agricultural engine. It sold well, but proved technically inadequate.

Time for a career change? Not at all. Wenner-Gren had laboriously learned the ropes of sales, sales management and consumer demands. The problem was simply identifying a product with exponential customer potential. Farms were just too scarce in supply.

And it was therefore with eyes peeled that, according to his own account, he happened to pass by a display window opposite St. Stephen's Cathedral at Kärntner Strasse in Vienna at the end of 1908. This is where he spotted a demonstration of a Santo Staubsauger, an American monstrosity of a vacuum cleaner weighing close to 20 kilos and at a hefty price corresponding to SEK 500 at the time.

This could be just the electric product that he was looking for. He immediately proceeded to send a telegram to the American firm, asking to be its general agent in Europe. There was already a retailer holding the European rights but Wenner-Gren bought a 20-percent share of the company and became its manager for the German market.

» This could be just the electric product that he was looking for. He immediately proceeded to send a telegram to the American firm, asking to be its general agent in Europe. «

Business was good, but soon the partnership started to crumble. Wenner-Gren was bought out on generous terms. It had only been a couple of years and he was once again without a project, but he was SEK 540,000 richer. This was a substantial amount at that time!



It was in a display window on Kärntner Strasse, diagonally opposite St. Stephen's Cathedral in Vienna that Axel Wenner-Gren saw a vacuum cleaner for the first time. This is what the place looks like today.

Marriage to an American

At this time, Wenner-Gren had also met his future wife on one of his transatlantic voyages in 1909. The dark-haired, lively and talented American opera singer Marguerite Gauntier Ligget was studying in Germany. Her lyric soprano voice had matured early and the German audience was already embracing her, allowing her the opportunity to sing many of the great soprano roles.

The tall Swede with the dreamy look in his eyes really made an impression on her. His money and his aspirations did not make him less attractive. Marguerite was chaperoned by her older sister Gene, who was already a famous silent film star. Wenner-Gren had inherited a great interest in music from his parents and he rarely missed a concert or an opera. The few of his German friends who survived the wars told Boger-Langhammer of a Swede who was well known and liked in imperial Berlin, an exciting and charming friend who was full of mischief and ideas.

The young couple married secretly in London. Three years later, in 1912, Marguerite moved from the opera in Mainz to Stockholm where she had been engaged by the new Director Harald André. There is no indication that her husband had any hand in her being hired. Over time, André, who was a Renaissance man of the caliber that Wenner-Gren was striving to be, became a close associate and friend of the family.

However, Marguerite left the Stockholm Opera after only 25 performances. She found the Swedish audience dull and uninspiring. She longed for the standing ovations in Germany, but was faced with the choice of either divorcing or devoting herself entirely to her vacuum king and his business. After a sleepless night, the spouses made a pact to share power and to have full transparency in all transactions. Mrs. Wenner-Gren was given free range to decorate opulent mansions with expensive furniture and art. This seems to have been a shared interest for the couple. And so they embarked on a life of entertaining friends from business and the culture scene who would mingle at masquerade balls and events. However, in some circles, their nouveau riche lifestyle was looked down upon.



On one of his travels over the Atlantic in 1909, Axel Wenner-Gren met the dark haired and lively American opera singer Marguerite Gauntier Ligget and they were soon engaged. Here, the newly engaged couple are pictured on an American cruise liner that same year.

Collaboration with Lux

In November of 1912, the head of the Swedish Lux factory C G Lindblom received a visit from Wenner-Gren. At the time, Lux was manufacturing a Swedish copy of the American Santo vacuum cleaner. The tall, blonde 31-year-old asked to be entrusted with the general agency of Germany, guaranteeing that he would sell 500 vacuum cleaners per year. At first, he was written off as an opportunist, but then in December the parties came to an agreement.

Before then, Wenner-Gren had come into contact with engineer Sven Carlstedt. In 1910, he had started the company Elektromekaniska to manufacture a Santo copy on behalf of factory owner Eberhardt Seger under the name Salus. Now Seger was out of the picture and Elektromekaniska was making motors for Lux vacuum cleaners while Lux made the housing and other components in its own factory. The first Lux-made model became available for sale in the summer of 1912 at the cost of SEK 550.

Wenner-Gren was thus not the only Swede who had discovered Santo, but he was bolder than anyone else. The new vacuum cleaner entrepreneur already had an idea for how to improve the appliance. The innovation was a turbine motor for a more effective air-stream, the Model I, which Carlstedt immediately set about making. This model was also lighter and cheaper – it cost between SEK 300 and 400 – but still weighed 14 kilos. Still a heavy load for housewives and maids. It was when this model had been perfected that Wenner-Gren contacted Lindholm at Lux.



Lux "Model I" began to be sold in 1912 and had a flying start. It was the first vacuum cleaner that had a turbine motor for more efficient airflow. While it was lighter and less expensive than other vacuum cleaners, it still weighed 14 kilograms.

Lux Model I was off to a flying start in 1913, but Wenner-Gren and Carlstedt refused to rest on their laurels. They continued their innovative efforts as the salesmen reported back that customers still found the appliance too heavy. This also limited the reach to the length of the cord. Luckily, they were already working on "Model II" which ought to have been the world's first truly consumer-adapted vacuum cleaner, weighing 9 kg and sold at SEK 200 on the market.



This is what it could look like when a maid in an upper-class home vacuumed with Lux "Model I". Despite its unwieldiness, the work of cleaning became much easier.

Wenner-Gren, who was now promising to sell 5,000 units, quickly reached out to his contacts in Germany, France and England. Lux had trouble keeping up the supply, but in early 1914 the road to becoming a global enterprise seemed wide-open. The product was still a heavy, upright appliance that was transported by cart to demonstrations, preferably in the evening when the husbands were home. The installment payment method that was introduced by sewing machine companies in the 1800s was being increasingly used at this time, thus making it easier to purchase.

At the same time, Sweden was in the midst of a government crisis due to a controversial speech on defense given by the King. The liberal government had resigned and been replaced by a caretaker government with Hugo Hammarskjöld as prime minister and Knut Wallenberg – former President of Stockholms Enskilda Bank and head of the Wallenberg family – as the foreign minister. Unbeknownst to them, they would remain in power for a long time due to a Serbian nationalist who shot the heir presumptive to the Austro-Hungarian throne during a state visit to Sarajevo in late June of the same year. Just over a month later, nearly all of Europe was at war. But Sweden managed to stay out.

Wartime economy and wartime business

For the future vacuum king of Europe, this was a brutal turn of events. He was the one who had guaranteed the deliveries. His own funds quickly melted away as payments defaulted and suppliers, headed by Lux, wanted their money.

The old Lux factory

Since 1901, the Lux factory had been manufacturing kerosene cookers and lamps. Among other things, the company won a large order of lighthouse lamps for the Suez Canal. Their most well-known product was the Lux lamp, which was primarily used for street lighting. Each lamp had to be lit separately and was time-consuming work.

The company's sales quickly escalated in Europe as well as North America and Mexico during what was an unusually open time for international trade. The expansion prompted the owners to move the operation to a larger property and premises on the island of Lilla Essingen in Stockholm. The island was a popular excursion spot for the residents of Stockholm, but this soon changed when another kerosene cooker company, Primus, constructed its first factory there.

The construction of factories was no rush job before World War I but rather a manifestation of the new status of the companies and of industrialism as such. The stock certificates of the period were adorned with pictures of these cathedral-like creations. The new Lux factory stood imposing on the water as if it was a public building. Electricity had yet to make its big breakthrough so factory floors needed open ceilings to let the daylight in. They also needed massive ceiling heights to house all of the drive shafts and straps needed to use steam power. But after the introduction of electricity it was not long before each work station could have its own machine. This made factory production more flexible and the working environment safer.

The design of the factory, with its triple-naved basilica, is now a reminder of the foundations of Swedish industrialism. The center nave had rows of windows along the ceiling. The windows had different designs and were grouped in beautiful formations. The brick walls were framed by decorative masonry as per the instructions of architect Sigge Cronstedt.

Lux moved into the premises in 1908 and later turned them into offices for Electrolux. The company remained there until 1999. Today, the area has been remade into residential apartments.



The factory on the island Lilla Essingen where Lux moved in 1908. The building furthest to the right, below the chimney, and the white house in the background are still there to this day.

How could he raise the funds to help his project survive the war? Were there any mediation deals to be made? Russia supported the Serbs, thus ending up in an alliance with England and France at war with Germany. Germany had previously had a substantial export of lightbulbs to Russia that was now cut off. Wenner-Gren went to Germany and secured a promise of exclusive rights to wartime trading via Sweden if he could guarantee one million lightbulbs. His partners at Lux were unwilling to take such a risk so Wenner-Gren had to go to Russia on his own to secure all the orders he could get. Despite the competition, business was lucrative.

Wartime inflation meant that Swedish companies were making increasing profits as labor costs were lagging. The temperature rose on the Stockholm Stock Exchange while at the same time workers were protesting with increasing desperation against the harsh times. Hunger riots broke out in the streets of Stockholm while an increasing number of phone booths were installed at the stock exchange. There were still several pioneering customers with great purchasing power in Sweden to buy the new electric household appliances, but the home market was too small for all the cooker and vacuum cleaner manufacturers that were popping up all over.

Wenner-Gren eventually had enough of wartime trading and turned his focus back to vacuum cleaners. Sooner or later, the war would end. He and engineer Carlstedt continued improving their vacuum cleaner design, putting a pipe between the nozzle and hose. This was developed into a portable model that weighed no more than 3.5 kg! It was called a mere toy, according to the Lux Board of Directors. So the product was assigned to a new sales company owned by Wenner-Gren alone. The company and the vacuum cleaner were both given the name Elektron. Elektron sold well but was not powerful enough. They needed something more effective. It was the "Model V" which was to become the next step, but development of this appliance and the resetting of the factory would have to wait a few more years.



Group photo with salesmen and employees taken outside the Lux factory at Lilla Essingen outside Stockholm in 1917. Front row from left: Office Manager Lindqvist, Director Axel Wenner-Gren, Director C G Lindblom, Engineer Sven Carlstedt and Engineer Hydén.



The Lux "Model III" was so handy that it could be carried. But it would be further developed ...



An advertisement for the "Model V" vacuum cleaner in the United Kingdom.

The revolutionary Model V

Wenner-Gren had come up with a daring plan early on to mass produce vacuum cleaners for the European market after the war. The Board members from AGA and Handelsbanken considered his ideas unrealistic. It seemed impossible to change their minds. But by taking control of Elektron and starting Electrolux in 1919, Wenner-Gren had now assumed a greater proportion of the risk in exchange for more power over the company.

» The founder of the company was managing all of them personally by constantly travelling between capitals by night train. New staff was being trained and various sales competitions were initiated. «

He now proceeded to yield this power with everything he had in terms of experience, enthusiasm, superior product and incredible diligence. This took place in the wake of other similarly optimistic, highly leveraged and problem-stricken company formations created in Sweden during the years 1917 and 1918. But unlike other Swedish companies like Kreugers' Svenska Tändsticksbolaget, Cedergrens' Telefon AB LM Ericsson and the Wallenbergs' Atlas Diesel, Electrolux was an immediate hit.

The ink was barely dry on the Versailles Treaty in 1919 before the sales pitches started in France and England, even though a great deal of opposition to direct sales had to be overcome on the English market. Before long, new sales companies were started in Switzerland, Belgium, the Netherlands, Italy and Spain, and the founder of the company was managing all of them personally by constantly travelling between capitals by night train. New staff was being trained and various sales competitions were initiated. Wenner-Gren seemed to be everywhere at once.

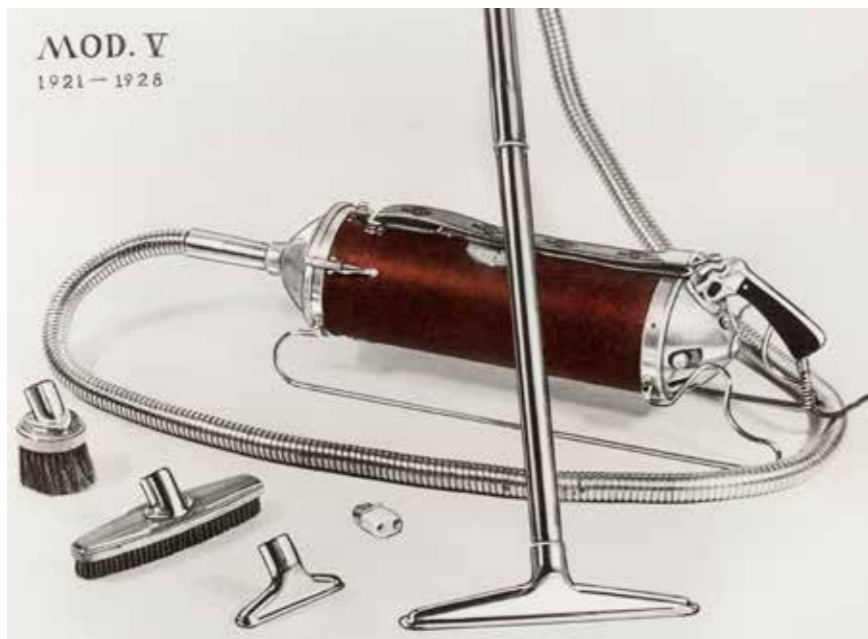
There was a never-ending stream of new orders for vacuum cleaners coming into the Lux factory at Lilla Essingen, which now found it difficult to supply them – out of 7,000 ordered appliances, only 4,700 were delivered in 1919. This appeared to be problematic

as 20,000 units had been budgeted for 1920. But capacity was adjusted and the company more than doubled deliveries by the following year.

And now, after the war, the Model V – which was intended for use in regular homes – was ready to be marketed all over Europe. The world was finally opening up again, even if it would take a long time to return to the international trade volumes of the pre-war era. The global launch was set to occur in 1921.



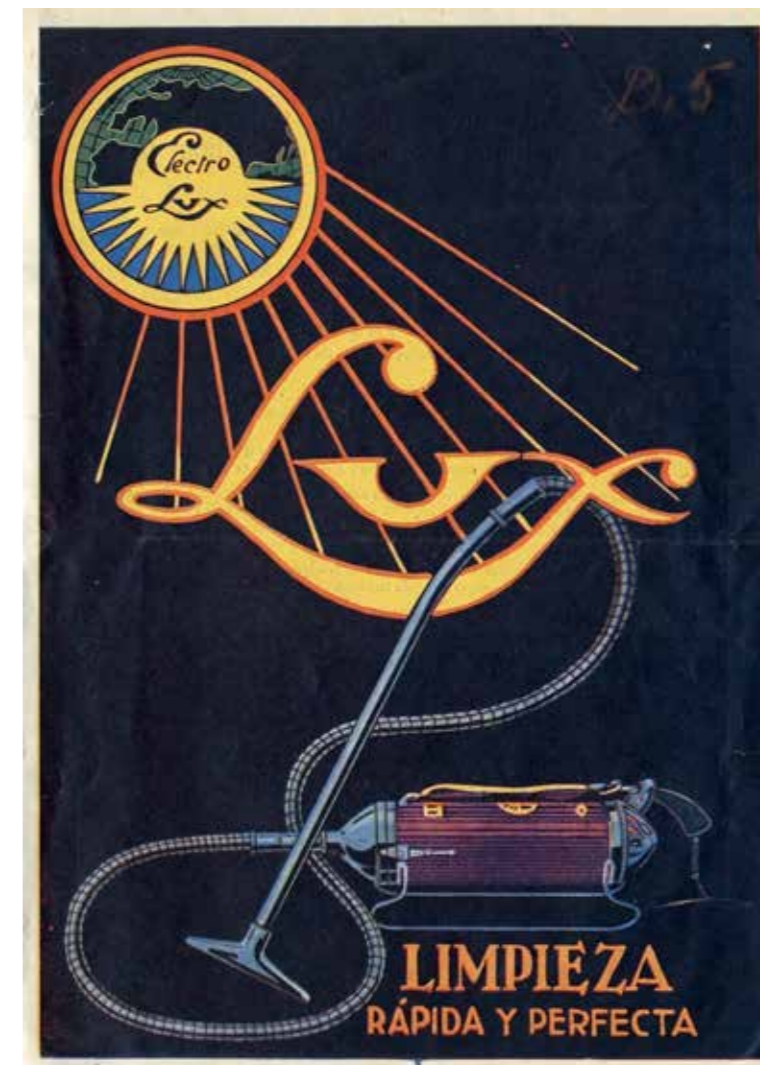
In 1921, the Electrolux subsidiary in Belgium was founded. This store was at 123 Boulevard Sauvenière in Liège. Stores, similar to today's showrooms, were opened in central locations in several European cities.



"Model V" was an innovative and light vacuum cleaner with runners that made it easy to move. It revolutionized cleaning in the home and became a huge success internationally.

Model V

Many people around the world today have seen it, or at least a copy of it: a "loaf" with a long, robust pipe of shiny metal. Model V had runners which allowed it to skid across the floor of the home to effectively suck up dust and dirt, even though it was smaller and significantly lighter than its upright predecessors. It was Wenner-Gren himself who had come up with the idea of the runners. The fact that the appliance was a worthy representative of the new industrial design of the era, in the spirit of German architect Peter Behrens, did not hurt.



An advertisement for the "Model V" vacuum cleaner in Spain.



Swedish advertisement for "Model V."

» Especially after 1921, when the Model V had been launched globally, Wenner-Gren was seen as extremely successful. He managed to expand from some thousand machines per year to thousands of machines per day in just five or six years! «

Troubled launch

The timing of the world launch was not optimal, however. Sweden, which had remained neutral during the war and experienced wartime inflation of 30–40% a year, was about to enter a deep deflationary crisis. Wages, which had been raised due to inflation, could not keep up with the downwards spiral. The eight-hour day further increased costs.

Due to wartime inflation and shorter working days the Swedish workers were now the most expensive in Europe. If the years of unemployment emerged as one of the darkest periods in the history of the Swedish working class, the same can be said for the hardships of the owners during this time. Many prominent Swedish business families of the 1800s went bankrupt and their companies ended up in the hands of the banks. It is estimated that one third of all the major companies in Sweden met this fate. Issuing companies (*emissionsbolag*), which much like the venture capital enterprises of today would reconstruct and merge new listed companies, were going under by the dozen along with the highly indebted financiers, as company values dropped to 10–30% of what they had been before the end of the war.

In the 1920s, the new Electrolux would consequently be faced with European competitors with half the labor costs. The Swedish coalition government would further aggravate the situation by stubbornly sticking to a fixed currency policy. Poor knowledge of stabilization and currency policy probably contributed to their decision to put the entrepreneurs through a trial by fire.

What they got instead were cheaper imported goods, tougher competition on the export markets and a more rapid failure rate. It was good for the long-term transformation of Swedish industry but catastrophic in respect to employment numbers in the short term. The Swedish labor market dissolved into industrial action as employers were desperately seeking to lower wages.

In this context, Wenner-Gren stood out from the crowd. His new "miracle machine" proved able to carry the increased costs. Especially after 1921, when the Model V had been launched globally, Wenner-Gren was seen as extremely successful. He managed to expand from some thousand machines per year to thousands of machines per day in just five or six years!

No wonder that the tall, blonde and blue-eyed Swede quickly became a legend among his growing crew of salesmen. They reveled in stories of how he supposedly walked into the Royal Palace in Sweden, Windsor Castle in England and even the site of the Holy See in the Vatican to demonstratively vacuum the expensive rugs that his competitors had already cleaned, only to then empty the bag and reveal a massive pile of dust.



Elephants were common in Electrolux advertising in the 1920s. They not only symbolize suction, but also loyalty, wisdom, and patience.

Entertaining at the summer house

Soon, the heads of all the European Electrolux branches started visiting Sweden. Their visits would begin with games and a royal welcome at the summer home of the Wenner-Grens, at Halse Nabb on the southeastern cape of Orust island. The facilities were pretty primitive and today they have been torn down to make way for modern cabins with indoor toilets and electrical heating.

Wenner-Gren, who referred to his summer home as "Nabben," travelled between the mainland and the unkempt cape with his own boat. At the time, there was no bridge connecting Orust with the mainland. Over the years, Wenner-Gren would acquire more and more of the peninsula to build new cabins and longhouses for visiting family and business associates, more than 45 hectares in total.



Axel and Marguerite Wenner-Gren at their summer home Nabben on the Bohus County island Orust. Sitting in the middle of the back row is Gustaf Sahlin who was Electrolux CEO from 1941-1952.



The Wenner-Grens entertained both private and business guests at their summer house at Nabben.

Conflict with Handelsbanken and Lindman

You would think that the nation's brightest shining entrepreneurial star Wenner-Gren would be hailed as a hero by the Board of Handelsbanken and Sweden in general. But the super salesman did not get along with Chairman of the Board Lindman, who was also Chairman of AGA. Not only that, Lindman was a right-wing leader and former prime minister, not to mention that he came from an upper-class background. The two men were also harboring old grudges concerning foreign business transactions during the war.

Lindman and his friends at AGA had started grumbling behind closed doors about how much Wenner-Gren was earning and how poorly AGA's subsidiary Lux was being compensated for its manufacturing. The fact that the other products in Lux's range had done terribly during the war, not even covering their administrative costs, was easily overlooked in these private discussions.

At the end of the vacuum cleaner company's record year of 1923, which coincided with a great crisis in Handelsbanken, Wenner-Gren's personal loan at the bank of SEK 700,000 was suddenly denied for an extension and was expected to be repaid immediately. Lindman, who was already leaving Handelsbanken along with its President, also intended to push through significant price increases. The bank needed to increase the profitability of the companies within its own sphere.

Wenner-Gren rushed home from a trade fair in Lyon to face a Board of Directors at Lux accusing him of having pushed the expansion too rapidly. But the 42-year-old Wenner-Gren, who was now a seasoned negotiator, refused point-blank to discuss the issue of prices. If Lindman wanted to force him to repay the loan, he would answer by liquidating



Handelsbanken's and AGA's Chairman Arvid Lindman was one of the most powerful men of his time. He was not only a business leader and board professional, but also a prominent politician. Among his other positions, he served as Prime Minister for two terms.

Elektron, taking both Electrolux and Lux down with him. All of the Lux factory workers would lose their jobs. That was his counter.

Lux in the hands of Wenner-Gren

The only concession that Wenner-Gren would make was to refer the question of pricing to an arbitration tribunal. The Board of Handelsbanken found any outcome other than retroactive payment from Elektron to be inconceivable and so, after some convincing, agreed to amend the records to allow payment in the opposite direction as well, should it turn out that Wenner-Gren had in fact paid too high a price in regard to their agreement.

This was the reason why when Wenner-Gren won the arbitration, after anxiously awaiting a decision, he was entitled to claim repayment for some of the expenses he had had for the vacuum cleaners. The solution to the conflict was that Wenner-Gren had to take out another loan from the bank to completely buy out AGA from Lux. From then on, he was able to control the entire manufacturing process and refine it for Electrolux. He immediately expanded the factory to accommodate a capacity of 250,000 units. Not even that would be enough!



By finally controlling Lux, Wenner-Gren could expand production to 250,000 units at the factory in Stockholm. Not even that would be enough! Here a truck leaves the Lilla Essingen main gate.

The era of hygienism

In the 1920s, the world was full of families in need of a vacuum cleaner. They were living in the new era of electricity and "hygienism".

In the Middle Ages, a man could prove himself ambitious and faithful to his task by neglecting trivial matters such as personal hygiene.

It was only in the 1800s that this really started to change. Filth started featuring in fairytales. Dirty children were naughty children. The microscope revealed what terrible little creatures were crawling around in the dust piles. The new electric lamps that came into fashion in the early 1900s shed a harsh light on all the nooks and crannies. Cleaning became a virtue as the emergence of hydroelectric power made electricity cheaper. If you wanted to live a long, healthy life you had to get rid of the dust.

These trends were closely linked to social engineering and modernism. Politicians and intellectuals wanted a more modern and hygienic human existence with the help of technology, design and better organization. In a society that was eagerly embracing functionalist architecture, the vacuum cleaner became the most important tool along with major appliances and easy-to-clean spaces and materials.



In the age of hygiene, it became significantly easier to keep after dust with the help of a Lux vacuum cleaner. The sensational Swedish advertising text reads: "Do you love your home and your children? Then you should hate dust! The LUX vacuum cleaner eliminates dust and bacteria."

Refined sales methods



An important job for an Electrolux salesman was to demonstrate the vacuum cleaner's excellence. Here he does so in a Berlin living room.

During the war, Wenner-Gren had been honing his sales methods. The groundwork for sales demonstrations was laid by female sales assistants, a system that would only be discontinued in the 1950s. This meant that housewives had already been warmed up by women coming to their door to talk about how hard their cleaning work was and the amazing opportunity to get a demonstration of a new appliance in their home. The Electrolux salesman, and it was always a man, was no brute who would put his foot in the door to force his way inside. On the contrary, he was polite and cultured, and his visit had been scheduled in advance so that the husband could be home.

» The Electrolux salesman, and it was always a man, was no brute who would put his foot in the door to force his way inside. On the contrary, he was polite and cultured, and his visit had been scheduled in advance so that the husband could be home. «



Axel Wenner-Gren carefully described how an Electrolux salesman should behave. Not like this ...

... but instead to be polite and courteous.

Sven Gurt, who sold vacuum cleaners for a while at the start of his 40-year career at the company, published a book in 1999 called *Electrolux – en sannsaga* (A true story of Electrolux). He was himself surprised at the warm welcome he received in Swedish households when he came to demonstrate his vacuum cleaner. It was seen more as entertainment than pushy salesmanship. Customers expected to get a lecture on this new healthy lifestyle.

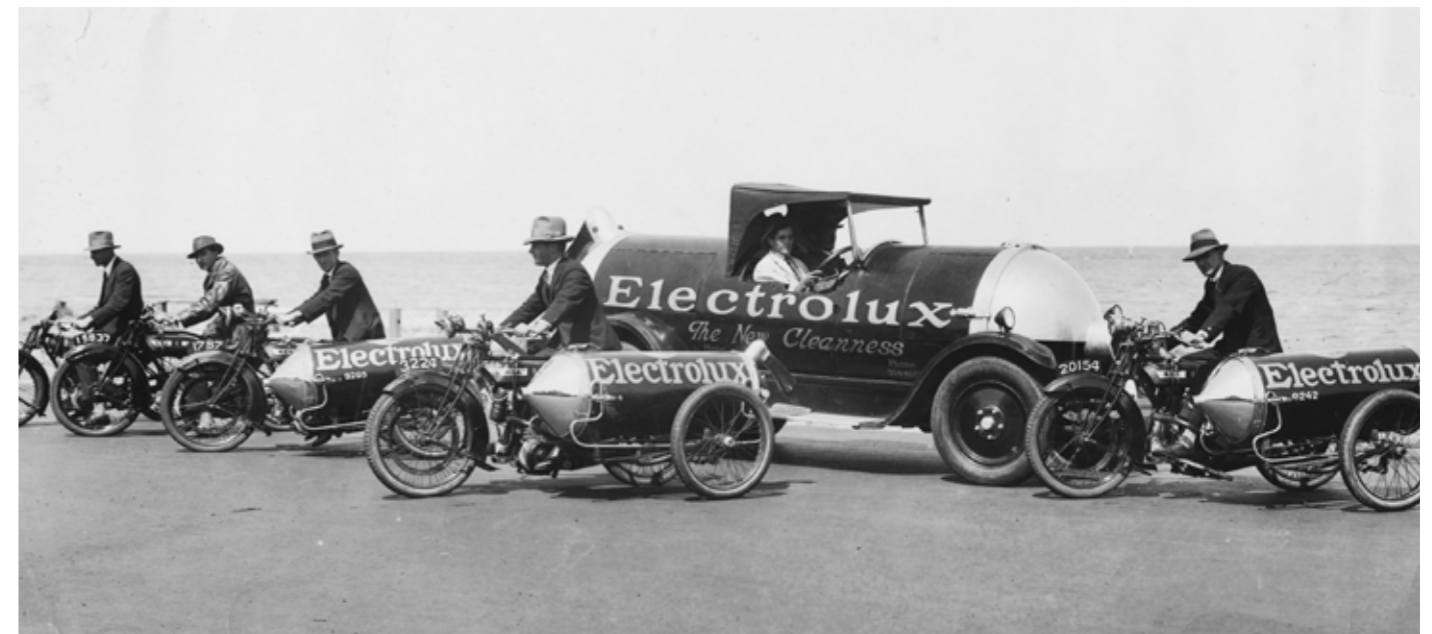
The goal of the direct sales method was to identify those inclined to buy, contact them and gently try to gain access to their homes in order to give a practical demonstration of the product. What were the customer's problems? What problems were they not even aware they had? An Electrolux salesman who was given the chance to vacuum a carpet that the lady of the house had already cleaned had the opportunity to make a lasting impression. There was of course fine dust in there, that only a vacuum cleaner could remove. The previously empty bag filled up quickly, to the customer's dismay.

Wenner-Gren realized that for the direct sales method to be successful, he needed a salesforce of men with the appropriate attributes and views on hygiene. The female sales assistants were never credited.

» The salesman needed moral judgement, perseverance and diligence. The hours were long, many visits would be fruitless and the best time to work was in the evening when both spouses were home. «

The right look, the ability to instill trust, good knowledge of the product, a talent for persuasion and educational ardor when it came to providing information and answering the customer's questions. The salesman needed moral judgement, perseverance and diligence. The hours were long, many visits would be fruitless and the best time to work was in the evening when both spouses were home. That is when decisions could be made on the spot.

Maintaining and inspiring a salesforce of that caliber was of course the most important challenge for the company and sales management. Electrolux needed a virtual army of salesmen who often viewed the job as a temporary phase their career. Every day, new recruits were trained and molded in the organization that just kept on growing. Many left after only a few months, but those who remained had the chance to make a good deal of money.



Electrolux motorcycles and cars lined up on the waterfront in Melbourne, Australia, probably at the end of the 1920s. The vehicles were used by salespeople in many countries and garnered a lot of attention, including in the newspapers.

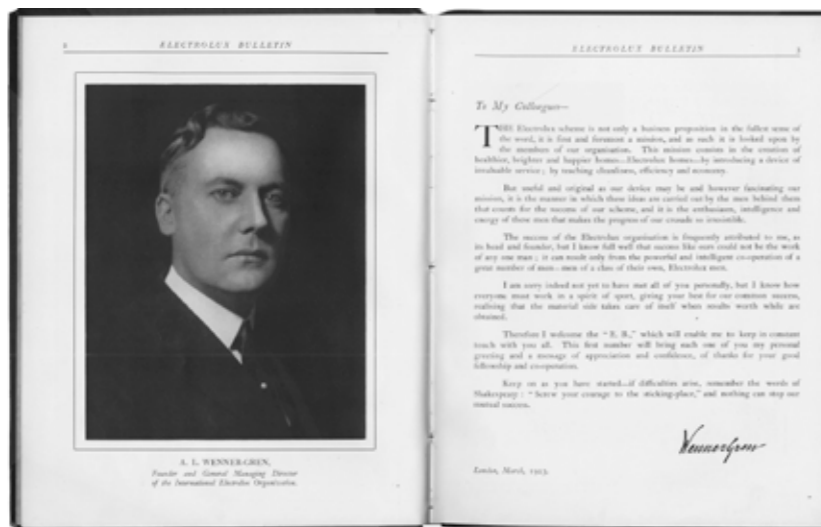
A successful sales model

Wenner-Gren's instructions on how the organization was to be operated, which was the same in all countries, makes for interesting reading. Due to the importance attached to these written sales instructions, the version used in the mid-1920s is provided here in its entirety.

How to recruit salesmen.

During the early organising period in a country, the only way to recruit salesman appears to be by advertisements in the daily papers. As soon as we become better known, however, and have our first organized staff of salesmen, we may look to them to procure new E-Lux men by introducing friends or relatives, whom they can recommend.

As our position in a country grows stronger, we can become more discriminating in the selection of our men, and by a careful and judicious weeding of the undesirables, improve the quality of the selling force, and create that "esprit de corps" among them which puts the E-Lux men in a class of their own.



The salesman's tasks and actions were carefully described in Axel Wenner-Gren's personally edited newsletter. In them, he continuously encouraged salesmen to achieve new great deeds and gave credit to those who performed the best.

What kind of men give the best results?

The keen, enthusiastic and ambitious men, properly trained, will of course give the best results. Personality and appearance also count strongly, and they should be of some education. However, some of the best salesmen in our whole organization are men of rather simple social standing and schooling, but the possessors of tact, discretion and good judgement.

As a rule, men who have had no previous selling experience are to be preferred, as they usually prove more malleable.

Are young or elderly men preferable?

No rules may laid down as to the age of our E-Lux men, but in most of the countries preference seems to be given to married men with families, and between 30 and 40 years of age. If they have gone through a hard school in life, they have more "stick-to-it-iveness" and will do better in the long run.

How the men are to be trained.

The training of the E-Lux man is one of our most vital questions. Some of our managers claim that they are able to make a first class salesman out of any man who shows will and endurance. They therefore give the men selected a thorough and intensive training before sending them out to sell.

The *technical* training should not include any scientific knowledge of our machines, but only that which is necessary for practical requirements. The E-Lux man must be able to make such small repairs as changing carbon and fuses, fixing the cable, switch, etc.

The *practical* training includes actual selling experience in company with an experienced, first class salesman. But it is by continued *observations, advice, and control* of the manager, that the salesman will reach the highest degree of efficiency. In fact, the manager should never relax his vigilance over his men. Even the best of them must be watched indefinitely, or he will, as a rule, fail to keep up his "top notch" sales producing capacity.

Difference between trained and untrained salesmen.

Experience has taught us that the difference in the selling capacity between a properly trained E-Lux man and a superficially trained one is great enough to justify the additional expenditure and the infinite care required for a most thorough course of training.

Men trained unsatisfactorily not only fail in their own sales, but they do us great damage by ruining a valuable demonstration for a better salesman.

How do men report?

If the men do not report *regularly and accurately* about their canvassing, demonstrations, "follow-ups", servicing, recommendations and work in general, our whole expensive "card system", which is the nucleus of our selling campaign, will be of little value. Reports should be made briefly and concisely with only essentials on the lists or sheets provided. These reports must be entered daily in the card system, so that further action may take place at the proper time and in the correct manner.

Contact with the men and control of their work.

The *closer contact* the managers keep with each individual, the better will be the results of their selling staff. The manager in charge of the men should *personally direct* the work of the salesmen, check their reports and assist them in *overcoming various difficulties*. He will thus be kept fully informed of the efficiency and manner of working of those under him, and be able to assume the responsibility for the carrying out of the policy of the Company. The record of his sales is, of course, the proof of a salesman's ability. But it is also imperative to keep up the statistics, which plainly reflect just how the selling forces are performing their work and where improvements can be made or where changes are necessary.

Permanent districts.

In order to work methodically, our "field" must be divided into districts. We find, however, that it sometimes is necessary to change salesmen from one district to another, especially when they think their own districts are "worked out"

Number of salesmen.

During the organisation period it is of great importance that *no larger number* of salesmen be engaged than the *manager* in charge is *able to train directly* and to *handle adequately*. A gradual increase in the selling staff is therefore necessary.

When the country is wholly organised and the "Normal Sales" state is reached, there should be one salesman for each 1000-2000 prospects (cards).

We constantly should drive to exchange the weaker salesmen for stronger ones. So that the whole of our selling staff will consist, at last, of super-E-Lux men, i. e. Seniors, Stars and Aces.

General suggestions.

One of our managers makes a striking comparison between our selling forces and field troops in war time.

There must be a general plan of campaign, which, however, should not be so rigid but that new disposals may be quickly made to meet any newly arising condition or emergency.

The men must have the *fullest confidence* in their leaders, and they must know, that, when faced with difficulties, they are *backed up fully* at headquarters. They must instinctively feel that their generals - managers - *are capable of dealing with any situation*, and that their own interests are carefully considered and safeguarded. They will then go forward without hesitation, giving the best there is in them, and will not relax their efforts until they have achieved what is expected of them, even if those expectations are very, very high.

These 95-year-old sales instructions are essentially identical to those still used by professional sales companies today. Direct sales are still a force to be reckoned with: Tens of millions of people work in direct sales around the world, which means that hundreds of thousands of new salespeople are recruited every week. Direct sales companies stand or fall on their ability to maintain an army of trained salespeople.

Direct sales would continue to play an important role for Electrolux all the way into the 1990s in developing countries. However, direct salespeople have now been replaced by established and knowledgeable retailers who still use parts of the original concept. In addition, thanks to the Internet, companies like Electrolux have started to establish a new and longer lasting relationship with its customers.

International expansion

Wenner-Gren was one of the Swedish pioneers who paved the way for the internationalization of Swedish companies, along with AGA's Dalén, SKF's and Bofors' Sven Wingquist and Tändsticksbolaget's Ivar Kreuger.

But the 1920s did not provide the opening after the war that many had hoped for. Instead, much of the Western world was struck by deflation. Many of the old-school financiers with their roots in agriculture and heavy industry disappeared. The economic turmoil led to the collapse of trading houses, banking firms and issuing companies. All that was left was new engineering companies such as ASEA, Separator and SKF, along with large commodity-based companies. The most skilled at maneuvering in this ever-changing landscape with its many pitfalls was the family-owned bank Stockholms Enskilda Bank. Shipping companies and shipyards, which had been favored by the war, also came out on top.



Electrolux established sales companies in several Latin American countries already in 1920s. This exhibition photo is from Peru. Note the sign that refers to that Electrolux has been sold to royalties and the Vatican.



Electrolux showroom in a good location in Melbourne, Australia.

In the late 1920s, with 9,000–10,000 employees, including 4,000 in Sweden alone, Wenner-Gren was already a match for Ivar Kreuger's Svenska Tändsticks Aktiebolaget (STAB, now Swedish Match) or Wingquist-founded ball bearing producer SKF, which both had around 8,000 employees. Sigfrid Edström's expanding ASEA was slightly smaller. However, these are qualified guesses, as no consolidated financial statements were published.

From a global perspective, the Swedes emerged victorious from the 1920s, despite all the difficulties. The new international engineering companies started conquering global markets. Workers who were lucky enough to be employed by these companies experienced an increase in real income that would elevate them to the middle classes. The workers of commodity-based companies, which operated in a more competitive market, also managed to defend their higher wages, albeit not to the same extent. With this in mind, and in combination with the rapid electrification of society, it was no wonder that vacuum cleaners, refrigerators, electric cookers, washing machines and radios, as well as simpler consumer goods such as ready-to-wear clothing, canned food and popular newspapers, emerged as markets for new entrepreneurs.

Due to a simultaneous crisis in the agricultural sector, we often describe this as a period where the city overtook the countryside. Women started to enter the workforce, which was partly due to the high demand for labor in the consumer goods industries. Birth rates went down. Households in the city were introduced to amenities that slowly shifted the attributes of the ideal woman in the popular press from housekeeping to beauty, promoting a lifestyle previously reserved for the upper middle classes.

Electrolux was evolving along with its increasingly modern home market. Wenner-Gren found it harder to reestablish the company in Europe, however, where wages had been forced down. It was only natural that he would turn his attention to the more modern North America as his primary expansion market, and that he made efforts to enter distant but affluent markets such as Australia and Latin America early on.

Subsidiaries of the Electrolux Group

The establishment pattern of the Electrolux subsidiaries is a reflection of market perceptions in the period between the wars.

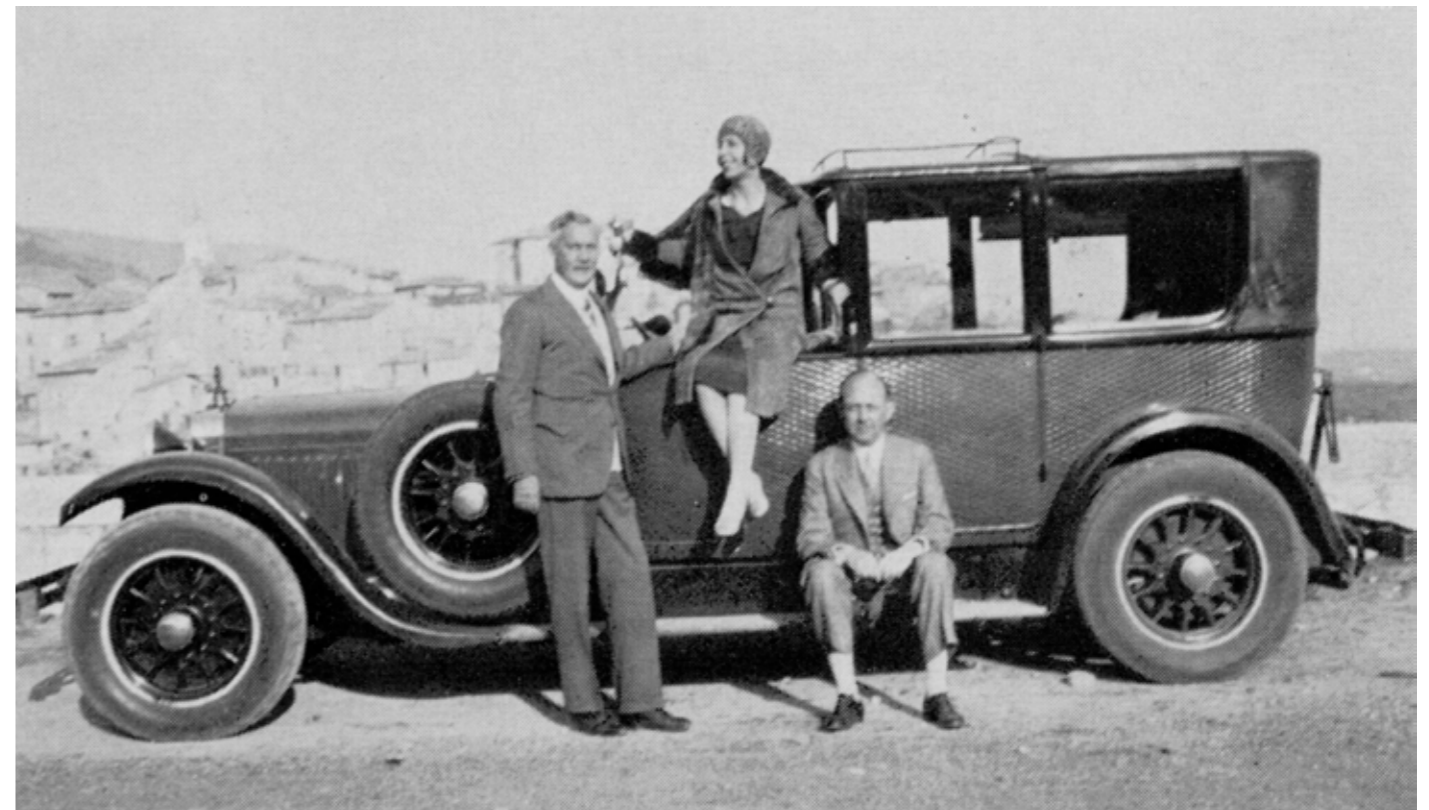
1919	Denmark, the Netherlands, Switzerland, France
1920	Norway
1921	Belgium, Germany, Finland, United Kingdom
1922	Czechoslovakia
1923	Spain, Austria, Romania, Hungary, Brazil, Argentina, Chile, Uruguay
1924	Italy, USA, Australia, New Zealand, Egypt
1925	Portugal, Yugoslavia, Latvia, Lithuania, Poland, Mexico
1926	South Africa
1931	Canada

Heading to the US

In October 1925, Wenner-Gren sent a letter from the US saying that the day would come when every American home had an Electrolux vacuum cleaner. He knew of course that his greatest rival, Hoover, would do everything in power to stop such a development, but his vacuum cleaners were now being sold in record numbers by his independent company Electrolux Corporation.

Wenner-Gren had started the American company in the year before with Ernst Aurell as President, who would head the campaign to sell Swedish-manufactured vacuum cleaners through home visits and with payment by instalments. Since Aurell did not fully support the home visit model in the US, he was soon replaced by the younger Gustaf Sahlin. The operation grew quickly and would soon comprise thousands of salesmen. Before long, American competitors started copying the Swedish Electrolux model.

Wenner-Gren even left his post as President of Electrolux in 1926 and instead became Chairman of the Board so that he could devote more time to North America. There was also the new, uncertain and costly refrigerator project, which required its own capital.



Ernst Aurell was involved in starting Electrolux business in the US. In 1926, he took over as the CEO for the company after Axel Wenner-Gren. Here, he is seen together with Axel and Marguerite Wenner-Gren on a road trip in France in 1929.



Electrolux established a subsidiary in the US as early as 1924. This picture depicts a sales offensive at a trade fair in New York City that same year.



Axel Wenner-Gren visits his sales force at the subsidiary in Montreal, Canada. This picture, which is from the period 1932-1935, is one of few of Axel Wenner-Gren together with his salespeople.

Factories and stock market listing abroad – and in Sweden

Wenner-Gren founded several factories abroad, establishing Electrolux as a world leader within both vacuum cleaners and refrigerators, at a time when these consumer products were the very height of modernity. In the fall of 1925, the first Electrolux vacuum cleaner factory outside of Sweden opened in Berlin. In the same year, Wenner-Gren also bought the problem-stricken vacuum cleaner manufacturer, Volta, from Skandinaviska Banken in order to market its products towards the retail sector. Volta was later incorporated within the Group. In 1927, new factories were established in Luton outside of London, England, and in Courbevoie close to Paris, France.

Following the Wall Street Crash of 1929, the US gradually suffered the worst economic depression of the century. After the introduction of trade tariffs, and a year after the loss of a ship carrying a large shipment of vacuum cleaners, Wenner-Gren decided that Electrolux should set up its own manufacturing in the US in 1931.

In 1928, Electrolux was listed on the London Stock Exchange. The aim was to reduce the financial risks involved in the company structure through consolidation and new partners.



An Electrolux car being exhibited in connection with the inauguration of the Luton factory outside London in 1927. The picture also shows guests waiting to be transported to the inauguration of the factory.



An advertising parade with vacuum cleaner cars that form the name LUX. The photo is taken from the roof of the Berlin City Palace. The salespeople were gathered for a conference and the picture was taken to get publicity.

On May 30 of the same year, Electrolux became a consolidated company, redeeming everything but half of the American company, which remained in the private ownership of Wenner-Gren. The share capital was increased from SEK 6 million to 60 million.

Two years later, in 1930, Electrolux shares were introduced on the Stockholm Stock Exchange, indicating that Electrolux would remain a Swedish company after all.

This period was extremely stressful for Wenner-Gren despite all his success, or rather because of it. Building a labor-intensive global company in a short amount of time, in a situation where extensive contact with employees in most parts of the organization was key, required extensive and exhausting travel. Communicating with key employees by post from wherever he was at the time required him to be constantly active and always planning ahead.



The first Electrolux factory outside Sweden was established in 1925 – in Berlin. This photo is from the following year.

Considering a sale

For a short period of time towards the end of the 1920s, Wenner-Gren appeared to be going through a personal crisis: Worn out by his work with the vacuum cleaner business, problems launching the refrigerator operation, and a troubled marriage. In hindsight, it is remarkable that he considered selling his life's work.

We know this because in the spring of 1930, Oscar Rydbeck, the President of the bank Skandinaviska Kredit, sent a telegram to Swedish financier Ivar Kreuger to find out if he would be interested in buying all of Wenner-Gren's shares in Electrolux for as little as SEK 36 million. The banker was evidently unaware that Kreuger was under a great deal of pressure himself. How did Rydbeck get involved?

Due to problems with the Board of Handelsbanken, Wenner-Gren had been considering changing banks to Skandinaviska Kredit. In November 1924, he "happened" to end up on the same ocean liner to and from New York as the dynamic and globetrotting head of Skandinaviska Kredit, Rydbeck. He thus had an opportunity to spend some ten days in the company of the bank manager.

Rydbeck did not exactly receive him with open arms. This is clear from notes that Rydbeck made in his journal during the return voyage, when Wenner-Gren again approached the banker to give him an exclusive briefing on his rather complicated company development. "This much was clear to me: It was impossible to gain a clear idea of his actual financial standing," wrote Rydbeck, "as all of his companies operate separately and their finances depend on the capability that Wenner-Gren possesses, not only to move them forward, but to arrange for their credit."

Rydbeck answered that it would be impossible to assume responsibility for the loans with the company structure as it was. He instead encouraged Wenner-Gren to submit a plan for the merger of his different companies so that the bank could make a more accurate assessment of credit possibilities.

However, the transfer to Skandinaviska never happened, but when Electrolux was listed on the London Stock Exchange in 1928, the influential and internationally renowned Rydbeck was still in attendance, providing a guarantee for the listing as a Board member of the company. This was a hallmark of the Electrolux founder, as shown by the fact that Wenner-Gren offered Rydbeck 10,000 shares at par value, expressing appreciation in his letter for "the personal investment you are making in Electrolux by accepting membership on its Board."

An anonymous commentator in the business magazine *Affärsvärlden*, most likely its editor in chief Emil Fitger, was so impressed by the fact that Rydbeck was now sitting on the Board of Electrolux that he declared it possible that the magazine's previously "skeptical view of this company had been mistaken." Of course, a few journalists, for example *Handels- och Sjöfartstidningen's* C R Pokorny in Gothenburg, remained suspicious of Wenner-Gren, talking about a "balance sheet full of air."

For a period of time, it would appear as if Electrolux, with Rydbeck on the Board, had some form of connection with the Kreuger sphere. But doubts were dissipated as the company's success continued after the Kreuger Crash of 1932.

In the first decade of its existence, Electrolux, the new vacuum cleaner company, was an international success. And before long, the "Vacuum Cleaner King" would take on the refrigerator market.

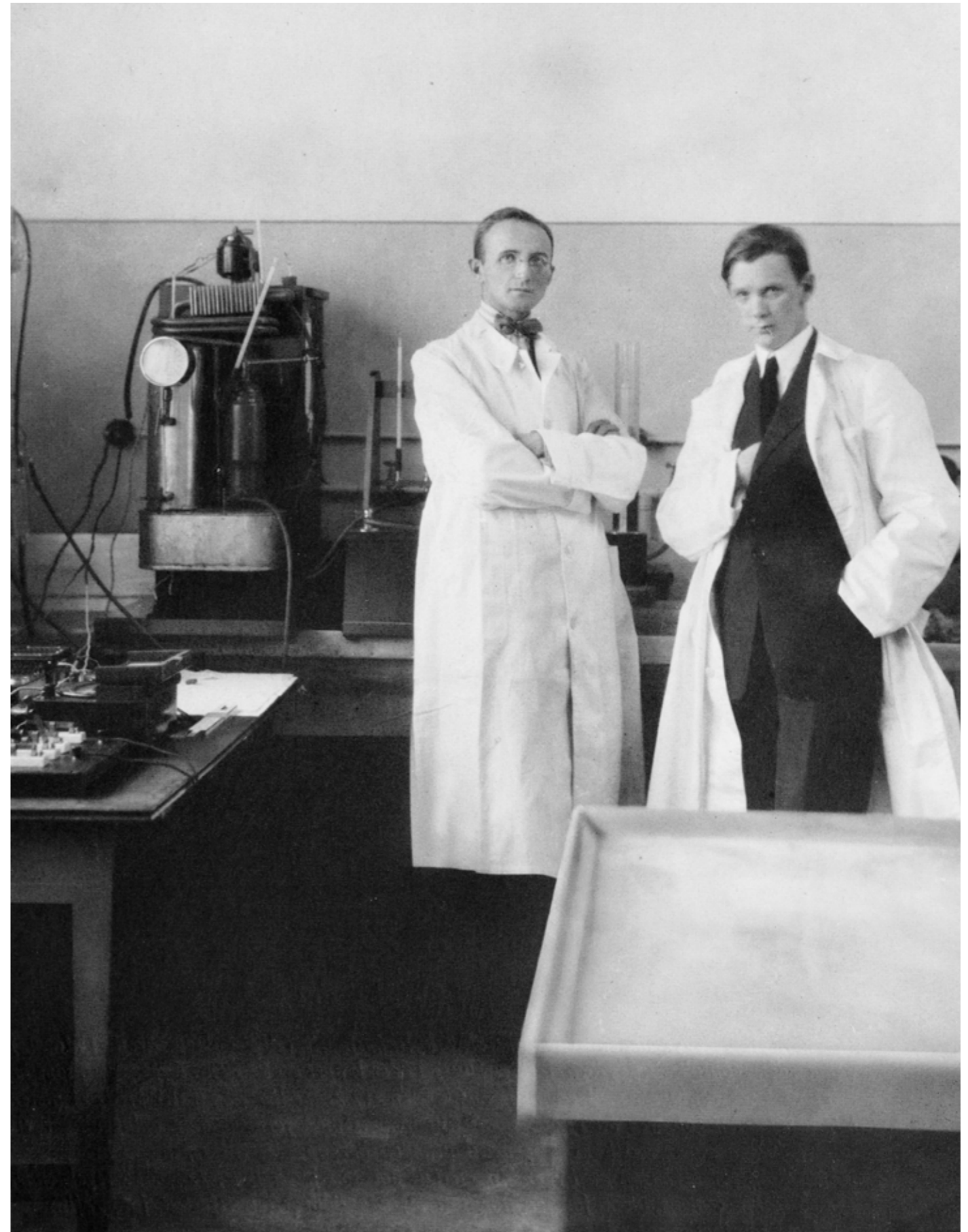
A refrigerator revolution on the world stage

Wenner-Gren realized that it was only a matter of time before the global vacuum cleaner sector was as saturated as the Swedish market, and that the rate of expansion would slow down. Take the small Swedish town of Bollnäs as an example, where 270 vacuum cleaners had been sold during the 1920's to its 1.200 inhabitants. If every family had four members, there would have been no more than some 20 families left without a vacuum cleaner. In Sweden, nearly every home was an Electrolux home. No wonder that Wenner-Gren was searching for new products that could be sold using the same method, and so it was that floor polishers became the first diversification. The next big step in the development appeared in the form of a revolutionary innovation: The absorption refrigerator.

In 1922, two Swedish engineering students, Carl Munters and Baltzar von Platen, invented a refrigerator as part of their thesis project at the Royal Institute of Technology in Stockholm, based on a new principle referred to as absorption. The basic idea had been tried and tested by a Frenchman in the mid-1800s, but no-one had found a commercially viable construction yet. All of the early attempts to sell the invention failed. Companies such as German Siemens and Swedish Separator all turned it down. The two friends instead went into business for themselves together with some industrialists, forming the manufacturing company Arctic in Motala, before Wenner-Gren discovered the product and bought Arctic.

» It is questionable whether Wenner-Gren would have invested in the invention if he had any way of knowing how extensive the problems would be, but once he had made the decision, he stuck to it. «

Engineers Baltzar von Platen and Carl Munters invented the absorption refrigerator, which was completely silent and had no moving parts. Axel Wenner-Gren realized the possibilities early on and bought the patent.

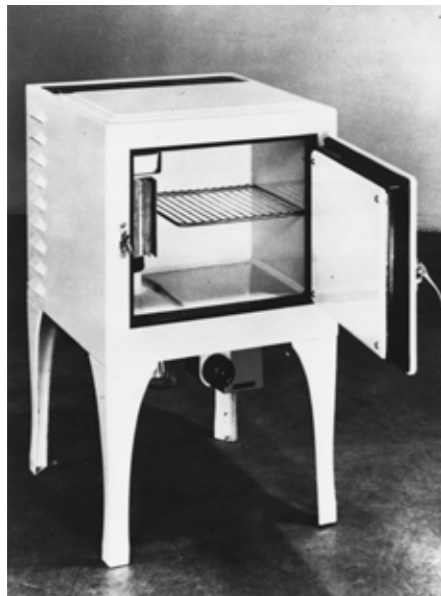


Absorption technology

Absorption was a silent cooling process with no moving parts, and so was very reliable. Unlike the compressor refrigerator, the absorption refrigerator could also be run on gas, kerosene or alcohol, which was considered a great advantage in markets at varying stages of development. Once the design of the absorption refrigerator was completed, it was considered to be far superior for households compared to the more primitive compressor refrigerator, since it was more reliable, silent and flexible. Today, this type of refrigerator is primarily sold to hotels, and owners of boats and camping vehicles by the independent company Dometic.



The absorption refrigerator "D-box no. 1" was a built-in refrigerator with water cooling. Electrolux began manufacturing it in 1925.



Refrigerator "Model L1" was the first air-cooled refrigerator that Electrolux began making in 1931.

The negotiations with Electrolux proved difficult to close as the inventors had such high financial demands, which would later prove to be only partially justified. The construction was far from finished and there were many problems left to solve, the worst of which was the corrosion caused by chemicals, ammonia, hydrogen and water circulating in the welded pipes of the cooling device. Wenner-Gren was forced to set up qualified development resources in order to face the various challenges.

He hired an extensive staff of engineers and researchers, including researcher John Tandberg from Lund, engineer Torsten Elfving, and finally, Matts Bäckström, who would later become a professor in refrigeration at the Royal Institute of Technology in Stockholm. Tandberg found the right antitrust agent, and Elfving developed the first air-cooled refrigerator, which was launched in 1931. The water-cooling systems of earlier models had to be connected to the cold-water system of buildings, and the appliance was considered to waste water.

It is questionable whether Wenner-Gren would have invested in the invention if he had any way of knowing how extensive the problems would be, but once he had made the decision, he stuck to it. He also had trouble with the patents, as Siemens tried to obstruct progress when they heard about the invention. In North America there were other rivals doing everything they could to prevent the Swede from gaining a hold on the market. There too, Wenner-Gren hired the best help he could find, and after seven years he owned the worldwide rights to the product.

If the 1920s had marked the breakthrough for the vacuum cleaner, the 1930s was the decade of the refrigerator. The US had a higher standard of living than many other countries, and a larger number of customers lived in a warm climate. Refrigerators were thus sold in significantly larger numbers and sizes than elsewhere. But despite the hard times, people in Germany also wanted small, cheap and reliable absorption refrigerators. The main competition on this market was Siemens, who had opted for a larger appliance using less reliable technology. In 1937, for example, the Germans bought 50,000 refrigerators from the Swedish group.

The English factory in Luton was expanded to meet the growing demand after the large gas company Gas Light & Coke acquired the rights to sell gas-powered refrigerators through its own large retail organization. In 1936, the Group management could proudly announce that the company had sold more than a million refrigerators. The next million would be reached in just three years, which indicates a growth rate of nearly 30% annually. The next doubling resulted in four million refrigerators sold before the end of the decade.

An interesting development in Sweden was the first built-in refrigerator – in fact, built-in kitchens became part of Swedish housing policy. Switzerland, another country investing in built-in appliances, would become a particularly strong market for Electrolux, along with non-European countries that remained outside of World War II.

The washing machine, another future bestseller, did not yet seem as interesting as the vacuum cleaner and the refrigerator. In the 1930's, an Electrolux washing machine looked like a large, grooved cauldron that could be placed on a kitchen stove to heat up the laundry. The lid was fitted with a cylinder driven by an electric motor, which would rotate

to press the laundry against the grooved sides of the cauldron. The Electrolux Group invested large resources in the appliance, but abandoned the project after making just a few units. It was only with the acquisition of Bohus Mekaniska Verkstad in 1944 that the washing machine would be seriously considered again. By then, Wenner-Gren had been distanced from the company, and the war had made international product launches more difficult.

The refrigerator across the Atlantic

In the fall of 1925, Wenner-Gren travelled to New York with a number of other Electrolux representatives to exhibit their new, revolutionary refrigerators. It was a journey fraught with conflict, due to the patent issues. But there was great interest in the product. The company Serval, which had previously manufactured small, horse-drawn carriages, shifted its production to refrigerators and became an agent on rather questionable terms. The new type of refrigerator ran into problems in the warm climate, causing Serval great financial trouble due to the number of returns of appliances where the cooling system had caused corrosion damage. It would not be until 1931 that air-cooling technology was fully developed.

In addition, there was a price war going on. However, Electrolux managed to keep business at an acceptable level until the problems were resolved. A partnership with the giant Consolidated Gas and a new agreement with Serval just days before the stock market crash in 1929 provided a narrow escape for Wenner-Gren's latest American venture.



An interior from the factory in Luton where ice cream boxes with cork insulation were made – the photo is from sometime between 1927 and 1935. Absorption refrigerators were especially good for mobile icecream boxes since they could run on gas. The factory in Luton exported many such boxes to the British colonies.



The absorption refrigerators complemented the vacuum cleaners and floor polishers, since they could be sold by the same door-to-door salesmen. Here an ad from Austria.



The very first Electrolux "washing machine" looked like a large, grooved cauldron and could be placed on the cooker to heat up the water. The lid was fitted with a cylinder driven by an electric motor that would rotate to press the laundry against the grooved sides of the cauldron.

Things only started moving in the US when Wenner-Gren himself took charge of the Serval management during a few critical years around 1930. This could of course have been another contributing factor to his willingness to sell the Swedish part of Electrolux to Ivar Kreuger.

At this time, Wenner-Gren had once again mustered his courage, even before the Great Depression came to an end. "When I visited this spring, business was in decline everywhere," said Wenner-Gren in a newspaper interview in 1932, "but it is better now." He had just started manufacturing vacuum cleaners for North American market in Connecticut, in order to compete with prices and tariffs.

But Serval was soon back to being a serious competitor to the other major players, and over the following 10 years, two million Serval refrigerators were sold in North America. This is roughly the same number that was sold under the Electrolux brand in the rest of the world during the same period.

"Your idea, Henry? I was the one who suggested changing to a Servel Electrolux!"



... because it freezes silently with

NO MOVING PARTS !

● Yes . . . more and more families every year are replacing other-type refrigerators with the *only* automatic refrigerator whose freezing system has no moving parts to wear or cause noise. See Servel Electrolux at your gas company or local dealer's showroom.

The
SERVEL
ELECTROLUX
Gas Refrigerator

In the US, Electrolux absorption refrigerators began to be made under the Servel brand as early as the late 1920s. But sales did not pick up speed until the arrival of the air-cooled technology that was launched in 1931. This advertisement is from 1948.

It was only natural that Wenner-Gren started focusing more on the US market during the emergence of Nazism and Fascism in the 1930s. He was a capitalist, and his future in Europe seemed increasingly uncertain. But he hoped that neither Communism nor Nazism would prevail, as they were two equally bad alternatives as he saw it.

His problem was that the Americans too were a product of their times, and international tycoons inspired instinctive distrust in them. The fact that another Swede, Ivar Kreuger, had recently caused many American savers to incur great losses only made matters worse.

For the new international Swedish companies – Electrolux, SKF, Tändsticksbolaget, ASEA, Separator, AGA and Bofors – it was difficult to be optimistic about the future, as one country after another reduced or completely stopped foreign trading. Their export ratios had peaked just before World War I; now they kept shrinking.

Four close associates

Wenner-Gren chose his associates carefully, confiding in them, offering his full trust. Among his European sales managers was the head of the English branch, James Scrivener, who had been with him from the start. Since North America was their most difficult and important challenge, this is where the future management gathered.

Brothers Ernst and Sten Aurell were sons of a merchant from Stockholm who had followed career paths similar to Wenner-Gren. Ernst, who was a year older than his boss, had been involved in business in Stockholm up until around the age of 25, when he took up studies in the US before returning to Stockholm and spending a few years at the Royal Institute of Technology. For the next eleven years, until the age of 40, he was a businessman in Argentina, and then he returned to the US. He soon became involved in Wenner-Gren's enterprise and was first assigned to manage the American company in 1924 before being called back to Stockholm two years later as head of the parent company. His brother Sten, four years his junior, took a similar career path. He was also a manager in the US and was involved in the negotiations with Servel.

The next leader of Electrolux, Gustaf Sahlin, who was eleven years younger than Wenner-Gren. Sahlin was the son of a Stockholm police officer who pursued a degree in commerce at Pählmans Business School after high school. Having tried various jobs in Stockholm, he came to timber merchant, Percy Lundwall, in Gothenburg. Four years later, after the end of the war, he became the manager of a Dutch trading company in Batavia on the island of Java, before starting his own business operating in Sweden and the Balkans. In 1923, he became the manager of Electrolux in Riga and in the following year he was transferred to be the co-director of the expanding subsidiary in the US where, two years later, he succeeded Ernst Aurell.

These three key associates were all Swedes with unusually extensive experience of foreign trade. In Berlin, there was Wenner-Gren's younger brother, Hugo, whom Wenner-Gren had brought to Germany at an early stage to break his "lethargic and destructive" tendencies. Hugo had indeed pulled himself together, but he would always create more trouble than opportunities.

A fourth close associate who came to the forefront in these years was instead an Englishman by the name of Harry G Faulkner. He was a British accountant from the firm Price Waterhouse in London who was acting as a consultant on the legal consolidation process that was underway. During the complicated work of creating a new international group structure and improving its solvency, Wenner-Gren only thought better and better of him. Faulkner's correspondence with Wenner-Gren has been preserved, giving proof of an increasingly trusting communication between him and the principal owner.



Sten Aurell
Director



A. Hemming-Sjöberg
Chairman



Ernst Aurell
President



Gustaf Sahlin
President

In 1926 Ernst Aurell had taken over as the CEO after Axel Wenner-Gren. His brother Sten Aurell was a Director at the company. Wenner-Gren's childhood friend Axel Hemming-Sjöberg was the company's first Chairman of the Board. Gustaf Sahlin would have a decisive role in the future of the Group. He was appointed President in 1941 and served as Chairman 1952-1962.

Another person who seems to have been unusually well informed on the owner's different projects and business dealings was his wife Marguerite.

Correspondence from the time reveals that the management was functioning fairly normally up until Ernst Aurell was involved in a traffic accident in 1929, which "altered his personality." Aurell was let go with a severance package when he asked for sick leave. He never returned and died in 1941 as an anonymous inventor and businessman. His younger brother had already passed away in 1933.

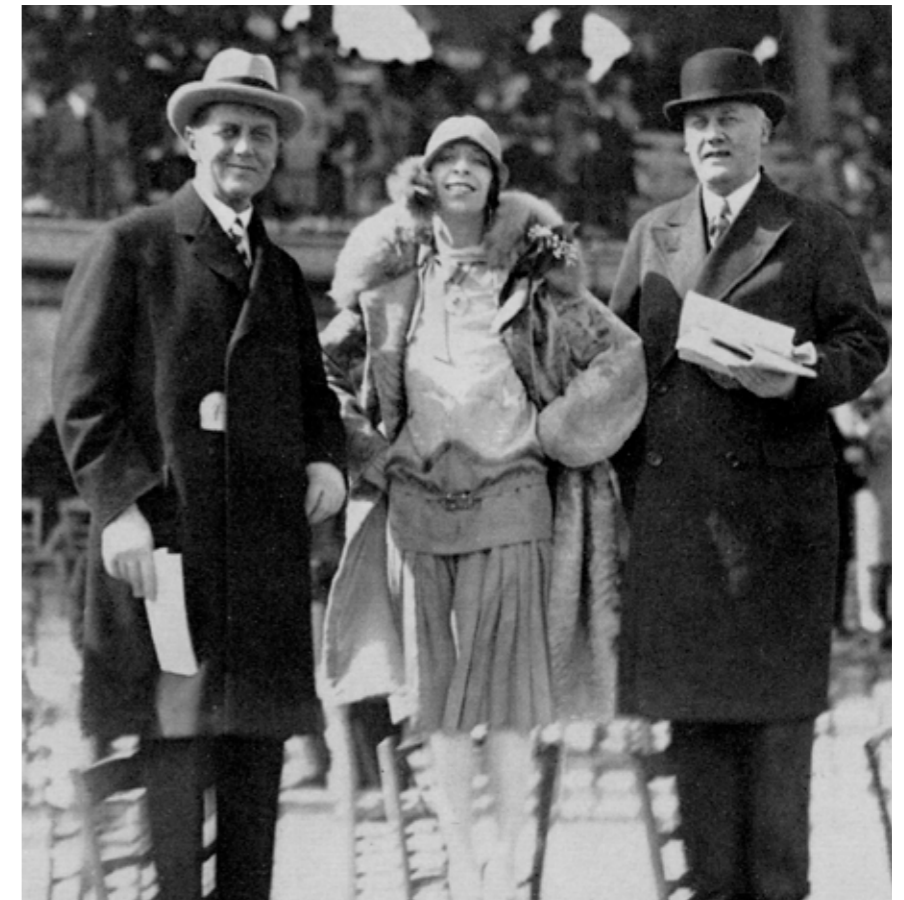
At the age of 33, Faulkner stepped in as deputy President, while Aurell was on sick leave, and was officially appointed to the position at the Annual General Meeting of May 1931. The only remaining member of the quartet, Sahlin, was named Vice President in 1933 and elected to the Board of Directors in the following year.

Change of management at the start of the war

Just as World War II broke out, both the Chairman of the Board and the President were about to leave their active management duties. When Wenner-Gren later chose to move to the Bahamas to be closer to his US business, he could no longer be Chairman of the Swedish company. At the same time, Faulkner, who was British, was being ousted due to criticism from Germany and Italy.

At the Annual General Meeting in 1939, Wenner-Gren was replaced as Chairman by National Board of Trade Director Axel Enström, who was a prominent figure in Sweden's engineering sector. He was 64 years old and in the last four decades had had a hand in nearly everything related to Swedish engineering research. Enström would wield the gavel of the Electrolux Board until his death in 1948.

Sahlin would have a decisive role in the future of the Group as he stepped in to replace Faulkner as President in 1941. The fact that Faulkner, with his knowledge of foreign affairs, now became involved in British espionage, is truly a sign of the times. And as Wenner-Gren was blacklisted by the American government and forced to remain in Mexico around the same time, Sahlin was essentially forced to handle the Group's business on his own.



Like his older brother, Sten Aurell became responsible for the business in the US. Here, he is visiting a race in Paris in 1929 together with Axel and Marguerite Wenner-Gren.

One of the richest people in the world?



The wealthy Wenner-Grens lived a life of luxury and had several homes and hosted fabulous parties. Here with multi-talented American actor Danny Kaye in the 1950s.

When the Electrolux share was listed on the Stockholm Stock Exchange a year after the great American stock market crash, it was met with a surprisingly cold welcome. It would be a few more years before the stock markets recognized the incredible success of Wenner-Gren.

However, the influential business correspondent at *Affärsvärlden*, Fitger, had given him some recognition in the spring of 1931 writing “the recession has barely made an impact on the company’s activities ... the sales in all markets in the first quarter of 1931 have thus exceeded the corresponding figure for the first quarter of 1930. Business segments where this has been possible ought to be few and far between.”

What was Wenner-Gren’s monetary worth? The answer to this question is not about secret bank accounts and mysterious foreign businesses. Instead, the wealth of this entrepreneur consisted of more than 90% of the future revenue flow expected from Electrolux. It is unlikely that he had any large amounts tucked away as building up the company had consumed such vast amounts of capital. The main problem remained the underdeveloped and pessimistic international capital markets and world trade. With today’s view of shareholder value, Wenner-Gren was probably worth more than SEK 100 million, but with the less optimistic expectations of those days, it would have been less than SEK 50 million. In today’s monetary value, that would be the equivalent of approximately SEK one billion.

Derailed by protectionism

In the 1930s, international trade was slowly but steadily cut off. “The brief era of internationalist enterprise is being replaced by a new order,” according to an editorial in the Swedish newspaper *Dagens Nyheter*, which was a common view in 1937 when the shareholders of SKF received repayment of SEK 50 per share from the sale of British assets.

The development of Sweden’s second largest international group Electrolux, with its independent company in the US, must be viewed against the menacing background of the late 1930s. Wenner-Gren and his President, Faulkner, also chose to effectuate a large, one-off distribution of dividends in 1937, when they felt that investment opportunities were rapidly decreasing. Formally, the company distributed SEK 15 million among its shareholders, marking down the nominal capital from SEK 60 million to SEK 45 million (the nominal change in the stock was from SEK 100 to SEK 75). It was better for the money to end up with the shareholders than to be locked in or confiscated. Wenner-Gren himself always had other projects under way. Otherwise, the 1930s appear to have been a very successful decade for Electrolux. The operation in the US was doing well and royalties from Servel would continue to grow until the US became involved in the war.

» In actual fact, once the global business climate started to take a downturn, Electrolux appeared to be one of the world’s most promising companies outside of the arms industry. «

The growing protectionist forces in the world, with tariffs and quotas, forced Electrolux to decentralize its production and introduce shorter, locally manufactured series at increased costs. Despite this, the company managed to show an increased turnover and profit year after year. Losses in several of the European and South American companies were offset by better profitability elsewhere.

In actual fact, once the global business climate started to take a downturn, Electrolux appeared to be one of the world’s most promising companies outside of the arms industry. Here it is interesting to consider Wenner-Gren’s brief interlude in world politics. The stakes were immense. He was about to become one of the wealthiest individuals in the world and had everything to lose in the event of a war. In 1935, he was listed for the first time as Stockholm’s highest paid resident, competing with B.A. Hjorth (Bahco) and half-brothers Marcus and Knut Wallenberg from Stockholms Enskilda Bank. In his tax return, Wenner-Gren reported an annual income of SEK 1.3 million, twice as much as the year before. This corresponded to more than one thousand times a worker’s wage.



In 1936, Axel Wenner-Gren became the main owner of the Swedish cannon company Bofors and the Chairman of the Board of its new subsidiary – Svenska Aeroplan AB (Saab). It is said that Wenner-Gren liked to market the cannons on his travels abroad. A Bofors 40 mm automatic anti-aircraft cannon m/36 is pictured.



Wenner-Gren became owner of one of Sweden's main forest companies, SCA. Here the opening of SCA's Östrand sulfat factory in Sundsvall in 1936 with Prime Minister Per Albin Hansson, left, and Axel Wenner-Gren.

Rescue operations in other companies

As Wenner-Gren was perceived both in Sweden and abroad as one of the few people who had access to large sums of capital, he was asked to participate in various bailouts of other companies. In London, he was part of a consortium that assumed control of Anglo-French Banking, a smaller bank in need of restructuring. At an early stage, his holding company, Finans AB Svetro, became involved with the firm of bankers, Bert Lilja, in order to acquire appropriate business expertise. Wenner-Gren also assumed ownership of several magazines, where his multitalented friend Harald André took over the reins.

Bofors

After World War I, the Swedish gun manufacturer Bofors had been quietly rescued by a partnership agreement with German Krupp. Its massive success in the export markets was due not only to its German patents, but also to a new, proprietary type of durable steel, which prevented gun barrels from shattering. Bofors became the leading manufacturer in the world outside of the Great Powers, providing the very best quality when it came to 40 mm multi-purpose autocannons. The Krupp ownership, which was managed by SKF founder Wingquist, was becoming a growing political embarrassment, especially following the Nazis take-over in Germany. The Swedish Government therefore introduced a law against dummy ownership, and the Germans were forced out of Bofors in 1935. Economic historian, Birger Steckzén, describes it in the following way:

“After strained negotiations, a final deal was struck on June 4, at which time Krupp sold off its shares at a price of SEK 150, corresponding to the current market value.”

In 1936, the Swedish government also wanted Bofors to enter the aircraft industry. Wenner-Gren, who according to Steckzén had “been campaigning for the position,” became Chairman of the new subsidiary Svenska Aeroplan AB (Saab), which immediately started planning a factory on a property in Trollhättan belonging to the Bofors Group. Two years later, they had started manufacturing German Junker planes. This was the foundation of the Swedish military aircraft industry, which still lives on today in the form of JAS Gripen.

Otherwise, Wenner-Gren does not feature at all in Steckzén's voluminous account of Bofors' success in the 1930s. Other sources say that he would delight in marketing the cannons during his trips abroad. Wenner-Gren ended his commitment to Bofors in 1940, at a time when the government placed the company under the control of the armed forces. By then, Wenner-Gren had become persona non grata in Sweden.

SCA

Around the time of his brief involvement in Bofors, the businessman was again indicating that he wanted to stop travelling between different subsidiaries in the US and Europe in order to settle down in Sweden and manage a more diverse portfolio. He was consequently contacted by Torsten Hérnod, President of the forest company SCA, and Wenner-Gren now became the owner of five-sixths of the heavily indebted business, most likely with the help of a loan from Handelsbanken.

The SCA Group was comprised of a number of sawmills from Ådalen that had ended up primarily with Handelsbanken during the deflationary crisis following 1920. The first person to get involved was Ivar Kreuger. In the years leading up to World War II, Wenner-Gren also became involved, primarily in SCA's international sales organization, but he did not contribute to any restructuring of the loans, which annoyed the Handelsbanken management.

Political ambition

Wenner-Gren had always taken an interest in engineering and production, but heavy primary industry with large and complicated contracts was not his forte. Consumer-product companies like Electrolux and Servel were much better suited to his impatient and driven nature. He also had vague dreams of great political achievements, which only took him further down a dangerous path.

The Nazis in Germany and the Communists in the Soviet Union appeared to be the greatest threat to Wenner-Gren's desire for riches and to see Electrolux become a global enterprise. This made the US his only hope. When he spoke of the US as his "second home," it was not just for show. His journal from these years shows that he rarely spent more than a few days in Germany. His greatest successes and projects were all in the US and England.

But he was not about to forfeit Europe that easily. Could he play a part in international politics? After all, he had the insights, the connections and the ability to sell a good idea. He started viewing himself more and more as the equal of major business leaders, presidents and kings. "It was in these circles that he wanted to move," complained one of his close friends later on. He was no longer the driving force in Electrolux that he once had been.

» Wenner-Gren started viewing himself more and more as the equal of major business leaders, presidents and kings. «

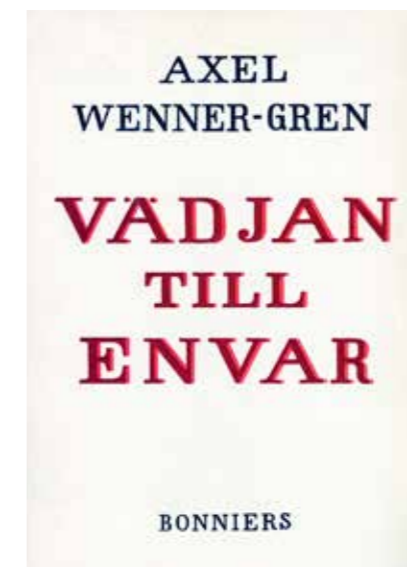
A political pamphlet

In 1937, Wenner-Gren authored a political pamphlet entitled *Vådjan till envar* which was published by Albert Bonnier (later published in the US as *Call to Reason*). This was a traditionally liberal appeal to the government, to industry and to the people for collaboration, primarily within the Nordic countries. It was perceived as tone-deaf in Sweden where strong corporative movements had already taken hold.

The pamphlet is usually dismissed quickly as a "sales bible" and taken out of context. But it would be wrong to overlook the strong liberal political statements made by this supposedly pro-Nazi businessman. Perhaps, they are more easily appreciated today.

As Mussolini's Italy and Hitler's Germany, he had the following to say: "Fascism and national socialism have resolutely drawn the conclusions of a bankrupt Marxist internationalism, with its depleted concept of class struggle, energetically expelling any trace of these from their borders. But they have kept the idea of a planned economy with an, albeit revised, equally tyrannic model at its foundation, which they have attempted to push through with astonishing force, determination and perseverance."

On the subject of capitalism, he notes: "The considerable flaws of this system are commonly known. There ought to be few today, unlike in the past, who would maintain that the individual should be given unlimited freedom to do as he pleases in his business ambitions, without any regard for the consequences. The sins committed in the early days of industrialization, when production was left more or less to its own devices, without consideration for neither man nor society, have truly been avenged both three and four times over. Despite the purge of objectionable practices that has been carried out following the establishment of the system, and the now strong sense of social responsibility, the old opponents of the 'capitalist system' still cling to the fixed idea that this system must at any cost be replaced by something brand new."



In 1937, Axel Wenner-Gren wrote the book *Call to Reason*, an old-fashioned liberal appeal to the government, the business community and the people for cooperation, mainly in the Nordic region.

Wenner-Gren was more of a pragmatic business man than ideologist, which is apparent in the events that subsequently took place. In his efforts to save any value left in the regulated and closed Germany, he, like many other Swedes, would make deals that are hard to defend considering the positions he took in his pamphlet.

Contacts with Roosevelt and Göring

In the US, Wenner-Gren had been a person of some repute since the 1930s, after recovering from his personal crisis and taking up the role as President of Servel. Through massive efforts, he turned the company into the country's leading refrigerator manufacturer – despite the depression. In 1934, he contacted President Franklin Roosevelt to discuss his idea to "sell the US out of the depression."

At first, he received no response, but he aired his ideas of increased international trading in newspaper interviews, which were brought to the attention of the President's wife Eleanor, a very influential First Lady. This led to Wenner-Gren being invited to spend a weekend with the presidential couple in the spring of 1936, which marked the beginning of his peace mission.

His next step into world politics was taken shortly afterwards when Wenner-Gren contacted German Reichsmarschall, Hermann Göring. After World War I, while completing one of his charter flights using a stolen military aircraft, the latter had ended up at the home of the Swedish "air-force count" Carl Gustaf von Rosen, here he met a Swedish woman whom he would later marry. Due to the fact that Göring had problems obtaining a visa at the beginning of this love affair meant that, as a government minister in 1933, he was surprisingly helpful to one of Wenner-Gren's associates, Birger Dahlerus, who came to him with a similar issue in Germany.

It was likely Dahlerus who helped Wenner-Gren get in contact with the Nazi leader. When he did, Göring had just been given the overall responsibility for the new "four-year plan," a form of planned economy that would have an impact on the details of Wenner-Gren's German operation. However, their next contact would only take place a few years later.



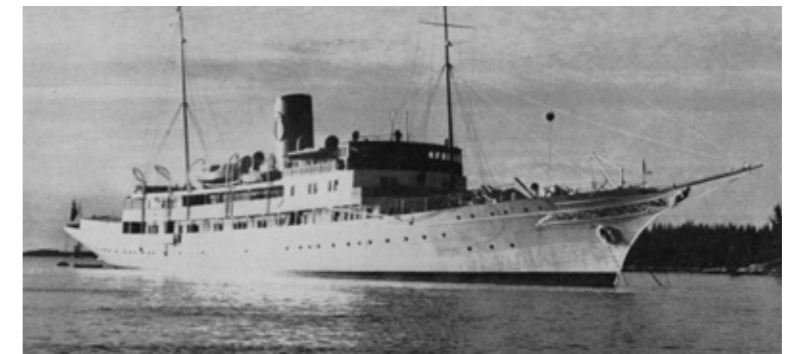
One of the tame deer is being fed in the stone hall at Håringe Palace.

A life of luxury

In his long and at times troubled marriage to former opera singer Marguerite, Axel was living in a stage production of magnificent parties and celebrity guests. He seemed to enjoy every minute of it as this was exactly the kind of opulence that he had dreamt of during his years of hard work. His house was a meeting place for politicians, businessmen, stage artists and people of high culture. But the secluded existence in his palatial residences also made him feel lonely and deprived of oxygen at times.

They were constantly moving, from the Wenner-Gren residence in one of Stockholm's most luxurious neighborhoods, all the way to Håringe Castle, then to the extravagant home that the couple started building in the Bahamas and finally to their ranch in Mexico. The Bahamian property on Hog Island, now Paradise Island, was renamed Shangri La and the Mexican residence to Rancho Cortéz.

The luxury yacht that the couple purchased in 1937 to promote both peace and business was one of the most spectacular private vessels of its time. It had originally been commissioned by an English shipping magnate, after which it ended up in the hands of billionaire Howard Hughes, who in turn sold it to his acquaintance Wenner-Gren. The latter was able to purchase the vessel for less than SEK one million, at just a fraction of its manufacturing cost. It was enormous for a pleasure yacht, even by today's standards: 110 meters long, propelled by two steam turbines with a combined output of 3,000 hp and a top speed of 17 knots with both engines at full throttle. It also employed a crew of 40.



The Wenner-Grens owned their own spectacular yacht - the "Southern Cross" which was previously owned by aviation billionaire Howard Hughes.



The property in the Bahamas was called Shangri La (today the Ocean Club). It was located on Paradise Island, which Wenner-Gren owned a large part of.

A political cruise

In 1937, Wenner-Gren, Marguerite and her sister, Gene took the yacht on an adventure from the Caribbean, over to the Mediterranean and through to the Black Sea to escape the worries of Bofors, SCA and Electrolux. The party arrived in Gothenburg in September, where the vessel's name was changed from "Rover" to "Southern Cross," raised the Swedish flag and took on a Swedish crew.

While Wenner-Gren went on ahead, stopping in Berlin, London and Paris before reaching Rome, Marguerite and Gene sailed towards Italy on the "Southern Cross." In Naples they rejoined Wenner-Gren, who had already scouted out the political and industrial terrain with Mussolini himself.

They then continued their cruise around the world. In his spacious cabin, the industrialist dined with Swedish consuls, ambassadors and businessmen, and with all sorts of foreign dignitaries, British governors, Asian princes and generals. In Japan, he met the foreign minister who hinted at the prevailing negative view of the US, which the industrialist related to former President Herbert Hoover. Undoubtedly, Wenner-Gren also spent the voyage talking about both his recent publication and about his business ventures, from vacuum cleaners to cannons.

In Malaysia, he was introduced to another person who would make a telling impression on him and his future vision. Paul Fejos had come to the US from Hungary with empty pockets, a poor grasp of the English language and a forged medical degree. Wenner-Gren never knew that last part. Fejos was a great creative talent who had overcome all the obstacles of being an immigrant, establishing himself as a renowned film producer in the 1920s. He was now in Southeast Asia with a Swedish film crew. Fejos was 40 years old and Wenner-Gren was 56 as they sat on the yacht sharing their visions with one another.

The boy from Uddevalla who had dreamed of being a viking was sailing to discover the world like the famous seafarers of the past, and Fejos was following in the footsteps of the great German scientist Alexander von Humboldt, to document anthropological



In Malaysia, Axel Wenner-Gren met the anthropologist and filmmaker Paul Fejos and they began a life-long friendship. Fejos would come to lead Wenner-Gren's anthropological expeditions and be head of his American research foundation, the Viking Fund. Fejos is pictured here at the Wenner-Gren Foundation in New York.

discoveries. During the dinners onboard the "Southern Cross," the two men began a life-long friendship characterized, on the one hand by mutual admiration, and on the other, by Wenner-Gren's absolute financial advantage over his new friend. Fejos would come to lead Wenner-Gren's anthropological expeditions and be head of his American research foundation, Viking Fund. Fejos' marriage up until 1942 to Danish reporter and former beauty queen, Inga Arvad, would pose a problem, as she came under suspicion for being a German spy due to her uncritical coverage of the Nazi leadership in the Danish press.

New political encounters

In the fall of 1938, Wenner-Gren's ship called at several South American ports. The news of the German *Kristallnacht* of November 10 reached them in Brazil. Wenner-Gren then asked if Brazil would be willing to receive Jewish families if he arranged the financing. It is unclear if this came to fruition. Later on in Peru, he would initiate his massive anthropological research project on the Inca people, with generous funding from his recently established Viking Fund. Fejos spearheaded this new adventure.

In May and June of 1939, Wenner-Gren, now back in Europe, organized two further meetings with Reichsmarschall Göring, and between which, a meeting with Prime Minister,

» Perhaps it goes without saying that Wenner-Gren was something of a dilettante in the world of politics, who rather gave rise to misunderstandings and irritation rather than achieving any real progress. «

Neville Chamberlain. The Crown Prince of Sweden provided him with letters of recommendation. Wenner-Gren then handed Göring a peace proposal, which the latter would never even show to Hitler.

Perhaps it goes without saying that Wenner-Gren was something of a dilettante in the world of politics, who rather gave rise to misunderstandings and irritation rather than achieving any real progress. As usual, Wenner-Gren gave a rather vague, absent-minded and idealistic impression, which may have been effective for a rich industrialist working on his own projects, but was less so for a diplomatic mediator between two great powers.

There were even decision-makers within the American administration who had started to suspect that Wenner-Gren was actually a Nazi spy.

Electrolux in figures

Sources

Significant surplus growth

Group	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Balance sheet total	79.4	79.1	79.4	81.9	85.2	90.0	100	108	101	103	105
Trade accounts payable	1.36	1.35	1.32	1.51	1.87	1.78	2.84	2.94	3.10	1.99	3.54
Inventories	12.6	11.2	11.6	10.3	10.5	13.9	16.8	21.0	31.9	29.3	23.1
Surplus	12.2	13.2	14.0	15.1	17.6	20.0	27.2	30.9	36.1	40.5	41.9

Figures are given in SEK million.

During the 1930s, financial accounts were rigid and non-descriptive. Sales figures and quantity of units were not reported, nor were specific product items. Nevertheless, here are some numbers from the balance sheet that give some indication of the company's growth rate prior to World War II.

The growing surplus from year to year indicates stable growth and shows the significant contribution of Servel royalties in the 1930s. The balance sheet total, payable trade accounts and inventories only capture the sales of the parent company Electrolux. A large proportion of all vacuum cleaners and refrigerators were sold in North America by the independent Electrolux Corporation and Servel.

If we look at the surplus over the entire period as the best indication, the operation is growing by an estimated average 13% annually in a period of almost non-existent inflation.

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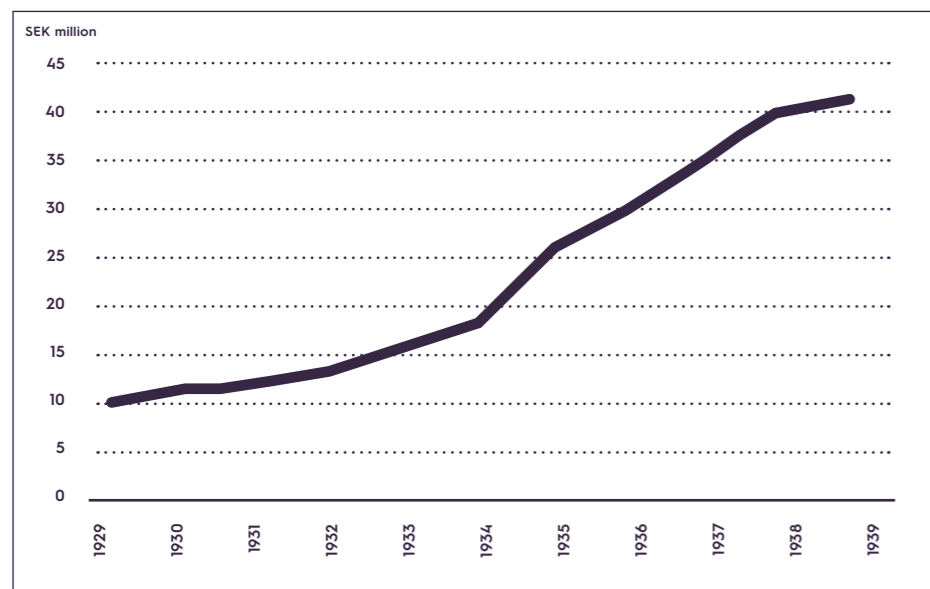
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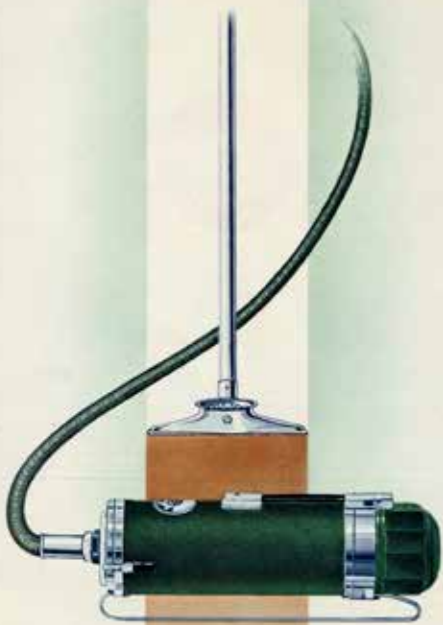
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Surplus development

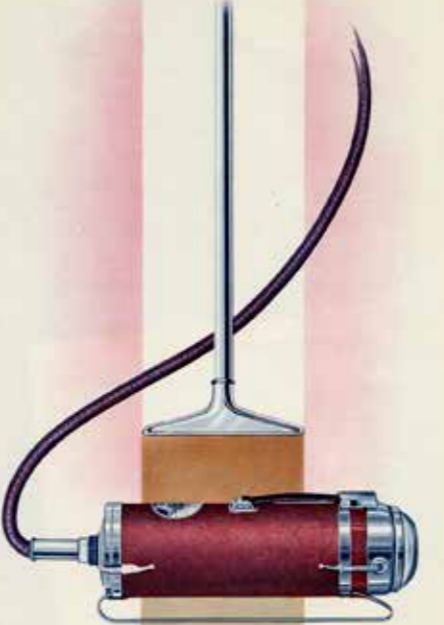


ELECTROLUX
MODEL 25



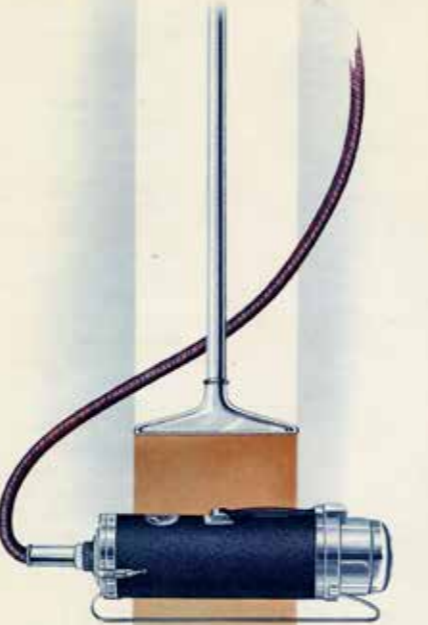
Het beste op stofzuigergebied. Zeer groote zuigkracht met enorme luchtverplaatsing. Solide constructie. Sierlijk van lijn. Volkomen geruischloos.

ELECTROLUX
MODEL 18



Prima apparaat met zeer groot vermogen. Solide geconstrueerd. Praktisch geruischloos. Franse vorm.

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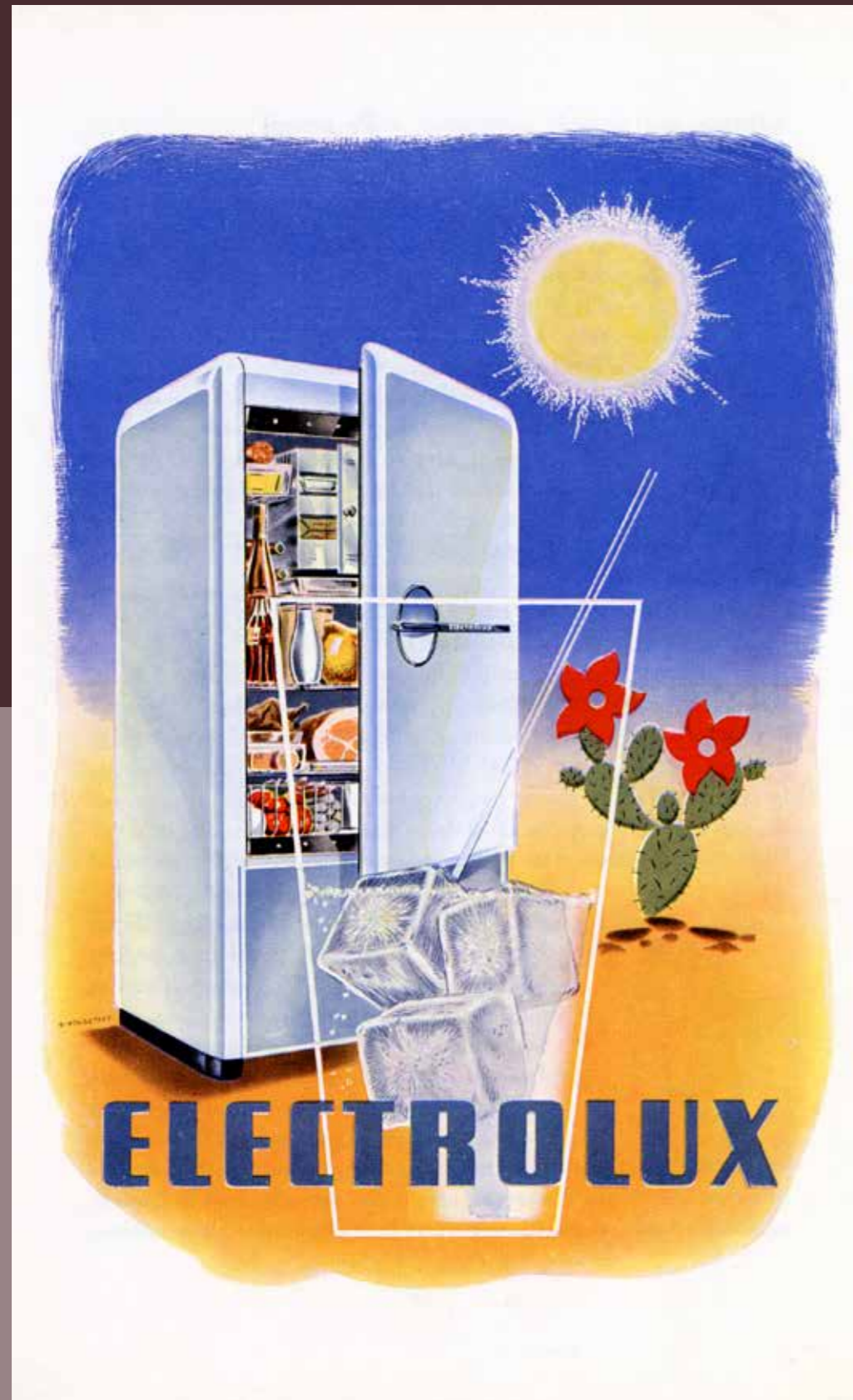
ELECTROLUX

Der GAS-Kühlschrank *Electrolux* im Schaufenster




**the finest
DIRT-DIGGER**

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War, black- listing and a household revolution

1940-1949

Significant milestones

Year	Event
1940	The war causes logistical difficulties and many manufacturing facilities are forced to shift to other products. Launch of the food processor "Assistent" Launch of the first freezer designed by Raymond Loewy, L300.
1941	Gustaf Sahlin replaces Harry G Faulkner as President
1942	Axel Wenner-Gren is blacklisted by the US government and is exiled to Mexico.
1944	Electrolux acquires Bohus Mekaniska, thus introducing washing machines to the product range. Another acquisition is Penta, a company manufacturing outboard boat motors.
1948	Activities are resumed in Germany after the war, with refrigerators manufactured in Berlin and vacuum cleaners in Wilhelmshafen. Sigurd Nauchhoff succeeds Axel Enström as Chairman of the Board.

The luxury yacht **Southern Cross** departs from **Gothenburg** for the last time on August 31, 1939, heading to Axel Wenner-Gren's new home in the Bahamas. At this point, he had resigned from all his positions in Sweden and was preparing to become a Swedish expatriate based in the Bahamas. He was replaced as Chairman of the Electrolux Board by Axel Enström. Coincidentally, he departed the day before the German invasion of Poland, which was viewed as a desertion in Sweden. "And don't come back!" said one newspaper. However, if Wenner-Gren had in fact had access to secret information about the war, he would have reasonably left sooner.

Due to the outbreak of war and associated risks, Wenner-Gren chose to set a course north of Scotland. And so it happened that the "Southern Cross" ended up around 60 nautical miles from where the American passenger ship SS Athenia was torpedoed, probably by a German submarine. With unevenly powered engines, it took five hours to reach the survivors who were floating in the water in life-vests or sitting in lifeboats. Most of the people in the water were covered in oil, and those who had been seasick in bed when the alarm sounded were still in their pajamas and nightgowns. It was thus difficult to pull them into the yacht turned rescue vessel, but in the end the crew of the "Southern Cross" managed to pick up 376 survivors. The heroic rescue was of course widely reported and a photo of the handsome captain Hjalmar Rothman was in all the papers.



Survivors from the SS Athenia are lifted aboard the US shipping vessel the SS City of Flint.



SS Athenia in the Port of Montreal in 1933. Six years later, this civilian vessel was sunk in the Atlantic. The FBI suspected that Axel Wenner-Gren was involved.

Investigated by the FBI

Wartime paranoia had now taken a hold of J Edgar Hoover's FBI. They already had a file on Wenner-Gren due to his contacts with Bofors and Göring, and now it was growing rapidly in size. The files have been declassified over time and this summary is therefore based on a thorough reading of the material.

The first reports are relatively neutral in tone, containing a rather haphazard investigation of the businessman's empire. In December 1939, the FBI noted that Wenner-Gren was largely dependent on political developments and that he had extensive opportunities to obtain information. It is noted that he spoke a good dozen languages (sic!). The FBI also sought out his brother Hugo, who was still living in Berlin (despite the protestations of his older brother, as later claimed by niece, Axelle Axell), but no-one knew for sure who he was or if he was the owner of the import firm where he worked, only that the names matched. Further investigation was ordered.

In one fanciful report, Wenner-Gren was linked to an executed Irish nationalist who had departed from a Swedish port under a Norwegian flag during World War I with a submarine escort. The intention was to smuggle arms to Ireland. The common denominators of a Swedish port, a yacht, financial resources and submarine tickled the imagination. The file makes for some interesting reading with one wild hypothesis after the next.

Aid to Finland

Declarations of war came one after the other. Three months after the sinking of SS Athenia, the Soviet Union invaded Finland following a border provocation. The subsequent Winter War lasted through December, January and February to the beginning of March (105 days). Stalin had more than twice as many soldiers, nearly 50 times as many tanks and 10 times as many combat aircraft. Finland's defense was aided by its greater motivation and one of the coldest winters ever recorded. This allowed Finland, small as it was, to defend 90% of its land area instead of being fully occupied.

Even though the Swedes can be accused of compliance in other parts of the war, this is hardly the case when it comes to its brothers in the east. "Finland's cause is our cause" was the slogan. Author Wilhelm Moberg quickly rallied the farmers: "The Finnish farmer is spilling his blood in the bravest defense of all that he cannot live without." "Work in agriculture on your day off for Finland" was another slogan. Significant sums were then donated by the Swedish farmers.

Wenner-Gren was an active proponent of Nordic unity and his Vice President, Gustaf Sahlin happened to be married to a Finn. The two of them rallied the people of the industrial sector much as Moberg did with the farmers. Office and factory workers at the Lux factories in Stockholm introduced the slogan "Twelfth Day for Finland!" All the wages of

100,000 Swedish employees at more than 400 companies were donated to support the Finnish cause on this day. Many Swedish companies, office employees and workers also made direct contributions to the fund-raising drive.

Already during the Winter War, as well as after peace was declared on March 13, 1940, the agricultural and industrial organizations started campaigns to take in Finnish children, not least from the areas that Finland was forced to surrender to the Soviet Union. Sahlin was passionate about this operation, which continued throughout the low-intensity conflict in the years to follow.

The FBI memo on Wenner-Gren

Aiding Finland was detrimental to Wenner-Gren in both England and the US. The Soviets were fighting with the Allies, which forced Finland to lean towards Germany. In January 1940, an FBI memorandum arrived which would greatly undermine Wenner-Gren's position in the US. It is well worth reading in its entirety.

Federal Bureau of Investigation
United States Department of Justice
Los Angeles, California
July 22, 1940

Director
Federal Bureau of Investigation
Washington, D. C.

~~CONFIDENTIAL~~

Dear Sir:

RE: AXEL L. WENNER-GREN
ESPIONAGE

Reference is made to the report of
Special Agent A. R. MILLER, dated at Los Angeles,
California, July 19, 1940.

This is to advise that the person
referred to therein as Confidential Informant "A"
is Major JOHN H. WILSON, Assistant Chief of Staff,
G-2, Presidio, San Francisco, California.

Very truly yours,

Arthur Cornelius, Jr.
ARTHUR CORNELIUS, JR.
Special Agent in Charge

ARM/hlk
65-1824

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U.S. DEPT. OF JUSTICE
FIVE

The FBI memo comes from the FBI archives, following a request according to FOIA (Freedom of Information Act) by Bill Streifer, MBA, researcher and author, New York.

Axel Wenner-gren
Swedish Arms Industry
Electrolux
F. M Goering
S. S. Anthenia

1. A conference took place over the past week and between the writer and a contact in the United States.
2. Certain matters concerning the above-mentioned man, much of which have been already reported, when placed in order and in connection with other matters appear to us to indicate the desirability of an investigation.
3. The sequence of events is as follows:
 - (I) Axel Wenner-gren was a student in Germany.
 - (II) 1914-1918 - Axel Wenner-gren, a Swedish subject, made considerable profits as the result of the war and became wealthy. The Swedes were generally pro-German.
 - (III) 1919 - The Electrolux Company, Aktiebolaget Electrolux of Stockolm, was organized into its present form. Full reports on this have been given elsewhere. Axel Wenner-gren is the principal stockholder and exercised active control until quite recently. The Company had branches in Germany, Switzerland, France, England, etc. These have now become semi-independent subsidiaries, the Swedish Company being a holding concern.
 - (IV) According to the last annual report, not only had the Electrolux interests not been interfered with in Germany, but the German subsidiary paid substantial dividends to the Swedish holding company in German sundry bonds.
 - (V) There is a Hugo Wenner-gren in Berlin who is general manager of a company making plastic radio cabinets. He is reported by my informants in Berlin and Zürich to have a high reputation but they do not know whether he is related to Axel Wenner-gren.
 - (VI) In consequence of paragraphs (I)-(IV)
 - (a) Axel Wenner-gren has almost unmatched source of information.
 - (b) On the other hand there is almost certain to be a leakage of information as to his own actions.

Note in this connection that all foreign concerns with offices in Germany are permeated by agents of Ribbentrop and Himmler. These agents are not only in the offices in German but in those abroad.
 - (VII) Axel Wenner-gren is also a principal in a large Swedish arms industry. He is therefore financially interested in the war and would profit by its inception and continuance.
 - (VIII) Just as the war began, Axel Wenner-gren left Stockholm in his yacht "Southern Cross" taking aboard a much larger supply of gas and oil than was necessary.

- (IX) In September the "Athenia" carrying many American passengers was sunk at sea by an explosion.
- (X) Axel Wenner-gren in his yacht was on the scene at the time.
- (XI) The sinking was investigated by the U. S. Ambassador to England. The conclusion reached was that the "Athenia" had been sunk by a submarine. There was no identification of the submarine. The German press accused the British Admiralty of the attack. The British press accused the German Admiralty. Both denied the accusation.

Note - Other sinkings have not been denied by the German Admiralty.

- (XII)
 - (a) One result of the sinking was to harden the determination of the British Empire to proceed with the war.
 - (b) From this would result more profits for interested neutrals.
 - (c) Therefore it would have been to the advantage of an interested neutral to sink the "Athenia."
 - (d) This would be even more so if the result had been to involve the United States. This would have decreased neutral risks and increased their profits.
 - (e) The American powers apart from the United States had no interest involving as Britain and France and would take all they could sell.
 - (f) It is certain that no United States submarine sank the "Athenia" and practically certain that no Russian submarine did so. The possibility remains that a Scandinavian submarine was responsible.
 - (g) It is unlikely that any Italian submarine did so in view of subsequent events and declarations.
 - (h) It is unlikely that any Scandinavian navy submarine did so. The possibility remains that a Scandinavian pirate submarine was responsible.
 - (i) The most interested Scandinavian neutral is Axel Wenner-gren. Moreover, he is apparently the only Scandinavian neutral financially able to take such action.
 4. (I) I was informed last week that the U. S. Government chartered certain ships to bring back American citizens from Europe. One of these was the S. S. "Iroquoise."
 - (II) Admiral Raeder advised the United States Naval Attache in Berlin to say that the "Iroquoise" would meet the same fate as the "Athenia."
- Note (a) that the Admiral gave no indication that the sinking would be by a German or an Allied submarine.
 (b) that he could have obtained the information from a spy in some concern which was interested in the sinking.
 (c) that at least one of Axel Wenner-gren's company's has offices in Germany that there are therefore German agents throughout his concerns.
 (d) that any plans he had would thus be known to Admiral Raeder.
 (see 3. (VI) (6) above)
- (III) The United States Government thought that this was an attempt to break the U. S. Naval Code since the Attache would use this to radio Washington and knowing the contents of message the German might reach the key to the code. The matter was however treated as if the warning were genuine - a convoy was sent and nothing happened.

5. (I) Axel Wenner-gren had:
- (a) A motive for the "Athenia" sinking;
 - (b) A record which indicates that the motive might be sufficient;
 - (c) Ability to have the sinking affected;
 - (d) Ability to know of the sailing of the vessel and its route;
 - (e) A yacht on the scene of the sinking at the time of the sinking.
- (II) We then have Admiral Raeder's warning indicating:
- (a) That some person had the intention of repeating the action;
 - (b) The possibility that Admiral Raeder knew of a pirate;
 - (c) The extreme likelihood of the existence of two pirates;
 - (d) The virtual certainty that if Axel Wenner-gren were involved his plans would become known to Admiral Raeder, although the obvious favor with which Wenner-gren is held in Germany would prevent his name from being disclosed;
 - (e) Presence of Wenner-gren's yacht in the North Atlantic at the time of Admiral Raeder's warning.
6. It is to be noted, although not necessarily as a related fact that Field Marshal Herman Goering is said to have large Swedish interests. If this is so, it is certain that there are some contacts between him and Wenner-gren. A submarine could have been obtained through him and distinguishing marks removed. In this connection note that a relative of Goering's named John Bishop, alias Van Bischoff, was last summer working across Canada as salesman for an English vacuum cleaning machine - (CF Electrolux).
7. There are altogether too many coincidences and the investigation should be pursued. We need:
- (a) A complete history of Axel Wenner-gren;
 - (b) Contacts in Swedish shipyards;
 - (c) Contacts with the crew of his yacht now in the West Indies;
 - (d) Contacts with his household, at Nassau, Bermuda

Jan. 28 1940 8:40

A sordid affair

But this was not enough for the FBI. Göring "may be very well double crossing his associates." Germany likely wanted to end the war in Finland, but not the Swedes, who were cashing in on arms exports. Before long, the financier was made out to be a war profiteer who wanted to prolong the war, as well as a "person close to Hitler and a definite Nazi supporter." Such was the description given in the second document.

Wenner-Gren's exaggerated perception of his own ability and standing in world politics further contributed to turning his life into a sordid spy novel in the spring of 1940. The US Under Secretary of State Sumner Welles was dispatched to England, France and Italy on a secret mediation mission. Via Wenner-Gren's brother Hugo, Göring communicated that he would be interested in the Americans' peace initiative.

Wenner-Gren rushed off to "help" by sharing this information with the US Department of State. Sumner Welles suspected him, not surprisingly, of having been sent by the Germans as he kept showing up insisting on a meeting. The financier also made matters worse by publicly criticizing the US emissary, who refused to have anything to do with him. He had another meeting with Göring in March.

The leadership in London also found it suspicious that the Wenner-Grens had started socializing with the abdicated British regent, the Duke of Windsor, in the Bahamas. This aristocrat, who had just been named governor of the Bahamas, had expressed sympathies towards Adolf Hitler. The two couples were part of a small social circle in Nassau which would meet to ward off the loneliness of their uneventful days.



Axel Wenner-Gren meets the Duke of Windsor in Miami on December 10, 1940. Wenner-Gren's dealings with the Duke, who had expressed sympathies for Hitler, evoked further suspicions against him.

Exiled in Mexico

The governments of Peru and Mexico were interested in discussing industrial projects with the famous tycoon, and the feeling was of course mutual. With the Peruvian president, he was involved in plans for a power plant, a cement factory, a nitrogen factory, a steel mill and a harbor, where the Swede would put up half the capital. The Americans, who viewed South America as their backyard (according to the Monroe Doctrine), were of course well aware of these plans.

When Wenner-Gren presented a new plan in November 1941 to invest 100 million dollars in Mexican railroads, roads and infrastructure, this was the last straw. The US government cast all doubts aside regarding the FBI's lack of evidence. Wenner-Gren was placed on the list of blocked nationals in January 1942. The news caused a great stir.

A later report from Mexico in Wenner-Gren's espionage file followed up on how his blacklisting successfully stopped the Mexican project. Subcontractors and workers had already been hired and the equipment was ready, but everything came to a halt due to Washington's action as Wenner-Gren had been considered the main source of the syndicate's capital.

It was a heavy loss for Wenner-Gren. The war had put an end to any development opportunities for his company Electrolux, thereby affecting a large part of his fortune. Now he was also shut off from all contacts with his company for five long years, suspected of being a spy. Electrolux was not blacklisted in view of its British and American shareholders. Axel Wenner-Gren was living in exile in Mexico, cut off from his properties and companies in every way aside from the messages that the Swedish embassy could be bothered to relay on his behalf. His journal outlines a period of depression, illness and liquidation issues.

This did not stop the financier from getting new projects started, and he successfully managed to make the two competing telephony systems in Mexico compatible as of 1947. The systems were owned by Ericsson and the American ITT respectively. It was impossible to make calls between them so everyone required two telephones. By merging the two companies in a new enterprise called Telmex, Wenner-Gren managed to resolve an old dilemma and install himself as the main owner. This new company would later become part of another wealthy man's empire: Carlos Slim. Wenner-Gren also started the dairy company Lecheria Nacional which was to import powdered milk to the relatively poor Mexico in order to improve the supply of protein sources.

The Swede was never exonerated by the US government but the blacklisting was finally lifted as various politicians and diplomats pointed out the absurdity of branding him a Hitler sympathizer. He was actually invited to Harry Truman's presidential inauguration in 1949 but a full inquiry completely clearing Wenner-Gren of any accusations of espionage was not carried out until 1989 by the veteran diplomat Leif Leifland.



During his time in exile in Mexico, Axel Wenner-Gren started new projects. In 1947, he succeeded in making both of the competing telephone systems in Mexico compatible. This picture shows the telephone station in Mexico City in 1933.

Semper

The powdered milk idea was inspired by Wenner-Gren's Swedish company Semper which he had started in 1938 under the name Svenska Mjölksprodukter (SMP). The latter was founded on a discovery by Swedish researcher Ninni Kronberg, and it became a profitable operation that was sold to the Swedish farmers' cooperative after Wenner-Gren's death and eventually ended up in the hands of Swiss Nestlé.



An advertisement for SMP milk from 1942. SMP later became Semper, a Nordic brand for baby, infant and gluten-free food.

Production during and after World War II

For internationally active companies with multiple independent subsidiaries, World War II took a heavy toll. Supply and information networks broke down. It did not matter which global ownership system a local manufacturing company was part of, its capacity would nonetheless be requisitioned by the warring governments. This proved particularly troublesome for the large Swedish industrial companies that had a small domestic market and had most of their sales in the considerable parts of Europe now controlled by the Axis Powers, Germany and Italy.

A state industry commission rapidly restructured the Swedish economy to focus solely on the country's armaments and the national food supply. Car manufacturers were ordered to make tanks and shipyards to build submarines and naval vessels. The clothing industry more or less stopped exporting to meet domestic needs, as did the agricultural sector. Forestry raw materials had to be used exclusively for fuel and chemical products.



Between 1939 and 1963, Electrolux had its headquarters in the building known as St. Erik's Palace on Sankt Eriksgatan in Stockholm. This photo is from 1945-1955.



During the war, many companies, including Electrolux, had to convert their production. At the Lilla Essingen factory, wood-gas generators were made along with other items.

All of this was problematic for international company groups. The company that had it worst was Swedish ball bearing producer SKF, which had acquired large parts of the ball bearings industry on the continent at the end of the 1920s, soon supplying nearly all the armed forces involved in the war in different combinations, with no regard for national borders. The situation was not much better for Electrolux. Having its main owner Wenner-Gren blacklisted by the US and its British born President Harry Faulkner pushed out by Germany and Italy created a lot of uncertainty.



During World War II, the Motala factory made steel fittings for the Swedish armed forces.

How would Electrolux ever regain control over the local manufacturing subsidiaries and how would they ever bring any profits home? The profitability of an international group was derived in part from the division of labor as the companies used common components and products to create long production series. In the wartime economy, it was perhaps easier to cover the domestic market at a fair price. But all replacement products were made at too small a scale to be sustainable after the war.

The Swedish wartime economy soon paved the way for innovators who saw opportunities in the demand for replacement products. The most spectacular of these was engineer Axel Svedlund and his generator gas unit (whereby vehicles and industrial equipment could be powered by wood gas), which the metal processing companies gratefully adopted. One of these was the Lux factory. Before long, the Swedish transport machine was back on track and charcoal stacks to provide fuel for vehicles were to be seen everywhere. Electrolux also manufactured air purifiers for the Swedish armed forces and steel fittings for the same client in the Motala factory.

The factories in Germany and France were placed under the control of the German war administration; it is unclear what they were used for. The factories in England and Australia were immediately requisitioned to supply the British military. One example of production was the new “jerrycans.” It had been made embarrassingly apparent during the Desert War in North Africa that the Germans (Jerry) had superior storage tanks for gasoline, as a quarter of the British fuel had been lost to the sand. Electrolux in Luton manufactured the robust closing mechanism of the new cans. They also made small refrigeration units for soldiers in the field.

In the US, the vacuum cleaner factory was refitted in 1941 to cater to the production of 35 different engines and control mechanisms, subject to state control with around-the-clock production, which created an annual growth rate in the US economy of 13% and gave the Allies an advantage. No major economy had ever grown as fast. It was only in 1944 that Electrolux was allowed to reclaim a small part of the capacity to meet the demand for private vacuum cleaners in the US.

Setbacks after the war

“The export development during the war was obviously going towards increasingly limited trade,” declared President Sahlin in an interview with daily *Svenska Dagbladet* in the fall of 1944, when things seemed to be looking up. Sahlin noted that sales in Sweden had been good and the company expected their refrigerators to quickly resume their triumphant international sales successes. During the war, the company had managed to continue its product development from the laboratory in Lilla Essingen. Without doubt the company would now have some attractive new refrigerator products.

But Sahlin was mistaken.

Germany proved the most poignant example. The Tempelhof factory was now located in West Berlin and although under Allied control, it was completely surrounded. All manufacturing tools and equipment had already been looted by the Russians. The vacuum cleaner production had to be moved to Wilhelmshafen.

Intet omställningsproblem i Elektrolux efter kriget.

Tillverkningen åter nästan helt inriktad på standardartiklarna.

Elektrolux hör som känt till den grupp svenska storföretag av internationell karaktär, vilkas utveckling efter kriget blir i hög grad beroende av världsekonomiens gestaltning. Vid ett samtal som Svenska Dagbladet haft med Elektroluxchefen, direktör G. Sahlin, understryker denne också särskilt vanskligheten av en bedömning av efterkrigstidens sysselsättningsmöjligheter på exportområdet, då dessa givetvis bero på den ekonomiska politik, som de olika länderna komma att föra.

Under de första krigsåren kunde Elektrolux kompensera de minskade försäljningarna av bolagets standardartiklar på hemmamarknaden och på exporten för huvudsakligen verkstäder och lager. Tillverkningen av småmotorer är förlagd till Essingen och av ställinredningar till Motala.

Direktör G. Sahlin.

In an interview with Swedish newspaper *Svenska Dagbladet* on September 28, 1944, Electrolux CEO Gustaf Sahlin saw the future in a positive light. He would prove to have been wrong.

The refrigerator patents had expired during the war which meant that countless manufacturers in what would soon be West Germany now swooped in on the absorption technology in order to make a living. However, these appliances were not easy to make. Products introduced to the market at very low prices were also of a very low quality and had a limited service life. This tainted the view of Electrolux refrigerators too. Poor consumers not only bought the cheapest appliances, they also completely lost faith in the absorption refrigerator. Electrolux was forced to give up large shares of the European market to German manufacturers.

In the US, there was another similar setback. Servel was quickly back on track after the war but the competition had changed. The Americans wanted freezer compartments and these were easier to fit in a compressor refrigerator. On top of it all, Servel introduced a new gas burner that had not been properly tested and consequently caused a large number of fatal accidents. Deterred American consumers abandoned Servel, which finally had to be closed down. The stream of royalties was thus cut off and represented a great setback for Wenner-Gren.

Electrolux nevertheless managed to defend some of its greatest strongholds. In Scandinavia, Switzerland, England as well as the not so wealthy markets in Africa, Latin America and Southeast Asia, the kerosene refrigerators remained popular. But Electrolux was no longer the world's largest manufacturer of consumer durables.



The Electrolux household appliance called the "Assistent" was launched during the war years and achieved great success. This is the "Model N4" which was launched in 1954 and had outlets for mixers.

Attempts to broaden the product portfolio

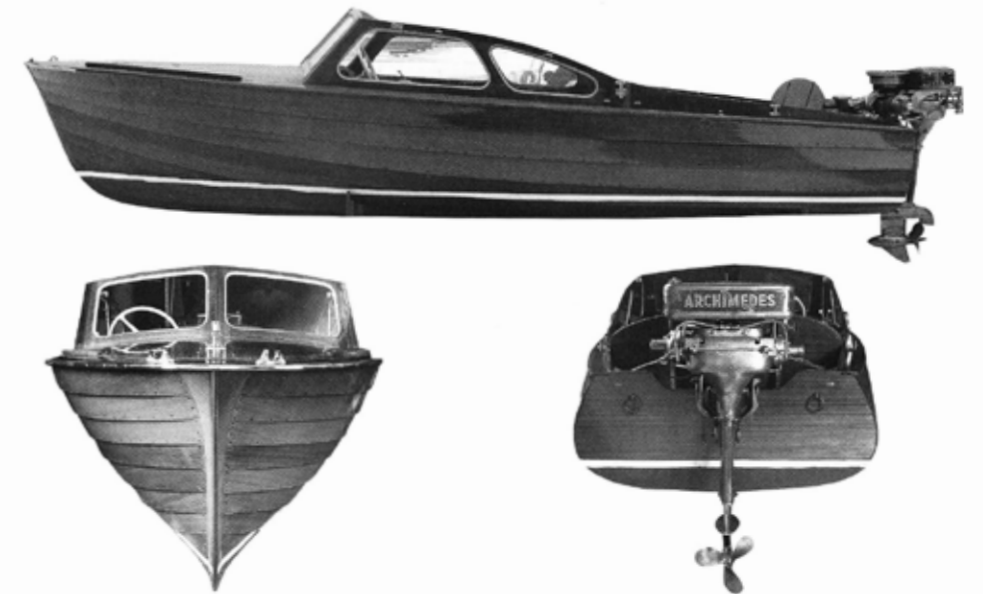
It was not enough that the vacuum cleaner production kept expanding and generating large profits. The new Assistent food processor could not compensate for the company's significant losses on the growing major appliance market, where price competition would soon be devastating.

Sahlin was a driven and profitability-oriented business leader but he lacked Wenner-Gren's creative imagination and vision. Sahlin's Electrolux waited too long to get in on the compressor technology, which had started to develop rapidly when a component manufacturer began to sell a much better compressor. Not even the washing machines that Electrolux had acquired when purchasing Bohus Mekaniska could help create the necessary dynamics.

Sahlin tried to broaden the product range. Electrolux already owned the boat manufacturer Archimedes, and towards the end of the war they acquired the outboard motor segment of competitor Penta. Another aspect of the diversification efforts was the venture into small electrical motors.

The main owner Wenner-Gren, now returned from exile and free to move as he pleased, was not let back into the operation as before. During his time in Mexico he had also started to take an interest in completely different matters, just as consumer durables were on the verge of making a big breakthrough in Europe.

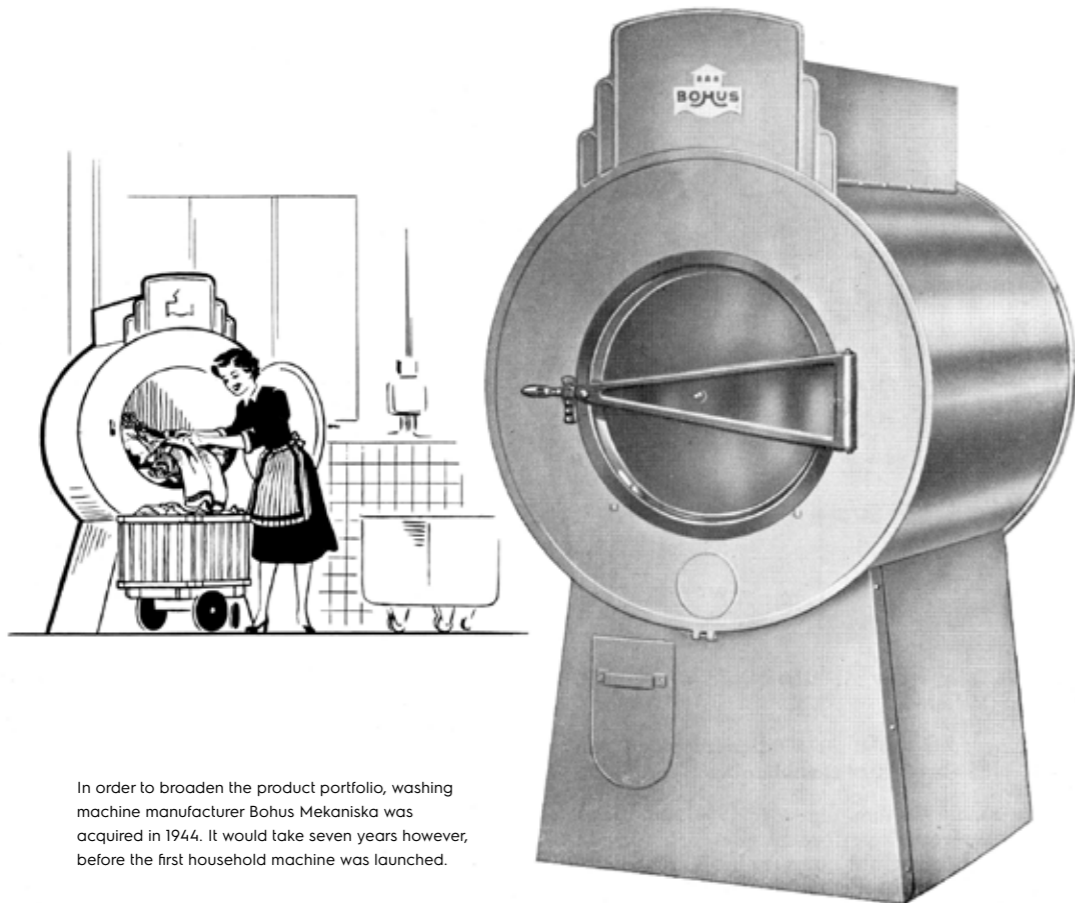
Electroluxbåten



The Electrolux boat, drawn by C.G. Pettersson (the designer of a classic "Pettersson boat"), laid the foundation for the design with a stern, fore deck, windshield and side windows that lasted all the way into the 1960s. The boat's trade name was the "Archipelago Boat S-19M," but was commonly called the Electrolux boat.



In the final phase of the war, Electrolux bought the outboard motor part of their competitor Penta. At the time, Electrolux already owned motor manufacturer Archimedes.



In order to broaden the product portfolio, washing machine manufacturer Bohus Mekaniska was acquired in 1944. It would take seven years however, before the first household machine was launched.

A household revolution

First came the vacuum cleaner, then the refrigerator. But the appliance that would have the greatest social impact of all was the washing machine – combined in northern Europe with a tumble dryer. It has been argued that this may have been the single most revolutionary consumer appliance ever made. The washing machine was followed by the dishwasher, which completed the foundations for a new division of household chores where all members of the family could now contribute.

Previously in agrarian Europe, women had done all the cleaning, laundry and dishes by hand, which not only took up a massive amount of time but also caused a great number of ailments and illnesses. Doing the laundry outdoors all year round would for example lead to constantly chapped hands and rheumatism. The difficulty of washing the family's underwear more than once a week contributed to higher rates of infant mortality. To this could be added the handling of firewood and coke used in early cookers.

Before the introduction of the refrigerator and freezer, the north Europeans in particular were living in a storage economy where all food had to be salted, dried, smoked, preserved or pickled in order not to rot. For many people, fresh food was an extravagance. Large quantities of beer were used to wash down the salt and spices used to hide the fact that the food was not that appetizing.

Electrolux was part of an industry that would revolutionize not only the life of women but also general hygiene and eating habits within less than half a century. The average life expectancy increased by a decade. This development was already moving rapidly in the US and in countries like Sweden and Switzerland that had luckily escaped being ravaged by the war.

But it was not only the war that had caused Electrolux to miss out on the renaissance of the compressor refrigerator. The company's central laboratory had perhaps the best resources in the industry but what good was that if there was no-one to rally the company's creative forces after the war.

Wenner-Gren did not realize that he had done little more than get a major transformation started. In this respect, he differed from another, younger Swedish innovator by the name of Ingvar Kamprad who would tenaciously hold onto his great idea for the long haul.

Taking care of the household laundry without the help of machinery was a burdensome and laborious job.



Electrolux in figures

Sources

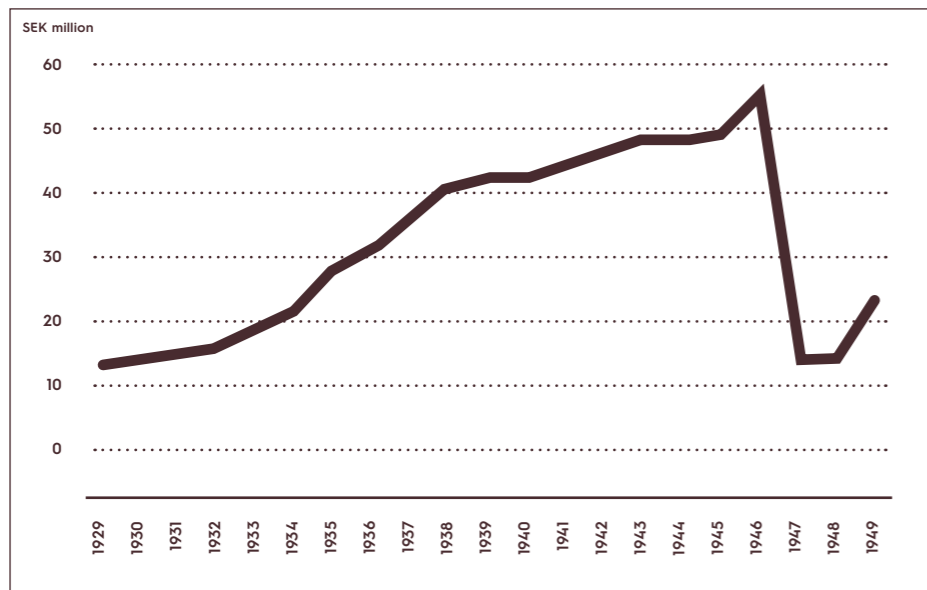
Tough times during the war

Group	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Balance sheet total	109	115	116	124	122	120	134	149	168	196
Trade accounts payable	3.5	4.1	4.3	9.4	7.4	5.2	5.8	7.6	10.4	9.8
Inventories	22.7	24.4	23.0	24.1	20.5	17.6	21.4	33.1	39.8	45.4
Surplus	42.7	44.1	46.2	48.8	48.9	49.4	55.7	12.9	13.3	21.8

Figures are given in SEK million.

During the war years, the Group does not expand. The surplus is inflated by American royalties that are difficult to transfer back to Sweden. After the war, these royalties disappear while a new rapid expansion starts to emerge. Inflation is also increasing. Annual Reports are still scarce on information and the head office seeks to gain control of companies that have recently been controlled by different foreign governments.

Surplus development



Electrolux annual reports, 1929–1950, Centre for Business History in Sweden.
Electrolux collections of newspaper clippings, Centre for Business History in Sweden.
Fagerfjäll, Ronald, *De gjorde Sverige rikt*, Stockholm 2005.
FBI archives, file on Wenner-Gren provided by photographer Bill Streifer, 2015.
Leifland, Leif, *Svartlistningen av Axel Wenner-Gren*, Stockholm 1989.
Reality and Myth: A symposium on Axel Wenner-Gren, held May 30–31, 2012 at the Wenner-Gren Center in Stockholm, Sweden.
Unger, Gunnar, *Axel Wenner-Gren. En vikingasaga*, Stockholm 1962.
Wenner-Gren's journal 1924–1961, from Swedish National Archives.



A ENCEDRADA
Electrolux
Apresenta, entre outras,
as seguintes vantagens.

- 1.ª - A superfície a polir é trabalhada com três escovas planas de movimento rotativo, extremamente rápidas e suaves. As rotações estão rigorosamente calculadas com o grau da pressão do aparelho em ação e daí resulta a uniformidade de polimento da massa trabalhada em todos os pontos. No conjunto das duas peças existe o mais perfeito equilíbrio mecânico que assegura a completa estabilidade do aparelho.
- 2.ª - A encedradora é accionada pelo mesmo motor das aspiradoras LUX, que movimentam cerca de 7.000.000 de aparelhos a trabalharem diariamente em todo o mundo. O consumo de electricidade é o mesmo de 100 W. Il tanto em corrente alterna como continua, podendo fazer-se a ligação em qualquer tomada de corrente ou directamente ao suporte da lâmpada.
- 3.ª - O dispêndio de energia com a encedradora ELECTROLUX é consideravelmente menor que com a encedradora manual. E esta importante vantagem acresce ainda a característica especial de se poder renovar o póliu em várias vezes sem necessidade de intervenção prévia.
- 4.ª - A encedradora ELECTROLUX é uma máquina elegante e luxuosa, que completa o aspecto de estatua e conforto de uma casa e dá imediatamente a impressão de ordem e higiene que constitui os seus poderosos factores de atracção e fidelidade do lar. Na sua construção que obedece às mais rigorosas condições técnicas, atendendo ao particularmente às suas condições de leveza transportabilidade, conseguindo-se, num aparelho de 18 de alta capacidade, dimensões e pesadas, um peso total apenas de 10 Kg., aproximadamente.

ELEKTROLUX

HUSHÅLLS- kylskåp

Guldheden, Göteborg

Installation i HSB-kök

Friluftstaden, Malmö

Tjänstemannakök, Söndvikens Jernverk

Danviksklippan, Stockholm

PRISBLAD
1946

Electrolux
inbyggnadsskåp
i varje
nybyggnadskök

CHAPTER

3



New ownership and stiffening competition

1950-1966

Significant milestones

Year	Event
1950	Electrolux starts making vacuum cleaners and floor polishers in São Paulo, Brazil.
1951	Launch of the first household washing machine, the W20.
1952	Elon Ekman succeeds Gustaf Sahlin as President, who in turn replaces Sigurd Nauchoff as Chairman.
1956	Axel Wenner-Gren sells all of his shares in Electrolux to the Wallenberg company Separator. Launch of the first chest freezer, the City Box.
1959	Manufacture of the first dishwasher begins. Introduction of the first combined fridge/freezer model.
1962	Separator sells its shares to ASEA, another Wallenberg company. Acquisition of ASEA's appliance division Elektro-Helios. Electrolux gets a new President and a new Chairman. The new President is Harry Wennberg and the new Chairman is Ragnar Söderberg. Electrolux gets a new logotype created by Swiss designer Carlo L. Vivarelli.
1963	Electrolux sets up a dedicated design department led by Hugo Lindström.
1964	Launch of vacuum cleaner model Luxomatic – the first vacuum cleaner with cord winder and dust indicator. Acquisition of Getinge, a manufacturer of sterilization equipment.

Axel Wenner-Gren's donations

1936	Wenner-Gren Society
1937	Wenner-Gren Institute, experimental biology, Stockholm University
1939	Wenner-Gren Aeronautical Laboratory, University of Kentucky, US
1941	Viking Fund New York, the name of which was changed in 1951 to the Wenner-Gren Foundation for Anthropological Research
1954	Wenner-Gren Cardiovascular Research Laboratory Stockholm (with subsidiaries in Turku and Copenhagen)
1955	Wenner-Gren Research Center, Stockholm
1957	Burg Wartenstein Austria – European Headquarters for the Wenner-Gren Foundation in New York
1959	Wenner-Gren Computer Center at the Weizmann Institute of Science, Israel
1962	Wenner-Gren Center, Stockholm



Wenner-Gren Center was built in Stockholm in 1959-1961 after a donation from Axel Wenner-Gren. The Wenner-Gren Foundations (the Wenner-Gren Center Foundation for Scientific Research, the Axel Wenner-Gren Foundation for International Exchange of Scientists and the Foundation Wenner-Grenska Samfundet) support international scientific exchange. The administration of the foundations and a part of the other activities are currently located at Wenner-Gren Center.

As Axel Wenner-Gren entered his 70s he tried to make a comeback through one visionary, heavily-indebted and risky project after another. He also made large donations to various causes, which he started rerouting from the US to Sweden to the great disappointment of the Viking Fund employees. In the year before his death, he was finally made a Commander Grand Cross in the Order of Vasa and was given an honorary doctorate from the Israeli Weizmann Institute, thus freeing him of any remaining suspicions of being a Nazi supporter. Determined and resolute to his last breath.

From 1952 and on, Wenner-Gren invested large sums in the Californian computer company Logistics Research. The machine was called Alwac, which stood for Axel Leonard Wenner-Gren Automatic Computer, and was intended to compete with other American projects. He started by donating a computer to the American Air Force. The subsequent models came nowhere close to the quality that had been promised, which the Federal Reserve and Wallenberg's Enskilda Bank both experienced first hand. Wenner-Gren had obviously been duped by corrupt associates who had shown him trial versions rather than completed products.

During a visit to Tokyo, he got the idea for a monorail, a train running on a single rail above a crowded urban landscape. The system, which was named Alweg (an acronym of Axel Leonard Wenner-Gren) and was developed in collaboration with the Krupp family from 1951, had a limited amount of success, although one track was built from the major airport of Haneda to Tokyo.

Meanwhile, his Swedish powdered milk project Semper was doing better. The flourmill project, Kungsörnen, was also sold at a profit. The Swedish farmers' cooperative, Lantmännen, acquired the former and the Swedish Cooperative Union bought the latter.

During a voyage along the west coast of the US and Canada, the financier had come up with an idea to develop the natural resources of British Columbia. The Mexican telephony project was sold in 1950 to finance this capital-hungry venture, which would later have disastrous consequences for the financier's whole empire after his death. Wenner-Gren had kept his shares in the American Electrolux Corporation, and some were also managed by the Wenner-Gren Society, which had been formed in 1937. He sold these shares to Swedish Electrolux as early as 1949 for approximately SEK 25 million. Servel had already lost its value.

The West German Chancellor Konrad Adenauer (second from right) and Axel Wenner-Gren inspect Wenner-Gren's "monorail" project at Alweg's test facility outside Cologne. The Chancellor himself took a test ride with the "means of transport of the future."



Development of appliances

As their competitors enjoyed glory days of high sales of appliances, the different Electrolux companies found themselves in on the sidelines and in the doldrums. Inferior copies and discount competitors in combination with trade tariffs impeded the expansion of a company with high ambitions for technical excellence.

Since opening in 1937, the development department had grown into a central laboratory consisting of six floors and nearly 5,000 square meters in Lilla Essingen. On the ground floor of the building was the experimental workshop and the laundry lab. The first floor had been given to the legendary engineers who had solved the problem of absorption refrigeration. One of the features on this floor was a tropical testing room, used to see how products would react to extremely demanding environments causing corrosion, mold and chipped paint. And how were the issues relating to electricity, kerosene and gas as fuel dealt with?

The vacuum cleaner engineers, along with their growing museum collection of previous models, were found on the fourth floor. Part of the testing procedure dealt with how quiet they could make an appliance. "Her husband can read the newspaper in peace" proclaims one ad, in which a smartly dressed man is intently reading the paper while his stylish wife is vacuuming.

In some ways, Sweden was the ideal place for the emergence of household appliances, and less so in others. The possibilities lay in the rapid industrialization, the stable labor

The Central Laboratory with its six floors and 5,000 square meters was inaugurated at the Lilla Essingen factory in 1937. Today, the building is an apartment building.



The painting laboratory at the Lilla Essingen factory in the 1950s.



The "Assistant" household appliance being made at the Lilla Essingen factory at in 1959.

market and the ambition of the social partners to share the benefits of rationalization. The large industrial companies in the US were adopting a similar line. There were also political ambitions in Sweden that the new appliances should be available in the average home. This social engineering with its goal of streamlining and standardizing the new technology might at times been naive and rigid in its bureaucratic simplicity. However it would be highly beneficial to the people at Electrolux, once they had figured out how to exploit the reformist fervor.

But Sweden also had extensive downsides. This was primarily due to a domestic market that seemed too small in a world that was only gradually starting to open up its borders to trade following the disastrous protectionism of the 1930s. The second major issue was the political attitude towards advertisement. The new medium of the television arrived in Sweden rather late (just before the 1958 World Cup in Sweden) and it had no advertising funding. Swedish companies like Electrolux and Findus became pioneers of television marketing, but on British television.

Excellent economic trend

The 1950s took off with an economic boom and large increases in real wages, especially for the Swedes who had an advantage due to their intact industrial capacity. The force of the decade's wave of consumerism can be illustrated by the fact that up until mid-1960, the seven million Swedes would come to buy 1.5 million cars. The Swedish worker's real purchasing power more than doubled. Volvo emerged as the new Electrolux.

The other international industrial companies from Sweden rode the same wave of success while their European competitors had not yet built up their capacity and demand was on the rise. Among the most successful companies were Esab, Atlas Copco and LM Ericsson, which supplied large infrastructure projects and were therefore able to increase their turnover by 16–17% annually. SKF, Separator, Electrolux and AGA followed in the next segment with a growth rate of 10–12%.

Swedes were enthusiastic consumers of all kinds of household products. The more the family was earning, the more appliances they had. By now, a little more than one quarter of the households had two incomes. Ten years later, it would be close to half. The "housewife" proved to be a short-lived phenomenon, lasting no more than a few generations. She had been a part of the Swedish welfare state project in a social order where men were expected to provide for the family by working in the industry while women were to create a modern home for the new citizens. But she was liberated by the arrival of household appliances.

Household demand was geared towards products that could be made cheaper through economies of scale or low-wage, foreign labor. They safeguarded their free time by purchasing processed foods and ready-made clothing as well as aids and appliances for laundry, cleaning, washing dishes, baking, gardening and repairs.

As many as 60% of all Swedish homes now used an electric or gas cooker, and just as many had a vacuum cleaner. Along with the refrigerator, these appliances would be the standard in every Swedish home by the mid-1960s, at which point a quarter of all households would also be using a washing machine and chest freezer. Dishwashers and other kitchen appliances were already available, but the demand increased at a much slower rate. The sales curve indicated a significant expansion for Electrolux on its domestic market. However, in reality it only represented one fifth.

Electrolux launched its first freezer in 1956, the City Box.



Change of ownership

In the fall of 1956, there was a public rift between main owner Wenner-Gren and two of his previously closest associates: 64-year-old Gustaf Sahlin, who had been Chairman of the Board of Electrolux since 1952, and 60-year-old lawyer Sven Salmonson, who was not only a member of the Board but also the personal legal advisor of Wenner-Gren.

Wenner-Gren was unhappy with the Electrolux Board and he needed more money for his other projects. Considering the profitable business climate and the soaring stock market at the time, he decided to leave his life's work and consequently sold off 90,000 A-shares and as many B-shares (with 1/1000th voting rights) to Separator, which was part of the Wallenberg sphere.

Wenner-Gren's old confidant, Harry G Faulkner, was now the President of Separator, and this deal allowed Wenner-Gren to both vindicate Faulkner and rebuke Sahlin. His old partners on the Electrolux Board – Sahlin and Salmonson – responded by immediately terminating all of their other commitments in the Wallenberg sphere.

Business transactions conducted in the heat of the moment are rarely successful, and the deal between Separator and Electrolux was no exception. The old man, Faulkner, who had announced that he was stepping down as President of Separator after 10 years, was probably interested in getting back into the refrigerator and vacuum business, at least at the Board level. But, being a foreigner, he would never be let onto the Board as it already had two non-Swedish members. The quota was filled so to speak. Sahlin et al. on the Electrolux Board also skillfully delayed all concrete collaboration projects between Electrolux and Separator.



In 1956, Wallenberg-owned Separator became the main owner of Electrolux. Marcus Wallenberg Jr was strongman of the Wallenberg sphere until his passing in 1982.

The Separator deal was worth SEK 27 million, and compared to the offer made to Ivar Kreuger in 1930, the price was around two and a half times higher. Since then, Wenner-Gren had gradually sold off B-shares at an estimated value of SEK 30–40 million, taking out roughly the same amount in dividends. In today's money, this corresponds to an amount between 1 and 2 billion. In other words, Wenner-Gren was very wealthy but he was never a billionaire in Swedish crowns in his time, even if he gladly acted like one.

The sale of his interests in Electrolux was hardly the realization of the hopes he had harbored before World War II when the company was a rising star among the international traders of the world. But now Wenner-Gren needed money for his fanciful business projects involving computers, monorails and a huge infrastructure development project in British Columbia. Soon his fortune would crumble, and shortly after his death in 1961 his close associates would be involved in a massive criminal trial regarding the misappropriation of his few remaining assets. This is when Wenner-Gren exits the story of Electrolux.

Separator

AB Separator was founded in 1878 to develop and sell the milk-cream separator created by engineer/inventor Gustaf de Laval. The company, which manufactured equipment at Kungsholmen in Stockholm, achieved great success as an exporter and was one of Sweden's most profitable in the early 1900s. The person who really set the tone for the company was John Bernström, who became the manager in 1887 and traded the original invention for the "alfa method," hence the name change to Alfa-Laval in 1963. Over the decades, the company got involved in milking machines, oil separators and heat exchangers. In 1991, the company was acquired by TetraPak. But the segment of the company that was geared towards industrial customers, rather than the dairy industry, is now back on the stock market where it had previously been listed since 1901.



A global enterprise

From the head office at Birger Jarlsgatan, Stockholm, Electrolux management was now running a group of companies with 15,000 employees. The foreign operation consisted of 25 subsidiaries and 190 agents, which was a reflection of the fact that 83% of the products were sold outside the domestic market.

The Group was one of the world's first multinational company constructs, even if it took some time to reintegrate certain subsidiary managements that during the war had become accustomed to not taking orders from anyone.

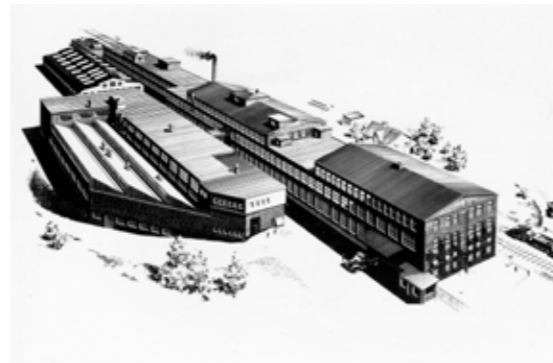
C R Pokorny, now a senior stock market correspondent at *Göteborgs Handels- och Sjöfartstidning*, described the situation for Electrolux in 1958 in the following terms in *Aktieplacerares handbok* (the investor's handbook):

» The foreign operation consisted of 25 subsidiaries and 190 agents, which was a reflection of the fact that 83% of the products were sold outside the domestic market. «

“Following the war, the Group benefited from the remarkable and lasting prosperity of the free world, which entailed a significant increase in the standard of living in many countries followed by a desperate shortage of domestic servants and a subsequent high demand for electronic household appliances intended to rationalize and facilitate the work of the housewife. The financial decline internationally also contributed to augmenting sales prices and thus increasing the profit margins. The Group was expanding, modernizing and rationalizing.”



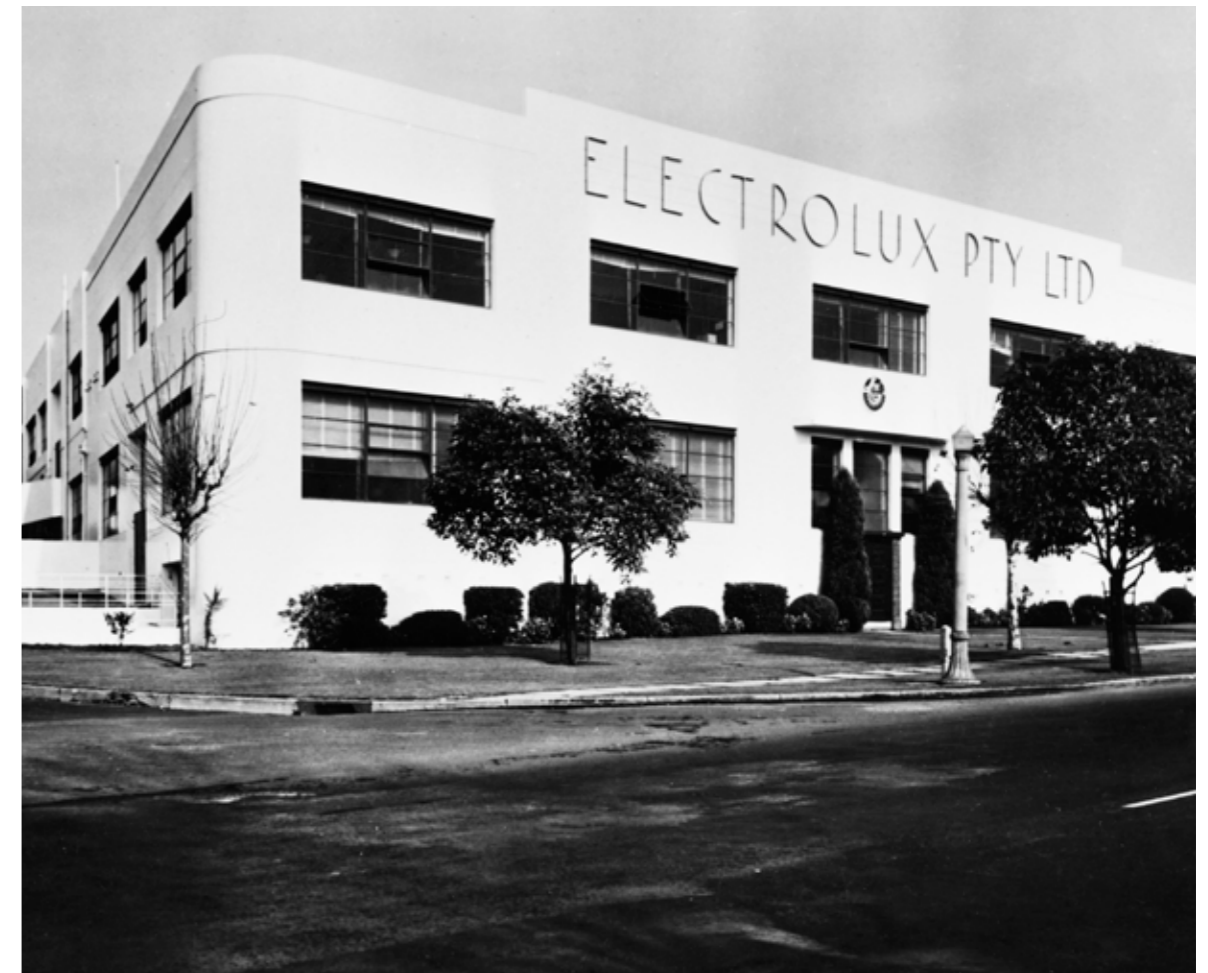
Electrolux had five factories in Sweden and 13 factories abroad. This picture from the end of the 1940s is of the Lilla Essingen factory area where vacuum cleaners and other products were made.



The factory in Motala, where refrigerators were made, was one of the five Electrolux factories in Sweden.

Pokorny went on to say that Electrolux now had five Swedish factories in Stockholm, Sundbyberg, Motala, Säffle and Västervik, as well as factories abroad in Luton, Berlin, Wilhelmshaven, Paris, Montreal, Melbourne, Wellington, Copenhagen, Milano, Johannesburg, São Paulo, Oslo and Madrid. In the 1950s, the number of employees had increased by 36%, the turnover by 96% and the gross profits by 29%. Even if the margins had shrunk, there was not much to complain about in terms of earning capacity, liquidity or solvency. The company had a nearly unsurpassed growth in terms of net worth.

Pokorny was a skilled business analyst but his view of Electrolux appears slightly optimistic in hindsight. Many Swedish companies and their presidents appeared to be highly successful around this time. The profit development following the Korean War not only concealed problems and preserved them, but also prompted many to invest in the wrong projects for the future. This included the highly admired Swedish steel and aluminium engineering company, Gränges, which after being forced to sell its holding of half the shares in LKAB, a Swedish mining company, proceeded to invest the generous sales price of close to SEK one billion in one primary industry project after another. But we will return to Gränges later on.



The factory in Melbourne, Australia, was one of 13 Electrolux factories outside Sweden.

New products and factories in the wake of war

Electrolux entered the 1950s in an international spirit by starting to manufacture vacuum cleaners and floor polishers in São Paulo, Brazil. This would become one of the most popular cities for Swedish industry once SAS started flying there. A few years later, a refrigerator factory opened in Buenos Aires.

Electrolux was trying to make a comeback in the US with gas-powered refrigerators from a partner named Norway. This was throwing good money after bad. They should have invested in compressor units, which were better suited to the new trend for freezer compartments and chest freezers, where busy American housewives could keep their Birdseye frozen such as quick-thawing peas. Electrolux introduced its first chest freezer, the City Box, on the Swedish market in 1956. It was a modest product, only 45 liters, based on absorption technology.

Out of all the new products from the wartime period, the food processor Assistent was the bestseller in Sweden, but it also did well in Venezuela and Peru where the robust appliance was especially useful in making tortilla dough. Small motors for sewing machines, adding machines and cash registers were sold on the world market through other major Swedish export companies. Most other war products would gradually disappear, just like in other companies.

The first Electrolux household washing machine, the W20, was launched in 1951 by the factory in Gothenburg, which would soon be moved to Västervik. Vacuum cleaner manufacturing began in Oslo for the robust Norwegian market. Five years later, the first chest freezer and the first compressor-powered refrigerator were launched. Not a day too soon. The sales exceeded SEK 0.5 billion, which corresponds to roughly 7 billion today.

At the start of the 1960s, the absorption refrigerator was a dinosaur. The road forward was to streamline the production to make a large enough series to eventually make them profitable. Easier said than done in a world of tariffs and expensive freight systems. At an early morning meeting, the President of Electrolux at the time, Harry Wennberg, announced that the absorption technology would be discontinued. The proposal was later retracted and it also prompted the sellers of these small refrigerators to double their efforts, thus overcoming their difficulties. But trust in the management was plummeting.

There were of course also some positive developments during this time. The vacuum cleaner model Z70 received a lot of praise for its design. In 1959, a more energy-efficient absorption refrigerator was launched, which proved to be ideal for the newly popular camping trailers. This product had developed into an emerging market of completely silent, built-in units, which would later have a great impact on the Group's profitability.



Premiere for the first Electrolux washing machine for private homes, the W20, also called the "Floating wing." It was made from 1951-1957 in the Gothenburg factory.



The Electrolux household appliance "Assistent" became a big seller in Peru, where the robust machine was particularly well suited to making corn dough. This picture is from 1959.

Price competition was growing. Refrigerators appeared to have the hardest battle ahead. A German trade magazine published tables showing the price development of various household appliances from 1950. Over a decade, refrigerators had become 12–15% cheaper while all the others were increasing in price, some by several hundred percent.

In some regards, being slow to join the compressor bandwagon had proven to be an advantage for Electrolux. Being a major player on that market was not profitable. Vacuum cleaners on the other hand remained a veritable gold mine. And kerosene refrigerators were still making a profit in the less developed markets.

The small refrigerators however had also met some competition. In the US, the German company Alaska introduced simpler, cheaper products, as did the new British competitor Morphy Richards. For historical reasons, Electrolux could not use their own brand in North America, which had been owned by Servel and ended up in the Electrolux Corporation, of which Swedish Electrolux was a minority owner and therefore did not control the brand.

But thousands of camping trailers were being sold every year, with better and better interiors. The new and more energy-efficient trailer units from Electrolux were gaining ground. The segment for gas-powered, built-in refrigerators was growing as cylinder gas was also being used for cooking, heating and lighting. The number of Swedish camping trailers on the road had also started growing in size and numbers. But for a time, the prospects of Electrolux absorption technology looked dire.

Vacuum cleaners continued their profitable but slow expansion. The Luxomatic, introduced in 1964, had an adjustable nozzle, which was the first of a new generation of popular innovations such as the cord winder, self-containing paper dust container and dust indicator to show when the bag was full. Electrolux was defending its leading position.

The end of the 1950s had also seen the launch of the first dishwasher, a countertop model that sold really well in Sweden. It was sold via direct sales and home demonstrations, which were still an unbeaten method of introducing brand-new products.

As a whole, the Electrolux Group appeared to be a stagnating but profitable affair. In real terms, the turnover had only doubled since the 1930s, but even in a saturated industry it was still possible to make a profit.

» As a whole, the Electrolux Group appeared to be a stagnating but profitable affair. «



Model 70, launched in 1958, was designed by the Swedish industrial designer Sixten Sason. The new, modern color scheme with blue and red was created by artist Pierre Olofsson.

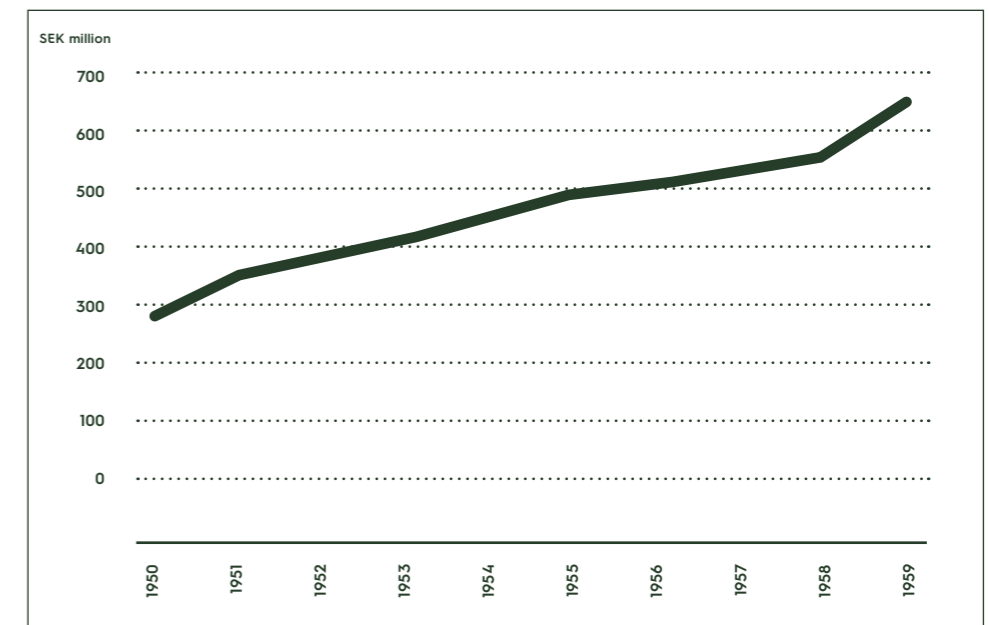
Growth, but with lower margins

Group	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Sales, SEKm	273	343	383	415	450	494	512	535	564	665
Employees, thousands	11.7	13.3	13.3	14.0	14.6	15.6	15.9	16.0	17.2	18.2
Net profit, SEKm	18.5	22.2	18.7	23.8	30.0	31.3	24.0	26.1	22.1	29.1
Net margin, %	6.8	6.5	4.9	5.7	6.7	6.3	4.7	4.9	3.9	4.4

The Annual Reports from the 1950s contain consolidated figures, but they are still relatively meager. They give the impression of an expansion, even if part of it is due to inflation.

The real expansion rate of the turnover is still around 5% annually, compared to just under 4% for the number of employees. Net profit is high but starting to decline.

Sales development



Merger with Elektro-Helios

Separator, which owned Electrolux at the start of the 1960s and which would soon become Alfa-Laval, had a consumer division that included both cream separators and washing machines. The idea was for Electrolux to contribute its resources in order to reinforce sales. But at Separator, no-one wanted to cause trouble in the Electro-lux organization and risk interrupting a positive development in the stock market. It was not that important to realize the relatively small synergy effects after all. Not to mention that their own household appliances had developed poorly.

So in April 1962, six years after the initial deal, the Separator management chose to sell their shares in Electrolux to benefit from the general value increase on the stock market. The buyer was ASEA, which would later merge with Swiss Brown Boveri to form ABB, which thus became the main owner of Electrolux. This meant that the Wallenberg sphere of companies retained control of the company.

ASEA's own major appliance company

ASEA (the General Swedish Electrical Company), had long been manufacturing refrigerators, a production acquired from the engineering group Bolinder. In addition, ASEA had also acquired the company Elektriska AB Helios in 1936. It had been founded in 1919 to manufacture heating products. Many new products were being developed on a rapidly expanding market, but electric cookers became the main focus. Exports were negligible as each country was developing its own versions. In the 1930s, the founders Robert Lilja and S Andersson-Genlott wanted to sell and so they consequently contacted ASEA which purchased the company with 268 employees at the time. The head of ASEA,

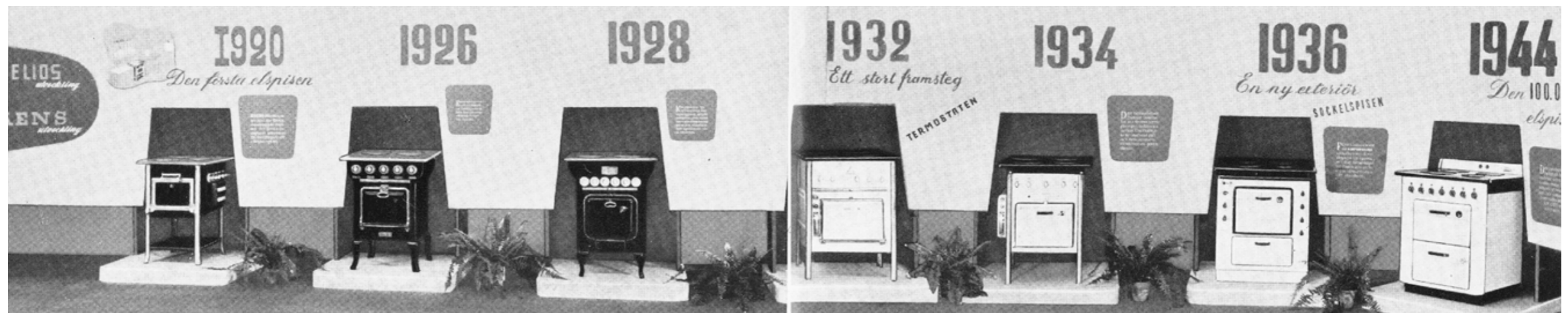
Sigfrid Edström, later dispatched a technical manager to the US who returned with the idea to manufacture chest freezers – first in Hammarby, then in Mariestad. The next natural step was to also include compressor refrigerators in the program.

The time had come for the Wallenberg sphere to find a strategic deal in the Swedish major appliance industry. The Swedes had previously been strongly opposed to the monopolistic tendencies on the electricity area, but now a merger of the appliance segments of Helios and ASEA was carried out without much commotion. ASEA's Norwegian company which manufactured electric cookers and electric radiators would also be included.

In 1962, ASEA transferred its merged major appliance company Elektro-Helios to Electro-lux in exchange for newly issued limited-voting shares at a value of SEK 36 million.



The assembly line for electric cookers at the Elektro-Helios factory in Södra Hammarbyhamnen in Stockholm. The year was 1953.



The Elektro-Helios cooker's development from the 1920s on. This picture is from a historical exhibition in 1953.

Swedish Elektro-Helios was founded the same year as Electrolux, in 1919, but was initially focused mainly on electric cookers. Later it would also produce compressor refrigerators.



The Board of Directors of AB Electrolux in 1965. From left: Director Ebbe Svensson, Director Nils Wollart, ASEA's CEO Åke T Vrethem, CEO Harry Wennberg, Consul General Ragnar Söderberg, Attorney Sven Salmonson, Atlas Copco's former CEO Walter Wehtje, Volvo CEO Gunnar Engellau and Director Arne M Hofving.

New management of Electrolux

The merger was not well received at Electrolux, where it was met with silent resistance, something that the owner Marcus Wallenberg soon had had enough of. Both the Chairman of the Board and the President were replaced. The new Chairman after Sahlin was Ragnar Söderberg, a close relation of the Wallenberg family and head of another family empire, Ratos, which primarily owned companies in the steel industry. Elon Ekman, who had been the President of Electrolux since 1952, was forced to hand over to Wennberg of Elektro-Helios.

The head of Elektro-Helios, Harry Wennberg, was an engineer with a degree from Chalmers University of Technology who had made his way to the ASEA-owned electrical goods wholesaler Elektroskandia at the age of 28 via a number of different power companies and had been promoted to manager a year later. He became the President of Elektro-Helios in 1955 and then of all of Electrolux eight years later following the merger.

Wennberg was not actually the first choice. The head of the Electrolux Brazilian branch, Hans Thrap-Olsen, had been appointed as the new CEO in April 1962, a decision that was intended to be announced in September of the same year. He had been a popular choice, being an Electrolux employee with an excellent international track record, but then the Board was made aware that the new CEO was living together with another man.

Time was of the essence. Wallenberg had to hurry to London for a meeting with the new CEO, who was bought out with a generous severance offer. The matter was covered up, and the hasty appointment of a new CEO perhaps explains the choice of such an inexperienced manager. Above all, the course of events shows that there had been no plans for Elektro-Helios to take over the management of the Group.

The norm for business executives and men in general was to have a stable family life with a stay-at-home wife and 2–3 children. Single people were viewed as unreliable and homosexuals were deemed, if not morally reprehensible, then at least as a safety risk. What we refer to today as diversity had very little place in the post-war era of Swedish and international enterprises.

» Elektro-Helios with its perhaps 2,500 employees simply assumed power over the large global Electrolux and its 19,000 employees. «

Thrap-Olsen seems to have been an unusually strong character, as he quickly moved on to become a high-level executive at the American company Avon Products, one of the most progressive companies of its time both in terms of female executives and acceptance of homosexual men.

Wennberg of course brought along his close associates from Elektro-Helios, managers whose understanding of international business, or even of vacuum cleaners and absorption refrigerators, was limited. Elektro-Helios with its perhaps 2,500 employees simply assumed power over the large global Electrolux and its 19,000 employees. The new management suddenly represented large refrigerators, cookers and chest freezers, without any decision being taken by the Board.

Unsuccessful merger

In addition to the floor products, Electrolux was also manufacturing refrigerators, dishwashers and washing machines, while Elektro-Helios focused primarily on cookers and compressor refrigerators. The people at Electrolux opposed the merger, just as they had done with Separator. They felt shoved aside in a hierarchical company where they held all the international know-how, but the domestic management had taken the corner offices and entrenched itself in company bureaucracy. It was the Electrolux vacuum cleaners sold by an aggressive international organization that paid for the rest of the activities, which were hemorrhaging money.

Gösta Bystedt, who had a degree from the Royal Institute of Technology and another from the Stockholm School of Economics, started as a technical investigator in 1958 and was later given a general problem-solving role in the merger with Elektro-Helios. He monitored the course of events closely.

“Electrolux and Elektro-Helios definitely made an odd couple and it was certainly no easy task for the CEO,” he noted later on. “Wennberg had his strong suits, but the ability to objectively and forcefully build a single company from these former rivals and realize the obvious synergies was not one of them.”

“There were endless discussions and evaluations. The different sales departments were at war which allowed our competitors to take market shares. One contentious issue was compressor refrigerators versus absorption refrigerators. Even here they were unable to agree on a joint service organization or a uniform accounting method. Electrolux used full-cost accounting while Elektro-Helios applied variable costing. In addition, one of the teams would engage in price wars while the other didn’t.”

“The many mistakes committed in this merger taught me what to do, and above all what not to do, when acquiring and merging companies,” noted Bystedt. This knowledge would come in handy later on.”



Gösta Bystedt began as an investigator at Electrolux in 1958 and gained a general role as a problem solver in the merger with Elektro-Helios. He would later become the CEO of Electrolux.

After the merger between Electrolux and Elektro-Helios, the Elektro-Helios Mariestad factory took care of compressor technology. This picture is from 1968.



Facing an uncertain future

What was the future like? A memo written in the fall of 1962 by the departing Chairman and leader of Electrolux, Sahlin, with more than 40 years’ experience, probably dampened the mood. His description of the market conditions contained almost nothing but dark clouds on the horizon.

“Forget about the new communist countries!” recommended Sahlin. The now free West Germany and Italy had been completely destroyed by the discount competition. Italy subsidized unprofitable factories for the sake of employment. The compression refrigerators were gaining ground all over Europe. Only in England, Norway, Sweden and Denmark did the absorption technology remain in the households.

Sahlin’s view of the Latin American markets was just as depressing. There were exchange rate difficulties and astonishingly high tariffs as far as the eye could see. “Try selling the



The exterior of the Elektro-Helios Mariestad factory in 1968.

manufacturing companies in Brazil and Argentina! For convertible currency.” Colombia, Peru and Mexico all had new problems and the development needed to be closely monitored. The only good news came out of Venezuela.

From England and France, Electrolux had successfully exported small, kerosene-fired refrigerators to Africa and the Middle East, but now these transactions were decreasing at an alarming rate. In Australia, where there was no competition, the vacuum cleaners were making a great profit that more than covered the losses of the refrigerators. The problem was that any profit brought home was double-taxed at over 80% (!).

The capacity utilization of the Electrolux home factories was already down to 60–70% and something radical had to be done. It was more difficult to get an overview of Elektro-Helios, but using the same accounting principles it became apparent that their refrigerator business was already operating at a loss. Electrolux was well consolidated while Elektro-Helios was hollow. The only possibility now, according to Sahlin, was to adapt to the circumstances with extensive reconstruction.

Measures and rationalization

The archives contain several investigations from the evaluation period following the merger with Elektro-Helios. An analysis by C-A Althin, S Liliedahl and U Ståklint was made in February 1963. It established that Elektro-Helios was only intermittently competitive in terms of price and quality. Electrolux had handled similar problems by rationalizing the production, streamlining sales, developing functions and entering partnerships. In other words, the new, smaller organization had much to learn from the larger one.



Electrolux launched its first combined refrigerator and freezer in 1959. This is the model "ST 95" from 1962.

In June of the following year, another working group made a proposal for a major reorganization wherein Mariestad would handle all compressor technology and Motala would handle all cookers and anything relating to absorption. This would entail 334 fewer workers in Motala and 198 more in Mariestad. It proved too radical a proposal in a time when lay-offs were rare in Sweden. A compromise was reached instead.

At Electrolux a number of technical functions were streamlined during what would later be referred to as the "five lost years" 1962–1967. A central purchasing department was formed. Motala and Mariestad decided on a product breakdown, the Hammarby factory was closed down and cooker production was moved to a newly built and streamlined

factory in Motala. In 1963, a new freezer line was launched containing freestanding freezers and chestfreezers. One of the employees had studied the technology in the US. This was also the year when an internal design department was created. Getinge was acquired in 1964 with sterilization technology that was intended to reinforce the production of professional kitchen equipment and industrial appliances. The outboard motors Archimedes and Penta were sold to Monark-Crescent in 1966.



In the late 1950s and early 1960s, home sales methods were refined. A skilled vacuum cleaner salesman could be among the best paid in his home town.

A young engineering graduate from the Royal Institute of Technology in Stockholm named Anders Scharp had joined Elektro-Helios in 1960, and in March 1963 he gave a presentation on his reflections regarding the refrigeration market following a study trip to the American competitor Franklin.

The same wage bought one working hour in the US and 1.7 hours in Sweden, something that the Americans compensated for in part through a greater degree of automation. He noted that, despite the advantage over the US, the rapid wage development meant that costs were the main problem for the company in Sweden. If the labor cost including taxes was set to 100 in Motala and Mariestad, it was 70 in Luton and Paris, but only 45 in Berlin and Groningen. More than two thirds of the customers in West Europe were within 500 kilometers of Brussels. From Motala, the distance to the same market was 1,500 kilometers. In addition, the limited home market made long series more difficult.

With this in mind, Scharp shifted focus to the production, something that would define his long career with the company. His study trip to the US had left its mark.

"I realized that our production systems in Sweden and the rest of Europe were outdated. The US was miles ahead of us in terms of rationalization and streamlining. We needed to introduce modern production methods and not only develop great new products."

Refined door-to-door sales

The practice of door-to-door sales, which was also used for white goods, was refined over the years: how the organization should be constructed in terms of regions and subsidiaries, what impression the salesmen should give, how many visits they would make etc. Thanks to two seasoned employees, P-G Öster and Sven-Gunnar Ericsson, we have descriptions of Electrolux in the late 1950s and 1960s.

Öster's father, CG Öster, managed the branch in Gothenburg and hired Ericsson as a direct salesman. He realized that this candidate had the right experience to modernize the procedures of the administration, which the branch managers had long been discussing in their meetings. Namely that the procedures had remained largely unchanged since Wenner-Gren developed them in the 1920s.

» Wenner-Gren's greatness lay in understanding better than anyone else how important it was to have a daily morning meeting to review the activities of the previous day. «

In Sweden, there were 14 branches with direct sales of both vacuum cleaners and white goods. In addition, an increasing number were now sold in stores, which meant that Stockholm and the major branches also had in-house salesmen. The direct sales of vacuum cleaners was completely separate from the white goods, which meant that there were two managers at each branch, often with the white goods manager their superior.

Wenner-Gren's greatness lay in understanding better than anyone else how important it was to have a daily morning meeting to review the activities of the previous day. The fact that each salesman needed something to show their colleagues the following morning meant that they were always striving to achieve something out of the ordinary. In other words, the Electrolux organization was pushed forward by a high level of internal social pressure.

The meeting started at 9 a.m. with coffee and something to eat. If there was occasion to celebrate, there would also be cake. Over the next three hours they then reviewed the events of the previous day, i.e. acquisitions, demonstrations and orders. This was combined with demo techniques, sales arguments and technical news, theory and practice. A skilled branch manager could use the stories for educational purposes, to instill a sense of community and confidence in their salesforce, some of whom were among the best paid in the city. Salesmen had no great status in society, but at Electrolux, they were heroes. Bishop John Cullberg in Västerås expressed his indignation in an interview that "Mammon rewarded peddlers better than the pillars of society" when it emerged that three Electrolux salesmen in the city were paid more than both the bishop and the county governor.

One such salesman was Hans Knutsson. With a regular elementary school education, his fiancé had found him a job in an Electrolux workshop, and this is where he learned how well the salesmen were paid. He managed not only to get accepted and to pass the sales training, he turned out to be a formidable talent. After a short time, he was transferred to Karlstad in the late 1940s to boost their numbers. As soon as Knutsson arrived, Karlstad started setting one sales record after another. Now in his 30s, he was the head of sales for refrigerators and appeared to be every retailer's and salesman's "best friend" with his knowledge of sales techniques, products and sales meetings.

Knutsson was assigned by Director of Sales for White Goods Jan Hellstadius to carry out an inquiry into the future of sales. White goods had several problems: the consumers needed larger refrigerators than what the absorption technology could offer, and Electrolux was a weak competitor in washing machines. Then there was the matter of how long it would be possible to continue the direct sales of white goods.

New sales organization

Knutsson suggested a new retail organization based on the American franchise model to replace the white goods branches. He claimed that the housewives knew better than the salesmen how they liked to buy their products; they wanted to compare different alternatives in the store. This was of course the exact opposite of the entire setup of Wenner-Gren's time. Knutsson created what would become known as specialist stores. This meant that good direct salesmen were now offered the chance to start a business of their own – and have direct salesmen working for them.

One of the first specialist stores was started in Trollhättan by Erik Petersson – previously a salesman in Borås and then a sales inspector under Knutsson. Another early specialist store was located in Skövde and managed by Uno Karlén. He too had been a salesman in Borås. The specialist stores were something in between a branch and a retailer. The owner/manager was responsible for salaries, finances etc., while the white goods stock was owned by Electrolux. In other words, the company was working on consignment. The proprietary branches were turned into specialist stores starting with Visby, where sales inspector Lars-Olof Pettersson took over the reins in 1965. The other branches were taken over by their respective managers in September 1967. The consignment operation was terminated in all specialist stores in 1971.

Knutsson finally had his way, and as head of retail from 1967 he carried out the revolution in an orderly fashion. This was an important reason why the company was able to transition fairly smoothly into a new era. Meanwhile, the direct sales organization with its branches in Sweden and abroad generated the profits needed to keep the operations running. Even the direct sales of vacuum cleaners was eventually scrapped in sophisticated markets like Sweden.

For the salespeople, the idea of understanding the consumer needs was always kept alive. Director of Sales Hellstadius gave Öster the following piece of advice when the latter was appointed Product Manager:

“Listen to the consumers and learn to understand what it is they need. When you meet with the engineers in development, you must stand your ground and fight for the wishes and needs of the consumers. The engineers only want to do what’s easiest and quickest for them to fix. But – if they want to – they can do pretty much anything. Keep listening and help the consumers, and you’ll see that everything will work out fine.”

Electrolux logotype

In America, it was all about broadening and diversification now, and Ekman was not averse to these new ideas. Before he left the post as President of Electrolux, he had, on the advice of an American consultant, held a design competition to find a new, modern image and logotype for the Group. The winner was a Swiss proposal, with the name sun/globe concave/convex, that was gradually introduced in the Group starting in 1962. The symbol held up so well that it is still used as the Group logotype today. The old logo, a slightly jumbled symbol using elements from the old Lux factory, was too hard to see clearly in the new advertising medium – television.



In 1962, the Electrolux Group introduced a new logotype created by Swiss designer Carlo L. Vivarelli. The old logo was too difficult to discern in the new advertising media, television.

Shifting political winds and structural challenges

All of Sweden was production-oriented. What is usually referred to as the Swedish Model was really the treaty between the social partners (the Swedish Employers Association and the Swedish Trade Union Confederation) of 1938 referred to as the Salt-sjöbaden Agreement. The model dealt with fair piece wages and independent time measurement, which would lay the foundations for sharing the gains of rationalizing the industry. This had worked well during the prosperous years when the export industry had been extremely successful. The pay gap between Swedish blue collar and white collar workers had been significantly reduced – one of the reasons why the Swedish market for major appliances was so strong.

But the large leftward shift of the 1960s in both politics and academia meant that “Taylorism” as well as the industrial measurement of time were being increasingly questioned. Soon, the autonomous work group became the example of what the Swedish model should stand for. Streamlining became increasingly difficult.

Other political shifts would however prove beneficial to Electrolux. At the start of the 1960s, Sweden was experiencing a great housing shortage, particularly in Stockholm. Due to massive pressure from the public and the media, the Government made a decision in 1965 that one million new dwellings would be built in ten years. Every new kitchen and bathroom would come with furnishings and appliances. A large part of these came from foreign discount competitors, but many were also from Electrolux.

On the Swedish domestic market, there was competition from a number of appliance brands, such as Ankarsrum, Osby, Kockums, Husqvarna, Hindus (Håkansson), Ero Kyl, Norrahammar and Futurum. There were five kitchen cooker manufacturers.



Throughout the 1960s, homes were built in Sweden like never before. Many of them had kitchen appliances from Electrolux. This picture shows an Electrolux-equipped kitchen from 1961.

Meanwhile, the European major appliance market was experiencing increasing price pressure. Quality was deteriorating, inspections were no longer made and cheaper materials were being used. In West Germany, companies like AEG, Siemens and Bosch were fighting for market shares with several smaller companies. The French and Belgian markets were dominated by Thomson and Arthur Martin. Italy had Zanussi and Indesit among others. Electrolux had long been established in England with its own production, but Hotpoint (GEC), Tricity and the Dutch company Philips had grown stronger.

Hundreds of companies, it seemed, were heading for bankruptcy. Refrigerator products were in the worst situation and there was mounting pressure on the washing machines as well. Italian companies launched front-loading machines based on an American concept, which revolutionized household laundry and quickly became an international hit thanks to the new television ads. Cookers and refrigerators that were stuck with old national preferences in terms of ovens or the size of refrigeration space needed to be manufactured and marketed in shorter series.

» They needed a leader with a practical touch, and someone had recommended LM Ericsson's Director of Production, Hans Werthén. «

During an economic boom lasting for decades, many large Swedish companies had become inflexible and bureaucratic. The old entrepreneurial days seemed to be over in Sweden. And so it was no wonder that the stock exchange lists consisted more or less of the same names that had been on them in the 1920s. The Swedish structural rationalization was taking place primarily in the large companies that spread, took over smaller companies and started new operations. New, independent entrepreneurs were forced to engage in activities that required little capital, such as distribution and trading. Two of them, Ingvar Kamprad of IKEA and Erling Persson of H&M, would go really far.

Electrolux was far from the only company showing signs of stagnation. Professor of Distribution at the School of Business, Economics and Law in Gothenburg Ulf af Trolle was critical and dejected by what he saw. "You can never save an organization that is doing well," was his thesis. Soon, he would take on the role of "company doctor" and have his hands full with companies in need of reconstruction.

The driving force behind the case of Electrolux was its Vice Chairman Wallenberg who hired his favorite consultant, the American Stanford Research Institute, to conduct a review.

Chairman of the Board Söderberg, who had been close to Wennberg, was convinced of the need for reinforcements. They needed a leader with a practical touch, and someone had recommended LM Ericsson's Director of Production, Hans Werthén.

Söderberg consequently set up an initial meeting with Werthén in the fall of 1966 where they loosely discussed a collaboration project between LM Ericsson and Electrolux. Only at the next meeting did he bring up his real motives.

"I was completely dumbstruck," claimed Werthén later on.

Wallenberg pressed Werthén on the matter, who decided to step down as the second in command of a successful company, LM Ericsson, to assume leadership of a problem company. Formally, ASEA was the main owner of Electrolux, but they had their own problems to deal with. Söderberg would remain as Chairman.

The choice of a former television engineer and a phone director puzzled outside observers of course. Was Electrolux about to enter the emerging household electronics industry?



In 1967, a former TV technician and telephone director became the CEO of Electrolux. His name was Hans Werthén.

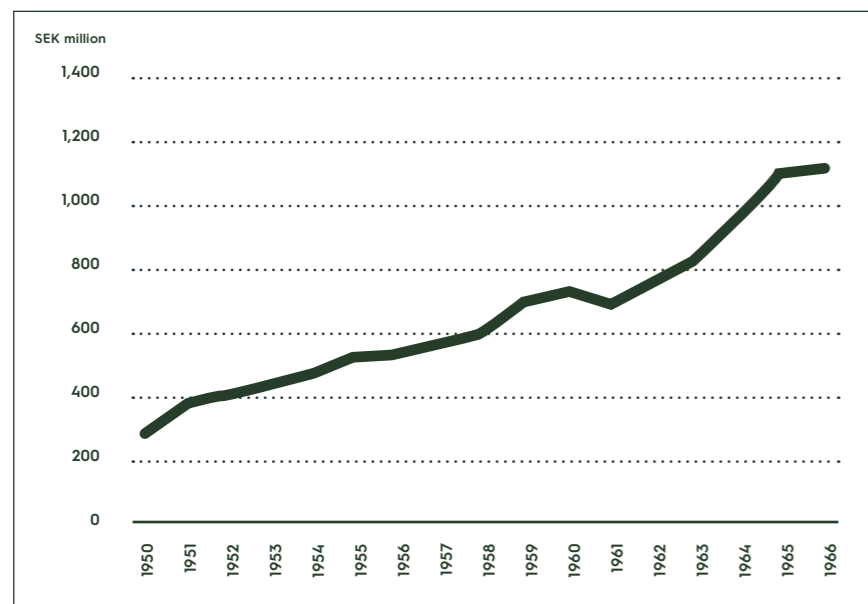
Electrolux in figures

Profitability remains low

Group	1960	1961	1962	1963	1964	1965	1966
Sales, SEKm	683	661	732	794	913	1,056	1,070
Employees, thousands	19.3	19.1	18.9	19.2	20.0	21.4	20.1
Net profit, SEKm	16.5	16.7	21.0	27.2	30.2	35.7	26.2
Net margin, %	2.4	2.5	2.9	3.4	3.3	3.4	2.4

During the first half of the 1960s, the situation of Electrolux deteriorated. The expansion rate of real turnover dropped to nearly half, or just under 3% per year, which is also reflected in the number of employees remaining almost constant. Net profits were forced down to a permanently lower level.

Sales development



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The "Luxomatic" vacuum cleaner was launched in 1964 and had an adjustable nozzle. It was also the first in a new generation with popular innovations like a cord winder.





CHAPTER

4

The Electrolux Troika and the cultural revolution

1967-1995

Significant milestones

Year	Event
1967	The so called Era of the Troika begins when Hans Werthén becomes President of the company. A large number of acquisitions are carried out between 1967 and 1979. The first floor-standing dishwasher is launched.
1968	Electrolux sells its minority share in American Electrolux Corp. to Consolidated Foods and thereby loses the rights to the Electrolux trademark in North America, but gains significant capital to invest in new acquisitions. Acquisition of lawn mower manufacturer Flymo.
1970	Launch of the first microwave oven "Microlux."
1973	Acquisition of Swedish Facit Group, which among other things makes adding machines.
1974	Acquisition of American vacuum cleaner manufacturer National Union Electric (Eureka), which makes Electrolux the world's largest vacuum cleaner manufacturer. Werthén resigns as President of the company to chair the Board of Directors. He is replaced by Gösta Bystedt.
1976	Acquisition of French company Arthur Martin – the first really big international deal within major appliances.
1977	Electrolux acquires Husqvarna. Integration of Husqvarna's major appliance division and a new business segment is created: outdoor products.
1979	The first large major appliance deal in the US through the acquisition of Tappan.
1980	Acquisition of Swedish mining and steel Group, Gränges.
1984	Acquisition of the Italian Zanussi Group.
1986	Acquisition of White Consolidated, the third largest major appliance company in the US. Anders Scharp takes the place of Bystedt as President.
1988	Acquisition of the Spanish companies Corbéro and Domar, both leaders in their sector.
1990	End of the company's ten-year expansion.
1991	Leif Johansson takes over as President after Scharp. Scharp replaces Werthén as Chairman and CEO.
1992	Electrolux acquires 10% of German AEG Hausgeräte with an option of another 10%.
1993	Electrolux becomes the main owner of AEG Hausgeräte. The first CFC-free refrigerators and freezers are launched.
1994	The Annual Report includes a special chapter on the company's environmental activities for the first time.

In April 1967, the relatively new business journal *Veckans Affärer* published an article describing the hard times of major appliances and Electrolux. When the profit margin steadily dropped down to 2–3% in three years, it was due to the refrigerators. The main problem on the refrigerator market was caused by the Italians, who with the help of a large domestic market, government subsidies and long series were "banging out refrigerators by the minute" as resigning President Harry Wennberg put it.

Electrolux survived thanks to their high combination refrigerators in Sweden, aided by the Swedish housing policy, and thanks to the success of their absorption refrigerators in the US. But everywhere else, the major appliance segment was under threat. The new cooker factory in Motala, for example, had to compete with a number of smaller manufacturers that fought hard to stay on the market. And who was to say that the foreign competitors would not shortly direct their focus to the combination units in Sweden too?

Afterwards, the new President Hans Werthén wanted to tone down the strategic approach that characterized his time in the head office at Birger Jarlsgatan that spring. In his opinion, it was simply a question of freeing up cash and reducing costs, as is the goal in all mature industrial companies.

"You mostly see the strategic pattern in hindsight," he said. In reality, it was a matter of taking advantage of the opportunities that arose along the path that the company had chosen to go down. Werthén's concerns about the situation of Electrolux proved justified. The distrust between the old Electrolux and the new addition Elektro-Helios remained. "Vacuum cleaners stood for 125% of the consolidated profit, to be exact."



At the end of the 1960s under the direction of Hans Werthén, the Electrolux headquarters were moved to the offices at Lilla Essingen. Space-efficient office landscapes were established.

Werthén started by moving himself and the rest of the organization to Lilla Essingen, where it had all begun 60 years prior to this. But the reason for moving the offices out to the island was not as simple as company mythology would have it. Anders Scharp reveals that surfacing chemicals from the vacuum cleaner factory had leaked into one of the floors, undermining the entire building. Manager Bert Ola Nordlander, one of the first legendary Swedish ice-hockey players, was the one to report the disaster. The situation was dire. The first decision was to move the vacuum cleaner production to Västervik. The factory premises were new and streamlined. Besides, it had become increasingly difficult to recruit factory workers in Stockholm, something Werthén was well aware of from his previous position.

What to do with the fragile factory building then? Manufacturing was out of the question, but offices would not cause the same strain on the structure. The decision was made to build a “wooden church” to support the structure from the inside. The move was then carried out in stages between 1969 and 1972. As a first step, the management and parts of the head office moved from Birger Jarlsgatan 6 to the central laboratory at Lilla Essingen. This was followed by several moves from other addresses around Stockholm in a complex puzzle involving 450 employees who were then placed in nine different office landscapes in the old factory. Having your staff at six different addresses was not exactly optimal. In addition to the premises at Birger Jarlsgatan, the company also had offices at Sankt Eriksgatan as well as in Hammarby, Bredäng and Solna, for example.

Werthén then ordered a bathing ladder to be placed outside his new office where he would take swims to show how great the location was.



Hans Werthén liked to go swimming outside the headquarters at Lilla Essingen. The picture is from the cover of the Swedish magazine *Vecko-Journalen*.

However, as soon as the following year, in 1968, *Veckans Affärer* had changed its tune. Electrolux had now sold its minority share of 39% in the American Electrolux Corporation for SEK 290 million to Consolidated Foods (later Sara Lee), a significant deal considering that it corresponded to roughly one third of the Group's total assets. In a time when the Sweden's Central Bank had placed credit restrictions on other companies, this became a remarkable financial weapon.

What did Electrolux plan to do with the money, the reporter asked the newly appointed President. Werthén answered that they would try to cut costs in the company in order to be able to offer more competitive prices, and also to acquire some of their competition. With the help of the proceeds from the sale, it was possible to increase turnover, maybe by as much as a third over 4–5 years.

» Werthén was one of Sweden's leading engineers but he was evidently interested in balance sheets. «



Hans Werthén would call meetings on Saturdays and on Sundays he would travel to a country where the office was open. Only if he could get everyone to work extremely hard would it be possible to save the company.

Werthén was one of Sweden's leading engineers but he was evidently interested in balance sheets. The answer to one of the questions was a numerical exercise that probably eluded most of the country's business leaders, who much like Werthén had a background in engineering.

For many years, Electrolux had struggled to take advantage of the opportunities offered by the growing markets. Now that upheavals were underway, the company gained an advantage. Not because of its engineering, but thanks to its new company management that had just had its first experience of transformation. Werthén surrounded himself with a team that would remain loyal to him for decades to come. Who would have thought that a previously medium-sized vacuum cleaner and refrigerator company would become a leader in creative dismantling and transformation, not only of the major appliance sector, but of the entire stagnating Swedish industry?

After two years of decreasing volumes and weak profits, the first great leap can be seen in the Annual Report from 1968 – turnover increased by one fifth and profits doubled. Company acquisitions, collaboration agreements and production transfers, in combination with improved economic trends, all this had Marcus Wallenberg envisioning a bright future ahead for the company once again. Even the refrigerator segment was doing slightly better following the rationalizations.

Successful structural change

In its analysis of the Electrolux Annual Report for 1968, the newspaper *Affärsvärlden* noted that the doubling of profits was due not only to the improved economical trend, but also to the conscious structural changes that had been made. In the following year, the same paper noted that the Motala factory was now supplying 159,000 camping trailer refrigerators after two years of massive expansion. No wonder that a new subsidiary was needed in the US. The vacuum cleaner segment was also reporting record volumes: 1.2 million units.

The national structural change that Electrolux had started with Elektro-Helios initially shifted the focus from international to domestic production. 57% of all products were manufactured in Sweden and this proportion would increase further. For the processing industry, Swedish wages had not previously been considered too high due to the fair-wage policy, but at this point a rampant wage inflation was underway.

Werthén's efforts were not solely focused on structural transformation; he was on a constant, all-consuming and opportunistic hunt for anything that could increase the company's chances of survival.

Under the watchful eye of new Director of Production, Scharp, one factory after another was streamlined in order to greater resemble the American models. The vacuum cleaners were moved from the old Lux factory in Stockholm to the motor factory in Västervik.

Cooker manufacturing was moved from Hammarby to a new factory next to the old one in Motala, which also needed to be expanded to handle the success of the traditional gas-fired trailer refrigerators, which could also be connected to the car battery. The facility gradually grew and eventually it consisted of 42 different buildings.

The compressor refrigerators and freezers were centralized to Mariestad, which would become the greatest feather in the management's cap in terms of streamlining. Robots were installed as early as in 1972. In other words, large amounts were spent on production technology and construction, a trend which did not appear so often in the headlines.

There are thus several reasons to speak of the time around 1970 as a golden era for Electrolux. When the Annual Report for 1972 came out, *Affärsvärlden* surrendered completely to the new Electrolux.

“Over the last five years, the Electrolux Group has been perhaps the most dynamic among all the major Swedish companies.” The analysts at the paper noted that the troubled times for major appliances were more or less over. German revaluation and Italian inflation had helped. But in the longer term, the investments in rationalization and streamlining operations had made the greatest difference.

Unbeknownst to outsiders at the time, American competitors had started to become impressed with the rapid cultural changes at the Swedish company. As a result, Consolidated Foods returned in early 1971 offering around SEK 1 billion to buy all of Electrolux, a very tempting offer for the main owners. However, Minister of Finance Gunnar Sträng quickly vetoed the deal. Werthén, who had made the major appliance segment of Electrolux the most profitable in the Nordics, was offered a five-year contract.

But the prospects of moving forward and attempting to conquer all of Europe and North America was equally appealing.

» Over the last five years, the Electrolux Group has been perhaps the most dynamic among all the major Swedish companies. «

Electrolux-developed robots were installed in several of Electrolux factories in the 1970s. Here an Electrolux MHU (Material Handling Unit), a robot built in modules for handling of repetitive movements.



The Electrolux Troika

The sight of a sled or wagon pulled by a troika of horses thundering across the Russian tundra is something you will not soon forget. According to a famous Russian poem, it is the very symbol of harnessed but irrepressible power. The middle horse will often stay at a trot to maintain balance, while the other two are cantering. Not easy to control, but takes you at breakneck speed over uneven ground and ice.

In politics, a troika is sometimes used synonymously with a *triumvirate* to describe both successful and disastrous constellations of three. The Electrolux Troika refers to Hans



A very atypical view of the Troika, which never held formal meetings, where they gathered under a portrait of Electrolux founder Axel Wenner-Gren. The picture is taken in the Board room at Lilla Essingen. From left: Anders Scharp, Hans Werthén and Gösta Bystedt.

» Before long, Electrolux was not only Europe's only profitable major appliance operation, but a predatory organization that was constantly on the lookout for acquisitions, reconstruction and restructuring. The kind of stuff that made headlines. «

Werthén, Gösta Bystedt and Anders Scharp – three engineers born in 1919, 1929 and 1934, respectively. Unlike in the poem, the oldest horse was cantering in the middle, while the other two were trotting along on either side to keep the balance. The setup was equally effective, not to mention fast. As a financial reporter, the author of this book saw the upswing from 1971 first hand and will never forget it.

For a new generation of business journalists who had grown up in the Swedish welfare state, it was hard not to like the Electrolux Troika – moderation and cooperation was the spirit of the times. The Electrolux Troika looked down on the managerial bureaucracy and strategy documents of other large companies. Before long, Electrolux was not only Europe's only profitable major appliance operation, but a predatory organization that was constantly on the lookout for acquisitions, reconstruction and restructuring. The kind of stuff that made headlines.



The Troika had strong backing from the CFO and Vice President Harry Eriksson.



At the age of 27, Lennart Ribohn developed a financial reporting system that in the early 1970s became the key to the continued expansion of the Group. He later became the Group's CFO.

And the Electrolux Troika had backup. At first in the form of the seasoned Head of Accounting Harry Eriksson, born in 1919, who was later joined by several others, the most prominent being Lennart Ribohn. At the age of 27, Ribohn, who was an economist, had developed a financial reporting system that in the early 1970s became the key to the continued expansion of the Group. The Troika would jump on the monthly report as soon as it was finished and immediately started making calls to the units that were not meeting expectations. Werthén had a very informal way of getting young employees involved in the company, which was the start of Ribohn's career.

» Things might come to a halt “while Gösta made up his mind” for example, but never because inquiries and reports were piling up. «

What was it that made this constellation so successful over three decades, without any apparent power struggles or any of the usual after-effects? It is clear that Werthén was an unusually determined and visionary person, who was also unpretentious and good-natured. It is equally clear that Bystedt was a calm and kind man who always opened with a smile but who could still be clear and straightforward in his analysis of any problem at hand. And even if the youngest of the three, Scharp, could sometimes come off as impatient and a little surly, “never you mind,” he was meticulous, constructive and tireless.

In an organization with short decision-making paths and a great openness to any opportunities that emerged, it was important to have broad expertise at the top. Things might come to a halt “while Gösta made up his mind” for example, but never because inquiries and reports were piling up.

From all the interviews over the years, a picture emerges of a corporate culture that was reckless and frank, and rarely fawning or political. There was a crisis awareness from 1967 that lived on throughout the success. Unless everyone kept working hard, it would all fall apart. Everyone had to put their backs into it. That feeling is unusual in such large organizations.

An engineer with a head for business

Werthén would soon come to challenge Wenner-Gren himself as the company's most prominent figure. He was born 38 years after the founder – the same year as Electrolux.

The name Werthén had its origins in the area around Habo, on the western shore of the lake Vättern, where his grandfather had a spinning mill in the early days of Swedish industrialism. Werthén's father, who had a degree in engineering, had tried his luck in the US but eventually ended up in Dalarna with his business-minded wife. Both of them ran their own business.



Hans Werthén led Electrolux from a spartan office in the old Central Laboratory at Lilla Essingen in Stockholm.

The young Werthén was a good student. He had several A's on his diploma and quickly completed a degree in engineering at the Royal Institute of Technology in Stockholm with his parents paying the tuition. The promising student was one of the first to complete a Licentiate of Engineering and he then became the research assistant to Professor Hannes Alfvén, who would win the Nobel Prize in physics in 1970. Werthén also managed to acquire a good knowledge of French and Spanish in addition to the English and German he had learned in school.

He married a niece of the Kreuger brothers, which only confirms the image of a young man with an interest in both engineering and business. Still a young man in his early 40s, he considered himself a researcher and technology developer. “In the first 20 years of my career, I never let go of my soldering iron,” he joked later on. But his colleagues from that time attest to his great ability to put together various electronic and electric components to make complex devices.

Television became one of his interests following a trip to the US. The talented jack-of-all-trades built transmitters, even for color, and produced TV programs. Unfortunately, he and his friend Björn Nilsson were met with resistance from the Social Democrat elite who delayed the Swedish television project by 5–6 years. When the Swedes finally got a state-owned channel in 1957, for the World Cup in football (soccer) in Sweden, Werthén had already been the head of AGA’s development laboratory for three years before moving on to the television manufacturer NEFA/Philips in Norrköping.



After a trip to the US, television became a natural interest for Werthén. The gifted jack-of-all-trades designed a transmitter, even a color transmitter.

“Since I was highly educated, I dared to turn my focus to the simple things,” he said. “They had a string around the packaging for the Philetta transistor radio that was strong enough to anchor a boat. I removed that and made the packaging cheaper, and I replaced the pretty wooden cover with a plastic one. After that, it became one of the Group’s most successful products.” Another of the pragmatic inventor’s creations was an inexpensive plug.

From NEFA, Werthén was recruited to LM Ericsson as Director of Production. It was during this time that the company’s mechanical switchboard had conquered the world but the main problem was gaining production capacity. Werthén quickly set up manufacturing in all the premises he could find, some twenty facilities that would be fairly short-lived. One had been an indoor swimming pool.

“Werthén was probably our best salesman too,” said the employees of the rather stiff telephony company, where people were used to negotiating with state telecom administrations.

Wallenberg as mentor

Wallenberg and Werthén met already in 1959 when Werthén was about to become the Director of Production at LM Ericsson. To be on the safe side, he immediately disclosed his relation to the Kreuger family. Due to his ownership of several newspapers, Ivan Kreuger’s brother Torsten had been involved in a feud with a number of prominent families. Among them, the Wallenbergs whom he considered to have plundered the fortune left by his brother and imprisoned him on false grounds.

Werthén tells of how he came to regard Wallenberg as his business mentor already during his time at LM Ericsson and that they grew increasingly close over the years. “I would head up to see him before every major deal, and he helped me in different ways... To be more exact, he taught me everything I know.” According to Werthén, being in Wallenberg’s closest circle gave him “an incredible wealth of knowledge and inspiration.” However, his closest associates remember how he was sometimes annoyed with his mentor whom he at the time called “MW.”

Trusted seconds

But to understand the phenomenon that was Werthén, it is important to also consider his ability to rely on his close associates. An ability that he had honed while working on television research projects. In his new workplace he quickly found his seconds who would loyally stick with him for decades. “Bystedt, Scharp and Eriksson were all there when I arrived. We never had any formal management meetings, but always discussed things,” he noted. He was especially close with Bystedt. “Gösta and I became like brothers.”

Werthén could be perceived as good-natured and a little reckless. But underneath his jovial expression was a steely gaze, and not only in the eye that was made of porcelain. His associate Sven Gurt describes how the Electrolux people, who already had modest salaries, had to sacrifice “all the icing on the cake.” The new boss would call meetings on Saturdays and on Sundays he would travel to a country where the office was open.

» Werthén could be perceived as good-natured and a little reckless. But underneath his jovial expression was a steely gaze, and not only in the eye that was made of porcelain. «

He had a temperament and could really tell people off, not always for the right reasons. It would only be possible to save the company if he could get people to work extremely hard. That was his firm conviction.

“Miraculously he did it somehow and as it would later turn out, it was all necessary,” wrote Gurt a few decades later. And there are many who say that discussing business with him was a delight as he was firing thoughts and ideas like welding sparks.

Within the management, it was Bystedt’s job to separate the good ideas from the bad. Sometimes, Werthén had already struck a deal on his own. Scharp was working in the background to get the various new factories in order. “We used to say that Gösta cut 60% and that Anders implemented the rest,” says one employee.

The Electrolux Troika’s main tool was the previously mentioned report list. Variables and key figures from the different companies were printed out on a long, blue-and-white fan-fold paper. How much had they sold and earned? How did the companies compare? The top brass were there to literally tear the list out of the printer as soon as it came out. If a company was missing, one of them would immediately call up the responsible employee. Everyone quickly learned the importance of contributing to the consolidated report. No-one was allowed to lose focus in this respect.

The fact that Werthén would then recognize all the achievements of his associates, without any conceit, contributed to their loyalty. The emerging recruitment consultancy industry always had Electrolux managers high on their wish lists.

Most Group management business was now being handled in person over the telephone. Underneath the desk was a shoe box that secretary Elsa Aschan would empty every few months. Among other things, it contained little memos jotted down on yellow post-it notes in tiny writing. Werthén would hold up a post-it, chuckle and exclaim “Look! It’s mine and Gösta’s latest inquiry!” He was prone to dramatics and exaggeration at times.

A side to Werthén that those around him rarely saw through was the fact that he always came prepared. Even the jokes and the aphorisms were conceived in advanced. His closest associate Aschan worked hard to catalogue and bring him ideas. As the secretary of the two top executives, she was in many ways a key member of the team.

A spartan role model

President Werthén resided in an office with brown wood-panel walls at the central laboratory on Essingen. It had probably been the office of some lower-level manager in the R&D organization before. Even if the room had been refurbished, no extensive changes seemed to have been made. The only addition was a black-and-white picture of the Matterhorn, the mountain peak that Werthén used to climb with his family in the summers. In a place where double vision could easily cause vertigo, the one-eyed man is king. The executive did not leave the office at Essingen in some fancy company car but in his own Volvo, a concession to the head of Volvo, Gunnar Engellau, who was on the Board.

Both Werthén and his colleagues understood the importance of setting an example in this low-margin operation. Who could ask such frugal managers for a bigger company

car or some other status symbol? Not only had they sold the main office at Birger Jarlgatan but also the company’s executive palaces in London and Paris. They yielded a nice capital gain, which could be used for production and marketing investments. The day-to-day costs were also decreased when the office staff moved into a landscape setting in less expensive premises.

Bystedt takes the reins

In 1974, Werthén became the working Chairman of the Electrolux Board of Directors. Most likely, he was concerned that the leader of ASEA, Curt Nicolin, would otherwise snatch the position, being the head of the formal owner company. Werthén solved the problem by having Bystedt step up as President and taking the chairmanship himself. The organizational chart of 1974 was an ambitious attempt to describe how the new and increasingly sprawling organization was run. It tried to show reporting and communication paths without concern for ownership or organizational levels. There were central units, service sales units, profit centers and production units. The Group management was a quartet consisting of Chairman Werthén, President Bystedt, Vice President of Finance Eriksson and Vice President of Engineering Scharp.

Bystedt would at an early stage go on the offensive against the meeting culture that had spread like wildfire in the 1960s. Everything had to be discussed in large groups. During the great era of the trade unions, it was a matter of “workers’ participation,” but it also reflected organizational insecurity and a company culture gone awry. The meetings were taking up more and more time and resources.

» Bystedt’s eight commandments for an effective meeting closed with the most important one, namely the question: Is this meeting really necessary? «



Gösta Bystedt was one-third of the Troika. He and Hans Werthén established a particularly close relationship. “Gösta and I became like brothers.”

Electrolux och Fermenta i topp

Aktiekurserna på Stockholms Fondbörs fortsatte under onsdagen att stiga. Kursutvecklingen betecknades som väl hävdad både på upprop och efterbörs. VAs totalindex steg först 0,4 procent och sedan ytterligare 0,3 procent för att stanna i 438,0.

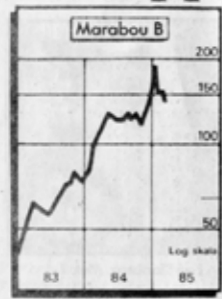
Köpkursen steg i 91 papper, 39 aktier föll och 114 var oförändrade.

Kurserna på OTC-listan fortsatte däremot att falla. Index gick tillbaka 0,3 procent till 154,0.

Barkmans aktieägare var tydligen starkt besvikna på företagets resultat för 1984. Aktien föll under onsdagen och var tillvis nere i 345 kr, men steg 5 kr på eftermiddagen och stannade i 350 kr, vilket är en tillbakagång med 7,8 procent jämfört med tisdagens sista betalkurs på 380 kr. Barkman redovisade en vinst på 18,5 milj kr, vilket skall jämföras med 48,2 milj kr för året innan. Företagets verksamhetsområde ligger främst inom handel, industri, fastighet samt finansrörelsen. Det är framför allt värdepappershandeln som bidragit till det försämrade koncernresultatet.

Förra årets kursvinnare Marabou (+125 %), redovisade ett i stort sett oförändrat koncernresultat för 1984. B-aktien betalades i oförändrat 140 kr, vilket är drygt 26 proc lägre än toppnoteringen 190 kr i början av januari.

All aktiehandel stoppades under onsdagen i STC Venture, Landeriet samt i Kullenbergs. Orsaken till noteringsstoppet är att STC Venture avtalat att överta Landeriets aktier i det OTC-noterade företaget Kullenberg Byggnads AB. STC Venture kommer efter förvärvet, som dock kräver bolagsstämmans godkännande, att bli den största aktieägaren i det Göteborgsbaserade fastighetsbolaget. Aktieägarna i Kullenbergs kommer dessutom att erbjudas sälja sina aktier. För en aktie i Kullenbergs erbjuds ett konvertibelt skuldebrev på nominellt 18 kr samt fyra skuldebrev till en aktie i STC. Även aktiehandeln i det OTC-



noterade företaget Erico stoppades under onsdagen. Företaget säljer produkter för bla energibesparing och uppvärmning. Orsaken till noteringsstoppet är att en större affär kommer att genomföras.

Fermentas aktiekurs fortsätter att imponera. Aktien betalades under onsdagen till en ny topp på 252 kr. Kursen gick dock tillbaka på eftermiddagen och stannade i 278 kr. Företaget fortsätter att expandera i tredje världen. Fermenta har planer på att uppföra en ny fabrik i Bangalore, i Indien, där 75 ton penicillin per år skall produceras. Det finns även planer på att köpa ett företag i Bangkok.

En uppläggnings meddelades under onsdagen i Boliden. Forsinvest har av ASEA, Atlas Copco, Investor och Providentia förvärvat 1 684 000 st aktier i Boliden, vilket motsvarar 18 procent av aktierna samt 17 procent av rösterna i företaget. Forsinvest äger nu tillsammans med Hevea och Skrinet 35 procent av aktierna och rösterna i Boliden.

Stora affärer gjordes i bl.a. Volvo A där aktier för 25,5 milj kr omsattes. Electrolux b är 11,8, Astra 11,1, SKF B är 9,8, Volvo B 8,4, Barkman 7,4, Saab-Scania A 7,0, Ahlsell A 5,1, Skrinet B 5,1.

Electrolux and Fermenta were both stock market rockets according to this news article from the business pages of Svenska Dagbladet Näringsliv on March 14, 1985. One year later, Fermenta had crashed.

Bystedt's eight commandments for an effective meeting closed with the most important one, namely the question: Is this meeting really necessary? The campaign was successful, which could be measured in how rarely the conference rooms were booked. The management set the example by never holding any formal meetings, only having casual discussions in various constellations.

Bystedt's wife Kerstin also remembered a dynamic duo that never seemed to be working, but only had fun together. Bystedt was ten years younger than Werthén. As an intelligent farmer's son from northern Sweden, he had first tried his hand at an academic career at the Royal Institute of Technology's Department of Industrial Economics and Management before being drawn to Electrolux following a degree in Business Administration from the Stockholm School of Economics. As head of the successful vacuum cleaner sector from 1965, he had been the obvious candidate for the presidency before Werthén entered the picture. As a consolation prize, he intended to head to Australia. However, Werthén prevented the move by making Bystedt his right-hand man, to the great disappointment of Kerstin who had been looking forward to their time abroad.

When the time came for Werthén to retire in 1987, it emerged that Bystedt would not be replacing him as Chairman for Electrolux. This was to do with the collapse of another stock market star, the small antibiotics company Fermenta, in which Bystedt had been the Chairman for a time. During this time, Electrolux had backed the bioengineering entrepreneur Refaat El-Sayed's speculative project, which had turned into one of Sweden's most notorious trading debacles. In a short time, making one deal after another, Fermenta's stock had climbed to SEK 2.5 billion. But in early 1986 it was revealed that El-Sayed had been lying about his background and that he had taken loans in Fermenta's name to increase the company's profits. Everything came tumbling down.

El-Sayed ended up in prison and Bystedt's record was tarnished, a regrettable turn of events according to many in the industry. Bystedt left his active engagement in Electrolux in 1986 but remained on the Board as Vice Chairman until 1998 when he was 69 years old. At his retirement, he was also thanked for his involvement in bailing out the Johnson Group from the financial crisis and establishing Investor's successful venture capital company EQT. After 18 years in various positions within the Electrolux Troika, all the way up to CEO, and another 12 years on the Board, he is of course one of the most prominent figures in Electrolux history and Swedish industry in general.

Anders Scharp – nearly 40 years with the company

A younger man who would come to shape Electrolux nearly as much as Werthén was Anders Scharp. He had started at Elektro-Helios already in 1960 as a 26-year-old engineer and he would not leave the company until 38 years later, by which point he was Chairman of the Board. At the age of 35, Scharp was appointed to Director of Production by the new President and some five or six years later he would be part of the legendary Electrolux Troika along with Werthén and Bystedt.

Find out more about Scharp's time at Electrolux on page 226.



Anders Scharp would come to shape Electrolux almost as much as Hans Werthén. As a 26-year-old engineer, he began at Elektro-Helios as early as 1960.

Werthénisms

Hans Werthén was known to constantly drop little, often well prepared, aphorisms and witticisms. Here are a few examples:

"There are two types of people in a company. Those who ask what's happened and those who make things happen."

"You can only learn to swim in water. A course at Hermods will get you nowhere." (On management training)

"Considering the data you have on the future, all you need is mental arithmetic."

*"In hard times, you can't afford to be proud.
In good times, you don't need to be."*

"Diplomacy is telling someone to go to hell in such a way that he actually looks forward to the trip."

"It's very hard to trip someone who is always two steps ahead." (On the expansion strategy)

"You won't sell any Christmas trees the day after Christmas."

*"Let's make one thing clear; tigers don't eat grass."
(On the rough methods of large companies)*

"I don't know what it is about executives, but maybe this is the same type of people who would lead the legions back in the Roman Empire and who were considered to be people of, let's call it, limited spiritual capacity."

"Here at Electrolux, we have no strange systems and complicated inquiries, just simple common sense."

"It's important not to be too clever. You have to feel welcome back too." (On business deals)

"Any democracy can decline into an endless discussion if you're not careful."

"Intelligence is a good thing, but not always helpful."

*"An unusually efficient switchboard, less devoted to deep thoughts than to rapid connections and switches."
(About his own mind)*

"In Italy, I will be devoting myself to the juvenile sins that I am still capable of committing." (On being a pensioner at an Italian television company)

"If the body is used to exercise, it will not be happy without it. The same thing goes for the mind." (On retirement)

New competition

The logic of the national markets, with impediments to trade and nation-specific technical features, was about to change in Europe. The European Coal and Steel Community had been turned into the European Economic Community (EEC), which included France, Italy, Benelux and West Germany, already in 1958. The treaty had been met with a more loosely based free trade area, the EFTA, formed in 1960 by Denmark, Norway, Portugal, Switzerland, United Kingdom, Sweden and Austria. The protectionism that had become the practice around the breakout of World War I was slowly starting to give way, which was visible in the export statistics of the major companies.

Another driving force was the constantly changing consumption pattern. Customers were gradually learning more about products and alternatives, especially as they were now starting to travel. New distribution companies were hitting their stride. In North America, major appliances were already being distributed through retail chains.

» In the Nordic countries there were 16 different major appliance companies all in need of restructuring, especially the old cooker manufacturers. The establishment of EFTA meant that the time had come. «

The third factor affecting competition was technology. A traditional Swedish cooker could not be sold abroad but the new microwave oven could be launched as an international product right away, as could the new consumer electronics. It was not long before the new household appliances were in popular demand. The Swedes were becoming increasingly convinced of the benefits of technology, which showed in the sale of household electronics and later personal computers.

The new opportunities offered by the refrigerator and the freezer sparked a new interest in cooking, with influences from all over the world. Magazines were teaching people how to use new types of fresh fruit and vegetables all year round. Rice and pasta



From left: Designers Hugo Lindström (with a kilowatt-hour meter for Ergi), Sixten Sason (with a model of the SAAB 92), Rune Monö (with the intercom telephone Futura) and Folke Arström (with a camping cooker for Alfa Laval).

were becoming alternatives to potatoes. Fewer and fewer canned goods were being used. Salted and dried foods disappeared almost completely, other than around Christmas. Few people today remember what it was like before this new era.

At first, the relationship with the new machines was fraught with problems. Flooding, breakdowns and frost buildup in the refrigerators. But gradually, the problems were solved by more efficient products and better service. The emphasis on safety that characterized cars and traffic following the change to right-hand traffic in Sweden in 1967 would soon spread to all electrical appliances as well. An environmental consideration also emerged – detergents with phosphates were causing overfertilization of water courses. More efficient use of water, energy and chemicals were added to the list of demands.

But what characterized the Swedes and their kitchen appliances more than anything else in the 1970s was perhaps the design. The driving force behind this development was Hugo Lindström, previously of Elektro-Helios. This brand, which was sold via retailers, had seen a prosperous period under Marketing Director Rainer Alfström – who came from IKEA – due to a product catalog that attracted a lot of attention and which would soon be copied by others.

The Group was leading the way as the major appliances changed from white to avocado green or burgundy. It was the customer's market, and landlords who offered kitchen interiors in the latest colors found themselves in a pinch when the next tenant wanted another palette. In the modern kitchen, families could express their individuality through new cabinets and appliances, which was often more important than the car they drove. Never before had the kitchen been a status symbol, not even in the upper middle classes, where the space was only used by servants or housewives.

The new Electrolux management claimed to "produce simple products using complex technology." Whether or not this was true, it was endemic in the whole Swedish industry. Swedish company leaders were focused on the technology rather than the consumer. In Sweden, business journals and economic reporters wrote about companies selling pre-fabricated products, components and equipment for engineering customers, from paper pulp to trucks. But in the core operation of the Electrolux Group, the diverse and fickle end customer base was as usual deciding the product range, albeit via the retailers.

In the Nordic countries there were 16 different major appliance companies all in need of restructuring, especially the old cooker manufacturers. The establishment of EFTA meant that the time had come.



Electrolux led the way during the 1970s as major appliances changed from white to avocado green or burgundy.

"Electrolux had always had excellent salesmen and engineers, even if the latter had not always received as much attention. Hans Werthén brought superior business practices into the company," noted Bystedt. Increased market shares would lead to larger product volumes, which in turn would give increased competitiveness.

"No inquiry was needed to conclude that the situation for major appliances was that production costs were too high and volumes too low. Simple rationalization would not be enough."

Scharp remembers Werthén's first informal meeting, the "aha moment," with a group of office workers. "He kept it at a general level, showing what was wrong with our model. A more radical approach would be necessary. He had a very nice way of criticizing people."

At an early stage, the Electrolux Troika considered a complete liquidation of major appliances, but there was no buyer. Winding up the operation on their own would be too expensive and detrimental to the healthy segments. This is when Werthén introduced the concept of "Go big or go home."



Electrolux Z65.

Expansion and acquisitions



The diecasting works in AB Ankarsrums Bruk, which Electrolux acquired in 1967. This picture is from 1969. Electrolux acquired several foundries during the period, among them Ankarsrum, Överum and Hälleforsnäs. "We have had an unrequited love for foundries," Werthén noted in a speech in 1986. "All those we engaged in have gone to hell. Yet, Ragnar Söderberg taught me early on to watch out for foundries."

The expansion began already in 1967, in the first year of the Troika, with the motto "the Nordic market is our home market." Electrolux was to buy out competitive small and medium-sized competitors to increase their market share, create synergies and sell off all redundant property.

The most successful deal was Swedish Ankarsrum, which was a bit of a fluke.

"Werthén's weakness was that he never cared if he got a bunch of junk along with the deal," says Scharp. "Ankarsrum was not only making cookers, but bath tubs and radiators as well. What were we supposed to do with them?"



Flymo, which was acquired in 1968, became the start of a diversification phase with lawnmowers, among other products. This picture is from 1977.

But as it turned out, the old agricultural company owned forestland and properties that had been reported in the annual accounts at values that were far too low. In actual fact, Ankarsrum was one of the country's largest private forest owners, with 5,000 hectares, along with three power plants, farms and several other properties. It did not take Werthén long to realize that such assets could be parceled out and sold. With this deal, Electrolux emerged as Sweden's first modern venture capital company.

Once the sale of everything but the core activities had been completed, the new owners had already made SEK 25 million (!) in capital gains. Ankarsrum would later provide the model for the spectacular examples of asset stripping described in later chapters. But first, the Nordic strategy was accomplished with the Finnish company Slev, which manufactured cookers and sauna heaters, and in 1971 cookers and refrigerators from Håkansson were also added to the program. Motala gradually took over cooker production for the whole Nordic market.

Bencoverken was a Swedish company specializing in dishwashers. The steel fittings were supplemented by a similar operation from previous owner Separator, which was now called Alfa-Laval. In addition, brand new segments like Flymo's lawn mowers and ASAB's cleaning service were acquired. The cleaning equipment subsidiary in Sweden also carried out a few acquisitions of Swedish competitors, small but profitable.

Flymo marked the beginning of a diversification phase. The company had manufacturing in England based on a Swedish invention, an airbag that supported the mower. The Board was skeptical, but Wallenberg gave his endorsement, as he often did. When Werthén expressed interest in the company, the finance magnate declared that if Electrolux did not buy it, he would do so himself.

The expansion into Europe started cautiously with professional kitchen equipment in the Dutch Quatfass. Otherwise, the acquisitions often involved cleaning services and cleaning equipment. Exports to the EFTA countries were growing, while the relative proportion of exports going to the EEC was going down due to the new Group structure.

In the still protectionist Australia, companies with broad product ranges were common. So it was no surprise that Electrolux ended up there. In 1970, a short-lived venture into gardening equipment and a continued undertaking in cleaning services and cleaning products began in both Australia and Sweden. Garden equipment had also been included in the acquisition of the Weibulls equipment department.

» And everywhere they looked, Werthén and Bystedt would find sellable assets – buildings, car fleets and land. In net terms, it was possible to get a market share almost for free with a reasonable equation. «

Filling the coffers for the future

It all happened extremely fast. Only eight months after Werthén started, he completed the sale of the minority interest in Electrolux Corporation. The Group lost the dividends and the rights to the trademark in North America but finally got themselves a “war chest.”

“We were looking at a balance sheet out of this world,” says Scharp. “We had not come far enough along to take Europe, so what we did instead was to diversify.”

In reality, the acquisitions had been going on since the 1960s. Elektro-Helios and Getinge were bought up already in the early 1960s.

But now it was a market for those looking for acquisitions. The owners of small businesses in household appliances often found themselves in crisis. And everywhere they looked, Werthén and Bystedt would find sellable assets – buildings, car fleets and land. In net terms, it was possible to get a market share almost for free with a reasonable equation. Vulnerable business owners started viewing Electrolux as their way out. Better to own part of a large and still growing company than all of a small and withering one.

“The common denominator in all the acquisitions was that we wanted to grow within our main areas and diversify geographically. But also in terms of products, given that we bought Flymo. I used to say that lawn mowing was a form of outdoor vacuum cleaning. And then we bought ASAB too, of course, with professional kitchen equipment and cleaning equipment, which were the embryos of important adjacent business segments.”

Major acquisitions 1967–1979

Year	Company	Country	Main activity
1967	Atlas	Denmark	Cookers
	Electra	Norway	Cookers
	Ankarsrum	Sweden	Cookers, etc.
	Bencoverken	Sweden	Dishwashers
	Flymo	Sweden, UK	Lawn mowers
	ASAB	Sweden	Cleaning service
1969	Slev	Finland	Cookers, sauna heaters
	Keltic (Kent)	USA	Commercial cleaning equipment
	Quatfass	Netherlands	Professional kitchen equipment
	Dometic	USA	Absorption refrigerator sales
1970	Euromekan (Euroclean)	Sweden	High-pressure units
1971	Håkansson's Industr.	Sweden	Major appliances
1972	Kreft	Luxemburg	Absorption refrigerators
	Vestfrost	Denmark	Major appliances
1973	Facit	Sweden	Office equipment
	Wascator	Sweden	Commercial washing machines
	Ballingslöv	Sweden	Kitchen and bathroom cabinets
	Siegas	Germany	Absorption refrigerators
1974	Nat. Union Electric (Eureka)	USA	Vacuum cleaners
1975	Tvättman	Sweden	Cleaning service
1976	Martin Group	France	Major appliances
	Tornado	France	Vacuum cleaners
1978	Therma	Switzerland	Major appliances, prof. kitchen equipment
	Husqvarna	Sweden	Major appliances, outdoor products, etc.
	Partner	Sweden	Chainsaws
1979	Jonsered	Sweden	Chainsaws
	Tappan	USA	Major appliances
	Pioneer	USA	Chainsaws

Informed consumers

Electrolux was something unique in Sweden during the first few years of the post-war period: an international consumer product company. The new car companies Volvo and Saab were domestic companies with limited exports. The same was true for all the other newly formed consumer product companies, from Algots making leisure-wear, Findus making frozen peas to Luxor making radio and television sets. Only the engineering companies stood out.

When circumstantial factors made Sweden the largest test consumer in Europe, the strongest communication channel was still missing, namely commercial television. Anyone in business administration interested in consumer goods had to instead look to foreign companies such as Unilever, Philips or Nestlé, the latter of which would then acquire Findus.

And there was an even greater reason to discount the consumer goods industry from exports and internationalization. A large proportion of the companies were owned by the large consumer and farmer cooperatives. Naming all of their consumer goods companies would take up several pages. Their owners, i.e., the members, had little interest in the international economy and they remained closely linked to the labor and farmer movements that had dominated Swedish politics since the 1930s.

In these circumstances, there were many downsides and some benefits for Electrolux. Swedish consumers became more sophisticated and informed when it came to consumer durables. And the various test institutions and consumer journals had a disproportionate interest in household appliances. Every aspect was tried and tested. The market became standardized and suitable for economies of scale, especially as the other Nordic countries, which had lower wages and less steering, were copying Sweden. Switzerland was also taking notes. The German and Italian manufacturers were also influenced by the Swedish procurements and testing, but the smaller Swedish manufacturers were the ones finding it the hardest to survive in the large-scale economy. This created business opportunities for the largest market player.

The consumer information agencies did pursue a number of naive legal processes against Electrolux regarding the right to divide similar products into different price categories. This was done to protect consumers from being “tricked” into buying the more expensive alternative. The structuring of the industry was considered an attempt to form a monopoly. But testing the products of an industry on a daily basis will eventually lead to a more enlightened attitude. After a time, the people doing the testing had become more like consultants advising the major appliance companies on what they needed to do to achieve better results and tougher competition. The knowledge transfer on the Swedish major appliance market was accelerating fast, which gave Electrolux an advantage.

One interesting example of this was when the head of products for the Swedish sales branch P-G Öster was asked to specify which properties a front-loading washing machine should have in order to get top marks from the Swedish Consumer Agency. The acquisition of French Arthur Martin had recently gone through and Italian Zanussi had just pulled out as a subsupplier to Electrolux. The Group was in need of a new competitive product of its own that would be manufactured in France.

At this time, the Swedish Consumer Agency and Electrolux were in disagreement about most things, but Öster swallowed his pride and called one of the agency’s washing machine testers directly. Not only did she agree to a meeting to share her experience, but she also agreed to test the prototype. Her comments were communicated to the development unit in Reims, France, and for the very first time, the Group managed to make a washing machine that was “best in test.”

At the same time, Electrolux was establishing itself with the increasingly picky customers who had grown tired of the standard options in their new apartments and houses.

As their guides, thrifty home cooks were slowly being replaced by gourmet chefs. What could they make with all the new and fresh products that could be stored in new and spacious refrigerators and freezers? The Nordic consumers were not exactly spoiled in this regard. The designers at Electrolux were the first to join the revolution as the menus started expanding, first at home and then in the restaurants. The Swedish catalogue for 1975 was called *Idéboken* – the idea book – and it launched the idea of the kitchen as the new living room.



Testing of washing machines and dishwashers at the laboratory at Lilla Essingen in the late 1960s. As consumers became more informed, the Swedish Consumer Agency also became more active in introducing new product requirements.

Asset deals to finance the expansion

The spring of 1972 brought a shock, a foreboding of the hardships that the Swedish industrial sectors would face for the remainder of the decade. Facit (formerly Åtvidabergs Industrier), one of the most successful export companies in Sweden, reported a heavy loss of SEK 54 million for the year after decades of profits and success. Thousands of jobs would be disappearing in an initial relief program. Would the government intervene?

In competition with cheaper Japanese products, Facit's mechanical adding machines had quickly become antiquated, and their newly launched electrical machines only appealed to niche customers. This showed that a well-consolidated group, of nearly equal size to Electrolux and at least as good a standing, could fall into complete ownership chaos in only a few months.



In 1973, the Swedish group Facit was acquired. The factory in Åtvidaberg made mechanical calculators, among other products.

Electrolux entered the negotiations in the fall after receiving a sensational offer to buy out some of Facit's factories. Why not take the whole company? A week later, in early November, the flash offer was presented to Facit's shareholders. They would receive five shares in Electrolux for 16 in Facit.

MÄNNEN SOM SKA STYRA FACIT

Av TORD ANDERSSON och PER WENDEL (Expressen). Electroluxledningen har tagit ett jättegrepp på Facit. En vecka efter det att Wallenbergägda Electrolux köpt in de erforderliga 90 procenten av Facits aktier övertar man hela ledningen av företaget. Ingen av de tidigare cheferna på Facit kan agera utan att ha en Electroluxchef över sig.

Electrolux styrelse ordförande i går, Hans Werthén blir ny verkställande direktör för Facit. Koncernens nya ledare är också en svensk från Electrolux. Det blir direktörerna Gösta Sjöstedt, Harry Eriksson och Anders Scharp. De tillträdde den 5:e oktober.

De gamla Facitcheferna har omplacerats. Nuvarande VD Gunnar Agrell flyttar ut direktionsrummet i Åtvidaberg. Han ska i framtiden utveckla exporten till Östeuropa.

Gunnar Eriksson finns inte med

I löten över chefsfunktioner inom "Nya Facit" saknar man att direktör Gunnar Eriksson som inte hann med. — Han var en firma som följde Hans med. Gunnar Eriksson, tillförordnad styrelseordförande i Facit, efterlade sig Electroluxaktien av Facit sin förhoppning om att få "en meningfullt arbetsställning" i framtiden. Vid lösköpet hann han sin plats i riksdagen.

På lördagen informerades de anställda inom Facit om förändringarna i Facits ledning. Beslutet hade inte väntats av något annat med personalen. Direktör Werthén förklarade sig med. — Han var en firma som följde Hans med. Gunnar Eriksson, tillförordnad styrelseordförande i Facit, efterlade sig Electroluxaktien av Facit sin förhoppning om att få "en meningfullt arbetsställning" i framtiden. Vid lösköpet hann han sin plats i riksdagen.

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Nya ledningen

Detta är Facits nya ledning: Hans Werthén blev för fem år sedan verkställande direktör för Electrolux. Han har blivit ledare för den svenska försäljningsorganisationen och har varit verksam i Australien, men redan sedan han har blivit ledare för den svenska försäljningsorganisationen. Harry Eriksson utsetts till vice verkställande direktör i Electrolux 1971. Sedan 1945 har han varit verksam i olika befattningar på olika nivåer inom företaget och 1961 blev han koncernens ekonomistyrande. Anders Scharp är civilingenjör och arbetar som överingenjör på Electrolux. Han har gjort en snabb karriär i företaget. 1965 blev han chef för Electrolux svenska försäljningsorganisationen.

I januari 1968 utsetts han till verkställande direktör vid Electrolux i Australien, men redan sedan han har blivit ledare för den svenska försäljningsorganisationen. Harry Eriksson utsetts till vice verkställande direktör i Electrolux 1971. Sedan 1945 har han varit verksam i olika befattningar på olika nivåer inom företaget och 1961 blev han koncernens ekonomistyrande. Anders Scharp är civilingenjör och arbetar som överingenjör på Electrolux. Han har gjort en snabb karriär i företaget.

Facit varslar 549 om avsked

ÅTVIDABERG. (TT) Facit varslade på onsdagen 549 personer inom försäljningsorganisationen om avsked. Det betyder att koncernens försäljnings- och serviceapparat minskar från ca 1 400 personer till drygt 850.

Inskränkningarna var beslutade innan Electrolux erbjöd sig att köpa hela Facit och har heller inte påverkats av erbjudandet. Inom Electrolux ger man dock Facitpersonalen företräde till alla lediga tjänster och fram till och med första kvartalet 1973 kommer Electrolux att anställa omkring 100 nya säljare.

Av de 549 Facitanställda som varslades på onsdagen är 120 försäljare spridda på ett hundratal platser i landet. 351 tillhör försäljningsidans tekniska personal som bl. a. utför service och reparationer. De resterande 78 är till största delen kontorister.

I samband med att personalen minskar ändras Facits försäljningsorganisation.

De nuvarande 39 säljregionerna minskar till tio med en centralort i varje. En rad försäljnings- och servicekontor försvinner helt i den nya organisationen medan andra får färre antal anställda.

Electrolux personaldirektör Nils Eliasson säger så här om samarbetet på personalsidan mellan Facit och Electrolux: — Vi har redan inlett ett intimt samarbete med Facit som bl. a. innebär att alla lediga tjänster inom Electrolux annonseras på samtliga anslags-tavlor inom Facit.

— I måndags annonserade vi ut 22 lediga tjänster inom den administrativa sektorn och till alla dessa har Facitpersonalen företräde, säger direktör Eliasson.

— Under denna vecka går vi också ut med information om informationsmöten där alla kategorier av Facits personal får veta mer om hur det är att vara försäljare för Electrolux.

— Totalt kommer vi att behöva ca 100 nya försäljare i Sverige under den närmaste tiden.

549 Facit-anställda får avskedsvarsel

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Electrolux köper Facit De 2 400 sparkas ändå



Electrolux acquisition of office equipment manufacturer Facit in 1973 was big news in Swedish media. A lot of the focus in media was on the job losses due to the restructuring which Electrolux management initiated.



Facit produced office furniture, calculators and typewriters.

» After that, I went over to Facit thinking that I would be some kind of savior, coming to teach them how to make electronics. After about five minutes, I realized that I was a caveman. «

It is important to remain critical when looking at the phenomenon of Werthén and his transformation of Electrolux. “Never catch a falling knife” is a common Wall Street saying. Which is exactly what Werthén did with Facit. Was he drunk on the success of Ankarsrum, or did he overestimate his own insights into electronics because he had been a leader in the field a decade prior?

Probably both. He managed to convince the Chairman of the Board Ragnar Söderberg, 72, and Vice Chairman Wallenberg, 73. It is important to remember that this titan of industry had always been obsessed with the possibilities of technology. And he was especially interested in the emerging Swedish computer industry. Facit, Saab, LM Ericsson and the central government were all stakeholders in this new future industry.

But Werthén later admitted that Wallenberg had thought that the acquisition of Facit was a mistake due to the fact that Electrolux had no knowledge of computers. Werthén took

offence and reminded him of his Licentiate of Engineering. Wallenberg, a.k.a. “Dodde,” finally relented saying that “you own enough shares to know what you’re doing”

“After that, I went over to Facit thinking that I would be some kind of savior, coming to teach them how to make electronics. After about five minutes, I realized that I was a caveman,” said Werthén later on.

An (all too) swift affair

Any decision should be made using the information available at the time. But Werthén did not do his homework before rushing in to save the tax payers and Facit’s owners from incurring great losses.

Scharp was head of production but found himself facing an already finalized deal, as did Bystedt. Scharp says:

“I asked Hans when the deal had gone through: Don’t you think that we should go have a look at these factories and operations? Good idea, he said, and on the Sunday we started going around. We made a visit to Åtvidaberg to look at the head office, adding machine manufacturing and furniture production they had there. Then we were going to Överum and on to Svängsta, Bräkne Hoby, Malmö, Göteborg and finally to Strömstad. Three days on our own airplane. Consul General Söderberg insisted on joining us. I felt physically sick seeing those empty factories. The one in Överum was the only one with some momentum. We had bought a company undergoing a changeover out of this world.”

The process was short, as usual. In mid-December, after 90% of the shares had come in, the Electrolux Troika consisting of Werthén, Bystedt and Scharp took a firm hold of the company in crisis. In actual fact, they were a quartet, as Vice President Eriksson, their experienced Head of Accounting was also involved.



Facit’s office products became a product line within the Group, and Facit also got its’ own sign on the headquarter building at Lilla Essingen.

“Sure, we will have a little bit more work to do, but not enough for us to buckle under the weight,” said Werthén optimistically in an interview with the newspaper *Dagens Nybeter*. He started by closing Facit’s information department. They then showed the shareholders that it was possible to sell the forest holdings for SEK 17 million; different properties, including the main office in Stockholm for SEK 12 million; and make other sales resulting in capital gains of SEK 35 million. This way, he and Bystedt managed to finance the entire deal.

On the plus side, Electrolux would also be able to use the collected Facit losses to make tax deductions for the whole Group. Most of what remained could be sold a decade later to the reformed Ericsson for SEK 222 million as part of a new Swedish computer initiative. Some, but not all, would say that this contributed to Ericsson’s successful transition to mobile telephony.

In the books, the venture would end up in the black for Electrolux. A calculation taking into consideration alternative uses of these resources would not have looked as good. But as Werthén noted at some point: “The hindsight club has the fastest growing membership of all. I would be the Chairman myself if the position wasn’t always taken by some business reporter.”

42-year-old chief engineer Scharp also became President of Facit. In 1981, he was succeeded by an engineer 13 years his junior, the up-and-coming Leif Johansson from Husqvarna motorcycles. But none of them were able to get Facit back on its feet, despite all the production shifts and reorganizations. They were also facing significant political and medial resistance.

Structural crisis leads to surplus profits

Why was it that Sweden would be hit the hardest of all the more prosperous countries in the industrial structural crisis of the 1970s? In the decades preceding it, a distribution revolution had taken place on land and at sea led by the Americans. Sweden’s role had been to contribute giant vessels, trucks and cars. And when it came to electricity, Sweden was also a leader in hydropower and nuclear power. The massive housing program was coming to an end. An overall saturation was becoming evident.

The Swedish export industry had continued to invest in companies and developments that were already dominant.

In a great consensus, Swedish politicians adopted an extensive stockpiling program to face the challenges in the global economy created by the 1973 increase in oil prices. The experiment was applauded by the OECD economists in Paris. During 1974, the Swedish industry built up large stockpiles – products which were to be kept in temporary plastic tents where they would rust or become technically obsolete.

In the books, this led to one record profit after another, which in turn created record-level wage demands. The fact that Electrolux reached its highest ever operating margin in 1974 was partly due to this policy. It was known as the “excess profit year” of 1974.

In a meeting with Werthén in 1978, Minister for Industry Nils G Åsling offered him government loans totaling SEK 35 million if Electrolux would save the jobs of 430 employees at

Hälleforsnäs foundry. But Werthén was hesitant, and in a subsequent telephone call with Åsling, he excused himself by saying that “the boys don’t like it.” Åsling then doubled his offer to SEK 70 million. For once, Werthén was speechless.

But even this sum was not enough to save a foundry. The foundry in Överum was closed down in 1981.

Television acquisition and Husqvarna

Werthén never fully let go of his first love of electronics and television engineering. When the television manufacturer Luxor was being overwhelmed by Japanese competition and the repercussions of a factory fire in 1979, he offered to help resolve the situation against a government grant of SEK 500 million. Luckily, Åsling was not feeling as generous this time. In the following year, Electrolux instead acquired shares in the French television company Océanic. Before digitalization, France was using the color television technology Secam, which was better than other incompatible systems in the world but which was not widely used. This meant that the French market offered a certain level of protection against foreign competition.

Towards the end of the 1980s, Océanic would end up with Finnish Nokia, along with Luxor and Ericsson’s personal computers. Television and computers would be the foundation of Nokia’s knowhow in mobile telephony, where they rivalled Ericsson. But that is another story all together.

Werthén’s greatest challenge, as he saw it, was not only to streamline production, but also to free up capital from resting assets in any companies he was able to acquire. It was obviously possible to strike a deal with the primary goal of making capital gains that could then be invested in the continued expansion of Electrolux. It is difficult to find another plausible explanation for the various spectacular deals that, much like Facit, had a very weak link to Electrolux.

The next asset deal was made in 1977, in the midst of the great industrial crisis: Husqvarna. This time, the connection to the core activities of Electrolux was clearer given Husqvarna’s household appliance business area. The company’s Chairman Ulf Styren and its President Stig Birgerstam met with Bystedt and Werthén in an attempt to sell the major appliance segment to the best transformers in the industry. The fact that German AEG had also shown some interest sparked their curiosity.

“As a company leader, Werthén was not all that interested in the regular activities; that was for the rest of us to manage. Routine questions bored him, but this company with all its resting assets was something else. He asked me to take a closer look,” said Scharp.

Husqvarna had been performing poorly for a longer period of time, which had resulted in strained liquidity. However, the Board was hesitant to free up the available assets in the form of land, forest and hydropower. Instead they chose to take out high-interest loans. Sewing machines were also selling less and a new cooker factory would have been too expensive. As of 1977, the company was spiraling into a crisis after a catastrophic drop in motorcycle sales due to Japanese competition and Swedish wage inflation. Facilities were located in Sweden and Norway.

“I came back and said to Hans that the major appliance segment was more of the same, a lot of restructuring,” says Scharp. “But what I was really interested in were the chainsaws. We talked about it and then decided that instead of just acquiring the major appliances, we would buy all of Husqvarna.”

There were three segments left after a reorganization in the post-war period: sewing machines, household appliances (washing machines, dishwashers, cookers and refrigerators) and motor products (motorcycles, chainsaws and lawn mowers). Husqvarna’s sewing machines were of a very high quality, and the company was very successful in door-to-door sales in Sweden and the US.

As usual, the Electrolux management quickly made an offer containing the new financial instrument of subordinated debenture which could be traded for shares further down the line, at a total value of SEK 99 million.

Under the original name of Husqvarna Vapenfabrik, the company had been making weapons since the 1600s. Since guns with replaceable parts represented the world’s first mass-produced consumer product in the 1850s, it was only natural that this was also Sweden’s first mass producer in the manufacturing industry, led by the industrialist Wilhelm Tham. In the early 1950s, Husqvarna had still been a well-known and innovative brand among Swedish consumers, not least when it came to mopeds and motorcycles. The second part of the name, denoting the company as an arms manufacturer, was not removed until 1972.

Now the old company would be carved up. Werthén assigned Head of Finance Christer Brandberg to independently sell off land, properties and other assets at a furious pace without involving Husqvarna’s people. The old Husqvarna management was horrified by the rapid progress which strayed completely outside the formal structure. “They have called to complain, but you just go on, there’s no problem,” chuckled Werthén. Money was freed up for Electrolux to make new acquisitions according to plan.



In the middle of the major industrial crisis in 1977, Electrolux carried out a significant asset deal when Husqvarna was acquired. The company made motorcycles, chainsaws and gardening equipment, among other things. This is a Husqvarna lawnmower of model 48 SE.

Chainsaws and lawn mowers were ready for coordination, just like the major appliances. Discussions had been underway in the industry for a while without anyone taking the first step. The Electrolux Troika saw a new and interesting opportunity for expansion. These strategic transactions are described in later chapters.

Major appliances were absorbed into the Group structure with fewer factories and officials as the result. Among other things, Husqvarna’s cooker manufacturing in Torsvik was moved to Motala, and Torsvik instead shifted over to dishwashers. Unlike Facit, there was no reason to regret this deal, even if both sewing machines and motorcycles had to be sold off later on.



A Husqvarna 90 chainsaw from 1959.

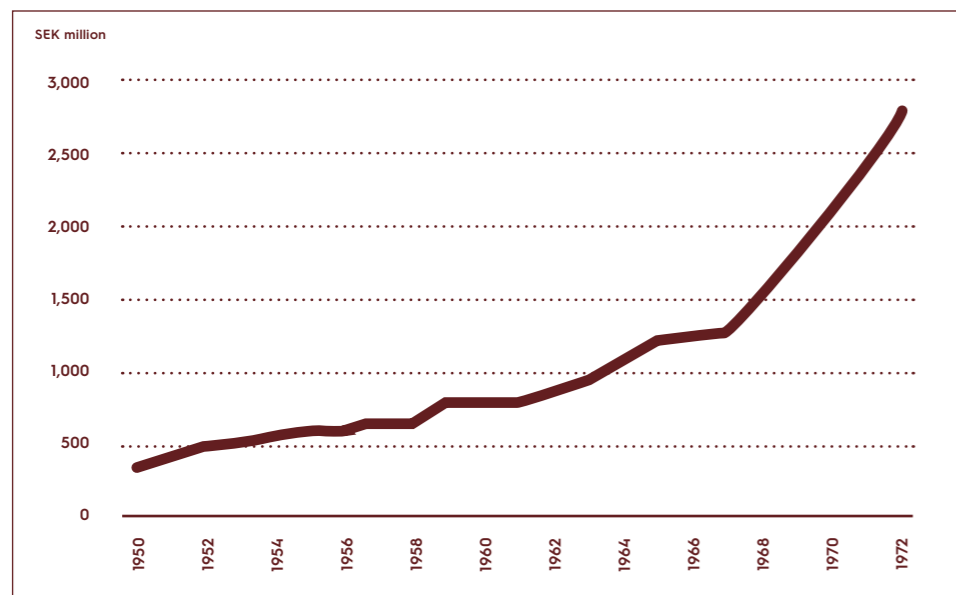
» What I was really interested in were the chainsaws. We talked about it and then decided that instead of just acquiring the major appliances, we would buy all of Husqvarna. «

What an incredible start!

Group	1967	1968	1969	1970	1971	1972
Sales, SEKm	1,098	1,327	1,583	1,869	2,122	2,490
Change, %	2.6	22	19	18	14	17
Net profit, SEKm	71	114	129	160	214	316
Net margin, %	6.7	8.6	8.2	8.6	10.1	12.7
Employees, thousands	19.2	20.9	27.9	31.6	31.3	35.6
Equity, SEKm	510	741	758	783	822	874

What an incredible start! The rate of expansion for real turnover increased from 3 to 10% annually, while the number of employees and equity capital increased by 5–6%. It is reminiscent of the 1930s. Profit margins doubled.

Sales development



Diversification – but Wenner- Gren’s products are staying strong

In 1975, the positive profit trend at Electrolux turned for the first time since Werthén entered the picture. Unexpectedly large issues in Facit and profitability problems for parts of the major appliance segment were taking the shine off his achievements. Could it be that the rapid expansion of Electrolux, with four times as many employees in eight years and 22% annual return on the share, had come to an end?

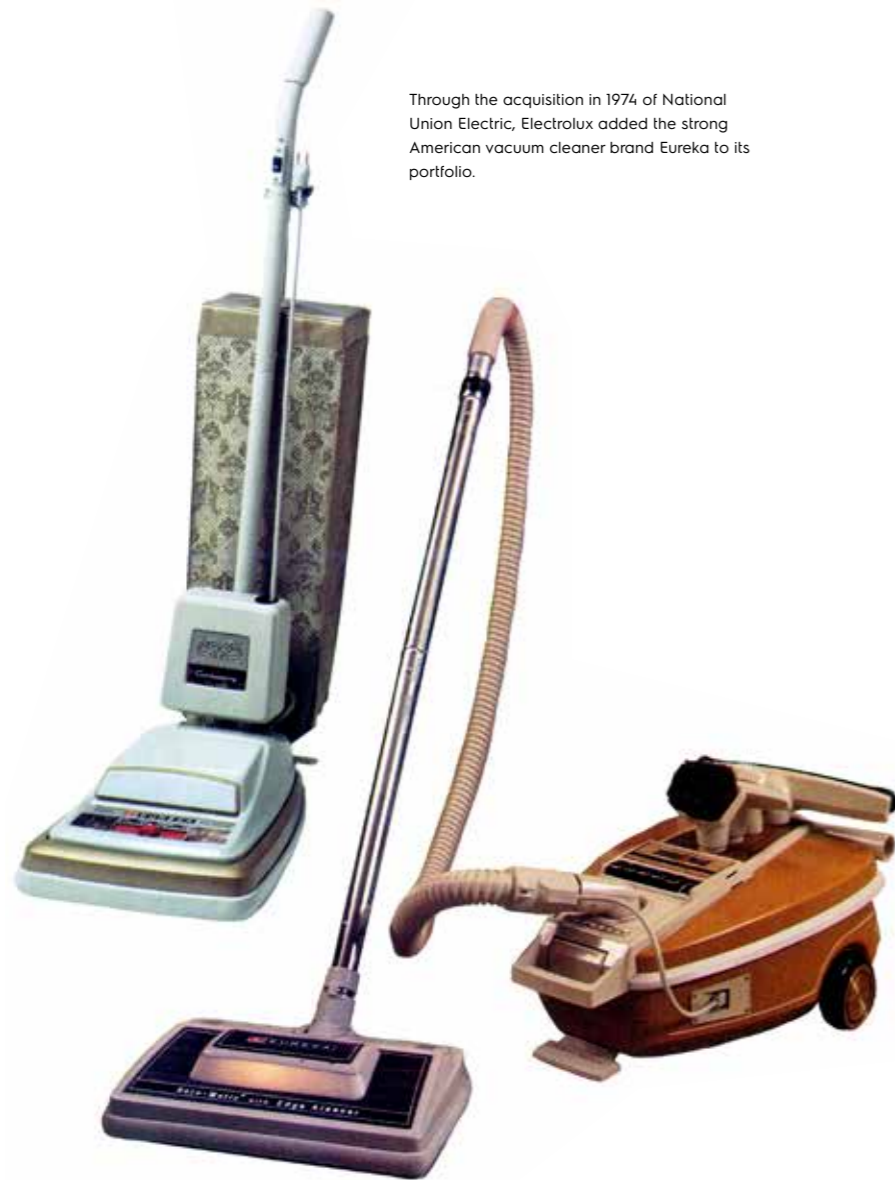
Facit had reported a small surplus in 1974 but then the stock of electrical adding machines had to be written down by SEK 40 million and manufacturing in California was discontinued. It cost SEK 100 million to cancel a bank terminal agreement and the typewriters were selling less, at least temporarily. Several Board members were critical of the hasty deal.

Sales were going down in major appliances – mostly in England but also on the continent – due to various price pegs in the new area of stagflation. The conscious product rationalizations in the Nordic countries had not been enough. The Electrolux management referred to the Mariestad factory as the most efficient in the industry.

Off the record, Werthén indicated to a reporter for *Affärsvärlden* how the profits were distributed in the Group. He did not separate vacuum cleaners and major appliances, but the picture was still crystal clear. The major appliance operation still appeared to be too small and unprofitable.

However, the camping trailer refrigerators and vacuum cleaners were doing well, likely corresponding to 80–90% (!) of the consolidated profit, even if the energy crisis was pushing the camping trailer sales down in that year.

Part of the reason was that Electrolux had made a large deal in the US in the year before, obtaining the strong vacuum cleaner brand Eureka. The acquisition of the entire American company National Union Electric for SEK 236 million roughly corresponded to what Electrolux had gained from selling its shares in the Electrolux Corporation six years earlier.



Through the acquisition in 1974 of National Union Electric, Electrolux added the strong American vacuum cleaner brand Eureka to its portfolio.

The problem was that Electrolux did not have permission to transfer money out of Sweden for the acquisition. A desperate Werthén turned to Wallenberg and got a lesson in the importance of personal connections. "I remember that he was hosting a dinner with several guests at Täckå Udden in Djurgården when I arrived. He brought me out into the kitchen and made a call to Morgan Guaranty Trust Co, and in no time he had arranged a loan for the entire amount," recounted Werthén later on.

Eureka would become a successful retail business in North America towards the late 1980s with advanced design and an edition named after the new chief designer Christian Klingspor. A good deal.

The more Electrolux expanded, the more everything seemed to remain the same. The activities outside of major appliances and vacuum cleaners already represented 40% of the sales but only 20% of the profits.

Refrigerators

In the 1960s, Electrolux had lost its market dominance in absorption refrigerators, with its share falling from more than two thirds of the European market to barely one third. The reason was that their patent had expired after World War II, which in turn resulted in a large number of competitors. In addition, the rivals had taken advantage of a long period of strike in the Luton factory to gain market shares. Werthén then bought up two of the competitors: Kreft in Luxemburg in 1972 and Siega's Metallwaren factory in West Germany a year later.

Sven Stork, who among other positions had been the head of Svenska Elektromagneter, was hired to restructure the German factory, which was in poor condition. He says:

"It was not easy at first. In the first eight or nine months we lost around DM 4 million. Hans was furious and we ended up at each other's throats. I shouted that if he knew so much better, why didn't he just tell me what to do. And he replied: We're going with your plan!"

Five months later, things had turned around and Werthén was proven right in respect to his colleagues in the Group management. They had been skeptical, not of absorption refrigerator as such but of that factory in particular – a hopeless case in their view.

"Hans and I made up and never fought again, and I remained responsible for the product line over the next 28 years while Electrolux took 98% of the market. Of course he was pleased."

Stork had aimed for a monopoly and succeeded. Now he could both streamline and raise the prices.

Following the energy crisis of 1973/1974, the American market for camping trailer refrigerators resurged as the trailer manufacturers wanted gas refrigerators. During the first oil crisis, Electrolux had continued to produce and stockpile small refrigerators which gave them a great advantage when the demand returned. The Motala factory was now supplying half of the absorption refrigerators on the global market. No wonder then that Motala found it hard to meet the demand.



Sven Stork led the very successful transition of the business in absorption refrigerators.

Over the coming year, Electrolux would become the world leader as it did with vacuum cleaners. The small refrigerators were sold under the brand Electrolux in Europe and with the name Dometic in North America, in ten different sizes and models, one of which is the famous Electrolux Minibar that was popular with hotel chains. But the majority were marketed directly to trailer manufacturers and the product range was gradually extended, making Electrolux an industry system supplier providing everything from awnings to trailer ventilation. Gas-powered refrigerators remained a successful product in the Group's direct sales organization on the emerging markets in Africa and Asia, which at this point in time did not differ much in terms of standard of living.

» The Motala factory was now supplying half of the absorption refrigerators on the global market. No wonder then that Motala found it hard to meet the demand. «



Small absorption refrigerators became incredibly popular and the Motala factory covered nearly half of the world market's needs. The "Minibar RA125" is pictured.



Electrolux also made hotel refrigerators with built-in security boxes for valuables. This picture is from 1986.

Vacuum cleaners

In 1976, Electrolux manufactured over five million units in the segment vacuum cleaners and floor polishers, which was still the most important segment at this time. Sales continued to increase rapidly in North America and the product range was successfully developed and adapted for the European specialized retail trade. Direct sales were becoming less important on these markets but in other parts of the world they were increasing rapidly.

Having first managed the South African branch of Electrolux for a few years, Simon Liliedahl, Head of Direct Sales, had started advancing within the Group to become its international Marketing Director. As of 1974 he was responsible for some 50 manufacturing and selling companies.

For a number of decades, he darted around the world to find managers for the new merged sales organizations. Newspaper headlines often related to large deals, but the work within the Group and its legends often related to vacuum cleaners and direct sales.

In a time when two former colleagues from the vacuum cleaner business – President Bystedt and Liliedahl – were becoming increasingly influential, Wenner-Gren's legacy was being honored once again. To be a real 'Electrolux man' in the post-war generation

you were expected to have started as a vacuum cleaner salesman and continued on to lead one of the foreign sales branches. At first, this was an issue for Electrolux. University graduates were not generally interested in working in direct sales, and salesmen with limited education rarely became really good managers – it was a catch-22.

But as Electrolux was becoming an increasingly attractive employer due to the expansion, business school students in Stockholm and Gothenburg could proudly recount their trials and tribulations going door-to-door in their first job.

At the end of the 1970s, three top executives, Liliedahl, Bystedt and the head of Domestic in North America Yngve Lindholm, as well as several subsidiary executives, had a background in direct sales and management within the vacuum cleaner segment. A real Electrolux man should stay in the scruffiest hotels, or even better, sleep in a chair somewhere. It was said that you could run into Liliedahl holding nothing but a plastic

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Simon Liliedahl was the head of Electrolux's South African company, then the Head of Direct Sales and finally became the Group's international Marketing Director in 1969.



A "true" Electrolux man would preferably have worked with direct sales at some time. This vacuum cleaner salesman worked in Australia in 1977.

bag with some clean shirts, disposable razors and a toothbrush heading to Asia on some urgent business. He would show up at the subsidiaries with his running shoes and his ironman physique, straight from some marathon ready to talk business.

To some extent, these were just stories that had always been circulating among the salesmen as the glue that kept them together, or the company mythology if you will. Electrolux did not skimp on the travel. On the contrary, contacts across borders were encouraged. But the company did try to avoid ineffective "group trips." They were happy to procure the services of good hotel chains in order to save money, and they did not want their salesmen to go out on Monday morning and come back on Friday evening when ticket prices were the highest. Frugal, but not ascetic.

But working in the field was still demanding, says Liliedahl:

"You don't find the right type of manager with the help of consultants, you have to go by feeling. You have dinner with the candidates and see what makes them tick. I would always try to meet with their wife or girlfriend over lunch the next day too because you

would always send a team out there. There was a lot at stake. We did try to get some female executives out there, but the timing wasn't right. Their husbands couldn't handle it and a lot of the time they would be treated badly by clients and employees so that they arrived back with deflated self-confidence."

"It's not everyone who can handle an executive position in a foreign market. To be on the safe side, I would often test out promising candidates in three smaller markets: the Canary Islands, Mallorca and Paraguay. That was just enough of a challenge to start with."

One of Liliedahl's first disciples was Robert Kilberg, who would later write a book on his life as a salesman and manager in the company's direct sales organization. Recommended reading for anyone wanting to learn more about the reality of working in a Swedish company in the foreign markets around this time. Kilberg's career took him from South Africa to Southeast Asia, and his wife Anita played a vital role in taking them from one exotic challenge to the next.

In the developed countries, an increasing portion of the customers were already familiar with the products and needed no demonstration, but this was not the case on the emerging markets of Asia. Bystedt and Liliedahl therefore decided to go on the offensive.

"My only regret is that we didn't start sooner," Liliedahl told a reporter from *Veckans Affärer* in 1984 when the magazine was writing a piece on how Electrolux hit the billion-kronor mark in East Asia. Japanese appliances were much cheaper but they were not marketed as aggressively or in terms of quality. Electrolux was now active on seven Southeast Asian markets, as well as in India.



This door-to-door salesman worked in Thailand.

In Malaysia, Kilberg had hired 1,000 people and in three years the company had captured two thirds of the market. Part of the success was due to a team of aggressive "collectors" who would ensure that the instalments were actually claimed. This is something that agents often failed to do. Electrolux also supplemented the range with other products suitable to the market, but it was important not to get too fragmented as the service organization was becoming increasingly important. Depending on the market, Electrolux was also selling sewing machines, kitchen appliances and refrigerators by going door-to-door.

Another national organization of nearly the same size was in the Philippines, where female sellers were playing an important role and water purifiers were selling so well that they were being locally manufactured. Due to the President Marcos administration's currency regulations, manager Björn Eidhagen decided to attempt a monopoly.

If vacuum cleaners and absorption refrigerators represented the majority of profits in the mid-1970s, what was the situation like in other expansion areas?

Industrial products, laundry and cleaning

Among the new segments, industrial products was without a doubt the main focus of the management at this time. Products for professional kitchens, laundry, cleaning and disinfection were expanding at a faster rate than any other segment within the Group. The business concept was to sell the same technology at a larger scale to bigger customers. Acquisition of a number of companies had begun with Alfa-Laval's cleaning equipment in 1968 and continued in the US and England in the following year. The Dutch company Quatfass manufactured professional kitchen equipment as did Wexiö Mekaniska, which was acquired in 1971. Euromekan (1970) made cleaning equipment and Plåtindustri (1972) produced commercial refrigeration equipment. Wascator with its commercial washing machines was incorporated in 1973. New deals were made each year.

At this time, the product group had reached SEK 635 million in sales and SEK 50 million in profits. Only 10% of the Group turnover so far, but this proportion would increase despite other major deals. Four years and several medium-sized deals later, sales would increase nearly fourfold.

The second area of expansion and diversification also had a natural link to the Group. Why not sell cleaning and laundry services in order to utilize the Group's technical expertise? Large companies in developed markets had carefully started outsourcing simple services, such as canteen staff, gatekeepers, receptionists, personal transports, cleaning and laundry. Electrolux was a pioneer when it came to refining its core activities while making acquisitions to expand.

It started with ownership of half the cleaning company ASAB in 1968 and continued with a UK firm the following year. ASAB later became a wholly owned subsidiary. Several cleaning companies were acquired in Belgium, along with Clarté in France in 1974. The acquisition of Tvättman in 1975 shifted the focus towards laundry services, and decontamination was added later on. It was not difficult to find objects for acquisition; most of them were small family businesses that did not require too much capital but needed greater human resources investment. The margins were not great but the return on capital could easily be pushed to the highest level of the Group.



In 1968, Electrolux became half-owner of the cleaning company ASAB, which later became a wholly owned subsidiary. This picture shows one of ASAB's cleaners in the Stockholm Metro in 1981.

In the mid-1970s, the service operations were earning SEK 25 million per year with a turnover of nearly SEK 600 million. As one small business after the other were incorporated into the structure, profits would eventually triple. Specialization and streamlining increased turnover to more than SEK 1 billion. The margin increased from 4 to 8%.

"It was not Werthén who was making all the deals, but those of us working out in the organization. But Hans was always pushing us and using his contacts," says Stork. "It was Werthén's idea. He put it quite simply: You know Sven, potatoes, wheat and rye are not going to hell everywhere at once."

A slightly more surprising acquisition was Sia Lustgården, a producer and distributor of artificial flowers and greeting cards. Werthén had been to dinner with the leader of the Moderate Party, Gösta Bohman, where he had met the then Chairman of PK Bank Bertil Danielsson and his wife Sonja (Sia), who was the founder of this small import business. Scharp describes how it happened:

"Hans was going down in the elevator with the Danielssons and suddenly says: 'This thing with the artificial flowers, I wonder if that wouldn't be right for our cleaning company.

Why don't I just buy it?' And then they walked home together and even managed to agree on the price on the way. The next morning, he comes into my office looking a bit remorseful and goes: 'So, I bought a company yesterday.' 'You did what?' It then grew into a quite successful little Group. Later on, Peter Wallenberg would always tease me about it in the Board meetings: 'Say, Anders, it seems you forgot something in the reports... how are the flowers doing?'"

The logic was that Electrolux owned ASAB, which was looking to branch out from cleaning to office management, which among other things included carpet rentals. Why not supplement the offer with paper flowers? Perhaps it should also be mentioned that the company would be sold at a good profit later on.

Chainsaws

With the acquisition of Husqvarna, Electrolux entered a new and lucrative expansion area: chainsaws.

"The incredible thing was that there was already three chainsaw manufacturers in Sweden which was a leader in the field along with North America, due to the massive timber industry. These days, chainsaws are only used in Sweden for thinning, but this was before the days of the large logging machines. He was immediately enthused by the possibility of restructuring the industry as it reminded him of the earlier cooker and major appliance companies," says Scharp.

One of the companies was Partner, owned by the Kinnevik Group, and the other was the listed company Jonsered.



At the end of the 1970s, chainsaws became the Group's most profitable business. This picture shows a Husqvarna chainsaw.

“Towards the end of the 1970s we went to have a look at Partner, which was located in Mölndal outside of Göteborg. First we bought this company and then we made an offer for Jonsered. There were several curious new operations: Hiab Foco's truck cranes, a tarpaulin business and wood processing machines too. Our Head of Finance, Brandberg, had found his stride after other Husqvarna deals and managed our asset stripping. We stuck with the tarpaulins for a while.”

» In only a few years, Electrolux had cleaned up the structure and become the world leader in chainsaws, which were increasingly geared towards the hobby market. «



In 1979, Jonsered became a brand within Husqvarna. The model is called “Jonsered 450.”

Jonsered and Partner became brands under Husqvarna. Werthén moved on to a deal with a bankrupt business called Pioneer in Canada, which had a chainsaw factory. Electrolux then purchased the chainsaw operation of American Skill as well as the Norwegian company Jobu.

In only a few years, Electrolux had cleaned up the structure and become the world leader in chainsaws, which were increasingly geared towards the hobby market. The idea of outdoor products for regular consumers had started already in the early acquisition of Flymo, and it would later be realized in the 1980s with Scharp as President. Husqvarna would then become a large division for different outdoor products.

In the late 1970s, chainsaws became the Group's most profitable operation, probably along with camping trailer refrigerators, which were never reported separately. Other profitable segments were Commercial Service and Industrial Products. In total, this broadening range challenged the vacuum cleaner division as the most lucrative segment within Electrolux while major appliances remained a fairly sad chapter two decades after the merger with Elektro-Helios.

An exception on the Stockholm Stock Exchange

Fundamentally, the Electrolux management continued the same natural work distribution after 1974 when Bystedt became President. Werthén was not inclined towards the day-to-day pursuit of profitability and product development; luckily, he had two masters of this art at his side. But he had an extremely strong drive to expand Electrolux. Perhaps it had something to do with his own large holding of pledged shares. In Sweden, this was referred to as the new “pilot school,” a world where executives were no longer officials but rather entrepreneurs working in the interests of the shareholders. He gradually arranged for favorable loans so that his closest associates could purchase shares in order to become “financially independent.” Werthén appeared to be part of a liberal revolution against earlier attempts to make Swedish executives into “functionaries.” It was not surprising that Werthén had built a profile as a strong opponent to the new wage earners' funds being promoted by the Swedish Trade Union Confederation. “It's like cutting the ham off the pig and feeding it the slices,” was his politically incorrect summary.

During the stock market crisis of the 1970s, when rates on the Stockholm Stock Exchange dropped nearly down to the levels of the soaring stock market before World War I, Electrolux appeared to be one of the exceptions along with companies such as LM Ericsson, Esselte and Beijerinvest, with a sevenfold increase in the share value from the low starting level before Werthén.

But there was more to do, which Chairman of the Board Werthén was well aware of. The share value had not quite followed the profit due to the decline in the stock market and perhaps the decreasing solvency and difficulty restructuring major appliances in Europe and North America had something to do with it. A massively different amount of capital would be required; this is something that the analysts at the brokerage firms and business journals also realized.

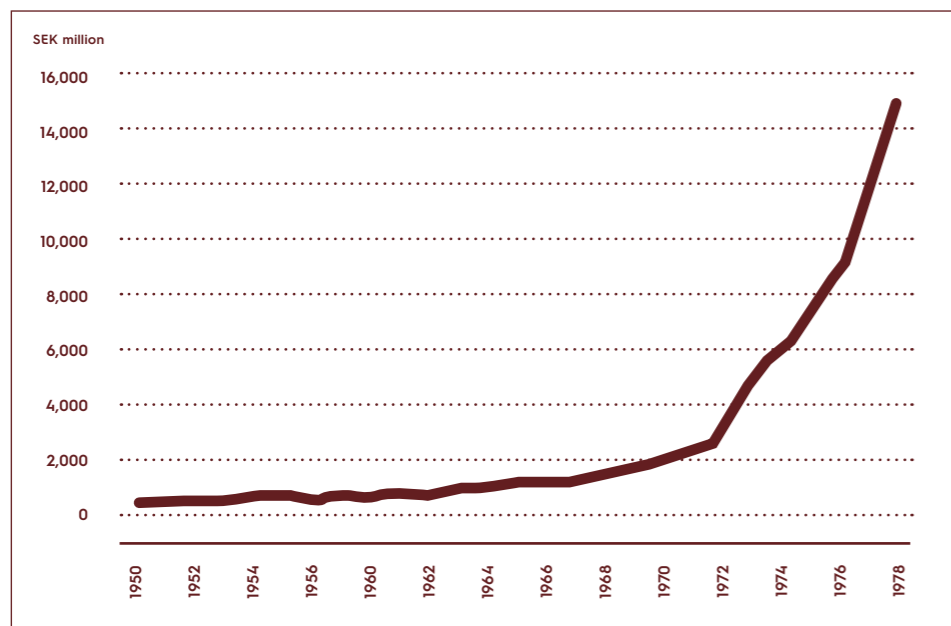
It was likely around this time that Werthén started considering the possibility of transferring billions from the restructuring of another Swedish giant to Electrolux. Such a maneuver would require the largest and most ferocious Swedish merger in history.

Sales quadrupled in six years

Group	1973	1974	1975	1976	1977	1978	1979
Turnover, SEK billion	4.2	5.5	6.4	7.7	9.2	12.0	15.1
Change, %	68	32	16	19	21	30	26
Operating margin, %	12	13	11	8	9	8	9
Employees, thousands	51.1	63.5	65.9	71.6	69.5	75.6	82.0
Equity, SEK billion	1.3	1.3	1.5	1.6	2.2	2.6	3.1
Equity ratio, %	38	29	29	30	32	29	27

In six years, the Group's billing increased by 250 percent, which during this period of inflation corresponded to a real increase of 12 percent annually, at the cost of lower margins. This was due in great part to the expanding service operations. Electrolux can thus be said to be moving along at around the same rate as earlier during the Werthén era. But profitability is going down.

Sales development



Three major deals in the last days of the Electrolux Troika



The Troika gathered in 1985: Gösta Bystedt, Anders Scharp and Hans Werthén.

Electrolux was a company with strained solvency, which meant that management started at an early stage to attack the working capital with different measures. By keeping down the buffer stock, the Group was eventually able to finance several acquisitions with an improved cashflow. This happened to coincide with a brief upwards trend in Sweden which was boosted by Swedish economic policy.

What was it that started happening in Sweden and in the world during the era of the Electrolux Troika? It is clear that the Swedish economy was irretrievably slowing down. The statistics indicate that for a quarter of a century, up until the mid-1990s, Sweden was dropping in the OECD's "welfare league." Before then, Swedish consumers were just behind their counterparts in North America along with Switzerland, which is also clearly reflected in the Annual Reports from the consumer product company Electrolux. Now, all of Northern Europe and Japan was making up the distance and even Southern Europe was catching up.

The purchasing power was growing outside of Sweden where politicians were struggling to keep the economy in balance. The Swedish social democracy was reeling; some believed that they could restore the faith with an even greater public sector, government projects and wage earners' funds. It was hard to accept that the main problem was the partly antiquated Swedish export industry and the cost explosion.

The centre-right parties had come into power in 1976, partly thanks to the Centre Party leader Thorbjörn Fälldin promising to stop the expansion of nuclear power, and they were concerned that they would quickly lose it again due to the discontent in the labor market. The solution to their dilemma was large government subsidies to failing businesses, labor market benefits, devaluations and compromises regarding nuclear energy. The money was flowing.

When the Social Democrats returned to government in 1982, Minister for Finance Kjell-Olof Feldt and Prime Minister Olof Palme got off to a flying start: devaluation of another 16%. Considering that the various centre-right governments had carried out no less than three devaluations after 1977, this was nothing short of an attack on the central banks and industries of other countries.

» In this dramatic reality,
Werthén was really in
his element. «

Over six years, up until 1984, the Swedish krona fell 57% against the yen, 52% against the Swiss franc, 48% against the dollar and 40% against the Deutschmark. Ronald Reagan's new policy took the dollar to record heights. No wonder that Swedish industrial companies soon entered an improbable and artificial profit cycle. The companies helped push up the share prices just like the foreign funds that were allowed to purchase Swedish shares at discount prices, calculated in their own currencies. The stock market would come to boil over at a 1,000% increase in the 1980s.

In this dramatic reality, Werthén was really in his element. Not only was he the former assistant of the same Professor Alfvén who had inspired the Center Party's resistance to nuclear power, but also the Chairman of one of the most exposed companies. He was furthermore one of the major private capitalists, with his large shareholdings in Electrolux and Gränges.

The general public got to read about Werthén's businesses as well as his opinion pieces on the need for new investments in nuclear power and the detriments of wage earners' funds and wage inflation. He did not have much to say about the weak exchange rate, which was the leverage that lifted many companies out of their miserable position including his own Swedish plants.

This helped to "normalize" the achievements of the Troika but also to point out that Werthén, who was perceived in political circles as something of an extremist, was more clear-sighted than most economic experts.

The Troika was now in its final days. Werthén had gone from President to working Chairman to regular Chairman. Bystedt had gone from Vice President to President and CEO. Scharp was next in line of course. Whether this was the right approach was always a topic of discussion. It was clear that Werthén would later have duties on the Board of both Gränges and Ericsson. And Scharp still had a number of problems left to solve after Werthén's reckless venture with Facit.



The French vacuum cleaner manufacturer Tornado was acquired in 1976.
The vacuum cleaner pictured here is from the 1980s.

Lennart Sundén, manager of three major appliances factories at that time and later President of Swedish Match, described the trio's interaction around 1980. "Werthén was the leader and was still making his mark on the organization, now as Chairman of the Board. His quotes were circulated widely. People talked about his highly effective management and the fact that he would always ask the right questions. Gösta was the cold sceptic whose role it was to put a stop to anything too impulsive, while at the same time he was never late to say yes to the good things. And then there was Scharp – a real doer and an extremely resolute leader who turned it all into practice."



Arthur Martin was acquired from France and Belgium's largest appliance maker in 1976. At left, a washing machine and at right, a gas cooker from the same year.

Business was booming

Around 1980, the Troika was making deal after deal. Aside from the chansaw acquisitions, there were other acquisitions within commercial equipment, major appliances, vacuum cleaners and service. Evidently, the smaller competitors within multiple industries had realized who they could count on to buy out a company with structural problems. This was the case in the Nordics as well as in Switzerland, the Netherlands and France. Swiss cooker factory Prometheus, French vacuum cleaner manufacturers Tornado and Paris-Rhone, Danish cooker factory Voss, Swedish Hugin and Finnish Rosenlew were all among the 50-something deals made at this time. The problem-stricken companies sought out Electrolux contacts and the message quickly reached the Troika. Not only did they work swiftly and pragmatically, they also had a canny ability to find new and responsible co-workers. It was a virtual breeding ground for managers.

Sundén, who would be involved in major appliances and vacuum cleaners at Electrolux for two decades, came to the Group after completing his education at Sweden's Royal Institute of Technology and the Stockholm School of Economics. He explains how quickly you could go from applying to working in the spring of 1977: "From the very beginning, I was working with Scharp and I would also see Bystedt on occasion. My classmates often had to be with the company for several years before they laid eyes on their boss. This concept was introduced by Werthén, and he personally selected quite a few people he thought would fit into this setting, and not only management."

The first really major foreign deal within major appliances took place in France in 1976 with Arthur Martin, a company with 5,200 employees. It was originally a Belgian company.

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Many Electrolux employees share their experiences from the Arthur Martin venture with a mix of emotions. They saw militant trade unions take forceful physical measures against the changes and government agencies formalistically opposing any cutbacks. However, Arthur Martin was still manufacturing dishwashers and washing machines that fitted the Group's portfolio, and part of the French company's range could be supplemented with Electrolux products from other areas. Not a success exactly, but an excellent practice court. Arthur Martin also had a successful subsidiary in Switzerland, where Electrolux could grow even stronger. In time, unmanageable plants would disappear while market share remained. That was how the restructuring and internationalization had to work. Expansion, with the new brands and plants, only made the market more crowded.

In Germany, it was almost overcrowded. Distributors such as Quelle were selling Italian discount appliances while Siemens, Miele and AEG were struggling to survive. The low margins meant that products remained unchanged and technically obsolete. In 1982, Electrolux was in talks with AEG and the parties made it all the way to contract signing before the deal was interrupted.

But now, Marcus Wallenberg was on his deathbed and the succession had not yet been decided as the Volvo President PG Gyllenhammar was still being considered by the old man. Werthén and Nicolin were instrumental in ensuring that Wallenberg's son Peter quickly took control of the sphere's investment companies Investor and Providentia as well as the family foundations.

The German negotiations still led to Electrolux taking over the washing machine manufacturer Zanker in the 1980s, which also made dryers.

In North America, the major appliances market had headed in a different direction with larger and more extravagant equipment. There had been a few American attempts on the European market, but these were faced with customers who could rarely afford their "flashy" kitchen appliances and refrigeration products. The three major players of General Electric, Whirlpool and White were no longer more innovative and efficient than Electrolux. They were working with depressed margins that, due to the short-term equity market, allowed for nothing more than tactical development investments. Investments in air conditioning had done little to alleviate the sense of a saturated industry.

The only product with a positive growth trend was the microwave oven. Ready-made meals that could be quickly reheated were growing in popularity and three million units were sold in North America following a rapid expansion. In Sweden, Husqvarna had already invested in the technology but it had failed. The price tag was a deterrent and the high wattage made it difficult to use. In Japan manufacturing had been more successful. The appliance suited large companies like Panasonic as well as the small Japanese kitchens. Unlike other kitchen appliances, the microwave oven was a global product from the start, which could be exported everywhere without adaptation to the local culinary culture.

The first major appliance deal in the US was served to Electrolux on a plate in the fall of 1979 when the shareholder activist Carl Icahn led an attack on the company Tappan which had 4,600 employees. In desperation, the owner family turned to Electrolux, expecting more understanding from this “white knight.” The old cooker manufacturer was a trailblazer in microwave ovens after having licensed the patent from Raytheon Corporation in 1955. Werthén agreed to go in as the majority owner and Electrolux had consequently entered the market of yet another major appliance category. Tappan had a total turnover of close to SEK one billion from gas and electric cookers, microwave ovens, dishwashers, refrigerators and cabinets.



Tappan, which was acquired in 1979, was an American company manufacturing cookers, microwave ovens and kitchen carpentry. These pictures are from the Tappan factory in Dalton, Georgia, in the US in 1984.



Gränges

A few years earlier, Werthén had accepted a Board chairmanship outside of Electrolux – in one of the most well renowned companies on the stock market – the mining and steel Group Gränges, which was faltering.

In the great crisis year for Swedish industry of 1977, Gränges' Chairman and former President Erland Waldenström had called Werthén to ask if he would consider contributing with his experience of company restructuring by becoming a member of the Gränges Board of Directors. It was a request that eventually got Marcus Wallenberg involved.

“Sure, join the Board, but make sure you are the Chairman,” he said. The Wallenberg sphere had no influence over Gränges but “Dodde” (Marcus Wallenberg) was something of an orchestrator in the industrial sector all the way up to his death. He had his hand in most things, and if his associates were going out on loan, there was a hefty price to be paid.

As a result Werthén found himself personally endowed with the power over the most important company within the primary industry. At his side was consultant Bo Abrahamsson, who had previously been a valued President of various companies within Wallenberg's Incentive Group.

In the late 1950s and early 1960s, the primary industry was seeing a positive trend and the management of Gränges had significant capital to invest after selling its share of the mining company LKAB to the state. The great Lamco project in Liberia, West Africa, related to iron ore mining. Oxelösund was one of the greatest investments in Swedish industry history, with a new rolling mill, a new steel plant and a new coke oven plant. Another addition to the steel plants was the gradual acquisition of stainless steel manufacturer Nyby Bruk. The Gränges fleet was extended to comprise 37 ships with a total tonnage of 630,000, making it one of the largest shipping companies in the country. Among the company's many projects was also the resumed iron ore mining at the Stråssa mine, which had been closed for more than three decades. Together with Korsör Glasværk



It was 1980 when Electrolux acquired the Swedish mining and steel company Gränges. At left, Gränges CEO Bo Abrahamsson and at right, Electrolux CEO Gösta Bystedt.

in Denmark, the company built a new plate glass plant, the largest in Europe. Gränges bought stakes in the Belgian steel plant MEL, one of Europe's main producers of hot and cold-rolled sheet metal.

Bröderna Hedlund, a company in Stockholm that had been working in steel construction for 50 years, making everything from pipes to high-rise structures, fitted well into this scenario. Other heavy metal operations were added in the form of Pullmax and Svenska Metalock, which had obtained development rights to an American method of repairing cast iron products. In 1964, the Belgian company Graver was also purchased along with its four workshops in the vicinity of Brussels.

It all followed a logical sequence and yet it turned out to be a complete disaster when the primary industry crisis, both in Sweden and internationally, hit with full force in 1976.

Now, the former Head of Accounting Johan Åkerman was the new President of Gränges, but since the Group had a largely decentralized organization and the Board supported the investments, he was in constant negotiations regarding expansions that the subsidiary executives wanted funding for. The head of Oxelösund was Ian Wachtmeister and the President of Nyby was Olle Lundh. They expanded Sweden's regular and alloy steel industries at a time when the golden era of the primary industry had already passed. In an interview with *Affärsvärlden*, Åkerman warned of pending disaster, but he apparently did not have the authority to deal with the problems.

Instead of the previously large managerial and decision-making cadre, a new central power duo emerged. President Abrahamsson and Chairman Werthén did not simply rest on their laurels. They reduced the balance sheet total by a little over SEK 1.4 billion in a single year. Committees and inquiries were prohibited and a number of officials were forced to leave. Several of the major operations were sold off.



The Troika has cleaned up Gränges. Drawing by Folke Nordlinder, probably from the white-collar union TCO newspaper.

The fact that steel manufacturing was particularly unsuccessful was due to structural causes. The global shipbuilding industry, where Sweden ranked second in the world and Gränges was an important sub-supplier, had overbuilt. Generally speaking, less high-quality steel was now needed for the same structures and Sweden was also building less than before.

In two years, Gränges was stripped down by 10,000 employees to a total of approximately 19,000. Abrahamsson and Werthén managed to eliminate losses of SEK 600 million, primarily due to the new, partially state-owned company Svenskt Stål AB, which took over 6,000 of Gränges' employees from the regular steel business. The two major steel

» Werthén was considering whether Gränges could instead be used for another Electrolux expansion. There appeared to be several more rivals to buy out in this excessively crowded industry. «

mills of state-owned company Norrbottens Järnverk (NJA) in Luleå and Stora Kopparbergs' Domnarvet were also facing a crisis. The taxpayers had to foot the bill but SSAB would later be successful, not least with the high-strength steel made in Oxelösund.

By 1980 Gränges was finally reporting a small profit. Werthén had promised Abrahamsson that another expansion phase for the company would be initiated. But at the same time, Werthén was considering whether Gränges could instead be used for another Electrolux expansion. There appeared to be several more rivals to buy out in this excessively crowded industry.

And so Werthén managed to successfully entice Marcus Wallenberg to agree to an Electrolux offer on Gränges in January 1980. The transaction was to be made through convertible debentures at a value of SEK 725 million, making it one of the most spectacular mergers in Swedish company history.

"That was completely out of the blue," according to Scharp. "I remember that I was in England at the time. Gösta called me up saying that someone was preparing to make an offer on Gränges. 'We need to submit our own offer,' he said. I made some feeble objection. We were talking about SEK 725 million just after New Year's, and we hadn't even closed the books on 1979."

In view of the devaluation that was coming just around the corner, which Werthén had no way of foreseeing, this would later yet look like a stroke of genius. Few companies had as much to gain from a devaluation as Gränges. But Werthén's heart was in Electrolux, as

was his main shareholding. This is where he wanted to see the expansion to a world-leading company, which was also wise considering that all other markets were doing better than Sweden and the European project would soon have a remarkable revival. By forming a Group with Gränges, Electrolux would be able to benefit from its assets.

However, the offer was highly disappointing to Abrahamsson, even if it secured his shareholding. He left, realizing that as the President of a listed company he would not be able to realize his vision of a renewed expansion. He was replaced by Bystedt just in time for Sweden to enter a time of extremely weak currency.

Werthén's explanations of how the deal was made for potential synergies was met with scoffs from the business reporters. For a long time to come, they would not let Werthén forget about the "sintering details" that could supposedly be purchased from the new subsidiary. Gränges' sintering steel could of course contribute to components of Electrolux and Husqvarna electric motors – this was true, but irrelevant in the bigger picture. It was clear as day that the Troika was up to more asset stripping.

The hydropower was sold to Vattenfall for SEK 1.2 billion in 1981 – a price that stunned the energy industry. The head office and other assets brought in SEK 2 billion. It is also noteworthy that the Swedish Government, in order to approve the Vattenfall deal, demanded that Gränges Kraft invest SEK 375 million in SSAB capital stock and lend the company another SEK 150 million. There was a lot of political commotion surrounding the formation of SSAB.

Bystedt then sold off the metalworks and Virsbo to Finnish Outokumpu at devaluated Swedish prices. Little more than the aluminum operation remained.

But the most interesting addition was Gränges Weda, which at first manufactured seatbelts and later airbags in response to the mandatory seatbelt usage in Sweden. In the hands of Gunnar Bark, this small part of the Group was painstakingly transformed into the global company Autoliv through various transactions, including the acquisition of competitors that had become so typical of Electrolux. Much like Stork, Bark was more of a strong-willed entrepreneur than a bureaucrat. And there was room for those too at Electrolux. The company would go far, considering that in the 1990s the internationally listed Autoliv became one of the greatest Swedish-founded successes of the post-war era.

Gränges Aluminium will also remain part of the story for another few chapters, as will Gränges International Mining due to its management of the Lamco project and its own prospecting activities in Canada. The latter allowed a new deposit of copper, zink, gold and silver located in Manitoba to be sold to the Hudson Bay Mining & Smelting Company.

The Gränges deal was to prove important in the preparations for the coming expansion of Electrolux. The fact that the structures of the primary industry had already broken apart before the weak Swedish currency once again put a damper on the industry that would create the conditions for a broad internationalization in many areas. It took time for Sweden to get back on its feet, but a few decades later, whole delegations of economists would come to Stockholm to learn about restructuring. At that point, Electrolux would no longer have a large part of its employees in the country. But for now, there were still 40,000 Swedes in Electrolux, out of a total 103,000 employees.



The year's largest international deal: Electrolux bought Zanussi. From the Swedish business daily *Dagens Industri* on November 16, 1984.

The Zanussi deal: A perfect union

The Italian companies Zanussi, Indesit and Ignis held one quarter of the European market while the previously merged Bosch Siemens, AEG, Bauknecht and Miele formed a German constellation that was almost as large. All these companies were local manufacturers with large exports. Electrolux was only in the middle of the European field along with Thomson from France, Philips of the Netherlands and Britain's Hoover. More than 100 small competitors made up the final third. Only Electrolux and Philips had working international operations.

In the early 1980s, the European major appliances markets had started to become saturated, with the exception of the lagging right-wing dictatorships in Greece and Spain. The same thing had already happened in North America. Despite the national differences in Europe, there were common consumer trends and a determined standardization propelled by the different export companies. Common European regulations would not emerge until the 1990s, but they were on the cards. Cookers were still local products.

Customers became increasingly demanding as they were no longer first-time buyers. They were now looking at tests to find the best performance and design. Competitive pricing, often via retailers such as German Quelle, was eating into profit margins. Among the greats, AEG, Zanussi and Bauknecht were already on the verge of collapse. Among the smaller companies, only German Miele had the power to create any "premium value."

For this reason, the elimination process was brutal. Only a tenth of the companies would survive the decade. A few examples of the acquisition process, aside from the deals made by Electrolux, include five major acquisitions by Philips before being sold to Whirlpool in turn. The market leader Bosch Siemens, which had been formed through a merger in 1967, bought Neff from AEG, as well as Pitsos in Greece and several Spanish manufacturers. Italian Candy, Merloni and Ocean swallowed up a number of domestic competitors. Electrolux just happened to make the boldest acquisitions.

Manufacturers were looking for synergies in everything from product development to production, marketing and distribution. However, they chose to operate several of the old brands in parallel so as to not challenge the loyalty of their customers.

A small player taking great risks

A first real leap towards Electrolux becoming a global enterprise started in 1983 with a mysterious visit from a small, ageing but formidable Italian. When the process began, the major appliances segment of Electrolux was a small player on the European market, only making a mark when it came to large refrigerators and cookers – washing machines and dishwashers were the weak link.

The difference between Electrolux and its greatest rivals was its top executives, who were used to taking large risks.

“I will probably never forget that November morning in 1983 when Hans came into my office and says: ‘There’s a couple of Italians who want to come see us, I said they could come today. What are you up to this morning?’ ‘I’ll clear my calendar,’ I said. Hans said: ‘They’re from Mediobanca and they want to discuss a company called Zanussi.’ ‘Yes, I’m well aware of Zanussi!’” This is Scharp’s account of how it happened. And so began a new era in the story of Electrolux major appliances.

» A first real leap towards Electrolux becoming a global enterprise started in 1983 with a mysterious visit from a small, ageing but formidable Italian. «

What impression might that visit have given the Italians, arriving at Essingen in the midst of a dark Swedish winter of darkest winter?

The Troika was still residing in the old central laboratory in Lilla Essingen. The furniture was a little worn by now, and the trio was always working in their shirtsleeves. When the new magazine *Ledarskap/Ekonomen* likened their board room to “the little club room of some rural community center,” it became Werthén’s favorite quote for a while.

Around this time, the Japanese company Panasonic had an executive in Stockholm called Toshiaki Onishi. He was completely sold on Electrolux and would tell of a disconcerting experience he once had in Essingen. He had managed to convince his boss to come to Sweden in order to get to know their respected competitor and collaborator.



The main entrance to Electrolux’s global headquarters at Lilla Essingen during the 1980s.



Enrico Cuccia, head of Mediobanca, tried to untangle the mess in Zanussi and suggested that Electrolux should take over the crisis-laden company.

The old venerable but somewhat fragile patriarch was brought to Essingen in a black limousine. The first thing he saw was a number of factory buildings, but there was no reception so the accompanying executive had to announce the visitor himself to a guard in a small box at the entrance. There were no signs indicating where to find the management, but luckily “Onishi-san” had been there before. If he had not studied the map at the gate carefully the last time he was there he would have probably got lost.

Now he found his way to the right building and a secretary showed the distinguished visitors to the inconspicuous meeting room where they were first invited to stand in line for the coffee machine alongside the management, each with a plastic cup in hand. Then they all took a seat on sofas and started talking without any of the pauses that the Japanese are accustomed to.

Onishi started to wonder if this was the end of his career. In Japan, there was a very formal promotion ladder that had to be climbed before there was any chance of reaching top executive positions. Once back in the car, the patriarch was just sitting there quietly with his eyes closed at first, which only served to make the moment more ominous. Then he finally looked up, and mumbled dreamily:

“What delightful simplicity. This is what I want to do at Panasonic.”

Some Japanese, and most Italians, probably did not have the same appreciation for the simple and pragmatic. There was a clash of culture with the Italians right away, and the Swedes were feeling “extremely skeptical.” But the message from the Italian banker was still clear: the companies were a good match.

So there would be more meetings.

The name of the 76-year-old, secretive head of Mediobanca that the Electrolux management would later meet was Enrico Cuccia. He was the high priest of Italian capitalism and all the old powerful families treated him with the utmost respect. He had started his career in the state-owned conglomerate IRI in the 1930s and had by now gained a great deal of influence in Italy’s financial and political establishment. Mediobanca was Italy’s most important corporate bank and Cuccia was the spider in a very wide web. He would continue far into his old age.

“We met that greying gentleman in Italy, a tough man accompanied by his henchman Marangi. They told us that Zanussi had made a bad speculation on the dollar, and that’s when Mediobanca had drawn the line,” said Scharp.

The major appliances Group Zanussi was overwhelmed by the subsidized industry and by the price competition, declared Cuccia. Not only that, the company had also diversified into operations outside the major appliances sector, with construction companies and household electronics. And now the Zanussi management had made a bad speculation on a currency transaction. Cuccia no longer trusted the Zanussi family to handle the situation and his people had been looking into all manner of potential buyers for the company, concluding that Electrolux would be a good option.

Eventually, the head of Zanussi, Umberto Cuttica, came to Essingen with his entourage. This time, all parties came better prepared. And so the process continued.

Scharp tells of a later meeting in Milan in November.

“The Italians drove a hard bargain, but we quickly realized that this was great for us strategically. As competitors, Zanussi felt that they had the upper hand in southern Europe whereas we did in the north. The combination of northern Europe and southern Europe was a very good departure point for a merger. They were good at washing machines and refrigerators, essentially all the major appliances. And then they were formidable on the Italian cooker market, which was a bit special. The problem was that they had 140 banks involved in their financial crisis.”

“Negotiations began, and we were heading down there – Hans, Gösta and I – to talk to them. But then there was so much back and forth with all the banks, because we needed them to write-down the loans. We didn’t feel like we were getting anywhere, and there was all that commotion in the papers. When I got tired, Gösta came down for a while. It was all a bit too much for us.”

The Italian public opinion started to stir. The powerful trade unions protested, and many of the business owners argued that the company had to be kept in Italian hands. Zanussi had removed operations that Electrolux had no interest in taking over, but it was still a question of between 18,000 and 20,000 jobs ending up in the Swedish Group.

“And then around Easter, Hans got a call from Peter ‘Pirre’ Wallenberg. ‘You won’t get anywhere in Italy unless you have a better Italian connection or people to take care of you,’ he said and suggested Gian Mario Rossignolo, who was with the Fiat Group and had been working with Swedish subsidiaries in SKF, Atlas Copco and Ericsson. Pirre knew him well. ‘You get in touch with him, you will never make it otherwise,’ he told us. And he was right of course.”

Peter Wallenberg had been on the Board of Electrolux as an “intern” before he became a real powerhouse following the death of his father Marcus in 1982.

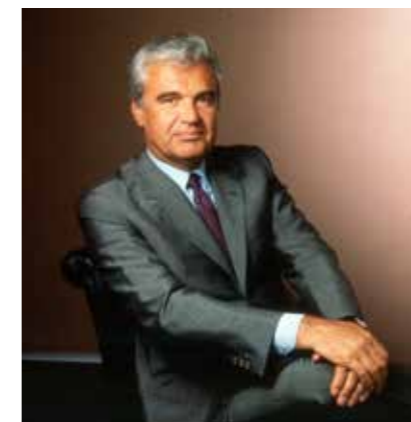
Wallenberg’s friend Rossignolo turned out to be a real Italian establishment insider who knew the political ropes. He was able to get meetings with trade unions, government representatives, local organizations and business leaders.

“Without Rossignolo’s incredible network, we couldn’t have done it,” Scharp adds. “And to top it off, he was really likable and nice.”

Despite this help, the Italian negotiations turned into a long process.



Pope John Paul II visits the Electrolux Zanussi factory in Porcia in 1990.



Gian Mario Rossignolo was a great help to Electrolux in the Zanussi deal. He came from the Fiat Group and had helped several Swedish subsidiaries of SKF, Atlas Copco and Ericsson in Italy.

"It was finally completed in 1984, and the fact that we managed to work out that deal was also largely thanks to our Head of Accounting Ribohn, who worked tirelessly with the bank mess. There was one bank in particular that was giving us a lot of trouble and refusing to sign the documents," said Scharp.

» To put it bluntly, we whipped Zanussi into shape in no time. They went from being a bleeding ulcer to a really successful acquisition. «

"I think that we had some 100 Italian banks and maybe 30–40 foreign banks that we needed to convince to make these concessions, and we are talking figures in the billions," recalls Ribohn. "There were write-downs and interest remissions, and so on. This meant that I was running around like crazy, back and forth to Italy and sometimes to London, just saying the same thing over and over again: everyone has to agree to the same concessions."

Despite the difficulties, Zanussi would be a great success for the new CEO Scharp: "I had Johansson as Head of Major Appliances and then President. He was the one organizing the collaboration where the north and south complemented one another surprisingly well. We were able to increase volumes almost right away. So that was truly a case of utilizing synergies!"

"To put it bluntly, we whipped Zanussi into shape in no time. They went from being a bleeding ulcer to a really successful acquisition," noted Johansson.

"We built up a brand new organization and broke through the division of 'hot-wet-cold' products within the Group. The national managers thought that the organization was working just fine. They were close to the market and locally well adapted, but that set-up would never produce any consolidated benefits. So we did the opposite and created international divisions instead."

The acquisition of Zanussi reinforced the position of Electrolux in Europe in terms of both markets and product range, just as they had hoped. Zanussi also came with large-scale compressor manufacturing, of which the new Electrolux was using millions. Together with Zanussi, Electrolux was also able to become a world-leading manufacturer of professional kitchen products. A truly successful union, unlike some of the other mergers carried out by the Troika.

History of Zanussi: A reflection of the Italian wonder

The story of Zanussi started with the young blacksmith's son Antonio, from a little village called Pordenone in the poor region of Friuli, who opened a small factory manufacturing cookers in 1916. His factory was a rather beautiful piece of craftsmanship under the name AZP (Antonio Zanussi Pordenone), which was installed on a factory floor the size of a one-bedroom apartment. Ten years later he had developed an entire product catalogue. In 1938, Zanussi was making 60,000 patented wood cookers a year, with the royal-sounding name Rex. The factory, which now had around 100 workers, had grown to 4,000 square meters.

Following the death of their father in 1946, the brothers Guido and Lino took over the factory, and Lino was the most driven of the two. He was 28 years old when the company reached 250 employees and had developed an oven series – the first gas cooker came a few years later. In 1952, the brothers went on a study trip to the US, and Lino realized that to survive and be competitive in the future was to create integrated and effective manufacturing systems, American style. The cooker production was growing fast but the brothers were still looking for new products. In 1954, they started making compressor refrigerators under license with a new design by Paolo Gaudenzi. Zanussi had found its winning strategy just as the industrial wonder of Italy really hit, with product advertising on television and the launch of the popular Fiat 500 car.

But on June 18, 1968, the happy times of constant growth and good profitability came to a dramatic end for Zanussi. Together with Vice President Alfio Di Vora and the head of the electronics subsidiary Ibelsa, Giovanni Battista



Zanussi was founded by Antonio Zanussi, who in 1916 established a small factory for the production of cookers in Pordenone in northern Italy.

Tolotti, Lino Zanussi was killed when the company plane went down over Spain. In a precarious situation, when problems seemed to be mounting, the company lost the leader who, with his creative imagination and drive, had built the foundation of its success and confidence.

The new President of Zanussi, Lamberto Mazza, seemed to have three ideas for how to preserve the legacy of Lino Zanussi in difficult times. The first and foremost was to make the company indispensable to the politicians and the state so that he could count on them for help in the event of a crisis. The second was to find new, profitable operations with growth potential that could support the company when the competition in major appliances, its core business, was reducing profitability and the possibilities to expand further. The third idea was to venture into the electronics business.

In the first few years, Mazza acquired various companies with some form of focus on television engineering. Zanussi chose to plough ahead through the crisis and only three years after changing presidents, the labor force had increased by 138% to 30,940.

As of 1979, Zanussi's figures were in the red and its stock market value started to plummet. However, the Group continued to increase its market shares in major appliances to 30% in Italy while 60% of production was being exported. Yet the management still had faith in diversification. In 1982, they had 28 different industrial companies and 50 production units. The debts continued to grow.

In 1983, the Mediobanca banker Cuccia decided to intervene and made sure that the entire management left the company. The intention was not to sell Zanussi but to find a partner that would consider maintaining operations in Italy. Electrolux was the obvious choice.



Refrigerator from Zanussi.

White: A large but broken piece of the puzzle

Cooperating with the American company Tappan, which had been purchased in 1979, had proven more difficult than expected. The Swedes had made the same mistake as the Americans had made in Europe – they underestimated the conservatism of the customers. Tappan's engineers were completely bound by the shortsightedness of the stock market. There was little room for long-term strategizing. Nor did Tappan have the organization needed to market the different products of the Group on the massive American market.

In his final years as Chairman, Werthén had therefore started talking about making the leap across the Atlantic and making Electrolux into a truly global company. The leap was made in the year that he reached the retirement age of 67.

On the morning of Friday January 28, 1986, a private jet carrying two Swedish executives and an American legal advisor touched down in Cleveland, Ohio. Werthén and Scharp were a little nervous since they were about to make a surprise visit to their competitor White Consolidated's management that afternoon.

White was not particularly successful, but the organization would still fit well into the international Electrolux puzzle. White had everything that Tappan lacked within the major appliances sector along with a number of segments that could be sold off, such as air conditioning products. The only question was whether they would be open to negotiations.

» In his final years as Chairman, Werthén had therefore started talking about making the leap across the Atlantic and making Electrolux into a truly global company. «

The White factory in Cincinnati, Ohio in the late 1980s.



» Who other than these dumb Swedes would possibly pay such a generous price for a stagnating low-margin company? «

White appeared to be a mix of leftovers from a restructuring process, in which the car manufacturer General Motors had sold off its holdings in the consumer sector, including brands such as Kelvinator and Frigidaire. But this was not the first contact between the two companies. A year prior, it had been the White management who had come knocking, asking to acquire Tappan with the gas cookers and microwave ovens that White was lacking. Werthén could think on his feet and replied that unfortunately Tappan was not for sale, asking in return if it would be possible for Electrolux to buy White instead. The White management politely referred to an anti-trust suit, but they did not fully reject the proposal.

Since then, Electrolux had been working with the American banking firm Dillon Read. What was the situation of White, and what operations needed to be sold off? Only a select few were involved in the preparations and the Board had given them permission to proceed. The time had come to reach out, just before the weekend. This would allow the acquisition process to begin when large parts of Wall Street were relaxing at home. That would make it harder to mobilize any resistance.

The first line of the offensive was a generous offer of 43 dollars per share, which corresponded to 22 times the profit of the business. Something along the lines of 15 would have been more reasonable but Electrolux made the assessment that such an offer would not be tempting enough.

A few hours later, Werthén and Scharp were on the plane back to New York with a feeling that it was now a question of finding the right price level rather than adamant resistance. The fact that the Americans had refused flat out was just part of the game. At home, in the Swedish winter's night, Bystedt and General Counsel Ulf Magnusson were waiting impatiently. Everyone quickly agreed. Let's do this!

On the Monday morning, Electrolux presented a detailed proposal along with a higher offer of 45 dollars per share. The Board of White responded by making themselves unavailable for two days, only to then sue Electrolux on Wednesday morning over a few details in the proposal. The aim was obvious: getting a temporary acquisition ban to make time for competing offers to arrive. However, the federal district court would not allow it and no other bidder appeared. When Electrolux increased its offer to USD 47 per share, equivalent to a total of SEK 5.4 billion, the Board of White saw no choice but to surrender.

Who other than these dumb Swedes would possibly pay such a generous price for a stagnating low-margin company?

"White was a company in decay, a conglomerate of acquisitions and factories that really delivered the majority of its products to retail chains like Sears and did not have any of the strongest brands," says Per Melin, who had a long career in production and was involved in the restructuring.

Whirlpool, General Electric and the laundry specialist Maytag were all considered more appealing options for Electrolux, but these were deals that the Swedish company could not afford financially. The choice was White or nothing.

Electrolux made a "cluster of deals" and assuredly not all of them were good. But the company was in need of a jumping-off point in North America in order to build a global company. Certain acquisitions, such as the road equipment manufacturer Blaw-Knox, really had no place in the Group. But even then, an unfamiliar business could be sold at a profit (1994). The point was still that Electrolux never hesitated to continue down the path towards becoming a global Group. No other buyer in the industry had a deal of this caliber under their belt.



Frigidaire kitchen with all-white products of European design. From 1988.

The story of White and Frigidaire

White had originally begun as a sewing machine manufacturer in 1858. The company went through various phases of diversification and specialization. One spin-off company was the truck manufacturer White Motor in 1906, which is now part of the Volvo Group. In the early 1950s, the company was in crisis.

From 1955, former consultant and company doctor Edward Reddig reorganized the company. The sewing machine production was relocated abroad and the management bought one major appliances operation after the other in a process very similar to that carried out by Werthén in the 1970s. The car companies had started branching out into major appliances but many of their activities were on too small a scale when the market matured. In the 1960s, Reddig bought Westinghouse Appliances from American Motors, and Gibson from Studebaker. All major appliances from the major electrical company Westinghouse were incorporated in stages up until 1975, and then finally in 1979 Frigidaire was bought from General Motors.

In 1980, White had a turnover of USD 2.1 billion and had almost caught up with Whirlpool, but had a smaller profit margin. The main player in the major appliances industry was still General Electric. Just like Electrolux, White ventured into other industries, but 76% remained in major appliances. More than half of the major appliances turnover came from discount retail models when Electrolux acquired the company in 1986.

The Frigidaire Company was founded as the Guardian Frigerator Company in Fort Wayne, Indiana, USA. The company developed the first self-contained refrigerator already in 1916, based on compressor technology. In 1918,



Frigidaire keeps food fresh

Frigidaire was one of the brands that accompanied the purchase of the appliance giant White in 1986. Advertisement for refrigerators from Frigidaire.



A washing machine of the Westinghouse brand from the period 1980-1985.

William C. Durant, a General Motors executive, invested in the company and in 1919, it took the name Frigidaire. The brand was so well known in the early 20th century that many Americans called any refrigerator, whatever its brand, a "Frigidaire."

Frigidaire improved its products progressively over the years to accommodate to the needs and wants of the American consumer, coming out with new product lines every couple of years. In 1921, the company introduced metal linings made of hydrolene which provided notably better insulation and more efficient refrigeration. In 1924, it started adding more cubbies within the appliances, such as ice cream cabinets and drawers. In 1926, the design was changed to the more familiar all-steel style for which Frigidaire is known today and shortly after the company introduced porcelain-on-steel. A milestone was hit in 1929 when Frigidaire sold its one-millionth fridge.

In 1937, new fridges began including fancier components, such as ice dispensers and humidified drawers for produce. It was around this time that the company decided to expand its markets and release lines of ranges, air conditioners, and laundry products like washers and dryers.

General Motors had majority ownership in the company from 1919 all the way until 1979 when the Ohio-based company was acquired by the White Sewing Machine Company, which was then purchased by Electrolux in 1986.

Today, Frigidaire is one of the Electrolux Group's key brands and its main brand in USA, Canada and Central America.



Westinghouse was another brand that accompanied the purchase of White. This picture shows kitchen equipment in the form of a cooker and refrigerator of the same brand, probably from the 1920s.

A world-leading company

In hindsight, 1986 appears to be one of the most important years in the history of Electrolux. In this year White was incorporated and the remaining shares of Zanussi were acquired. The formerly troubled, niche Swedish company had finally become a world leader and international analysts were starting to take note. In 1987, the stock market value of Electrolux reached SEK 25 billion after a radical revaluation: a twelve-fold increase in five years!

A contributing factor was the Stockholm stock market had become something of a pressure cooker since companies were reporting devaluated profits that were not allowed to be invested abroad without permission from Sweden's Central Bank. While waiting for liberalizations and new projects, any self-respecting company leader would invest large sums in shares and rejoice in the capital gain. Also making investments and pushing the growth were the new wage earners' funds.

Major acquisitions 1980-1995

Year	Company	Country	Main activity
1980	Gränges	Sweden	Steel, metal, mines, etc.
	Voss	Denmark	Cookers
1981	Progress	Germany	Vacuum cleaners
	Paris-Rhone	France	Vacuum cleaners
1982	Rosenlew	Finland	Major appliances
1984	Zanussi	Italy	Major appliances, prof. kitchen equipment
1985	Zanker	Germany	Major appliances
1986	White	USA	Major appliances
	Poulan/Weed Eater	USA	Outdoor products
1987	Thorn EMI	UK	Major appliances, prof. kitchen equipment
1988	Corberó/Domar	Spain	Major appliances
	American Yard Products	USA	Outdoor products
1989	Buderus	Germany	Professional kitchen equipment
1991	Lehel	Hungary	Major appliances
1994	AEG	Germany	Major appliances

The Lamco project



Hans Werthén visiting Liberia around 1981-1983.

Werthén had spent part of his last years at Electrolux fulfilling his most eccentric undertaking: responsibility of a mountain range in the West African jungle. On Christmas Eve 1989, an attempted coup against the President of Liberia, Samuel Doe, had taken place during which the military killed hundreds of civilians and thousands fled the country. A bloody civil war began which put a stop to what was left of the Lamco mining project that Electrolux had become involved in through the acquisition of Gränges.

"We actually were really lucky," says former CFO Matts Ekman. "The mining project in Liberia had been terminated just a few months earlier as there was no more ore in Liberia and we were not permitted to continue mining in the neighboring country of Guinea. We had been forced to shut it down and had already got all the people and equipment out. And now, the rest was torn apart."

The Lamco project is perhaps one of the oddest projects abroad ever, and like much else in the industry during the post-war era it was Marcus Wallenberg who was pulling the strings. Just getting the project off the ground in the 1950s had taken USD 225 million and involved Bethlehem Steel, Gränges, Atlas Copco, Skånska Cementgjuteriet (Skanska), etc.

The project was a contractual joint venture between the Liberian American-Swedish Minerals Co (75%) and Bethlehem Steel (25%), referred to as the Lamco Joint Venture. The Liberian government was given half of the first company without injecting any money, while the private investors, led by Gränges, owned the other half through the Canadian company Liberian Iron Ore.

Since Lamco Joint Venture did not have any board or executive management, Gränges was assigned on behalf of the two owners as the manager in charge of the overall operation of the project. Gränges was also put in charge of selling the ore that was not part of Bethlehem Steel's share. Nimba, a desolate mountain range on the northern border, was really a second-hand option that came up when a more easily accessible deposit proved too poor. It was easily mined and pure ore, but all infrastructure had to be constructed on site: railway, mining port, power stations and housing.

From 1979 onwards, the project started making a loss due to the global recession. When Werthén entered the picture, it was just a matter of getting the last ore out of the mountain. The problems quickly amassed as the insurgent Doe took power in a military coup and put longtime President William Tolbert before a firing squad.

Against all odds, Werthén managed to work with the new ruler. Also on the Board were Bystedt, Gränges' President Abrahamsson, General Counsel Magnusson and Ekman.

"I think that Werthén appreciated the surrealness of President Doe and his ministers. He managed to bring home as much money as possible through some rather bold decisions. Doe put his accomplices in various ministerial positions and they all became financially dependent on Lamco," says Ekman.

Werthén even managed to obtain a Liberian diplomatic passport. At some point, the Doe regime found itself lacking the funds to pay the salaries of its civil servants in Liberia. The Minister for Finance and the Minister for Justice went to Magnusson in Stockholm and asked: "Is the old man here?" They wanted to borrow USD 10 million for the salaries. A loan was arranged with securities.

Magnusson remembers other bizarre stories. Board meetings were always held in Zürich, London or New York. At one meeting in New York, which was formally held for two companies, i.e. Lamco and Lamco Joint Venture, the Liberians demanded to have double tickets for the journey, one for each company. "But of course," said Werthén.

"He counted on getting the upper hand in important discussions as a result. The rest of us felt that he was playing for high stakes, but it proved to be the right thing. We won a few months at a time and managed to complete the mining and settle up with the government," says Ekman.

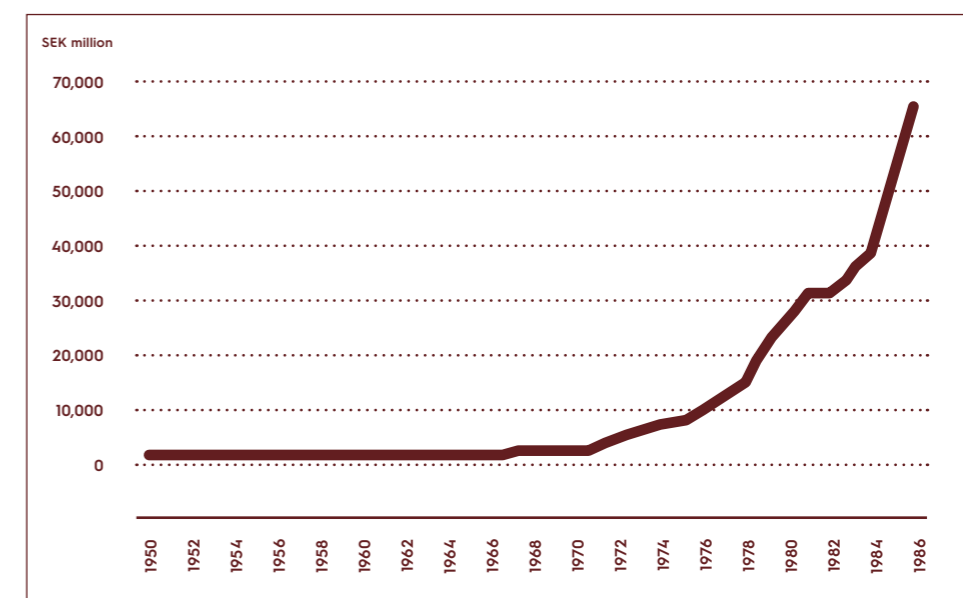
Electrolux in figures

Growing 8% annually

Group	1980	1981	1982	1983	1984	1985	1986	1987
Sales, SEK billion	22.9	26.6	31.7	32.1	34.5	39.7	53.1	67.4
Change, %	51	17	19	1	7	15	33	27
Operating margin, %	8	7	6	8	9	8	6	6
Employees, thousands	99.0	97.8	96.6	86.3	87.0	91.1	129.9	140.5
Equity, SEK billion	3.7	4.8	5.2	5.7	6.9	8.3	11.7	11.9
Equity ratio, %	21	22	21	24	26	28	24	25
Share price, SEK	44	41	60	119	121	194	311	193

In eight years, the Group's billing increased by 195%, or in real figures by close to 8% annually. In other words, the expansion rate had slowed somewhat and it was harder for a large group to grow through acquisitions despite large deals such as Gränges, Zanussi and White. The stock market quickened but then fell towards the end of 1987 following the Wall Street crash.

Sales development



Anders Scharp at the helm



Anders Scharp had an unfailing ability to find weaknesses (and strengths) in the factories he liked to visit.

Having sole reign from 1986 onwards, Scharp started building a broader organization with heads of division and specialists. Electrolux was now leading in Europe and number three in North America when it came to major appliances, which made it number one in the world. The full range offered on both sides of the Atlantic produced benefits in terms of purchasing, distribution and marketing. The retailers had to deal with fewer suppliers, and the possibilities for coordinated brand advertising and positioning increased. Transport became more efficient and the manufacturing series longer.

“It’s the same trick as always,” said Scharp in an interview with Swedish business magazine, *Veckans Affärer*. “Lower the costs, increase productivity through streamlining, investments and coordination of manufacturing to produce more volumes. It takes time and there is no use hoping for a quick fix.”

» Scharp was a workaholic with a cast iron stomach “hardened by cup after cup of stale office coffee” over twenty years of working late nights. «

Scharp was a workaholic with a cast iron stomach “hardened by cup after cup of stale office coffee” over twenty years of working late nights. A man who managed 100 working days of the year on the road because his greatest passion was the Electrolux factories and their managers. He was able to handle the shortsightedness of the American industry, but on the other hand admitted to having negative prejudices about the Italian system. A leader with a firm grasp on reality who was not prone to fanciful visions. This is how his employees summed him up, jokingly but affectionately, in a piece published in *Veckans Affärer* in 1988. And the hard-working phenomenon Scharp was of course nothing without his much-appreciated secretary Harriet Ullman, who had a long career at Electrolux.

As the story of Electrolux continues, the view of the main actors gradually changes.

Chairman of the Board Werthén, now aged 67, was fully wrapped up in his chairmanship at Ericsson and the transformation of that company, from the personal computer segment to the initial expansion into cellphones. He was rarely seen at Electrolux. Vice Chairman Bystedt now held the corresponding position in the Johnson Group, and he spent more and more of his time and energy there since he would never be Chairman of Electrolux.

Scharp was supported by two Vice Presidents in the Group management: Lennart Ribohn, Head of Finance, and Bertil Ljungquist. The Group was handling 430 different operating companies, which made the organization appear unusually flat. The circumstances had placed Electrolux somewhere in-between a consumer product company and a conglomerate.

Johansson was in charge of the core activities, the largest and most problematic segment, i.e. major appliances. In the Annual Report, the figures for vacuum cleaners and absorption refrigerators were still placed within the major appliances segment. But they were operated in separate organizations, managed by Christer Forsström and Stork respectively. Profitability for both remained at a significantly higher level than for major appliances. The management was reluctant to highlight this if they could avoid it, even though the managers of the product lines in question would often grumble about how most resources went to the least profitable operation.

The manager of forestry and gardening products was Hans G. Bäckman, who handled the task both skillfully and successfully, and the profit margin was twice that of household products. In other words, the diversification into outdoor products appeared to have been a really smart move.

Other almost as successful diversification projects were professional products and services. Commercial cleaning equipment was included in vacuum cleaner activities, and cleaning services in the subsidiary ASAB, while the product line for laundry service and goods protection was led by Ljungquist in Group management. Commercial refrigerator equipment and professional kitchen equipment were the responsibility of Per-Olof Sjöberg, along with sewing machines on the consumer product side. The Electrolux organization did not work with strict divisions.

Adding to the picture of a Group that had emerged from acquisitions of a wide variety of businesses were Bark's seatbelts/industrial components and Per-Olof Aronson's completely disparate remaining operations within what was left of Gränges. In the 1989 economy, Gränges Aluminium would represent 18% of consolidated profit, and Aronson's task was of course to enable some form of divestment.

Important investments were made around this time in both logistics and service. Curt Egerot, part of the generation born in the 1930s, built up a service organization with spare parts – profitable and ahead of its time. Electrolux battled the bureaucratic railway companies and managed to get transportation from Pordenone in Italy to Mariestad in Sweden down from fifteen days to three. The company also negotiated with the large shipping cartel of the North Atlantic, where the Group was now one of the largest freight buyers.

Professional products

The Andrea Doria catastrophe occurred just after 11pm local time on July 25, 1956. The Swedish-American Line's passenger steamer M/S Stockholm, collided with the Italian Atlantic steamship Andrea Doria. The M/S Stockholm had just begun its passage over the Atlantic from New York to Gothenburg and the Andrea Doria was on its way into the New York City harbor from Genoa. For some unknown reason the two ships collided just outside of Nantucket, north of New York. With her ice-breaking prowess the M/S Stockholm tore a 20-metre gash in the starboard side of the Andrea Doria. Damage to the Stockholm was limited to the bow of the ship and she entered port under her own power. Andrea Doria sank after eleven hours.



Wascomat coin operated laundry opened in the US in 1955 and has since used Electrolux Professional Laundry products.

Bernhard Milch, hired by an insurance company, was one of the people who assessed the damage to M/S Stockholm. The ship's laundry facilities were located to the bow of the ship and were equipped with machines from Sweden. Milch entered the damaged laundry room, which had been flooded with seawater, inspected the dried out machines and tried to start them. To his great surprise, the Swedish washers functioned as if nothing had happened.

Milch realized that such durable and reliable machines could be utilized within the rapidly growing American laundromat business. He contacted the factory and eventually secured marketing rights for the Swedish laundry equipment, focusing on coin-operated laundromats. His descendants are still today a major client and distributor of Electrolux Professional laundry solutions in North America under the name of Laundrylux, celebrating 65 years continuous relationship with the Swedish industry and Electrolux.

"Durability and sturdiness are qualities our professional customers value," says the present-day Head of Electrolux Professional Alberto Zanata.

Zanata joined Electrolux in 1989. For five years, Zanata heralded the start of Electrolux Professional North America before becoming President and responsible for the entire sector, which accounts for 6% of consolidated revenue, but most often for double percent of the profit. Customer segments include restaurants, hotels, bars and cafes, hospitals, commercial laundry and food chains and retail stores.

In 1984, the Electrolux professional kitchen operations, which was a result of the merger with Elektro-Helios in 1962, grew significantly thanks to the acquisition of Zanussi Professional in Italy, which led to the creation of a strategic plan to expand food service products in Europe. Later, the sector head office was located in Vallenoncello outside Pordenone, north of Venice.

Electrolux Professional has taken the lead in innovation in several areas over the years, innovations that prioritize sustainability and make customers' work-life easier and more profitable. The Lagoon wet cleaning system, which was introduced in 2004 replaces solvent-based cleaning. The Air-O-Steam from 2002 was the first product in the Air-O-System, a complete series of highly advanced products for professional kitchens. And the numerous international award-winning Speedelight is the first high speed cooking solution.

There are a number of specialist brands within Electrolux Professional, such as Zanussi, Dito-Sama, Veetsan, as well as beverage brands including Crathco and Grindmaster-Cecilware, and the rental laundry specialist Schneidereit.

Named after its founder Joseph Molteni, an Italian who married in France, the Molteni brand has been in a class of its own since 1923. Molteni was delivering their first stoves to the emblematic French chefs Fernand Point from La Pyramide to Vienne and to Andre Pic from Maison Pic to Valence just before the Second World War. During his apprenticeship with Point, Paul Bocuse began his life-time appreciation of Molteni along with the likes of Molteni ambassador Alain Ducasse today. Today, Molteni remains the leading name in custom-crafted premium stoves. It was brought into the Electrolux Professional family in 1986.

Zanata says: "I remember the day when a famous US chef requested a Molteni the same color of his hair, it being his trademark and he wanted everything in his restaurant branded. I could not believe it! But we made it, because Molteni is made just for you."

Professional products, continued

They say chefs are the rock stars of current times. People listen to and follow chefs and the trend is similar all over the world. There seems to be no end to cooking programs in the media, supporting chefs' everyday work. Adding to the development of the hospitality business, innovation in technology and sustainability has always been core for Electrolux Professional. For around 50 years, Electrolux Professional has had a Chef Academy to involve chefs in relevant product development as well as being part of the onboarding process for new customers.

Worldchefs, the World Association of Chefs' Societies, is a global network of chefs associations founded in 1928. The network comprises millions of chefs in more than 100 countries. For many years, Electrolux Professional has partnered with Worldchefs in training sessions on sustainable cooking and, in recent years, a close collaboration with Feed the Planet has brought actions on addressing food waste as well as education to help those less fortunate find employment in the hospitality industry. Electrolux Professional and chefs achieve great things together.

Electrolux Professional has grown organically, mainly via customers in Europe, but its presence has increased in the rest of the world, especially in North America, Asia-Pacific and the Middle East. Recently, growth has been added through acquisitions. In 2015, Veetsan, one of the largest manufacturers of professional dishwashers in China, joined the Professional family. The following year, Grindmaster-Cecilware, a US-based manufacturer of coffee machines and beverage dispensing equipment was acquired. In 2018, the Germany-based company Schneidereit, a supplier of laundry rental solutions, opened up new business potential.

"We have developed from supplying food service products and laundry systems into being the first solution provider in the hospitality industry, becoming the one with complete offerings in food, beverage and laundry, including connected services," Zanata says. "And it gives us a constant contact and understanding with."



Continued acquisitions

The acquisition activities in Electrolux continued full steam for a while. The British conglomerate Thorn EMI had long been trying to sell its major appliances division. In 1987, Scharp and Johansson saw an opportunity to enter the innovative British cooker market at a reduced price, and to establish a leading position in the United Kingdom for all major appliances. The professional kitchen segment was also interesting for the completion of the Group structure.

The next major deal related to the Spanish market came with the Zanussi deal. In terms of maturity, this market was behind others in Europe in everything from vacuum cleaners to dishwashers. Now Electrolux was going all in by purchasing the manufacturers Domar and Corbero. The Spanish market became even more significant when the compressor manufacturer Unidad Hermética was acquired. Not the best companies to purchase in hindsight, but they were the ticket into Spain.

In the gardening segment, Electrolux also acquired American Roper, one of the world's leading companies when it came to riding mowers, or "riders." The logic behind the purchase was to be able to offer these in Europe as well. Several smaller seatbelt companies were bought up, including Britax in the United Kingdom.

The German Flick empire was being liquidated. In 1989, Electrolux took over the manufacturing of household and professional kitchen products, including industrial washing machines in the sub-group Buderus, a Spanish plastic component company and a Dutch company making commercial refrigerator equipment. In 1990, several smaller deals were made to add American battery-driven gardening equipment, German AEG motors, Canadian chest freezers and British cabinets to the Electrolux Group.

Through the acquisition of Roper at the end of the 1980s, the Group's product program was expanded with "riders", or garden tractors, which enabled the manufacture of this garden tractor from Jonsered.



From country managers to divisionalization

The Electrolux organization had grown from a system where the business ideas often came from the country managers. Each of these managers were striving to expand their own operations and increase profits, which worked as long as the European industry was characterized by national export companies. With the creation of the single market it was possible for the first time to sell major appliances freely across the borders.

The factories reported to the country managers up until 1991, when they were brought under a single organization and a single area of responsibility, according to the logics of the new single market. The former “national rulers” were stripped of roughly half their responsibilities, ending up in three pan-European industrial divisions which then controlled product development and production.

There was naturally great resistance to the shift in production. It was in the interests of each country manager to defend their territory and to compete with the other country managers in Europe for exports. The heads of the branches in the United Kingdom, France, Germany and Switzerland were not used to making sacrifices for the greater good.

In 1993, the continued process was discussed at a conference in Sigtuna. “How things should be one” was the message written across a whiteboard. An integrated organization had been sketched out where sales, marketing and industry management were brought together in a set of European product divisions, which all had complete functional responsibility. This was a hard pill for any country manager to swallow.



In 1993, Frigidaire's kitchen was named “Kitchen of the Year” at the National Association of Home Builder's Show in Las Vegas.

Problems in North America

In North America there was no problem with strong country managers, but there were other issues. White appeared to be a mish-mash of a company, where the matter of integration had never been fully dealt with. “A real rat's nest” said one employee who had been transferred there. Continuing the attempts to patch up the company was no use when profit margins were already minimal.



Vice President Hans G. Bäckman, who came from Husqvarna, was given the task of restructuring the Group's North American operations.

Instead, getting some thirty different factories and multiple brands proved a costly affair. Vast sums had to be ploughed back into better factories. The new facilities – Kinston in North Carolina for dishwashers, Anderson in South Carolina for refrigerators, Webster City in Iowa for washing machines and Grenville in Michigan making large refrigerators – would swallow up both capital and management capacity for a long period of time.

The major appliances company in North America was renamed Frigidaire in order to shift focus to the leading brand. The Gallery product line was a good first attempt at climbing the price ranks. Electrolux was still not entitled to use its own name in North America. The problem of the changeover was that it gave the competitors a chance to start a price war and advance their positions, while Electrolux was struggling with production and reorganization.

The American subsidiary lost a large part of its deliveries to the retailer Sears, which sold the appliances under its own brand Kenmore, one of the most popular in North America. There was always a risk of retailers pitting suppliers against various sub-suppliers.

The American consumer was conservative. Front-loading washing machines had originally been an American invention, which had then been perfected by Zanussi. But the American consumers were clinging to the top-loading alternatives.

In 1991, Vice President Bäckman, Husqvarna's entrepreneur, had to move to North America for six years in order to attempt a reorganization of the Group's American and Canadian operations as the President of Frigidaire Company as well as the product line manager for outdoor products in North America. An important and difficult task that set the foundation for the future, but Bäckman was not able to rectify the losses made on major appliances. Much of what was earned in Europe was lost, year after year, in North America. Even so, the global major appliances company was slowly and painstakingly taking shape.

A new generation

Both European and American companies started to exploit the increasingly open global market. Within major appliances, now the most important activity in Electrolux, the responsibility and workload involving stopping the hemorrhaging and increasing the coordination fell to the productline head Leif Johansson and his young team.

Gradually, a new generation emerged at the forefront, with names like Sundén, Ulf Södergren, Heikki Takanen, Hans Stråberg, Bäckman, Jerker Adeberg, Ekman and Johan Bygge. This group of course also included the new Head Designer Klingspor, who initiated the work with various design families to distinguish between the different brands. Later on, that categorization was also used as the basis for various technical platforms.

Even if, when it came to Zanussi and Electrolux, the products and the markets complemented one another for the most part, it was important to squeeze out any synergies that did occur. The rate of loss at Zanussi was initially so high that it would wipe out the equity in Electrolux in a few years if nothing was done.

A mutual sense of respect grew between the young Swedish team and the slightly older Italians. Together, they created a global business, adding 15,000 Italians to the mix. Even if the White deal was not developing at the same rate, Electrolux had emerged as a global player at exactly right time, geopolitically speaking.



Lennart Sundén, head of the Group's vacuum cleaner business, among other roles.

At the beginning of the 1990s, a new generation took over the management of Electrolux: Johan Bygge, CFO and later European head.



Heikki Takanen began in 1979 and had several different positions, including as head of professional refrigeration.



Ulf Södergren began in 1984 and held several positions when the acquired companies were integrated into Electrolux.

A global economy

The largest driving force for internationalization was the EU project, which had gained unexpected force, while at the same time the Soviet Union was opening up and the Uruguay Round, which included more than 100 nations negotiating free trade, was becoming increasingly effective. Multinational companies were producing and marketing in several different markets. Truly global enterprises began to arrange international flows within their own groups along the value chains in order to achieve economies of scale all along the line. Electrolux was one such enterprise.

Europe had been suffering from "Eurosclerosis," a malignant combination of industrial failures and zero growth. Macroeconomic plans and regulations were stifling competition. The white book on the internal market that had been published by Jacques Delors and Lord Cockfield in 1985 became the straw that European governments were eagerly trying to grasp at. There was to be free movement of labor, goods, services and capital – the "four freedoms" – in Europe as of 1992. Nearly as exciting was the agreement that had quickly been reached by the 12 countries of the EC and the seven EFTA countries, known as the EEA Agreement. Finally, in November 1993, despite the economic crises, the agreement on the European Union was reached.

The fall of the Berlin Wall, and later of the whole Soviet Union, had revolutionary consequences. West and East Germany were united and the Baltics broke away. One by one, the countries of Eastern Europe prepared to apply for EU membership. And they were

» Truly global enterprises began to arrange international flows along the value chains in order to achieve economies of scale. «

quickly accepted, several at a time. There was a similar parallel development in North America through Nafta, the free trade agreement between Mexico, Canada and the US, which entered into force in 1994. Already in their joint preface to the Annual Report for 1991, Scharp, then Chairman of the Board, and President Johansson spoke of the possibilities for Electrolux in the newly opened Eastern European markets. And in the following year there were a number of collaboration projects in China, India and Russia. Company management had no time to wait.

Electrolux was already established as one of the largest and most international companies within household and outdoor products. In North America, the market was saturated and more or less completely restructured; in East Asia, the Japanese were going strong and operating a system of proprietary stores, but the European market was still growing with more companies.

The American competitors were quickly inspired by Electrolux and started looking for acquisitions in Europe. In August 1988, the news first came that Whirlpool had acquired the major appliance division of Dutch Philips. The strategy was to take over Philips' productions and sell the products under the name Whirlpool, which was a different and bolder path than the one usually chosen by Electrolux. Experience had proven that brands took a lot of time and money to establish and had uncertain results, while factory shutdowns could be planned down to the last detail with a more certain outcome. The fact that Whirlpool's change of brands was not a quick success story slowed the process towards fewer brands among competitors.

The other major American competitor Maytag made investments primarily in the vacuum cleaner markets of the US, the United Kingdom and Australia by purchasing the company Chicago Pacific which included the international brand Hoover. There was a lot of speculation regarding what General Electric would do with its major appliance company. Perhaps they would sell to German Siemens or purchase AEG, which Electrolux had been set to take over five years earlier. But the GE management was busy with electronics, entertainment and financial operations.

A window to the East

It was still difficult to imagine how communist China would become a major player in this game. There had been no well-conceived plan in place for the great new economic reform that was declared in 1978. Mao's successor, Deng Xiaoping, mostly wanted to test the waters and streamline the system by allowing free market forces in the agricultural sector. But creating family farms, without ownership of the land, was enough for the economy to grow by 7% annually, albeit from a very low starting point.

It would have resulted in little more than a one-time boost if it were not for the Chinese expatriates who entered the game at the same time. Regions in China now had the right to engage in foreign trade, and four economic free zones were created around Hong Kong. 60% of the capital flowing into these zones came from the Chinese diaspora.

In June 1989, the authorities, led by the ageing Deng Xiaoping, chose to respond violently to student-led demonstrations at Tiananmen Square, Beijing, which started after the Soviet leader Mikhail Gorbachev spoke of a new era of openness. New liberalizations, especially in the south of China, were also part of the communist efforts to stay in control. New industrial cities like Shenzhen started spitting out export products to an extent that would contribute to the transformation of the entire world economy in only a few decades. After a few years of hesitation in the face of hardline politics, the US and Europe decided to go all in with Chinese subsidiaries. For this reason, the transformation was even faster than one previously carried out in Japan. Electrolux was one of the first to join in.

Even protectionist India introduced a new order after 40 years. When the dominant Indian National Congress party underwent a crisis in 1991, the new Minister for Finance Manmohan Singh carried out a number of economic reforms.

The development from free trade to global economy included not only expansions through acquisitions and new establishments but also closures and cutbacks.

Electrolux is forced on the defensive

In the first half of 1990, the Group's ten-year expansion came to an abrupt halt. Sales went down and profits were cut in half. This was only partly due to the large Swedish salary increases. Gränges had made a mistake in its purchases of aluminium oxide. The factory investments in Italy and the US were weighed down by various delays. In the US there was a price war, and in the United Kingdom the inventory was piling up as demand was plummeting.

For Electrolux, one of Sweden's largest employers with close to 28,000 employees, the crisis on the home market was a particularly hard blow.

Scharp slammed on the brakes – some ten factories would be closed, one in ten employees would be made redundant and the commercial service with its 30,000 employees would be sold off.

"We have to focus, which means that it's time to trim the hedges," he said to Swedish business magazine *Veckans Affärer* in 1990.

For the first time, Electrolux was on the defensive. ASAB and the professional service operations were sold off. The Strömstad factory, a satellite of Motala making trailer refrigerators and kitchen hoods was shut down. All in all, the number of employees was reduced by 9,000 during 1990. While Electrolux was slowing down in Western Europe, the company was speeding up in Eastern Europe. The acquisition of the Hungarian company Lehel was completed in 1991 in the midst of the crisis.

» Scharp slammed on the brakes – some ten factories would be closed, one in ten employees would be made redundant and the commercial service with its 30,000 employees would be sold off. «



Production of Volta brand vacuum cleaners at the Västervik factory in 1985.

Over the 1980s, salary increases had slowly but steadily eaten away at the devaluation effects of 1982 in Sweden. At the same time, municipalities and companies were competing for labor. It was starting to look like the industrial crisis of 1976–1977.

Adding to the inflationary climate were significant devaluation gains developed in the export companies, and for a time, the Swedish stock market had a revival. The government finally attempted to relieve pressure through deregulation of the financial markets, a new tax system and applying for membership in the European Community.

Financial crisis in Sweden

It was like puncturing a balloon. Inflation died down and it brought the real estate market and the banks down with it. Nearly all Swedish finance companies went bankrupt along with many property companies.

Employment was dropping fast; many companies cut their number of employees by 25%, and unemployment numbers increased by 400,000 in total. The crisis ended in the late autumn of 1992 when the financial markets depreciated the Swedish krona by more than 25% compared to the rest of the world after the Sweden's Central Bank instituted a floating exchange rate.

Financially speaking, the finance function of Electrolux successfully navigated all the perils of the Swedish crisis through a mix of luck and skill.

Ekman, who joined the company through the Gränges deal, established a finance function in Electrolux. Now, during the financial crisis, this investment really paid off. For a time, all investments seemed to be successful. Just before the crash of the Italian lira, the Italian company was sitting on a massive option in Deutschmark, and before the crisis in the fall of 1992 Electrolux had just changed a large part of its loans to Swedish currency.

» Financially speaking, the finance function of Electrolux successfully navigated all the perils of the Swedish crisis through a mix of luck and skill. «

“I think that we secured a couple of billions in profit compared to if we had remained as we were. It was all rather sensitive, you know, in both Italy and Sweden,” said Ekman.

“The main focus was to save the company massive losses. Electrolux had vast foreign assets, i.e. foreign equity, which we protected with loans in the same currency. With a Swedish devaluation, the value of those assets would naturally increase, although not in the balance sheet, while the loans would experience an immediate loss of a couple of billion in Swedish currency, entailing a hard blow to the parent company capital. That was why we changed the loans to Swedish currency when it became fairly apparent that it would not remain fixed. It was all for the best of the company.”

Added to this were the cutbacks and reorganizations. In 1987, the Group with its 140,000 employees, including the cleaners of ASAB, had been the 20th largest company in Europe and the largest in the Nordics. Only Volvo, Saab-Scania and ASEA had more Swedish employees. Time for a new logic and new strategies. In the new era of globalization, it was all about cross-border economies of scale.

Scharp and Peter Wallenberg started discussing an expanded role of the owner company Investor, which had bought out all of Saab-Scania from the stock market in the spring of 1991, in the midst of crisis. More than industrial competence would be required in the combined and leveraged Investor and Saab-Scania. There was no margin for error. Peter Wallenberg was about to have heart surgery. Up until his retirement, Scharp would be his closest confidant, along with Investor President Claes Dahlbäck.

Werthén leaves Electrolux

Chairman Werthén had surpassed the 70 years of age that usually marked the end of an industrialist career. The Vice Chairman was also nearing retirement. It was expected that Scharp would assume the chairmanship of Electrolux and for Bystedt to remain a few more years on the Board. The era of the Electrolux Troika was not quite at an end. The fact that Scharp remained in the company management as CEO underlined the fact that President Johansson would have some time to settle in and also complete the massive integration process for the major appliances of Zanussi and White Consolidated that he had initiated as Head of Major Appliances.

When Werthén left the Board in 1991, at the age of 72, the company had increased its real turnover by 13% annually over the previous 22 years. By making acquisitions and

Hans Werthén left the position as Chairman of Electrolux in 1991 at the age of 72. The company had then increased its sales by 13% annually in real terms over 22 years.



restructuring hundreds of operations, it had been possible for the company to grow at the same rate as during the 1930s, when the company was young and the major appliances market was still emerging. In comparison, the early post-war era resembled a stagnation period, even though real sales had been expanding at close to 5% per year before Werthén entered the scene.

A number of revolutionary changes took place under Werthén and the Troika:

The Group's most vital products of 20 years, vacuum cleaners and absorption refrigerators, continued to grow and develop profitably at the same rate as before, but they still decreased in relative size. Vacuum cleaners represented a little over 8% of turnover, and the absorption refrigerators around 2%.

The formerly problematic major appliances sector had grown and been reorganized quicker than the whole Group, making it the largest segment representing 38% of the whole. It finally made a profit but could not compare with all the other segments, which pushed the Group's total margin down to 6%.

More than half were businesses that had previously been peripheral or not part of the Group at all. Commercial equipment represented 11%, outdoor products 10%, commercial services represented 5% together with industrial products at 21.5% and building components at 5%.

The most profitable, other than the classic Wenner-Gren products, was professional kitchen equipment and commercial cooling, chainsaws and the service organizations.

Sales in Europe had gone down in relative terms from 78 to 61% of turnover, and in Latin America from 8 to 2%, which is primarily explained by the US expanding to 28% via Tappan och White. Canada, Australia and Japan were other large markets, but the era of globalization had not quite taken off yet.

It is always tempting in hindsight to speak of a conscious and well implemented strategy. But much of the "Electrolux model" was pure opportunism, a matter of seizing the moment.

Important German deal at the wrong time



"Electrolux and AEG form an alliance. The companies are to work together in research and development, but the rationalization threatens 400 jobs." This was the first step in what would come to be the purchase of AEG in 1994. From the Swedish daily business newspaper Svenska Dagbladet Näringsliv on June 24, 1992.

At the start of 1997, the Head of AEG Haugeräte, Carlhans Damm, sent a personal letter to 8,000 major appliance retailers to reassure them AEG was a brand that would last and that AEG Haugeräte would continue to supply German-made quality products as it always had.

The reason for this was that the new management of the large industrial Group Daimler-Benz was about to wind up its subsidiary AEG. The communication challenge for Damm was that AEG major appliances no longer belonged to German Daimler-Benz but was now owned by Swedish Electrolux. Few Germans were aware of that fact yet, not even most of the retailers. A small actor in the Nordics had bought one of Germany's most prominent brands.

The fact that Electrolux had been a strong competitor in Germany before World War II had been all but forgotten, and when it came to major appliances, Italian Zanussi was the stronger brand. The major appliance market in West Germany had been a chronic headache for Electrolux after the war with its compressed margins and tough competition.

Das ehrliche Interview

**Der neue
AEG-REGENT DELUXE
mit seiner
Bratofen-Schubautomatik
zeigt sich souverän.**

Wie funktioniert die Bratofen-Schubautomatik? Öffnen Sie die Bratofentür des elektrischen AEG-REGENT DELUXE. Das Brat- oder Backgut wird gleichzeitig herausgehoben. Die abgeklappte Tür ist bei der Bedienung nicht hinderlich. Beim Schließen der Tür wird das Backgut wieder automatisch eingefahren.

Muß ich die Bratofentür immer aufmachen, um meinen Braten zu „kontrollieren“? Selbstverständlich nicht. Der Elektroherd AEG-REGENT DELUXE hat eine Gierglas-Vorderfront. Der Innenraum ist beleuchtet. Das Brat- oder Backgut ist auch bei geschlossener Tür gut sichtbar.

Gibt es sonst noch etwas Besonderes? Den eingebauten Grillmotor vielseitig. Oder das reichhaltige Zubehör (Brat- und Grillgitter, Brot-, Back- und Grillrost, Backblech). Oder die AEG-Regie-Kochautomatik mit zentraler Drucktaste, die Synthesysteme-Schalter, die SCHUKO-Steckdose zum Anschließen von weiteren Küchengeräten und vieles mehr.

Vielen Dank! Und wo kann ich mich noch genauer informieren? In jedem guten Fachgeschäft und in allen AEG-TELEFUNKEN-Informationszentren und -Ausstellungsräumen.

In der Küche **AEG** Aus Erfahrung gut

German AEG had a strong position on the home market and especially in cookers. Here an ad from 1973.

In the 1980s, Electrolux acquired washing machine manufacturer Zanker, and in 1992, another opportunity presented itself. Electrolux was able to buy 10% of German AEG Hausgeräte with an option of another 10%. The large conglomerate AEG was in financial trouble. Divestment was the only way out for the owner Daimler-Benz.

From the very start, Electrolux management had their eyes set on taking the whole company. The goal was to keep American competitors at bay. Would Whirlpool's acquisition of Philips in Europe inspire General Electric to do the same thing?

In reality, this was not the right moment for Electrolux to get involved in another integration project. Electrolux had significant problems in the US, and the reorganization of the European market was also taking its toll on the management resources. But there is no accounting for timing. "You have to take the shot when you have it," says Johansson.



The vacuum cleaner Vampyr from 1990 with accessories in a separate compartment

The collaboration with AEG got quickly underway, and in 1993, the option was redeemed so that negotiations for all of AEG Hausgeräte could be initiated with owner Daimler-Benz. Before the end of the year, the deal was settled at a total value of SEK 5.3 billion.

AEG's first contribution to earnings was a great disappointment. In 1995, consumer demand decreased in Germany following a long construction boom resulting from the reunification of the east and west. AEG's flagship product was built-in refrigerators in new housing. In older houses, the tenants moved in and out, bringing their own major appliances along. The turbulence and publicity surrounding the crisis that other AEG segments were undergoing only helped to make matters worse.

The German market was conservative, and the only quality stamp that mattered was "Made in Germany." In his discussions with the head office in Stockholm, the subsidiary manager Damm would often refer to the electronics company Grundig, which after moving its production to Asia had seen a dramatic drop in sales. As if this was not enough, AEG Hausgeräte was subject to a strike, which resulted in an unusually expensive wage agreement.

In view of this situation, Damm was considered an important executive. With a degree in business administration and his expertise in marketing, he had his own consulting business before becoming the head of AEG Hausgeräte in 1990. He managed to pull the company out of a difficult period and associate AEG technology with environmental consideration. In 1993, he received the German industry award "Eco-manager of the Year." AEG was a quality brand in the same category as Miele and the combined Bosch Siemens. All German.

Damm wanted to push the German line with innovative products and largely German content (70% of the components). It was time to invest in a new washing machine line, which would cost SEK 400 million to develop.

All three production units – in Nuremberg, Rothenburg and Kassel – were integrated into the Electrolux sectors Wet, Hot and Cold. But there was a practical obstacle to the work of the management group: the German executive had no grasp of the English language.

Damm only has positive things to say about this initial period.

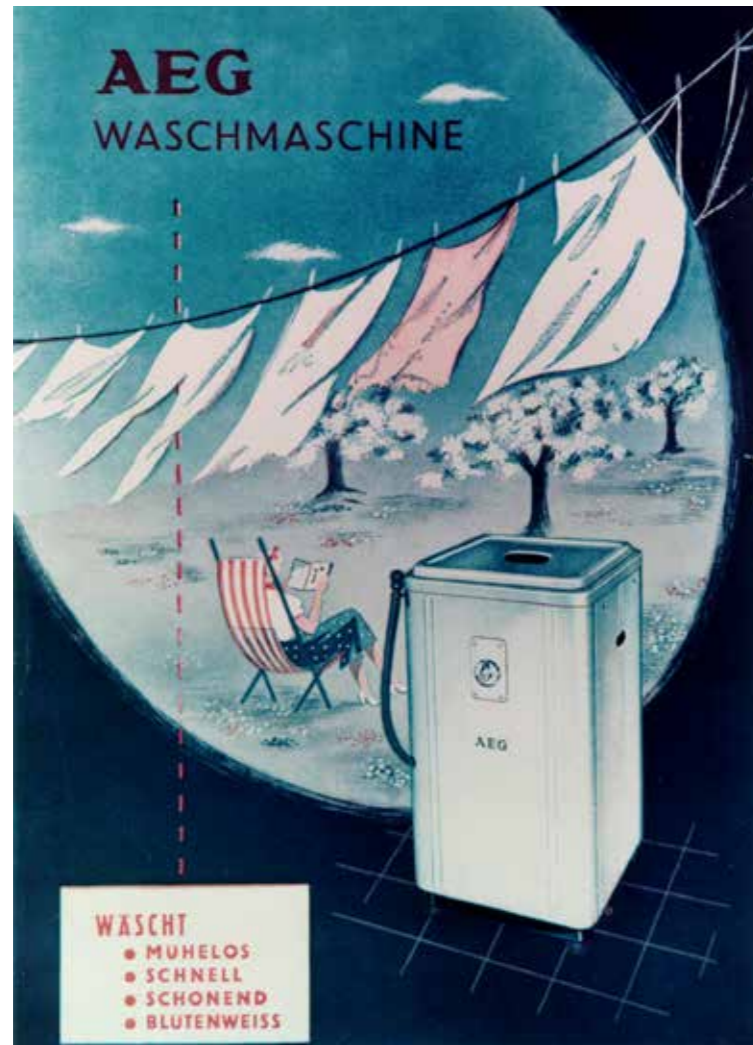
"I had an agreement with Johansson about how we would be working, and I really appreciated these young Swedish executives; they were willing to take risks and complemented the Germans who were older and more cautious."

The collaboration with Zanussi did not run as smoothly. The Italian company was the world leader in front-loading washing machines, and they had long been competing with the German company via the retailer chain Quelle.

The giant in electrics that became a major appliance brand

The story of AEG begins when engineer Emil Rathenau purchased the rights to the electric light bulb during the first International Exposition of Electricity in Paris in 1881. The predecessor to the future global company started by fitting electrical lighting in cafés, restaurants and theaters, which ran on small power stations. They were expensive and impractical, but before the turn of the 20th century, AEG had built 248 such power stations, which together supplied 210,000 hp of electricity for lighting, tramways and household appliances.

In only a few decades, many of the appliances that still to this day comprise the industry appeared on the market: electric cookers, vacuum cleaners, irons, water kettles, heaters and even hairdryers. The vacuum cleaner Dandy was launched in 1913, which was a worthy competitor to Wenner-Gren's first Lux machine.



When World War II broke out, AEG had expanded by acquiring the radio and television company Telefunken and the century-old railway company Börsig. But at the end of the war, the company lost most of its production units, some of which were newly built units in the German-occupied areas in the east. Soviet and French troops dismantled and removed the factories in Berlin. Instead AEG built new, modern factories in West Germany. In 1970, AEG was one of the world's largest electronics companies with 178,000 employees. The impression was that the company had built up a bureaucratic organization with an oversized head office.

The household products in AEG Hausgeräte became a growing part of the Group as a third of the women in West Germany entered the workforce and the demand for labor-saving appliances grew, as it had in many other countries. Originally encompassing products such as cookers, vacuum cleaners and hairdryers, operations were expanded to include refrigerators in 1950 and the fully automatic washing machine Lavamat in 1958. "Aus Erfahrung Gut" (good by experience) was the motto of AEG Hausgeräte. Competition toughened in Germany in the 1960s with the addition of low-price imports from Italy. The former rivals Bosch and Siemens merged.

In 1975, AEG-Telefunken was the 54th largest industrial company on the global list of Fortune magazine, three times the size of Electrolux. The number of employees had dropped to 162,000, and the Group was making losses, small ones, but they appeared to be chronic. A large investment in nuclear power had failed, and exports had never taken off. The factories in Berlin were closed one by one.

The main problem of AEG was that too many activities were of the wrong scale. AEG Hausgeräte now comprised roughly one-fifth of the Group, but the division that was going strong in Germany and the neighboring countries represented no more than 6% in Europe. In Germany, AEG had 15% of the market, but the mail order company Quelle with its imported major appliances was bigger than AEG.

In 1982, the Group filed for insolvency, and as of 1985, AEG had merged into the automotive Group Daimler-Benz. However, the vision of a major tech group was not realized. Instead, the pieces of AEG ended up in many other companies.

As the owner of the rights to the AEG trademark for household products and a number of other categories, Electrolux has continued to honor its German legacy. At the time of writing, it is still the Group's premium brand in both Germany and several other countries.



Lennart Ribohn, Anders Scharp and Leif Johansson on Tiananmen Square in Beijing, China.

Great ambitions on new markets

Ribohn had worked his way up through Electrolux, and already at the age of 27, he had been asked to speak his mind to President Werthén, a habit he kept during his years as controller and financial officer. In the early 1990s, he was gradually put in charge of the New Market Division, which included basically everything except North America and Europe.

If the first half of the 1990s had been characterized by the European integration and the structural issues in North America, the developing markets became increasingly important in the second half. While the markets of Western Europe and North America appeared to be saturated, there were challenges and opportunities everywhere else: in Eastern Europe, Latin America and Asia. These regions represented only 10% of turnover, but according to Ribohn and his manager Johansson, 20% should be within reach.

A number of geopolitical events had altered the situation for the Group, in Eastern Europe, China, India and not least within the EU, where no less than 31 countries were members or wanting to become members. For Electrolux, the goal of becoming a global company was becoming increasingly clear.

Electrolux had acquired Hungary's largest major appliance company already in 1991, and sales organizations had been established in Russia, Poland, the Czech Republic, Slovakia, Hungary and the Baltics. In Estonia, Electrolux was making cookers. In the mid-1990s, Eastern Europe was of roughly the same importance as Spain, and the company had more Hungarian employees than French ones.

The Latin America division was about the same size as that for the United Kingdom, but with fewer employees. Asia was around the level of Italy, also with fewer employees.

From this modest level, there ought to be good growth potential; the question was only how much risk Electrolux would be willing to take, considering the weak equity ratio and the problems in North America. Few major appliance companies were involved in international ventures; it was essentially only American Whirlpool that had similar ideas to Electrolux.

"At whatever hotel our people were staying, they would run into people from Whirlpool at the revolving doors," jokes Johansson. "Hoover was going international in vacuum cleaners, and Stihl did it with gardening products."

The largest acquisition in the new markets was made in Brazil in early 1996 with Refripar, Brazil's second largest appliances manufacturer with a turnover of SEK 5.3 billion and 5,000 employees. Refripar was especially prominent in refrigerators and freezers and had expanded into washing machines and microwave ovens. Whirlpool had already got their hands on the largest company, but the arduous Brazilian venture would prove a great success in time.

In India, Electrolux bought the washing machine company Intron. The primary product for Electrolux was refrigerators, which were also produced in a half-owned joint venture. In 1996, Electrolux obtained the rights to the prominent refrigerator brand Kelvinator. Electrolux had great investment plans, but India seemed difficult and protectionist. But all was well in the first few years. A particular problem of India, which remained to be solved, was the small middle class. The consumer product companies from the West found that they had overestimated the size and potential of the market.

In India, 250,000 vacuum cleaners of the brand Eureka manufactured on site were sold. Earlier, the direct sales organization that now operated under the name Lux had built up good market shares in the Philippines, Indonesia, Malaysia, Singapore and Thailand. Lux had a total of 15,000 door-to-door salesmen and annual sales of SEK 3 billion, half of which in Asia. Electrolux was permitted to set up a sales company in China and to open stores, where the company hoped to make a turnover of SEK 2 billion. Door-to-door sales were more difficult in China.

And there was the promise of larger deals as China was developing across the full range of major appliances. Zanussi had started a compressor factory in Tianjin, the port of Beijing, which supplied Chinese manufacturers. Electrolux would now construct a jointly owned vacuum cleaner factory in the same location, as well as another two factories elsewhere, one for washing machines and another for refrigerators and freezers. The investment was SEK 740 million over three years. "We are aiming for the same market shares as in North America and Europe," declared Johansson.

» The largest acquisition in the new markets was made in Brazil in early 1996 with Refripar, Brazil's second largest appliances manufacturer with a turnover of SEK 5.3 billion and 5,000 employees. «

But China proved a harder nut to crack than the Electrolux management had originally thought. Everyone wanted to invest in China, and the local manufacturers quickly learned the technology through all the joint ventures.

"We should have skipped the compressor factory," says Johansson today. "It should have been possible to sort out the washing machine factory, and the ownership in the then minor Haier was no issue either. We jumped the gun a bit, but groups looking to go global have to accept costs in new markets in order to safeguard their long-term survival. The financial markets wanted disclosure, but once the losses were disclosed, they had only one solution: to cut down."

» But China proved a harder nut to crack than the Electrolux management had originally thought. «



Swedish table-tennis champion Jan-Ove Waldner, with the local name "The perpetual green tree", is extremely popular in China. He was hired by Electrolux to market the company in China.

Electrolux sales and employees in developing economies 1991 and 1996

Country	Sales 1996	Sales 1991	Employees 1996	Employees 1991
Brazil	5,341	320	4,965	5,193
China	808	106	1,919	-
Thailand	800	406	2,778	5,044
Poland	798	133	323	6
Hungary	577	356	3,548	4,372
Indonesia	438	134	2,834	2,376
Malaysia	423	243	1,226	2,322
Czech Republic	560	104	257	24
Russia	425	116	149	-
Turkey	306	200	95	-
Argentina	296	45	51	-
Hong Kong	269	214	137	1,882
Baltics	245	-	126	-
Mexico	215	304	1,617	2,068
India	81	37	689	318

Sales given in SEK million.

Brazil stands out among the investments in developing economies – Electrolux had a long-standing history here, and Refripar was acquired in 1996. But sales increased several times over in many other growth markets. China was the great venture market, and Hungary was the manufacturing country in Eastern Europe. India would allow only affiliated companies. Asia was home to the markets where the Group had long had local direct sales organizations. In countries like Thailand and Malaysia retail sales started to grow, which resulted in fewer direct salesmen.

The most important brands, markets and production countries in 1994

Major appliances

Brands: Electrolux, Zanussi, AEG, Husqvarna, Elektro-Helios, Rex, Tricity Bendix, Juno, Corberó, Frigidaire, White-Westinghouse, Tappan, Kelvinator and Gibson.

Markets: North America, the Nordics, Italy, Germany, United Kingdom, France, Spain and Switzerland.

Production: Italy, US, the Nordics, Germany, Hungary, Spain, France, Switzerland and United Kingdom.

Vacuum cleaners

Brands: Electrolux, Eureka, Tornado, Progress, Volta, Alfatec and Lux.

Markets: North America, the Nordics, United Kingdom, France, Germany, Australia, Japan, Italy, Spain and Brazil.

Production: US, United Kingdom, Sweden and Italy.

Leisure products (absorption refrigerators, etc.)

Brands: Electrolux and Dometic.

Markets: US, Germany, France, United Kingdom, Italy and Asia.

Production: Sweden, Germany, Luxemburg, US and Hungary.

All the acquisitions added complexity to the matrix of household capital goods that were historically the core of Electrolux. The brands were primarily regional or national. The Group was of course represented with all products throughout Europe. The brands mentioned within major appliances were the main ones, which were now divided into four groups: alfa, beta, gamma and delta.

A new ownership system

The market leaders in North America and Europe, such as Whirlpool and Electrolux, emerged larger and more powerful within their industries after swallowing up many of their competitors. Their turnover had increased radically, while free-trade agreements were opening up national borders.

But the development was not clear-cut, as new technology and openness paved the way for complex networks of sub-suppliers and partners. Much of the work previously carried out by office and service staff could be outsourced.

In addition, a new global ownership system was forming. Pension funds and savings funds gradually started taking over ownership of the world's major listed companies from the end of the 1980s.

» Pension funds and savings funds gradually started taking over ownership of the world's major listed companies from the end of the 1980s. «

Stockholm joined this trend when the finance policy opened up and the regulations prohibiting foreign ownership were lifted. The savings funds in particular favored liquid shares where they could be in and out without disturbing the market too much.

Large companies could buy smaller companies and pay "cheaply" using their own newly issued premium shares. The optimism on the stock market was growing, and the savings fund managers were soon joining major companies and venture capitalists in a golden era created by their own business.

Two types of logic

Two sets of logic were reinforced. One was to attempt to create strong price leadership in one's industry by being the largest actor and aggressively acquiring any troublesome competitors. The other was to streamline operations. The fund owners believed that they could handle the risks by mixing various shares from easily analyzed companies in their portfolios. And a new generation of business leaders and consultants claimed that no operation would be saved by the company management splitting their focus with something else. However, family-owned businesses continued to spread their risks, and the new venture capital companies started increasingly to resemble the old conglomerates. Their business idea was to use financial instruments to create new streamlined and globalized large companies that could be sold bit by bit on the stock markets of the world.

Consultants, led by American McKinsey & Company, developed the intellectual tools for this new ownership format. The goal was to get the executives to work in the interests of the shareholders, letting go of their propensity to be loyal with the employees within the organization. The executive's or fund manager's value to the owners was measured with the help of the shareholder value.



The idea was to link the executive's remuneration to the value of the stock so that they would constantly act in the best interest of the owners. This worked in theory, but there was an apparent risk of the intermediaries claiming an increasingly large share of the value by making excessively optimistic estimates of future profits.

The new leading companies were now developers and educators, providing in-depth knowledge of their respective industries. They trained a host of knowledgeable and hard-working executives. If a leader with broad talent emerged who was able to both

manage and develop their organization and withstand the pressures of hard work and constant responsibility, the owners would value this person not twice as high as a regular employee, but rather 50 times higher.

After a long journey, the Electrolux organization had made several of these realizations. Operating and restructuring an organization with many markets and many activities required a whole throng of employees prepared to spend the best years of their lives working on extensive projects. Buying up the competition to build market shares was both cheaper and safer than building from the ground up.

» Up until 1995, the Board of Directors at Electrolux had acted more as a filter for the owners than anything else. «

But to an indoctrinated Electrolux employee, who was used to working according to the “all for one” approach, the new logic was unfamiliar – having the owners control everything through a few key figures and the president simply being an extension of the shareholders.

Up until 1995, the Board of Directors at Electrolux had acted more as a filter for the owners than anything else. Chairman Scharp, who had been at Electrolux longer than anyone and had sat on the Board for 15 years, still knew the name of every single factory, a feat that became easier as the number decreased. Vice Chairman Bystedt, with 26 years on the Board, had the same view of the operation as when he was active. Also included in the Board meetings was Vice President and Head of Finance Ribohn, a deputy member not only of the Board but also of the old Troika. He would scoff at the mere mention of the new approach. Honorary Chairman Werthén was retired, but his legend lived on. And not to forget the legendary 67-year-old Chalmers professor Sven Olving, who had been a member of the Board for 28 (!) years.

In other words, President Johansson, then 44 years old, had no shortage of Board members looking over his shoulder.



Leif Johansson began at Facit in 1981, becoming the President of the company the following year, and accompanied the company when it was sold to Ericsson. Thereafter he returned to Electrolux as the division head for white goods.

A new era after the Troika

This did not stop Johansson and his young management team from initiating a new era in the Group's history. He had started as Head of Major Appliances at Electrolux in 1982 when he was 31 years old. He was hired by Werthén personally, who had contacted the Vice-Chancellor of Chalmers and Board member Olving for a few names of young, promising engineering graduates. Johansson was one of them.

Husqvarna's motorcycles were made in Ödeshög. It was difficult to recruit managers to the location. But Johansson, an employee of Centro Maskiner and President's assistant at Beijerinvest who had an interest in all things motor-related, accepted the offer of the presidency at the age of 28.

“And in typical Hans fashion, my future mentor forgot to mention to the Husqvarna management that I was the new head for the motorcycles,” says Johansson. “It took half a day to sort that out. Werthén had given me a list of three things that I was not allowed to do on my own: no company acquisitions, no properties purchases over three million and no machinery investments above three million.”



In 1979, Swede Håkan Carlqvist won the World Championships in motocross, 250 cc, on a motorcycle from Husqvarna.

The motorcycles were considered a small, peripheral operation at Electrolux, so the young executive was left to his own devices. Since he did so well in his first job, he was then put on something larger, as was the custom. Johansson was given the responsibility to reorganize the problem operations of Facit: the precision-tool factories of Bräkne Hoby, Svängsta and Malmö. County Governor Camilla Odhnoff, who was known among other things for her spontaneous outbursts as a Social Democrat government official, was furious when she met the baby-faced engineer in 1980. "Don't think that you damn little pups can just show up in Svängsta to teach us how to run a company!"

The Svängsta operation was behind its times. The head of the organization, Sven-Gunnar Ericsson, describes the unwillingness to make any changes to the mechanical typewriters of the brand Halda: "It's the worst example of conservatism in the face of new technology that I have ever encountered," he says.

Japanese competition ran as a constant theme through the Swedish industry in the 1970s and early 1980s. Printers and typewriters could be made electronic and thousands of instrument makers had to be let go, just as in Ericsson and ASEA.

"When it came to home electronics, the Japanese had already built up such volumes that there was no chance of beating them. On the printer side, we were better able to adapt by combining mechanics and electronics," says Johansson.

When Facit was sold to Ericsson, the company's President Johansson followed along. But just over two years later, he was recruited back to head up what would become the Electrolux of today.

New management and a new order

The first major change was introduced in order to comply with the new, more short-term, Anglo-Saxon ownership approach, which led to a more structured collaboration with the main owner Investor and the Wallenberg family.

» Another important change was the gradual shift in focus from products to customers, a change that would characterize the company from then on. «

Another important change was the gradual shift in focus from products to customers, a change that would characterize the company from then on. This was seen most clearly in the altered corporate culture, which we will return to in the vacuum cleaner operations, where the challenges presented by South Korea and China forced out innovative thinking.

The third was of course the increasingly complex and open European market, which required changes to be made in the old structure of powerful country managers.

The fourth challenge was perhaps the hardest. Would it even be possible to sort out the operations within White Consolidated? The investment needs were great, and the analysts increasingly prone to sound the retreat.

Last, but not least, it was important to get in on the new and growing Chinese middle class. In this regard, Electrolux had an early start but did not put in the resources that would perhaps have been necessary.

The old guard were proud of what they had built, and rightly so, and they loved their organization of dedicated young employees who never hesitated to go on strenuous journeys to various problem areas. The manager was seen as the first among equals.

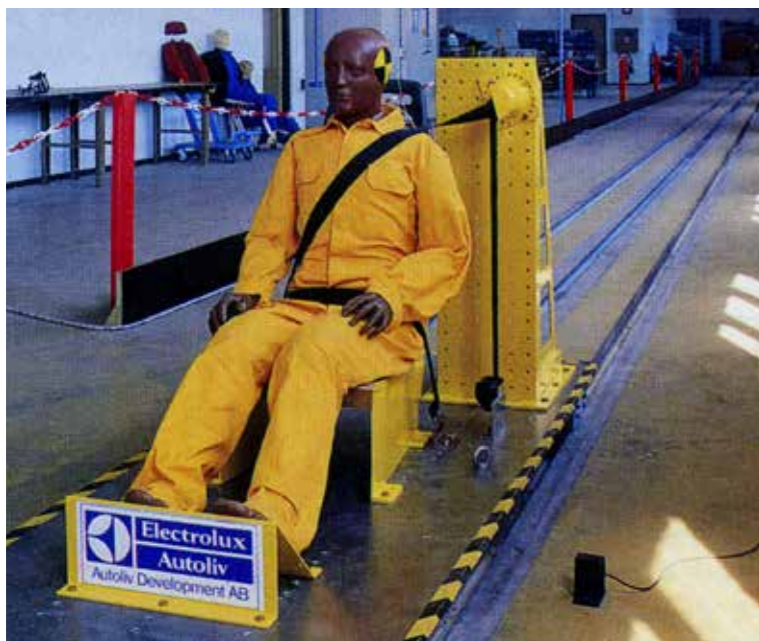
Which type of organization would work the hardest was not evident: the new one with an extremely high-paid top executive, or the old one with a large host of solidary leaders. In one of these structures, the individual worked hard to become one of the wealthy star talents in the future and the other was more motivated by team spirit. The Anglo-Saxon approach versus the Scandinavian.

A more influential Board

In practice, the Board was not much of a counterbalance. The President of Investor in 1995, 48-year-old Dahlbäck, had been on the Board for 12 years, but much like the Investor Chairman Peter Wallenberg, he was ingrained in the proud history himself. The Investor people were critical of how negligently the Board was treated, but at the same time, they were well aware of the excellent managerial breeding ground they had in Electrolux. In the period surrounding Wallenberg's heart surgery, Scharp acted as his deputy and Dahlbäck's most important partner.

The Board of Electrolux had been more of a rounding mark for the management, but this started to change in 1996 with the addition of new members Peggy Bruzelius from ABB, Thomas Halvorsen of AP4 and Louis Hughes, the Vice President of General Motors. Together with Dahlbäck and the President and main owner of H&M, Stefan Persson, they started to shift the balance.

“One of the first things I kicked up a fuss about was board regulations on investments,” says Bruzelius. “All investments over SEK 30 or 50 million were formally to be approved by the Board, but this applied only to the parent company, which never made any investments anyway. All major investments just passed right through. It couldn’t be allowed to continue. Both Bystedt and Scharp were a little puzzled that the Board wanted a say; they thought they knew what the structure was supposed to be like.”



In 1986, Electrolux Autoliv had become the largest manufacturer of seat belts in Europe thanks to its innovations in automotive safety.

Divestments

Werthén had been interested in diversification of risks, considering that he was a large shareholder and his shares were pledged. The original operations – vacuum cleaners and absorption refrigerators – had continued to do well. Major appliances, on the other hand, which had entered with Elektro-Helios, remained a low-margin business despite all the large acquisitions, restructurings and production investments. The new activities were performing better, especially the outdoor products.

In practice, Electrolux had already made its choice: more focus on major appliances. For this reason, it was decided in 1994 to list the automotive safety company Autoliv from the Gränges Group on the stock market, which resulted in capital gains of close to SEK 3 billion.

The entrepreneur behind Autoliv was Gunnar Bark, who had a background in research engineering and computer consultancy before he was recruited in 1979 by Werthén, who had then needed someone to sort out the little company Weda. Bark and his associates realized at an early stage that automotive safety was an area with future potential. All operations other than the seatbelts were sold, and the company was renamed Electrolux Autoliv, a process that took one year. The company then started to look around for possible acquisitions, and the first one was made in 1984. Development resources were amassed, but if the company was to continue being a full-range supplier in safety, it would need to invest in airbags, which meant venturing into brand new technical territory.

» The Group not only fostered great executives but also businesspeople. «

In 1991, Bark got the go-ahead from the Electrolux management to start making airbags. Sales quickly grew, and in 1994, Autoliv was introduced on the Stockholm Stock Exchange with its new product as the basis for the valuation. After Electrolux sold off Autoliv, the share price rose dramatically. Nearly 80% of the shares ended up in foreign hands. After some initial difficulties, Autoliv and Bark had started a formidable journey on the stock exchange.

And he was not the only Electrolux alumnus to become a stock exchange whiz. The medical equipment company Getinge, which had been sold in 1989, had now in 1993 been listed by its owners Rune Andersson and Carl Bennet, formerly colleagues at Electrolux. The Group not only fostered great executives but also businesspeople.



Gunnar Bark was the entrepreneur behind the success story of Autoliv.

The same year, Electrolux also sold the asphalt company Blaw-Knox in the US from the White Group to the industry leader Clark Equipment for just over SEK 1 billion. There were also plans to list Gränges Aluminium on the stock exchange in November. The independent company would have 6,500 employees and a turnover of SEK 7.6 billion. Unfortunately, these plans were interrupted by the Barings Bank scandal, which entailed one of the United Kingdom's oldest financial banks going bankrupt due to the rogue trading of one of its employees. As a result, the opportunity to sell Gränges at the peak of the economic boom was lost. The solution, effectuated in January 1997, was instead to distribute Gränges amongst the Electrolux shareholders.

Two more companies were sold off during the Johansson era: Gränges Metalock to the construction Group ABV and Husqvarna Symaskiner to the venture capital company Industri Kapital.

Result of the strategy

For the Group management, it was high time to show that the new strategy of dominance had paid off. Profits increased significantly in 1994, but this was largely due to the fact that Gränges' commodities and Husqvarna's outdoor products were strongly favored by the devaluated Swedish krona. These two operations had a large proportion of their production in Sweden.

In the following year, the figures looked promising at first, especially in Europe. But problems continued in North America, and the poor weather had a negative impact on the sales of outdoor products. There was no upturn in sight, and the stock plummeted by nearly one-third.

Analysts on the new short-term stock market were frustrated. There was talk about how the time had come to sell the North American operation and list the outdoor products on the stock market under the name Husqvarna.

Electrolux was continuing its restructuring program, which kept churning out in excess of a few hundred million (SEK) a year. Perhaps that should have been communicated more clearly. A massive write-off was planned for the vacuum cleaners, but the company tread more lightly when it came to revealing the problems and measures taken in major appliances. Perhaps Electrolux was reluctant to show how bad some of the deals had been. The owners started talking about letting go of history. When Leif Johansson accepted an offer in 1997 to become the new President of Volvo, the Board chose to replace him with an outsider, Michael Treschow of Atlas Copco.

Development of new vacuum cleaners

The 1990s was not only a time of restructuring. The Electrolux management had already decided to start a special innovation department, which was now becoming increasingly important. There were several reasons why innovation and design came into focus at this time in particular – more easily transported vacuum cleaners were more competitive across borders in terms of prices. Margins were squeezed on the Group's most profitable household product.

The increasingly important retailer environment required stronger brands when direct salesmen were not going door to door to talk about the Group's vacuum cleaner technology. It was not enough to simply manufacture less expensive vacuum cleaners of the brands Eureka, Progress, Electrolux, Tornado, Volta and Alfatec. Direct sales now represented only 10% of the total vacuum cleaner sales volume, and competitive pricing had increased in markets such as, in order of volume, North America, the United Kingdom, France, the Nordics, Germany, Italy, Australia, Switzerland and Japan. Manufacturing in Germany and France was discontinued due to the competitive prices in the market. Instead, the Västervik factory expanded.

The fact that the young British designer James Dyson was posing a challenge on the second largest market with a new and innovative product also played a certain role in the reorientation.

There were plans to separate the shrinking direct sales of vacuum cleaners by dusting off the old brand name Lux, so as to pave the way for the Electrolux brand with the retailers. The separate enterprise AB Lux was formed and took over the direct sales organization. A new high-quality vacuum cleaner for door-to-door sales was to be developed in Västervik on behalf of the separate Lux organization. An expensive project as it turned out.

Electrolux on the other hand would develop into a global premium retail brand of vacuum cleaners, except in North America. And so the Group needed to develop a new flagship vacuum cleaner to associate the name Electrolux with a greater focus on the consumer and with innovative design. The head of the Group's vacuum cleaner operations during this revolutionary era was Lennart Sundén (up until 1998). Another key figure was Hans Stråberg, who at the beginning of the process was managing the important Västervik factory. He would return to the vacuum cleaner business after six years in the US as Sundén's successor.

In the midst of this process came the AEG acquisition in the fall of 1993, which also included AEG's vacuum cleaners. Positioning the various brands was becoming increasingly important.

Development of new vacuum cleaners, continued

In 1996, the first project meeting was held regarding the new vacuum cleaner with the working title "Acme." The team members knew that the new appliance had to be as small as the smallest vacuum cleaner in the range, have more suction power than its competitors and still run more quietly. They discussed things like ergonomics, maneuverability and a handle with a better grip. Soon, they had started calling it "Apollo."

In October 1997, Electrolux decided to order more expensive molding tools in order to make a handle with better grip. User-friendliness was to be prioritized over financial production aspects. The strongest brand was to be characterized by things like ergonomics, user-friendliness and customer care. The first of these vacuum cleaners were assembled in the summer of 1998.

In 1999, the Apollo vacuum cleaner was launched under the name Oxygen to great commercial success, while it also paved the way for a whole family of Electrolux vacuum cleaners. There is no doubt that this was also something of a turning point in the perception of Electrolux as a brand. A safe, slightly conservative producer was being given prestigious design awards and rave reviews for being consumer-oriented. Behind the design work, there were thorough consumer surveys, including a French test panel carried out in 1997.



Launched in 1999, the Oxygen vacuum cleaner became a great success. It was stronger, smaller and quieter than competitors' vacuums.

The vacuum cleaner crew had a long-standing vision of a robot vacuum cleaner. By combining air purifiers and autonomous vacuum cleaners, consumers could get cleaner floors with less work. In conjunction with a concept study, Electrolux developed an exciting prototype. The Trilobite robotic vacuum cleaner was similar in look to that of the prehistoric sea creatures sharing its name. It became world famous through its appearance on the BBC television show *Tomorrow's World* in 1997, and it was renowned not only for its innovative function but also its bold design. But it was not a finished product, and it would never really become a market hit at this stage. The technology was not ready.



In 1997, a prototype of a robot vacuum cleaner was presented and garnered huge attention in the media. In 2001, Electrolux launched the world's first mass-produced robot vacuum cleaner.

Electrolux in figures

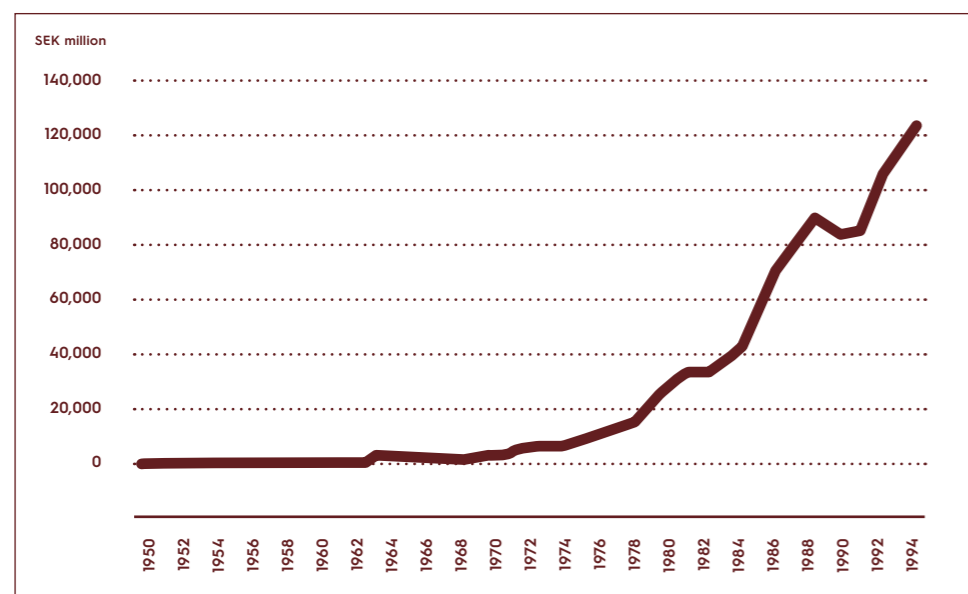
Sources

End of expansion in real numbers

Group	1988	1989	1990	1991	1992	1993	1994	1995
Sales, SEK billion	74.0	84.9	82.4	79.0	80.4	100.1	108.0	115.8
Change, %	10	15	-3	-4	2	19	8	7
Operating margin, %	6.2	6.0	3.6	3.0	2.5	2.9	4.6	4.5
Employees, thousands	147	153	151	134	121	115	109	112
Equity, SEK billion	14.8	17.0	16.6	15.8	16.8	16.9	20.5	21.3
Equity ratio, %	28.1	28.7	27.2	28.0	26.4	24.3	29.5	31.8
Share price, SEK	293	280	160	218	238	284	377	273

In seven years, the Group's invoicing increased by 56%, or in real figures by close to 1% annually. In other words, the expansion ended abruptly when odd businesses were sold off and profit margins went down.

Sales development



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CHAPTER

5

New ownership models and new leadership

1996-2001

Significant milestones

Year	Event
1996	Acquisition of Brazilian company Refripar, the second largest major appliances manufacturer in South America.
1997	Michael Treschow succeeds Leif Johansson as President & CEO, and a reconstruction program spanning several years is initiated. Gränges is distributed among the shareholders of Electrolux. The prototype of today's robot vacuum cleaners, the Trilobite, appears on the BBC show <i>Tomorrow's World</i> .
1998	Rune Andersson replaces Anders Scharp as Chairman of the Board.
1999	A collaboration is initiated with telecom company Ericsson to create "the intelligent home."
2000	The Electrolux brand in North America is bought back.
2001	The entire leisure segment (camping and hotel room refrigerators) is sold off.

A wind of change was blowing through the whole Wallenberg sphere. Peter Wallenberg was looking for a chancellor of sorts to head up the regency while his son Jacob and nephew Marcus were building enough experience to take over responsibility for the sphere. In 1996, he finally settled on the head of ABB, Percy Barnevik, who became the Chairman of Investor at the start of 1997.

In the following year, Barnevik made his mark on Electrolux by recruiting the President of Sony, Nobuyuki Idei, as well as the President of Heineken, Karel Vuursteen, to the Board. His line was that the corporate boards of the sphere should be internationalized. Jacob Wallenberg replaced Claes Dahlbäck on the Electrolux Board of Directors when the latter became too busy with changes in Investor.

The world-renowned Japanese business leader did not stay long on the Board, but he is known for helping the other consumer specialist on the Board, Stefan Persson, bring about a real discussion on the Electrolux brand. The head of Sony also brought along some of his associates to study Swedish board work, which he found to be more effective than the Japanese model.

The driving forces of Barnevik and Dahlbäck, the Chairman and President of Investor respectively, worked well together in an era when Investor was synonymous with major stock-trading deals. The ownership of Electrolux was reformed as well.

» In a sense, Electrolux had been an ownerless company under the Troika. «



In 1997, Electrolux was one of the first listed companies to broadcast parts of the Annual General Meeting over the internet.



Financier and former Electrolux man Rune Andersson became Chairman of the Board in 1998.

In a sense, Electrolux had been an ownerless company under the Troika. Peggy Bruzelius recounts how she at an early stage was sent to represent ASEA in the Annual General Meetings, holding more than two-thirds of the votes. No room for mistakes. That could lead to chaos.

At the Annual General Meeting in 1998, the Electrolux B-share was assigned one-tenth of a vote instead of one-thousandth, which was a concession to the new major fund owners.

For Electrolux, this meant that foreign owners, who could also be Swedes buying shares via foreign banks, controlled 57% of the equity and 46% of the votes as of 1999, whereas the Wallenberg sphere with just 4% of the equity held 21% of the votes. The power of the main owner could of course be challenged at the shareholders' meetings, if the other shareholders organized themselves.

Investor invested more capital in Electrolux while the Wallenberg sphere lost its absolute power in terms of votes.

Chosen to take up the chairmanship of Electrolux in 1998 after Anders Scharp, who had more pressing engagements elsewhere in the Wallenberg sphere, was former Electrolux employee and now independent financier Rune Andersson. In the 1980s and early 1990s, he had built the modern industrial company Trelleborg through a series of acquisitions, before participating in the development of Getinge. No wonder then that the financial market applauded the newly elected Chairman.

Peter Wallenberg, who had been something of a mentor to Michael Treschow during the days of Atlas Copco, resigned from Investor due to his advancing age and focused instead on the chairmanship of the ownership foundations. Before even taking up the position, his successor Barnevik talked about how there would be "less patience for underperformers" in a morning meeting with *Veckans Affärer*.

Treschow surely got the message; after all he was a Board member in Investor. But in terms of equity, Electrolux was not a central shareholding for Investor. The question was rather if the company would be a future candidate for a takeover. The debate concerning the differences in voting rights had taken off again, and with smaller differences in voting rights, Investor would have to make significantly larger investments in the event of new rights issues.

Barnevik had reached the highest echelons via a merger of equals between ASEA and the Swiss company Brown Boveri in 1987. During his time in power, Barnevik saw a number of such mergers carried out within the Wallenberg sphere. Did he perhaps envision the same thing for Electrolux with Whirlpool, General Electric's appliances division or Maytag?

Treschow is off to a roaring start

One of the first weekends following his appointment as President of Electrolux, Treschow met with the management team to work through a new, extended restructuring program. A large top management meeting had long been planned for the following weekend. The stricter program with its increased focus on the problems of the major appliances was anchored in record time. Treschow realized that the stock market was expecting him to disentangle an impossible knot and produce a full restructuring program taken as one big item affecting the bottom line.

With a one-off charge of SEK 2.5 billion, the new President settled old scores and was simultaneously able to cover part of the future costs. The plan for the downsizing was that 25 factories and 50 warehouses would be closed down and that 11% of the workforce (that is, 12,000 employees) would have to leave the company in the following two years.

It was a maneuver move much in the spirit of Hans Werthén, but it was also a clear signal that the owners and the new leader had taken a firmer grip on the Group.

» Treschow realized that the stock market was expecting him to disentangle an impossible knot and produce a full restructuring program taken as one big item affecting the bottom line. «

This is how Treschow himself would later describe the rapid course of events:

"Scharp, who was my Chairman over at Atlas Copco, called me up one day near Christmas and asked if I could come over. So I went to see him and he told me that Leif Johansson would be moving to Volvo and that the Board wanted me at Electrolux."



Michael Treschow had a running start when he took office as the President & CEO of Electrolux in 1997.

"I don't think I even opened the large folder of papers that I got, but a day or two later, I just called Anders and said that it all sounded good to me. And then everything happened in conjunction with the Annual General Meeting in April."

"It wasn't so much a question of reading as of understanding the situation: this was a fairly spread-out domain with lots of acquisitions, the last one being AEG in Germany. And I was coming in right at the intersection where globalization had started to make its mark on Electrolux, which had gone from multi-local to at least regional at that point. And now it was a matter of getting the regional aspect into shape."

"North America had been struggling for a number of rounds, and many felt that we should get rid of the American operation, whereas I was of the opinion that if we had global aspirations, it seemed really strange to get out of that market. The other thing was that we had a really large excess capacity in terms of production and warehouses. And then there was the unclear leadership – who was in charge of what? That was the impression I got when talking to the people at Electrolux."

» Treschow promised not to rest until the profitability targets of 6.5–7% operating margin and 15% return on equity were met. «

"I didn't experience any internal resistance; on the contrary, we put this together over a conference weekend in Saltsjöbaden. It wasn't me saying 'this is what we're doing.' We all worked on it together. In a short time, we came up with a pretty decent plan for what we wanted to do. Some of it was already underway. As luck would have it, a large management conference had been called that same week with all the top executives, and it would also take place in Saltsjöbaden."

"So already on the Tuesday, we had gone over the plan and obtained support from 250 people after a few changes and pointers, because of course there was a lot of group work and other things on this subject to see how the plan would hold up. Fairly soon after that, we had a Board meeting where the plan was presented and everything was made official."

Treschow promised not to rest until the profitability targets of 6.5–7% operating margin and 15% return on equity were met. The plan was to do it all in two years, so they needed to shift to a higher gear and rely on their stubborn leader: "I'm probably a bit of a badger. Once I sink my teeth into something, I won't let go any time soon."

The Electrolux share soared by 39% in 1997 and by 27% in the following year. After Treschow's appointment, the share value increased by SEK 10 billion. The only one complaining was the head of Whirlpool in Sweden, who felt that Electrolux was painting a grim picture of the industry's situation.

Treschow had the full support of the management team; after all cost-cutting was what the executives at Electrolux really excelled at. They had already been sketching out a program, but the question is whether Johansson or any other internally recruited president could have been as uncompromising in pushing through the measures. The organization was founded on joint efforts and teamwork. Taking a hard line is not as easy with old friends as with complete strangers.



A newspaper clipping from Swedish newspaper SvD *Näringsliv* about the professional kitchen factory in Alingsås moving to Italy.



Robert E. Cook, who came from the outdoor products division of Electrolux, had one year to save the white goods business in the US.

The first indication in Sweden of the progressing rationalization was the news that the professional kitchen factory in Alingsås would be moving to Italy. The factory was small and flexible but yielded no economies of scale. Despite making great improvements, the factory could not be saved. However, the main issue of the professional segment was refrigeration equipment.

When the quarterly report came out during the summer vacation, nonrecurring costs of SEK 1,585 million had been included to reduce the annual operating results by close to SEK 2 billion. Europe was recording poor results, but the American operation was finally starting to do better. The new Head of Major Appliances in North America – Robert E. Cook from outdoor products – had been given a year to save the company. “Bob” and the American management worked hard to put an end to the problems with the low-price range and the ramping-up of new factories. As recently as 1995, major appliances, which were not reported separately, had probably been responsible for massive losses. Now, the major appliances were showing positive results in North America thanks to Frigidaire’s Gallery models. In other words, the new strategy pursued by the American management had finally started to take. However, the American upswing also raised the profits of the competition.

When the activities for all of 1997 were reported after Treschow’s first year, Europe had also started a significant growth trend with 8% in the last quarter. But all was not well. The so-called Asian crisis had put a damper on the developing markets.

Treschow’s first year was nonetheless a roaring start by all standards according to the Annual Report. A good chunk of the restructuring program had already been implemented: 16 of the 25 factory closures had already been negotiated. These included refrigerator and vacuum cleaner manufacturing in England, the refrigerator factory in Finland and the freezer production in Hungary. The changes primarily affected the European household and professional segments. A new organization, with six operational sectors rather than 15 product lines, had also been put into place, and the Electrolux share had been revaluated by as much as 39%.

Electrolux was no longer one of Barnevik’s stragglers.

Everything in its right place with a new organization

How does a new president go about getting a grasp of a company with close to 30 managers reporting to you directly and operations across the world with 112,000 employees? You introduce new rules and a new working method that you yourself are familiar with. Learning how everyone else does things is of course impossible. It is a matter of promoting processes instead of concrete business concepts. And the goals have to be strategic and financial rather than operational.

This is why external appointments of executives in complex companies are always a gamble. But in the case of Treschow, it would be hard to deny that the gamble paid off. Electrolux had made several acquisitions over a short period of time, both large and small companies all over the world. In the process, the local managers had been given too much power as the business grew, which was a problem that Electrolux had faced before. The fragmentation into multiple business areas and the need to coordinate with so many different forces made the company a perfect breeding ground for entrepreneurs. But the challenge of bringing order to all the globalization and regionalization strategies within the giant major appliance operation had seemed a nearly inhuman feat thus far.

The 54-year-old Treschow had been the President of Atlas Copco for six years, with customers from industrial companies, construction companies and mines. This company had been the first to divisionalize already in the early 1980s, and they had developed an organizational model with separate business segments. In this environment, Treschow had acted as the CEO in a chairman-like role and with a small staff at his side. In Atlas Copco, he had cleaned up one of the smaller business segments, earning him the nickname “Mike the knife.” Treschow was said to have two sides: always polite and charming externally, but significantly tougher and more impatient internally.

Electrolux was soon given an organization similar to that of Atlas Copco with six business sectors. The most difficult area, all the major appliance operations in Europe, was now controlled by a former marketing executive from Volvo, MatsOla Palm.



MatsOla Palm, who came from Volvo, was put in charge of all of the European white goods operations.

In charge of both major appliances and outdoor products in North America was the American Bob Cook. He inherited the position from Hans G. Bäckman, who was in turn put in charge of floor care and leisure products. The “new” markets and component production were already in the hands of Vice President Lennart Ribohn. The segment was now hit with the full force of the Asian crisis.

Professional products were still under the control of Zanussi man Aldo Sessegolo, and outdoor products, except in North America, were the responsibility of Bengt Andersson, the head of Husqvarna.

These six executives now met regularly at Treschow’s Group management meetings, together with five chiefs of staff: Johan Bygge (accounting), Matts Ekman (finance), Ulf Magnusson (legal), Lars Göran Johansson (communication) and Michael Regan (staff and organization). Magnusson and Sessegolo retired after only one year. Replacing them were the German ball bearings executive from FAG, Detlef “Mike” Münchow and Volvo Personvagnar’s General Counsel Cecilia Vieweg, who was the first woman to join the otherwise



Lennart Ribohn was now the head of new markets and the component business.



Husqvarna President Bengt Andersson was responsible for outdoor products, except those in the North America.

» Some said that Treschow was destroying the spirit of Electrolux while others felt that he was bringing some order around here. «

male-dominated management following a conscious effort by Treschow to recruit more female executives. A few years later, HR Director Lilian Fossum and CFO Nina Linander would add to this changing image. In the long term, an improved gender balance would benefit both the company and be a better reflection of the fact that more than half of its end consumers had always been women.

There are several accounts of this “cultural revolution.” In 2011, the company asked financial reporter and author Bengt Carlsson, who passed away in 2016, to conduct some 15 interviews with a number of key figures, many of which provided an interesting reflection on how an organization reacts when an outsider takes the President’s chair. Some said that Treschow was destroying the “spirit of Electrolux” while others felt that he was “bringing some order around here.” The then Head of Accounting Bygge provided one of the more balanced accounts.

“Treschow is an extremely rational person,” he noted. “He was always looking to simplify and was very good at finding an easy way of describing something that is fairly complex. He taught me that a job is something you have for six years; after that you start arguing for your right to keep it. He got people moving. He was a very strong leader and had a great impact on the people around him.”

“It was clear to me that there were many who thought Michael was intimidating or felt threatened by him. But Electrolux was in need of this change and the modernization that came with it. I found support for things that I had been trying to push through and even more support in straightening out the tangled local management of the old Electrolux. There were certain gentlemen, not that internationally inclined, who had been given fairly free reins. Michael helped to sort things out in a clear way. And he can be quite blunt.”

“But Michael is also someone who sees people for who they are. I was given a lot of responsibility and some difficult assignments, and I also learned a lot from him. Then there were perhaps people he got along with and others he didn’t.”

“At Electrolux, you have to know your organization, do your homework. One Italian manager came to a meeting somewhere and more or less received his presentation the minute he was supposed to give it, saying in his charming Italian manner: Let’s discover together. He didn’t last long in the Group.”

“That was the case before as well, but even more so with Michael. You came prepared, you were professional, you were focused and you knew what you were trying to achieve.”

But Michael would also invite management groups, clients and even large groups of employees to his home, the old Wallenberg house Malmvik on the island of Lovön. That was something people really appreciated.”

The Electrolux people were accustomed to managers who knew the Group down to the smallest detail and who did not hesitate to make the smallest of decisions if they happened to be around, or if something had fallen through the cracks. The benefit of this was of course that it created a sense of security for the middle managers, but the downside was that they had someone else to blame if there was a problem.



Electrolux was in need of this change and the modernization that came with it, says Johan Bygge, Group Controller and later Head of Consumer Outdoor Products outside North America.

Treschow on the other hand categorically refused to make any decisions himself. “Don’t try to delegate upward, I don’t know enough to assume that responsibility.” He was also known to pursue tiresome discussions until the point where everyone in a meeting had reached a consensus. Certain employees would say that he was doing this to “save his own neck,” probably not realizing that a president can never shift the blame when answering to the shareholders and the Board unless he has just replaced the executive responsible for the mistake. This was the logic passed down from the owners, and for Treschow it was second nature.

Unless the responsibility has been clearly assigned to someone, the problem would land with the owners, whose only choice was to remove the President or the Chairman of the Board. In this new ownership landscape, a type of President was required who was no longer the “first among equals,” but rather the confidant of the shareholders. Treschow was, for better or worse, the perfect fit for this new role.

Increased focus on consumer and brand

“From 1995 to 1997, we were eroding value; now we are building value,” says Treschow in February 2000 when the Annual Report for 1999 was presented. He dreamed of sending products directly from the factories to the customer with the help of Internet technology, rather than via several stopping points in the organization.

When the Electrolux Annual Report for 2001 came out in early April the following year, it was clear that he considered his main mission to be completed. The customary word from the President had been graphically redesigned, first as a short typed snail-mail letter from the President & CEO and then subsequently in the form of a web page.

The message was that Electrolux, in a new millennium with new Internet technology, was a changed company. It had become a focused, global leader with only two business areas: durable consumer products and professional products, with indoor and outdoor products in both segments.

It was hard to miss the Post-it note on page four with the heading “We achieved what we promised.” Treschow checked off his four goals. The target margin of 6.5–7% had been reached. The return on equity was now above 15%, as promised. The 1997–1999 restructuring program was finished. And finally, all noncore operations had been sold or shut down.

It was primarily ten predetermined professional operations that had left the Group. But there were also four consumer operations that had been sold, namely sewing machines, decorations, kitchen and bathroom fittings, and the entire direct sales organization. Around 15% of the operation, with a turnover of SEK 20 billion and 22,000 employees, no longer constituted part of the Group.

It was time to move on.

Clearing the path

The chain of events over the years in question went as follows. The first year, 1997, was dominated by the internal restructuring program. But there was also the sale of the goods protection operation. In addition, Husqvarna let venture capital company Industri Kapital acquire the sewing machine operation, and the ill-fated Överum factory and its agricultural equipment were finally sold at a great loss. Another sale was the small decoration business Sia Lustgården, which Werthén had bought after a dinner. No conflicts thus far. No one could really object to the sale of the recycling company Gotthard Nilsson and the last remaining part of Gränges either. That decision was made in November 1998.

A topic of debate was the sale of operations related to kitchen and bathroom cabinets (Ballingslöv and Schrock), professional vacuum cleaners, and tunnel washing machines. Where were the boundaries to the business model? Developing kitchen design products allowed the Group to better understand the requirements for the major appliances that went with them. And the professional cleaning and laundry equipment was often one step ahead of its consumer equivalents.

Even more surprising to the old guard at Electrolux was how the direct sales organization of Lux with its 10,000 employees was sold at what some considered a “bargain price” to a group of investors and direct sales professionals. It was true that vacuum cleaners and small appliances were only sold door to door in developing countries these days, and the Chinese venture had failed completely. A particular new Lux vacuum cleaner had also broken all estimates at the Västervik factory. But did that necessarily make it right, despite the Asian crisis, to leave so much experience from Asia behind, not to mention such a successful breeding ground for managerial recruits?

“Now the executives at Electrolux would be like everyone else,” lamented the man who had built up the Asian operation, Simon Liliedahl, and who had already managed a political career following his retirement. “You can count on divestments, but not on what you’ll lose in the future when the Asian competitors have grown strong enough to make a move on Europe and North America.”

» When the Electrolux Annual Report for 2001 came out in early April the following year, it was clear that he considered his main mission to be completed. «

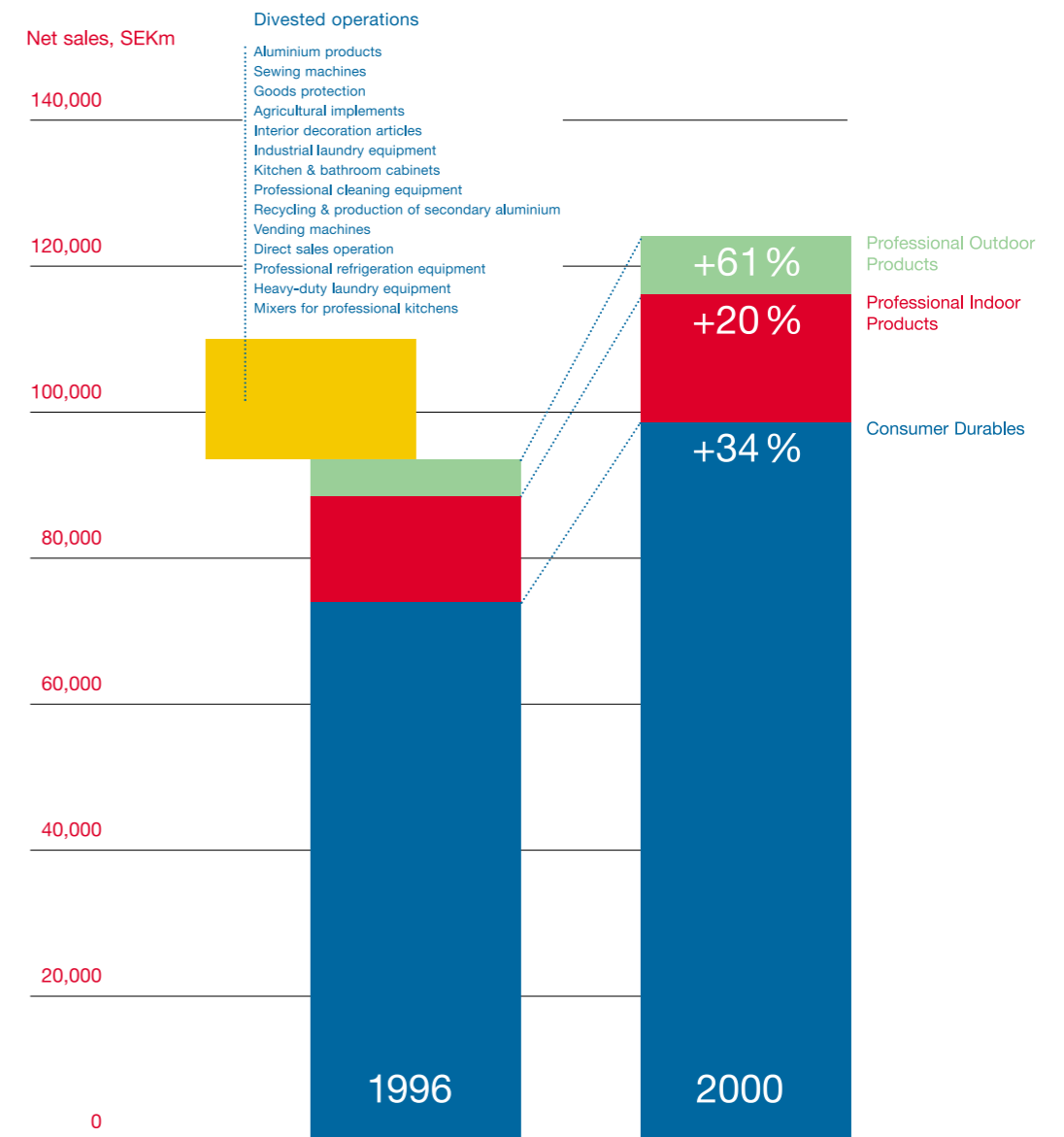
The hiving-off of Husqvarna and the outdoor products was not on the table, however, despite this being called for by many a few years before. The reason for this was that the head of the American operation Bob Cook was selling indoor and outdoor products as a package, among other things to the giant retailer Sears. As a matter of fact, 50% of the North American sales were structured this way. The outdoor range was also the reason why the margin measurement of 6.5% could be reached, whereas this was not the case with the major appliances, which had some way to go.

Three new divestment deals were completed in 1999: Plastcenter in Motala, Zanussi’s food and beverage vending machines and the professional refrigeration equipment. These comprised a total of 3,000 employees, mainly in the last deal, which brought in SEK 1.2 billion from American UTC, better known as Carrier.

In 2000, this string of sales was completed with the professional freezer equipment segment in North America, which had a few thousand employees, and a small Danish company making blenders for professional usage.

The increased globalization also led to better coordination of the Group’s purchasing. There were billions to be saved as the purchases corresponded to more than 70% of the consolidated turnover. The same was true for the product platforms. With fewer platforms to be shared between different regions, there were great efficiency gains to be made.

Restructuring and streamlining



An interesting restructuring that was also happening in those years was the retail sector for major appliances in Europe. British Kingfisher bought up a major Belgian chain. French hypermarket chains Carrefour and Promedés merged. British Dixon's bought Norwegian Elköp. American Walmart entered the UK market through the acquisition of ASDA. A Pan-European retailer market for major appliances was opening up, which entailed greater opportunities to launch European brands. Electrolux invested in a "neutral" European head office in Brussels, which would be in charge of marketing the major appliances across Europe. A new manager, Wolfgang König from Germany, was appointed when Palm retired.

Products based on the consumer perspective

But Treschow's time at Electrolux was not only about closures and divestments. The product development process was made more rigorous and given a clearer consumer focus. All product development was to be based on the needs of the consumer, much like the philosophy in Axel Wenner-Gren's days, but now studied and analyzed through home observations, focus groups and surveys. It also became obligatory to include information on target groups and consumer needs when asking for investments into new products.

Several product concepts were developed to gauge the reaction of the consumers. The prototype robot vacuum cleaner Trilobite was taken on a worldwide press tour. In addition to the priceless free advertising of Electrolux, the attention it received meant that the management of the vacuum cleaner segment under Hans Stråberg felt confident in launching it properly a few years later.

Treschow had a great personal interest in design, which of course made it easier for the designers to develop exciting future concepts to be displayed in various external settings.

» All product development was to be based on the needs of the consumer, much like the philosophy in Axel Wenner-Gren's days, but now studied and analyzed through home observations, focus groups and surveys. «



The concept product "Cooker of tomorrow" had a fast-heating function with multiple temperature zones so that different dishes could be made at the same time.

The "Podium" cooker, which was a part of a series of futuristic concept products, had the highest performance with pot sensors and an induction hob.

Not only did it strengthen the brand, but it also boosted the interest in beautiful products among the slightly more conservative technicians within the company.

Lars Göran Johansson, who headed Corporate Communications, was given broader responsibilities, which included marketing, investor relations and environmental issues. "Michael showed these pictures of cookers – good, better, best – at a Board meeting in Italy and announced that we would start applying value segmentation. Some might pay extra for a simple product, and others might be keen to impress their neighbors. We needed to break free of the 'commodity trap' by adapting to the fact that each customer is different and wants a different type of product."

This is how Electrolux initiated the extensive segment studies on consumer values, needs and habits that would prove to be of great importance later on. Newcomers Treschow and Johansson did not introduce the consumer perspective, but they did reinforce it.

Buying back the brand in North America

The greatest event in 2000 was buying back the rights to the Electrolux brand name in North America. The American trademark had originally been in the private ownership of Electrolux founder Wenner-Gren. He later sold 38% of this separate business to the Electrolux Group. The company was now called Electrolux LLC, and it still owned the name. Electrolux sold its minority holding in 1968 to the American company Consolidated Foods (later Sara Lee), which thus gained control of the trademark. Electrolux had been in talks with Sara Lee on several occasions regarding the brand, but it was only when

the American company sold the rights to a private individual that a real opportunity to negotiate presented itself.

Treschow was the first President willing to pay generously to sort out the drawn-out trademark issue. He was applauded by most people at Electrolux, both old and new.

“It should have been done already in my day,” says his predecessor Johansson. The cost of reclaiming the trademark was SEK 425 million. Electrolux was able to start using it for their North American products right away, with the exception of the vacuum cleaners.

Repurchasing the brand in North America was necessary in order to achieve structure in the Group’s branding efforts. The idea was to reduce the large number of brands and invest more in the most important ones, predominately the Electrolux brand, which could finally be used globally. This went hand in hand with the work to gain increased insight into the consumers and their needs. A brand scorecard was developed to measure the consumer opinion of the brands on the major markets. It measured the strength, value and loyalty of the Group’s own brands and their competitors in more than 30 countries. Consumers were also grouped into a number of needs segments, in order to adapt product development and marketing accordingly.

New markets

Through the acquisition in 2000 of the Australian company Email, which dominated the major appliance market in Australia, the Electrolux brand could now be broadened from a pure vacuum cleaner brand to a premium brand of household appliances “Down Under.” In Brazil, the company quickly eliminated the brand Prosdócimo, a by product of the acquisition of Refripar in 1996. Over a few months, Electrolux carried out a massive advertising campaign on the theme of an Electrolux-Prosdócimo wedding. After the wedding, only Electrolux remained. This was the first step of an investment in Brazil that would prove highly successful.



Electrolux showed a prototype of the Trilobite on the popular BBC program *Tomorrow's World* as early as 1997.



The acquisition of Refripar in 1996 included the Prosdócimo brand, which “married” with Electrolux in an extensive wedding-themed campaign. From left: Antonio Carlos Romanoski, Head of Refripar, Lennart Ribohn and Leif Johansson.

» Repurchasing the brand in North America was necessary in order to achieve structure in the Group’s branding efforts. «

But Electrolux also had other ways of entering new markets. The chronically protectionist and no longer growing market of Japan was attacked through a sales collaboration with Toshiba – a collaboration that failed however.

In the summer of 2001, Treschow finally chose to sell the leisure segment (camping and hotel room refrigerators) to the Swedish venture capital company EQT, resulting in capital gains of approximately SEK 3 billion, which was another surprise for the Electrolux veterans. The decision meant that many important parts of the original Electrolux were now gone. “I think he sold it to get rid of me,” says Sven Stork, the entrepreneur behind the segment that at times had compensated for the weak earnings of the major appliances. But Treschow motivated the decision by saying that there were limited benefits to coordination with the rest of the Group as sales mainly went to the trailer and motor home industry.

The success story of Brazil

Like many other companies, Electrolux has a long history in São Paulo, Brazil, but it was only in the 1990s that the company became something other than a marketer of floor products. As part of the globalization and the venture into the growth markets, Electrolux acquired Refripar with 5,000 employees in 1996, the runner-up on the Brazilian major appliance market after American Whirlpool. Many investments in the new industrial countries failed, but the one in Brazil became a great success and came to influence the entire Group.

The success was only realized following a reorganization, as Refripar's strategy was competitive pricing at the same time as the company had high production costs and inefficient distribution. The fact that the Brazilian economy was reeling from the Asian crisis only made matters worse. At first, the new subsidiary seemed only to bring bad news.

The turning point that followed is associated with Ruy Hirschheimer from Brazil. At 50 years old, after a career as an economist and business executive in Brazilian industry, he was hired by Electrolux as the Head of Major Appliances in Brazil, and four years later, he became the Head of Major Appliances in all of Latin America. Brazil went from problem market to source of inspiration.

The Brazilian economy was coming back up after two periods of liberalization under the democratically elected President Fernando Henrique Cardoso, a liberal social reformer. Electrolux managed to take advantage of the subsequent expansion.

"As of 1999, we became a player to reckon with on the Brazilian market," says Hirschheimer. "Electrolux expanded by 15% per year - twice the rate of the market. When we started the journey, Whirlpool had a great lead, and now we are close on their heels."

The Chinese industry was crying out for raw materials, and Brazil represented the first letter in the BRIC countries (Brazil, Russia, India and China), which together lifted the global economy to new heights during the "super boom" that lasted until 2008. But that was not all. The Brazilian population was starting to have fewer children per family at a faster rate than elsewhere. They could soon afford refrigerators, freezers and washing machines, as had been the case for the Swedes in the late 1950s. But homes were small. In other words, the products needed to be adapted.



Ruy Hirschheimer turned Electrolux around in Latin America. He began at Electrolux as the Head of Major Appliances in Brazil and four years later, he became the Head of Major Appliances for all of Latin America.

"We were more open to developing attractive products for small apartments, but we also developed innovative products for the other segments," notes Hirschheimer.

The statistics confirm the rapid rate of change. Seven years later, products that had been launched in the last two years accounted for 62% of sales. The trick was to apply consumer awareness in the development. With the help of house calls, marketers gathered more information about the Brazilian consumers. Each product was tested by consumer panels and changed accordingly before being launched. The stainless steel refrigerator Celebrate, the glass hob Revolux and the first cooker with both glass hob and double oven, Celebrate Glass, are all examples of product launches that increased market shares. The Brazilian subsidiary developed a modern design that inspired the entire Group.

Marketing on the Brazilian market was actively pursued by the retailers with the help of representatives for Electrolux. The company grew alongside the major retailer chains, which influenced the presentation and sell-in of the products. It was important to help customers in their decisions.

The next step in the strategy, focusing on and building the brand name of Electrolux, had been introduced already in 1997. It allowed for products from other markets to be launched more easily in Brazil and for Brazilian products to be exported.

The four factories that were acquired from Refripar were heavily modernized and streamlined. Costs went down, and the factories were able to supply the rest of the Latin American market with major appliances and vacuum cleaners. Electrolux became the largest manufacturer on the continent after Whirlpool.



An extensive refrigerator production in Brazil came with the acquisition of Refripar.

The IT bubble that burst

In year 2000, economic growth had started to falter in both North America and Europe. The Electrolux share started to fall when a conflict over pensions added SEK 2 million to the costs. The exchange rate had almost halved before Electrolux decided to purchase B-shares at a value of SEK 750 million through the share repurchase program. The company had become more efficient but growth was weak and a new downsizing program of SEK 833 million was presented. And things were looking just as dark for SKF, Atlas Copco and Stora Enso at this time.

Now everyone wanted to appear open to the new mobile and Internet-based technology. The major appliance industry started talking about the connected kitchen. Much like in the computer industry, products were being developed to allow the consumer to customize their appliance with the press of a few buttons during the ordering process. Already in 1999, Electrolux initiated a collaboration with Ericsson, called e2 Home, with the aim of creating the intelligent home. The refrigerator Screenfridge came with a built-in display on the door, and integrated electronic services were tested in a home environment.

A new version of “the kitchen of the future” from Electrolux would tour around the different subsidiaries as inspiration. The marketing staff had gradually been given more and more room, but they often had unrealistic expectations on lead times.

Many of the visions were excellent, just slightly ahead of their time. The e2 Home had to be canceled. But the enormous losses caused by the IT bubble on the world's stock markets between the spring of 2000 and late fall of 2002 ultimately entailed a gigantic investment in new knowledge and infrastructure that would later come to fruition.

» Now everyone wanted to appear open to the new mobile and Internet-based technology. The major appliance industry started talking about the connected kitchen. «

In the fall of 2001, prospects looked dire. Early stock market stars such as Ericsson and ABB more or less crashed and burned. These companies suffered from unclear ownership structures, and Michael Treschow was now asked to clean up at Ericsson, a company that had been severely affected by the excessive speculation in Internet and mobile telephony. He abruptly left Electrolux, and an internally recruited successor unexpectedly had to take his place.



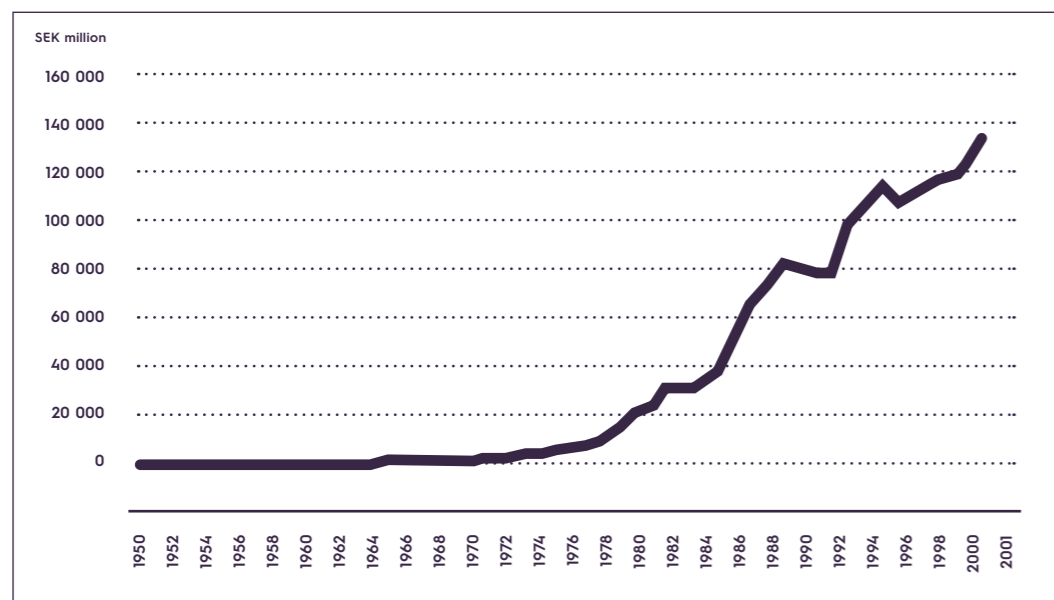
The first connected refrigerator with a screen, Electrolux Screenfridge, garnered extensive attention when it was presented for the first time at Domotecnica in 1999.

Growth despite divestments

Group	1996	1997	1998	1999	2000	2001
Sales, SEK billion	110	113	117.5	119.6	124.5	135.8
Change, %	-5	2.7	4	1.7	4	9
Operating margin, %	4	4	5.2	6.2	6.5	4.7
Employees, thousands	112	106	99	93	87	87
Equity, SEK billion	22.4	20.6	24.5	25.8	26.3	28.9
Equity ratio, %	26	26	29	32	30	31
Share price, SEK	79	110	140	214	123	157

In seven years, the Group's invoicing increased by 24%, or in real figures by close to 2% annually. This means that, despite the divestments, the operation did not decrease in size and the stock price (recalculated basis compared with the previous table) rose, despite the market bubble. The number of employees has decreased drastically since the time of the Electrolux Troika.

Sales development



Affärsvärlden, *Veckans Affärer* and *Dagens Industri*, several articles from the period.

Electrolux annual reports, 1996–2001.

Electrolux collections of newspaper clippings, as well as minutes from board meetings and correspondence, Centre for Business History in Sweden.

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Anders Edholm, Matts Ekman, P-G Hedström, Lars Göran Johansson, Halvar Jonzon, Per Melin, Ulf Magnusson, Anders Rydahl, Anders Scharp, Åsa Stenqvist, Sven Stork, Lennart Sundén, Ulf Södergren, Heikki Takanen, Roger Törnqvist, Ingemar Ussaar, Magnus Yngen, P-G Öster.





CHAPTER

6

Globalization demands a revolution

2002-2010

Significant milestones

Year	Event
2002	Hans Stråberg succeeds Michael Treschow as President & CEO. A new savings package is announced.
2003	Vacuum cleaners are relaunched in North America under the Electrolux brand.
2004	The innovative battery-driven vacuum cleaner Ergorapido is launched.
2006	The outdoor segment is distributed to the shareholders of Electrolux and listed on the Stockholm Stock Exchange under the name Husqvarna. Electrolux is ranked for the first time, but definitely not the last, as number one on the Dow Jones Sustainability Index for household appliances.
2007	Electrolux receives an environmental award from the European Commission for its long-term sustainability work. Marcus Wallenberg becomes Chairman of the Board.
2008	The company's greatest ever launch is made in North America of 150 new products under the Electrolux brand.
2010	Electrolux launches a new series of eco-friendly vacuum cleaners made from 55-70% recycled plastic. The launch is combined with the "Vac from the Sea" campaign, which calls attention to plastic debris in the oceans.



Hans Stråberg and Michael Treschow at the presentation of the new President & CEO in October 2001. Note the Ericsson mobile phone in Treschow's hand.



Under Hans Stråberg's management, product development based on the consumer's needs was increasingly in focus. Here is a picture of the Bright product series from the 2005 Annual Report.

There was no mistaking the warmth of the applause when it was announced in October 2001 that the Head of Floor Care Products Hans Stråberg had been appointed President and CEO. Stråberg was well liked within the company. The general merriment could also be interpreted as a sign of relief that Michael Treschow, who had always been an outsider, would be leaving and that one of their own would come and turn the clock back to reinstate the old "spirit of Electrolux."

The old and the new President had completely different managerial styles. One was more formal, careful to maintain delegated responsibilities and processes, while the other was of a more informal disposition, educated in the so-called art of business – a more opportunistic way of operating. Traditionally, Electrolux had not been built on formality and processes which was a slight disadvantage in the era of venture capitalism, the information revolution and globalization. Treschow had the authority to modernize and to create more order in the company.

It was rumored that Treschow wanted Johan Bygge, Head of Consumer Outdoor Products outside of North America and former Group controller, as his successor. But Chairman of the Board Rune Andersson also had a candidate, and although engineer Stråberg was perhaps not one to give the most charismatic presentations to the Board, he was perceived as a real "industrialist."

Stråberg recalls how he got a call from the Chairman while he was out hunting. He asked Andersson to call back as they were at a critical phase of the hunt, but suddenly he got a hunch regarding what the call was about. "It took half an hour before Andersson called me back, and it was probably the longest thirty minutes of my life," he says. "I really wanted that job."

Tough changes

Not only did Electrolux have strong entrepreneurs responsible for various operations, the powerful country managers were still guarding their national domains, factories and brands. The line managers in Stockholm had limited power. It was no easy task to bring it all together into a global organization but Treschow had taken the first steps. The young new company leader Stråberg had ambitions to continue this change process, but as it turned out he would take an even harder line. However, few of the applauding colleagues probably realized this at the time.

» Without Michael [Treschow] breaking with tradition it would have been more difficult to direct the focus on to consumers and brands. «



The new President & CEO Hans Stråberg, had launched robot vacuum cleaner Trilobite in 2001.

"Without Michael [Treschow] breaking with tradition it would have been more difficult to direct the focus on to consumers and brands," said Stråberg later on. "When he came in and started making cuts, it's no wonder that a lot of people were annoyed or even bitter about it. Cultural change can be painful. I'm pretty sure that there would not be such a large, Swedish-owned consumer appliances company today if that process had not been started. People forget that Michael and I understood one another and worked well together."

Treschow and Stråberg were certainly different. One of them had quite a few critics while the other seemed not to be on bad terms with a single person in the entire organization. This was more likely a matter of personality than of strategy. One preferred to keep distance while the other was happy to engage in long conversations. Stråberg's best weapon was a kind of friendly tenacity and energy. He had collaborated with the American Bob Cook in a brutal downsizing of White Consolidated. "I don't think I have ever let as many people go in such a short period of time."

"Young, dynamic and full of energy," declared Chairman of the Board Andersson at the public announcement of the new, 44-year-old company President. It was not easy getting up on stage next to the worldly Treschow who was about to take over at the crisis-stricken Ericsson, Sweden's most prominent company. The successor's strength lay in his close-knit network, not in public appearances.

Stråberg was a farmer's son from the area of Västervik in the south east of Sweden, who had started working at Electrolux in 1983 as a young graduate with a degree in engineering from Chalmers University of Technology. Four years later, he was put in charge of dishwashers and washing machines, and five years after that he became the manager of the Västervik factory that he would later help to shut down. After a period in the US heading up parts of the major appliances segment, Treschow appointed him Head of Floor Care Products and Small Appliances.



The cover of the Electrolux Annual Report for 2002 clearly shows Hans Stråberg's priorities.

The fact that Stråberg would be taking the same direction as Treschow became apparent in the first Annual Report under his leadership which related to 2002 and was published in the spring of 2003. Formally, he had just taken up his duties, but, in practice he had been leading the company since October of the previous year (2001) as his predecessor had been engrossed in pressing issues at Ericsson.

“We have significantly improved the Group’s profitability in recent years by lowering costs and by restructuring,” writes Stråberg in the foreword and then alludes to more cost measures in the future. During Treschow’s period as President between 1997 and 2002, Electrolux had accepted non-recurrent costs of SEK 6.6 billion and reduced the number of employees by 20,000. Profitability had increased from 4% to 6.5% in the year before Treschow’s departure.

Stråberg started by launching a number of changes to the company’s working processes by introducing a more detailed strategic planning process, stricter investment criteria and global guidelines for purchasing and product development. In addition, the product development process was refined based on experiences from the small appliances sector.

In 2001, Electrolux was faced with serious issues in its new factories in the US and the profit margin dropped to 4.7%. Nevertheless, there was still a strong underlying increase. The problem was simply that much of the savings ended up in the customers’ pockets, prices were pushed downwards by competitors selling their products at a loss in the low-price segment. The spring cleaning needed to continue under Stråberg.

» When Stråberg himself assumed the role of President, a new team of hardworking Electrolux employees was formed, both in the Group staff functions and out in the operational units, with the shared vision of globalization. «

Major Appliances outside Europe and North America therefore became a separate business sector and outdoor consumer products were returned to the control of Bengt Andersson at Husqvarna.

Stråberg would later talk about the teamwork amongst the young employees during his early time at Electrolux. During his formative years, he was also one of these young employees in the circle around Leif Johansson, then Head of Major Appliances who later

became the President of Electrolux. They both shared the challenge of trying to turn a number of acquisitions into a cohesive unit.

When Stråberg himself assumed the role of President, a new team of hardworking Electrolux employees was formed, both in the Group staff functions and out in the operational units, with the shared vision of globalization. Some were already in place and others he hired. “Take Head of Accounting Fredrik Rystedt or General Counsel Cecilia Vieweg, for example. Not only were they wonderful professionals, they also had a genuine interest in business. Same thing with HR Director Lilian Fossum.”

And it was no coincidence that so many of the executives would later become Presidents of different listed companies. Magnus Yngen, Jonas Samuelson, Keith McLoughlin, Morten Falkenberg and Johan Hjertonsson were further examples of how Electrolux remained a school for executives.

There was certainly no lack of challenges for them to sink their teeth into.

Vacuum cleaners leading the way

Yngen was Stråberg’s closest associate in the small appliance business sector and was set to replace him. Yngen later points out the lucky coincidence that made the Chairman of the Board choose to place all of Electrolux in the hands of the former small appliances head at this point in time. His sector had been forced to deal with design and customer adaptation already in the 1990s when it was first hit by harder global competition.



Magnus Yngen was Hans Stråberg’s right-hand man in the vacuum cleaner sector and succeeded him.



The innovative battery-driven vacuum cleaner Ergorapido was launched in June 2004 following systematic product development and consumer tests.

“Globalization hit us full force around the year 2000,” Yngen says. “The downward pressure on prices seemed enormous. Everything fell by 20% annually. The worst was the low-price market segment where you could now buy a vacuum cleaner made in China for SEK 300–400. Would we even have a vacuum cleaner business in five years’ time?”

» In order to to succeed globally with global products, Electrolux would have to go down the same road as the major consumer product companies. «

“Electrolux was the first company, ahead of all the competition, to have a manager that truly realized what the situation in major appliances would be like. In the years to come, there was a lot of talk of greedy managers, corporate boards and shareholders who moved production on a large scale from high-cost to low-cost countries, but, if Stråberg hadn’t understood the depth of the crisis, it’s unlikely that Electrolux would still be in major appliances today.”

“And yet the cost adaptation was not the most difficult part, nor the most important,” Yngen continues. “In order to to succeed globally with global products, Electrolux would have to go down the same road as the major consumer product companies. It was a matter of systematically continuing to segment your markets according to customer needs, rather than production requirements as we did before. The cultural revolution had just begun

The battery-driven vacuum cleaner Ergorapido, which was launched in 2004, sold millions worldwide after just a few years. In 2008, a new generation was introduced with better dust uptake, lighting on the nozzle and new colors.



With the campaign “Vac from the Sea” in 2008, Electrolux wanted to increase awareness of plastic waste in the world’s oceans, at the same time there was a shortage of recycled plastic for production of the Group’s vacuum cleaners. Plastic from beaches in different countries was used for the cover of five vacuum cleaners and evoked extensive media attention.

in the vacuum cleaner sector with a large segmentation study in Europe. It was a process that would require both great conviction and perseverance from the new CEO. I can’t imagine anyone other than Stråberg being ready to take on that kind of challenge. To be fair, Treschow had started it, but only scratched the surface.”

The vacuum cleaner business had been rapidly transforming since the late 1990s. The low-cost countries attacked the market with full force, which significantly reduced the operating margins. In the period leading up to 2006, first under the leadership of Stråberg and then under Yngen from 2002, Electrolux, which in 1998 had 90% of its manufacturing in high-cost countries, moved all vacuum cleaner production to Mexico, Brazil and Hungary. The factories in high-cost countries disappeared, including the one in Västervik.

The second measure taken was to speed up the launch rate.

In 2006, half of all sales were vacuum cleaners which had been launched since 2004. For example, the innovative battery-driven Ergorapido vacuum cleaner was launched in June 2004 following very systematic product development and marketing. The process included a study of 1,500 households. The attractive design meant that this 40% more expensive vacuum cleaner could be left out at all times, ready for use.

The launch, which was carried out simultaneously in 40 markets, was an immediate success and close to four million appliances were sold over the next four years, thus helping to restore the operating margin. Increasing turnover proved harder. Falkenberg, the former Head of Small Appliances Europe, was in charge then. Yngen became President of listed company Husqvarna in 2006 where he initiated a similar transformation for the outdoor products. During this time, the transformation of the vacuum cleaner business area played a decisive role in the strategic efforts of the Electrolux Group.

Recession and austerity packages

In October 2002, the Stockholm Stock Exchange hit a low after one of the worst bubbles in its history burst. This affected many IT consultancies, which depreciated in value by over 90%, but also telecom equipment manufacturers as several large global telecom operators overspent on mobile licenses in countries like the UK and Germany. On the Stockholm Stock Exchange, Ericsson fell into the abyss alongside insurance company Skandia and electrical engineering company ABB. Skandia had been speculating in American IT stocks on behalf of their customers, and the ABB stock plummeted due to an unfortunate combination of asbestos lawsuits, financial maneuvers and bad investments. For the two most celebrated Swedish business leaders of the 1990s, Ericsson's Lars Ramqvist and ABB's Percy Barnevik, this was the end of their careers following massive attention in the media.

Electrolux had also harbored premature dreams of a "connected kitchen." But the company escaped this period of excessive speculation more or less unscathed. In its arsenal, Electrolux instead had one of the industry's best systems for creating and maintaining websites on the Internet, which had been developed with very limited means in collaboration with one of the Swedish IT consultancies that had now depreciated in value. Despite the bubble, the technology itself was sound and could be globally applied. And the stock market crisis ended surprisingly fast once it had taken a massive toll on the world's savers.

More troublesome was the subsequent American recession and the increased export pressure from China. In December 2002, Electrolux announced new savings packages, primarily for air conditioning in the US and major appliances in China and India.



Protests against the decision to close the AEG factory in Nuremberg were long and extensive. This picture is from 2006.

Operations with a turnover of SEK 2.4 billion would be cut, along with 5,100 employees. But business was picking up in North America after several tough years. The restructuring was taking effect. It now became increasingly clear that there would be no patience with loss-making factories.

In 2004, another package was presented, this time with a focus on moving production from high-cost to low-cost countries. The cost of the program amounted to SEK 8 billion over six years, with estimated savings of SEK 3 billion per year. The time had come for major appliances to face globalization head on, much like the small appliance sector had done a few years earlier. The difference was that production was moved to low-cost countries in each respective region, such as Poland, Hungary and Mexico. The goal from the start was to have 40% of the production in low-cost countries. However, the outcome was even greater than this, and, in 2010 this figure had reached 60%.

By the spring of 2006, the air conditioner factory in the US had been closed down, the motor and compressor operations had been sold off, and the refrigerator production in Grenville, US, had been relocated to Juarez, Mexico. Towards the end of 2005, the bombshell was dropped that the unprofitable washing machine and dishwasher factory in Nuremberg, Germany would be closed down. Much cheaper capacity could be found in Poland and Italy. Refrigerator manufacturing would also be moved from Spain and Italy to Nyíregyháza in Hungary.

Many of the closures were surprisingly painless. The union leaders realized how bad the competition was. Much of the focus was on finding new employment at a time when the industry supplying China and other developing economies started to experience a "super boom." Even the closure in 2004 of the Västervik factory in Stråberg's home region had finally been accepted as inevitable.

"The fact that the Swedish industry had a chance to continue the restructuring more effectively than many others is something we have the politicians and trade unions to thank for. The central government has been generous in paying readjustment grants and discussions with the union representatives have always been constructive. They have monitored the discussions over the years, gaining an understanding of just how strong the external forces have been," says Johansson.

Meanwhile, the German media showed images of Stråberg as a puppet dangling from a lamp post. Politicians came to make TV appearances with the backdrop of angry workers on strike. The strong German reaction came as a shock to the Board. "The closure in Nuremberg was much worse than expected," says boardroom veteran Peggy Bruzelius, who has been a member of the Board since 1996. "There were interventions by politicians and tax cases. We won in the end but then they tried to get at us through taxes. Above all, Electrolux lost a lot of consumer trust. Germany was a special case and it was a large factory."

The then press manager Anders Edholm talks about the huge media attention in Germany. "Nuremberg made washing machines and dishwashers that were already making a loss when they left the factory floor. But the political situation in Germany turned us into a pawn in a game between the trade unions and politicians."

The additional cost to Electrolux was half a billion SEK.

Strategy for a global market

Exponential growth is difficult to understand and at first it is easy to underestimate the force of the change. In a few decades, a plant in the garden that grows by 10% per year will become a tree seven times the size, casting a shadow in the summer and covering the entire lawn with leaves in the fall. But, it is only later when it doubles in size that the real change is apparent. China was one such doubling phenomenon in the global economy around the turn of the new millennium. The country now represented a large part of the world's economic growth.

In the 2000s, China was emerging as the world's factory and the Chinese demand for raw materials created a global "super boom." Other countries had to export everything they could muster, not only raw materials but producer goods too. Soon the international companies were forced to invest increasingly in production in low-cost countries in order to compete with China. But that was not all. A growing Chinese middle class was starting to buy an increasing proportion of the world's consumer products.

The logic behind a truly global company is simple. It is a company that takes advantage of economies of scale by promoting one product line across the world, with as few brands as possible, and placing manufacturing and development units in the locations that offer the best quality at the lowest price. The Japanese electronics industry and Finnish cell-phone manufacturer Nokia proved to be skilled in this at an early stage. But the clearest example had to be Apple and its iPhone that launched in 2007, developed in the US and manufactured in China, which took the whole global market by storm.

This is not as easy when it comes to household appliances. Consumers cook with gas in southern Europe and with electricity in the north. Oven design is completely different from country to country. People wash their clothes differently in North America and in Europe. There are different amounts of fresh produce in the refrigerator. Asian consumers want smaller appliances and the Americans want bigger ones.

The products come with a history, having evolved over a long time. The only product that was global from the start was the microwave oven. Vacuum cleaners were quickly globalized thanks to China. Given that so many of them could be fitted into a single container, the freight cost was only a fraction of the expense.

Globalization also produced more and stronger global brands. Consumers were no longer only exposed to the local and familiar brands. Thanks to increased travel, television, and, not least the Internet, it was now possible to gain global economies of scale from marketing investments. But did this also apply to the major appliances industry where local brands often had a century-old history associated with quality, tradition and customer loyalty?

A global brand

Over the years, many companies in the major appliances industry had bought up a large number of brands. Electrolux alone had hundreds of brands in its portfolio – many were big and well-known while others were stuck in the archives. But could the Group afford to maintain and develop all of these often local or regional brands in global competition? This was a question that the Board had been asking already in Treschow's time, and the answer was: no, we need to clear out the portfolio and focus on a few brands. These brands must then be more clearly geared towards different market segments and represent something unique. And, in the long term, the Electrolux brand must become a strong global brand with a similar position in different markets.

The Electrolux brand was strong mainly in the Nordics, Switzerland, France and Brazil. In many other countries it had been associated mainly with vacuum cleaners ever since the days of Axel Wenner-Gren. Now, the Electrolux brand would gradually start to replace regionally established names like Rex (major appliances in Italy), AEG (major appliances in Germany), Husqvarna (extremely strong brand of major appliances in Sweden, but nowhere else) and Arthur Martin (well-known in French-speaking countries). There were several other examples.

The chosen strategy was "double branding" in order to gradually start letting go of the old regional brands. For a number of years, the outdoor consumer products, such as Flymo, would also be double branded with Electrolux.

This strategy gave rise to concerns and internal debates. Few things are as emotionally charged as branding. The proponents argued that a strong global brand was needed to compete and that the concerns were exaggerated, while the opponents pointed to Whirlpool's difficulties in keeping the heritage of Philips intact once they had introduced their own brand.

In reality, the work of transforming Electrolux to a global brand would take a long time and there were apparent risks involved in touching strong brands like Rex, AEG

» Globalization also produced more and stronger global brands. Consumers were no longer only exposed to the local and familiar brands. «

» In 2005, however, the proportion of products sold under the Electrolux brand, including double branding, increased from 16 to 50% in just five years. «



Double branding of regional brands with Electrolux began in 2002, like here with the Group's Italian brand Rex. The aim was to strengthen the global Electrolux brand. Today, Electrolux has replaced Rex in Italy.

and Husqvarna. In 2005, however, the proportion of products sold under the Electrolux brand, including double branding, increased from 16 to 50% in just five years. The country managers were protesting this development, which they felt was going too fast. In Germany, the market shares for washing machines were dropping at an alarming rate, but this likely also had to do with the strikes and the negative publicity that had followed the decision to close down factories.

It was easier to communicate the production costs incurred in the high-cost countries. In Eastern Europe, it was possible to manufacture the same product at a third of the German or French wage cost. Italy was not in a much better position. American washing machine producer Maytag, which had made no changes to its manufacturing, had already been gobbled up by the rival Whirlpool. Electrolux was not about to fall into that same trap.

The country managers argued that it was necessary to have a refrigerator factory in each region as the bulky products could not be transported. This was not exactly true seeing how it was perfectly doable to transport refrigerators from Poland and Hungary to the rest of Europe. Not as many units in each container as for the vacuum cleaners but the freight cost was no more than a tenth of the cost. The advantage that Eastern Europe had over China was that transport took hours instead of weeks.

Deeper understanding of consumer needs

The move to low-cost countries was the first step in Stråberg's strategy. Fewer and stronger brands were the second. The third step was to reach a deeper understanding of the consumers' needs. Electrolux had, of course, gained great insights over the years and Treschow did stress the importance of consumer needs, but a surprisingly large number of new innovations still came about because the engineers came up with something they thought might be useful to consumers. The solution was sometimes looking for a problem, rather than the other way around.

Stråberg wanted product development to start with a deeper understanding of the consumer's problems and needs, something that could inspire brand new innovations. Proprietary solutions that had no foundation in deep-rooted consumer awareness would no longer do.

The hundred or so top Group executives that gathered in Stockholm for the annual top management meeting of 2002 grumbled a little when they were asked to form groups of 15 and come up with a number of suggestions for new products. Each group had a designer who would illustrate the suggestions, which was probably a good thing. Several of the participants were more than a little confused to find out that their concepts would be presented to real live consumers who were already sitting in groups in the rooms next door.



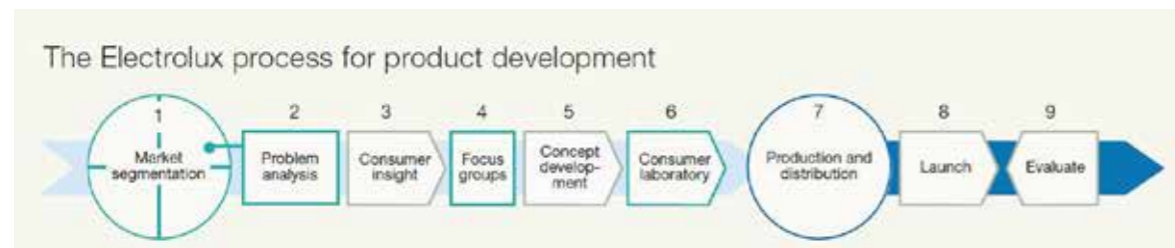
Consumer surveys showed that consumers thought vacuum cleaners were noisy. In 2002, Electrolux launched the first UltraSilencer model, with the at the time low noise level of 72 dB. Today, the noise level of UltraSilencer Zen is as low as 58 dB.

But the greatest surprise of all came when it turned out that the discussions in the consumer groups would be aired live to the attending executives. The 150 business leaders then had to simply sit and listen to the consumers, led by professional focus group leaders, as they completely dismissed their ideas one after another.

The aim was to show how truly important it is to listen to the consumers first and then test the ideas before launch. If you could prove that a product had been developed through careful consumer studies, it also became easier to convince the retailers.

One specific problem for a company with several large retailers is to figure out who the customer actually is. Is it the end user or the retailer? The large distributors stood in the way of true customer orientation with their constant focus on prices. Several of them would prefer to sell their own brands, and many wanted details to separate their products from other sales channels. The result was an abundance of varieties which made it more difficult to achieve economies of scale, both in production and marketing.

“Things started to change when they added some salespeople to the top Group management,” says Chief Designer Christian Klingspor. “The designers had always come from the school of ‘go to the user before anything else’. Now we finally had some support.”



The Group's product development process illustrated in the 2004 Annual Report.

The working methods used for product development were improved. The same processes were to be applied throughout the whole Electrolux, with requirements on market segmentation, consumer awareness and the use of control points to see how the consumers perceived the products. All of this combined meant that more focus was placed on consumer needs.

When it came to product launches, the number increased from 200 to 370 in three years up until 2005, and investments in product development increased from 1% in 2001 to almost 2% in Stråberg's final year. Global product platforms were launched for refrigerators, chest freezers, front-loading washing machines and freestanding dishwashers. The cookers, the strongest suit for Electrolux, were still characterized by local variations, but here too there were more common components.

The trimmed Electrolux Group, which now focused on major appliances, outdoor products and certain professional markets, only had one option: stronger product development and branding. Without moving more products up into the premium segments, the company would wither away. If the manufacturers and marketers were forced to fritter

away the economies of scale on too many product varieties and brands, this would leave the door open to a new type of market player, such as in the cellphone market. A newcomer with significant resources could come in with fewer products, a global brand, new technology and competitive prices – a newcomer like Chinese Haier or South Korean Samsung.

» When it came to product launches, the number increased from 200 to 370 in three years up until 2005. «



Electrolux Design Lab began in 2003 as a competition for design students to create home products of the future. Over the years, thousands of design students worldwide competed with different creative concepts, such as the Vacuum Shoes and the Portable Spot Cleaner. Above, Lars Erikson, Head of Group Design awards Jordan Lee Martin, a design student from the University of Huddersfield, UK for winning Design Lab 2015 with a concept that encourages children to have a healthy relationship with food.



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Thinking of you
Electrolux

From the ad campaign on the theme "Thinking of you" from 2007.

Parting ways with Husqvarna

At the beginning of Stråberg's reign, professional outdoor products emerged as the crown jewel of Electrolux, representing 8% of turnover but 25% of profits. Hans Werthén's rapid restructuring of chainsaws, gardening equipment and trimmers had really paid off. Consumer outdoor products were also significantly stronger than the major appliances, despite still being manufactured in high-cost countries. They represented an almost equal part of the profits. Electrolux was able to take the lead on prices with brands such as Husqvarna, Jonsered and Poulan. Outdoor products under Husqvarna were not only twice as profitable as the major appliances, they were also growing at a faster rate. In North America, outdoor consumer products were sold in packages together with indoor consumer products. Surely it would be foolish to get rid of such an operation.

» Outdoor products under Husqvarna were not only twice as profitable as the major appliances, they were also growing at a faster rate. «



Husqvarna, with outdoor products like the Automower lawnmower, was distributed to Electrolux shareholders and listed in 2006.

This was probably the general idea of both Treschow and his successor. And it is likely that they still felt the same way when Treschow returned to Electrolux as Chairman of the Board replacing Rune Andersson in the spring of 2004.

However, the “super boom” saw the company management forced to issue a warning regarding an increase in material costs. In the fall of 2004, the Electrolux share had dropped by close to 30% as the market began to study how the total value of the company could increase by carving it up.

The odds are that the Wallenberg family was dubious of these ideas. This was a time when no less than four members of the family held various key roles. Jacob Wallenberg had just taken up the chairmanship in Investor. His cousin Marcus Wallenberg remained for a period as both President of Investor and Chairman of the large Swedish bank SEB, while the youngest son of Peter Wallenberg, Peter Wallenberg Jr, was called in to serve as deputy Chairman to his father in the family foundation.

Sweden's greatest divestment deal never went through but the message was clear to the company's management: If they wanted to avoid similar threats in the future they would need to increase the market value themselves by employing some of the measures discussed by the venture capitalists. Such measures could include demonstrating the “real” value by listing the outdoor products on the stock market under the name Husqvarna and increasing the debt/equity ratio through larger dividends and repurchasing equity shares. These were dangerous times for liquid and solvent companies.

» Electrolux and Husqvarna parting ways was starting to appear increasingly inevitable. «

Treschow's return as Chairman of the Board was brief. Already at the end of 2006 it had been announced that Marcus Wallenberg would be taking his place. Was there a split between the old and the new President of the company? There was plenty of speculation in the media. Neither of them has admitted that this was the reason, but employees and Board members have indicated that the former President Treschow found it difficult in his new role to make decisions that could be considered critical of his earlier leadership.

This is yet another example of how hard it can be to have your predecessor looking over your shoulder from a position on the Board. At Electrolux, this has traditionally been the rule rather than the exception ever since the days of Gustaf Sahlin. But now that Stora, ABB and Ericsson had all been involved in scandals relating to conflicts within the Board, the rule was increasingly becoming that a President was more than welcome to become the Chairman of a Board, but never in their own company. Not even at Electrolux.



Husqvarna AB's offices and factory in Huskvarna. The company is one of Europe's oldest, founded in 1689 as a rifle factory.

However, the disagreement, if there was one, did not relate to the Electrolux Group's strategic endeavors. Electrolux and Husqvarna parting ways was starting to appear increasingly inevitable. And so, in June of 2006, Husqvarna was listed separately on the stock market. Over the preceding year, the company had reported sales of just under SEK 29 billion and a profit of SEK 2.9 billion. The Electrolux shareholders received one Husqvarna share for each one they had in Electrolux. The system of A-shares with strong voting powers and weaker B-shares was also implemented at Husqvarna, which made the Wallenberg sphere the largest Swedish shareholder with a little over one quarter of the shares, while foreign holdings ended up around 30%.

Around this time, there was still a fairly heated debate surrounding the system of A-shares and B-shares, which, at times was pursued by the large institutional shareholders. The EU wanted the voting differences to be removed but they were allowed to remain in place in Sweden.

Stråberg justified the differences by saying that he wished for Husqvarna to remain in Sweden. Investor became the main owner of both Electrolux and Husqvarna. Another contributing factor to the new, more active corporate governance was that Electrolux paid out SEK 5.6 billion in dividends to its shareholders in January 2007. At that point, shares valuing SEK 5.7 billion had already been repurchased off the market over the past five years.

This was evidently a significant change of financial course compared to earlier periods, and a promise to the shareholders that there would be a constant focus on the return on equity.

New Head of North America

The Irish-American New York native Keith McLoughlin had been working for the chemical Group DuPont for 22 years when he received a call from a headhunter asking if he would be interested in the position of Head of Electrolux Major Appliances North America. He declined directly. But this was a clever headhunter who a few weeks later managed to bring McLoughlin together with the new CEO of Electrolux, Stråberg who just “happened” to be in New York at the same time as the sought-after DuPont executive.

The two engineers were both around 45 years old when they met for lunch and they had similar experiences of the international consumer products industry. “We talked about what a good company should be, how to approach the consumer and how to build market value. My wife told me: ‘pick the job that will challenge you the most’. So, on St. Patrick’s Day, March 17, 2003, I started at Electrolux. A good day for an Irishman,” says McLoughlin. Stråberg had sold him on his ideas.

» McLoughlin’s task was to build a new company with a more sustainable organization, new products, segmentation, strong brands, good service and high quality. «

At the main office in Augusta, Georgia, McLoughlin was faced with a “dogmatic, intense organization, driven by low costs and time management. Costs, costs, costs, delivery, delivery, delivery, and that was it,” he says. “There was no R&D, no marketing, no product pipeline, no strong brands or fuel for change.”

The reasons were historical. White Consolidated was a run-down company. Americans still regarded Frigidaire as a discount brand. The sector manager Bob Cook had been a leader who focused heavily on processes and direct orders to save Electrolux in North America. Major appliances were now reporting a surplus and Cook stayed on as head of outdoor products.



Keith McLoughlin was recruited from the chemistry Group DuPont to be the Head of Major Appliances North America for Electrolux in 2003.

McLoughlin’s task was to build a new company with a more sustainable organization, new products, segmentation, strong brands, good service and high quality. The question was how to do this without losing the discipline regarding costs and deliveries. It was undoubtedly a challenge.

He had a lot of luck at the beginning. Between 2004 and 2007, the major appliances industry in North America was soaring as the banks competed to provide housing loans and the BRIC economies kept growing also creating opportunities for North American companies. Around this time, McLoughlin was additionally put in charge of Latin America.

“Honestly, I went down to Latin America and saw right away that we had a good team in place there, led by a talented and strong manager in Ruy Hirschheimer. They had already switched over to the Electrolux brand, faster than anyone else. My job was mostly to remove barriers and assist while they continued their successful strategy. In 2007, we made Latin America a separate region directly under the CEO.”

Massive launch of premium products

The main challenge lay in North America. 2004 marked the beginning of the change process to launch premium products under the brand Electrolux ICON. Five products within major appliances were launched in the premium segment. They were intended to be “iconic” and different.

“We wanted both consumers and retailers to start thinking of Electrolux as a brand above Frigidaire, which stood for the highest quality and which could also boost the already established brand.”

A frantic product development then started in the US; hundreds of new products with a “European touch” were to be developed. The aim was to conquer the top market segments where profitability was best achieved. In spring 2008, Electrolux launched 168 products in all categories across North America. An American could not turn on the TV or open a magazine, print material or daily newspaper without seeing an Electrolux ad. That was the magnitude of the campaign.

“I used to say that you would have to live in a cave in order not to hear about Electrolux that spring,” says McLoughlin. “This wasn’t cheap, I have to hand it to the Board and Stråberg.”

In the spring of 2008, Electrolux launched 168 products in all categories across the US in a massive marketing campaign. Electrolux kitchen from the US, from the 2008 Annual Report.



The American subsidiary was teeming with activity, people were spending all their waking hours trying to get investments, products, R&D, manufacturing, marketing and advertising moving. It was huge and exciting news when Electrolux went from 26% to 72% recognition as a premium brand on the American market.

TV personality Kelly Ripa was hired as the Electrolux spokeswoman. She was a known actress and talk show host who opened the door to the consumer segment of women between the ages of 25 and 45 years old that the company was hoping to reach with its modern design products, marketing them as part of a beautiful and functional home.

So far, so good. Unfortunately, the American banks triggered one of the worst financial crises in history that same fall. During the housing boom, the banks had developed new “staggered” loans, promising the impossible: higher and yet more secure return on investment. The credit market broke down in the fall of 2008 as no-one would risk coming into contact with this new virus. In addition, there were hastily prepared loans, subprime loans, which did not take into consideration the borrower’s ability to make payments.

» I used to say that you would have to live in a cave in order not to hear about Electrolux that spring. «

The collapse of Lehman Brothers, a Wall Street bank, was the final straw that eventually paralyzed the credit systems of the entire world and caused global trade to drop by more than 25% in a single quarter. The banking crisis spread to European banks that had purchased the new credit instruments.

“The elimination in the sector that marketed household products was brutal,” says McLoughlin. “All of a sudden, our great launch campaign was targeting a collapsing industry. That was our great misfortune. But there was an upside. The market recovered quickly once we had adapted to the new conditions. Electrolux is not a capital-heavy company. We were familiar with the art of adapting costs to the market.”

In 2008, the net turnover in North America dropped by close to 3%, but in the following year it increased by 9%. The operating margin went down from a little over 5% to 0.7% in 2009. However, it recovered and was at 4.7% already in 2010. For the heavier American industries, the recovery took longer.

It was no wonder then that McLoughlin emerged as the primary candidate to succeed Stråberg as CEO.

Making it in Australia

Towards the end of Stråberg's time as CEO, Australia represented more than two thirds of sales in Asia and the Pacific, a fact that reflected the failure of the Electrolux Group's investments in China and India from the 1990s. In China, production was closed down as the losses piled up. In India, three factories and the rights to the trademark Kelvinator were transferred to the company's partner Videocon in 2005, along with a license to use the Electrolux brand.

The German competitor Bosch Siemens did better in China and Whirlpool was leading in India. The fact that none of the foreign competitors gained more than a few percent of the market was little comfort. The Chinese market, in particular was growing fast, at 10% annually, which provided a basis for local competitors to quickly emerge as international companies and for a globalization of consumer durables. This is what Electrolux had been hoping to nip in the bud, but instead was forced to retreat. Without extensive local manufacturing it was very difficult to compete with the domestic giants, who also had control of the retail sector.

The direct sales of vacuum cleaners and major appliances under the name Lux in Southeast Asia had been sold off long ago, but the retail sales of premium products – front-loading washing machines in particular – under the strong Electrolux brand kept growing rapidly in other parts of Asia, especially in countries like Vietnam and Thailand. It was a decent development with good profitability, but not enough to make up for China.

Unlike China, Australia turned into a success story following the acquisition of Email's major appliances operation in year 2000 for SEK 2.5 billion. The company was a market leader in Australia and New Zealand. Head of Accounting Bygge, who would soon become Head of Major Appliances outside Europe and North America, went with the new General Counsel Cecilia Vieweg to Australia for what they believed would be a very quiet deal. Instead, they were met with glaring headlines.

» Unlike China, Australia turned into a success story following the acquisition of Email's major appliances operation in year 2000 for SEK 2.5 billion. «

"We were the Vikings from far-away Scandinavia, with ice-blue eyes and difficult-to-pronounce names who had come to take over a key business," says Bygge. But this acquisition was set to do well from the start.

Five retail chains had the market covered and Electrolux remained the market leader with brands like Westinghouse and Simpson in the mid-range market segment. A large investment was made to introduce Electrolux in the premium segment. Similarly to North America, Australia was a market where Electrolux was primarily known for its vacuum cleaners. Some products had been developed especially for the local market to be highly water and energy-efficient. Others had a spectacular design, like the Electrolux Ebony Kitchen Collection. Sales did not increase but there was a large operating margin.



The Electrolux Ebony Kitchen Collection, with its remarkable black glass surfaces, was launched on the Australian market in 2009.

A stronger bond with the consumer



Under Hans Stråberg's management, product development based on the consumer's needs was increasingly in focus.

Electrolux, now without Husqvarna and the outdoor products, remained a company focused on Europe, Australia and the Americas, just as it had been when it was founded. The only difference was that the kitchen and laundry products now comprised four fifths of the sales and vacuum cleaners less than one tenth. The remaining part consisted mostly of profitable and innovative development of professional kitchen equipment, primarily in Europe. Another aspect was, of course, that fewer and fewer retailers and kitchen manufacturers were displaying the products and contributed to making the product range too broad.

The difference between a mature market compared to an immature one presented opportunities for Electrolux. With a company management that was no longer involved in venture capitalism, there was a much stronger and clearer focus on the consumers and their needs. The company was able to create a strong bond with the end user.

The mature consumer already owned all the products and would primarily replace things that had become outdated for financial, technical or esthetic reasons – a fairly stable process that was not primarily correlated to an improved standard of living. This did not mean that demand had stagnated in terms of the quantity of units. One important trend was for families to become increasingly smaller which meant that the number of households, and, therefore, of household appliances, increased slightly each year. And not only that. The consumers in welfare states had reached a new level where increased equality and a willingness to express individuality led to an increasing proportion of disposable income being spent on the kitchen. This was the same development that had been discernible in Sweden in the 1970s.

Young people were starting to consider the kitchen an experimental workshop for handling fresh produce and cooking. There were even young urbanites dreaming more of a new advanced oven than of a car. Not to mention the sustainability perspective: how to reduce water, energy and food waste? Electrolux had already been investing in this for decades.

Stråberg's team of executives were not the first to tackle this new situation, but it was the first Electrolux management with such a strong focus on changing consumer needs. It was evident in the company's Annual Reports that the consumers and the products were becoming increasingly important. Electrolux was being transformed from an industrial company to a consumer product company, with an emphasis on quick product development and design. The Annual Report sometimes brings to mind an IKEA catalogue, in the most positive sense. "No product may be launched where there is no real consumer need proven by surveys," was Electrolux Group's management mantra.

Greater diversity in management

The winds of change were reflected in the Electrolux management. At the head office in the old Sankt Göran children's hospital in Stockholm, in a Sweden that had more or less lost all of its factories to free trade, wage competition and transport technology, the executives were increasingly becoming a reflection of the markets and of society, and less of the engineering culture. The management team was now made up of seven economists, three engineers and a legal expert.

Three women - HR Director Carina Malmgren Heander, General Counsel Vieweg and the new Head of Major Appliances Asia Gunilla Nordström - signaled that female executives were now viewed as part of a modern leadership. An "additional member" of the Group management was Stråberg's assistant Soili Olsson, the constant meeting coordinator.



Cecilia Vieweg replaced Ulf Magnusson as Group Counsel and became the first woman in Group management.

Companies change reality and reality changes companies in a never-ending interplay. And nowhere is this clearer than at Electrolux. Major appliances played an important part in finally breaking down the division of labor between men and women in the post-World War II era. The automatization of industrial manufacturing processes paved the way for the service society where men no longer had the same competitive advantage as in heavy manual labor. As of the 1980s, young women started conquering the higher education system, and from the 1990s an increasing number of women were appointed to executive positions in the corporate world.

The fact that the US took the lead in gender equality and diversity early on was hardly the result of the country having the best equality policies, but rather of the fact that American business was five to ten years ahead in the ongoing modernization and transformation journey. This revolution was most visible in the service sector. In professions within law, finance, medicine, education, accountancy, communications, publishing, journalism and hotel management, gender equality had already come a long way at this point. In the industrial sector it would take longer. But the slowest progress was in the top executive jobs, giving rise to the idea of an "invisible glass ceiling" that prevented women from reaching the highest positions. At the time of writing, in 2018, it is probably the division of labor in the home that still keeps women from reaching the top positions to the same degree as the men they study with.

» Other than the head of Major Appliances in Asia, Electrolux did not have a single Swedish business sector head. «

Recruiting only men was a waste of talent and it put a damper on creativity; this is something the management was starting to realize. In the same way, it was detrimental to only recruit executives from the same cultural background.

Other than the head of Major Appliances in Asia, Electrolux did not have a single Swedish business sector head. Head of Major Appliances in North America was McLoughlin, Hirschheimer was in charge of Latin America and Enderson Guimaraes of Europe, both of whom were Brazilians. The Dane Falkenberg was Head of Small Appliances and the German Detlef Münchow was Head of Professional Products.

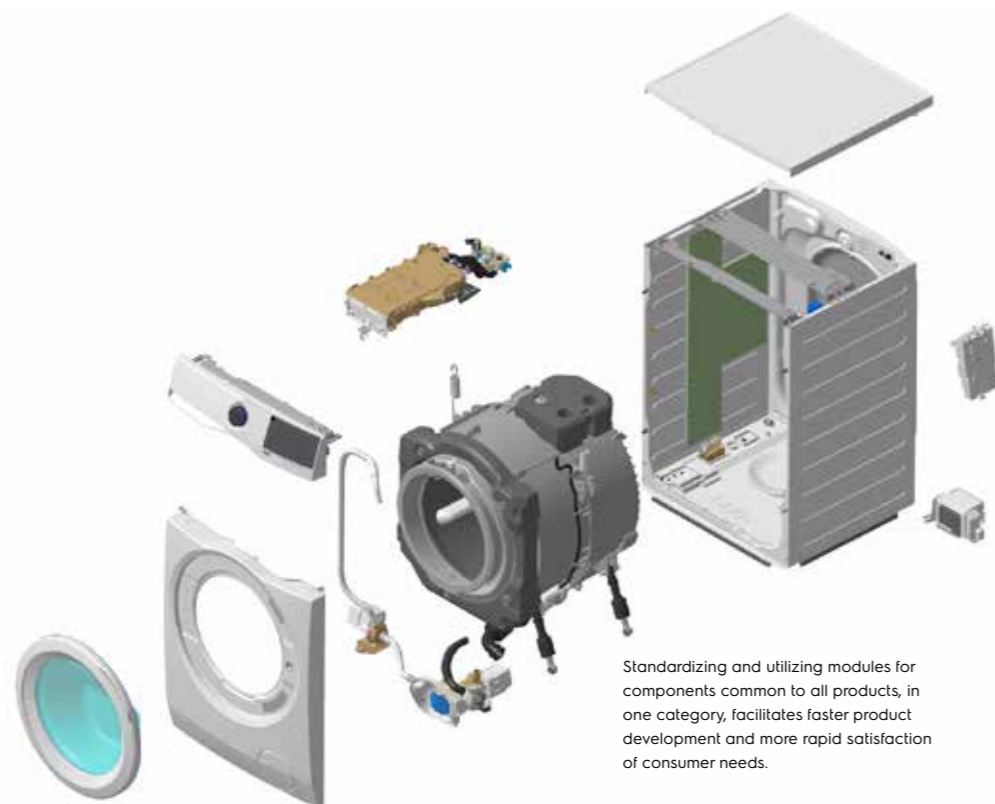
Also part of the management team was Head of Corporate Communications and veteran Johansson, who had now also been given responsibility for marketing, investor relations and sustainability, as well as the new Chief Financial Officer Samuelson, who had previously been at General Motors.

A consumer product company on a restructured market

In reality, the journey to transform Electrolux into a global premium brand had just begun. But there was great optimism.

In Europe, the majority of sales went through retailers, but an increasing number of customers were now buying their entire new kitchen from “kitchen specialists” – in Germany and Italy more than 40%. Electrolux was more prominent and profitable in Europe than in North America, in a more fragmented market, with German Bosch Siemens, Italian Indesit and Whirlpool as the primary competition. The German family business Miele remained a market phenomenon, keeping production in its home country and compensating for this with a strong brand and significantly higher prices on vacuum cleaners and washing machines.

In North America, there were four dominant retailers: Lowe’s, Sears, Home Depot and Best Buy. In major appliances there were only two main manufacturing competitors remaining.



When it came to vacuum cleaners, Hoover was traditionally a strong brand, which was now owned by the Italian company Candy in Europe and by Whirlpool in North America. It would later be sold to the Hong Kong-based company Techtronic in 2006. British Dyson was a strong niche competitor. The strongest competition in Europe came from Bosch Siemens. Imported discount products were applying pressure.

As for Electrolux, the company had more or less achieved the result set out in the restructuring program at the end of Stråberg’s period, 2010. Costs had already been reduced by approximately SEK 3 billion a year by not only moving the production from high-cost to low-cost countries, but also by shifting to larger and more streamlined facilities.

Factory closures were still underway in North America, Spain, China and Russia, in line with the company’s aim of carrying out 60% of manufacturing in low-cost countries. Seventeen factories had been closed down since 2004 and had been replaced by nine new ones. Sweden lost nearly all of its Electrolux factories over just a few years. The exceptions were Mariestad (refrigerators) and Ljungby (professional washing machines). However, Mariestad’s fate seemed sealed by decreasing volumes.

The global coordination of purchasing also showed clear results; purchasing was cheaper in low-cost countries. The proportion coming from these countries increased from 30% to more than 60% in 2010.

The next step was modularization, a line pursued by Board member Hasse Johansson of Scania who had been appointed in 2008. New steps were to be taken using established joint platforms across borders and better standardization of components. Marcus Wallenberg was now Chairman of the Board and the whole Board had undergone great changes.

Electrolux had shrunk to less than half its size since the days of the Troika in terms of employees and volume. But the chronically unprofitable major appliance business area had turned out to be able to stand on its own and weather the storm, like in the disastrous year of 2008. The 2010 consolidated operating profit of SEK 6.5 billion equaled a margin of 6.1%, the highest since 2003 and finally back on target.

This was the reason why the company’s market value had tripled during Stråberg’s final years, compared with the lowest level of the crisis year 2008. And, if you include Husqvarna, the repurchases and the additional dividends, the shareholders of the new, slimmer company had seen a real value growth of 150% over his period as President. The people at Investor were clearly satisfied with their investment in a time of so many other crises.

The 52-year-old Stråberg was ready to hand over to his successor McLoughlin and begin an early boardroom career in the Wallenberg sphere. His job was done.

“Electrolux has been transformed from a manufacturing company to an innovative consumer driven product company,” he said, summarizing his period as head of the company.

Main factory closures and openings 2002-2010

● CLOSED
● OPENED



Electrolux in figures

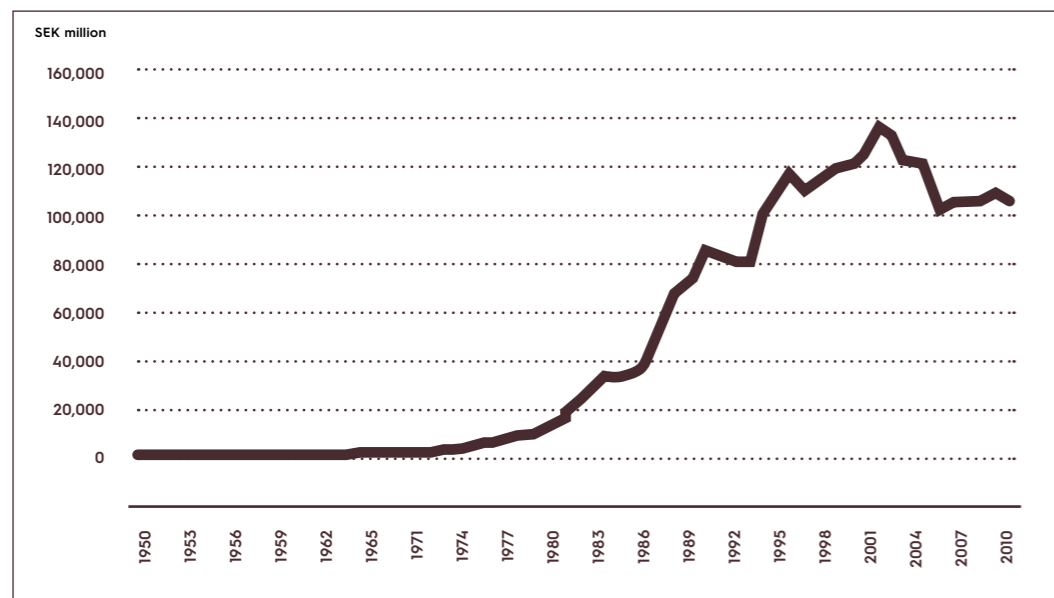
Sources

Downsizing of operations continues

Group	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales, SEK billion	133.2	124	121	101	104	105	105	109	106
Change, %	-1.7	3	-2.5	-6.5	3	1	0	4	-3
Operating margin, %	5.8	6.2	5.6	4.0	4.4	4.6	1.5	4.9	6.1
Employees, thousands	82	77	72	58	55	57	55	51	52
Equity, SEK billion	27.6	27.5	23.6	25.8	13.2	16	16.4	18.8	20.6
Equity ratio, %	32	36	31	31	20	24	22	26	28
Share price, SEK	138	158	152	207	137	109	67	168	191

During this seven-year period, operations were once again consciously downsized through the listing of outdoor products (Husqvarna) and much of the balance sheet was distributed among the shareholders in the form of dividends and repurchases. In just a few decades, Electrolux had reduced the number of employees by half. Corrected accordingly, the market value increased by 150% rather than 6%. The improvement in the operating margin following the international crisis in 2008-2009 was rewarded in the form of a significant stock market upturn.

Sales development



Affärsvärlden, *Veckans Affärer* and *Dagens Industri*, several articles from the period.

Electrolux annual reports, 2001–2010.

Electrolux collections of newspaper clippings, as well as minutes from board meetings and correspondence, Centre for Business History in Sweden.

Fagerfjäll Ronald, *De gjorde Sverige rikt*, Stockholm 2005.

Interviews with various executives conducted by Bengt Carlsson and Ronald Fagerfjäll:

Anders Edholm, Matts Ekman, P-G Hedström, Lars Göran Johansson, Halvar Jonzon, Per Melin, Ulf Magnusson, Anders Rydahl, Anders Scharp, Åsa Stenqvist, Sven Stork, Lennart Sundén, Ulf Södergren, Heikki Takanen, Roger Törnqvist, Ingemar Ussaar, Magnus Yngen, P-G Öster.

Investigative trips to Italy and Germany.



The Electrolux Professional business gradually increased its profitability between 2001 and 2010 to become the Group's most profitable sector. The sector includes the French brand Molteni, which focuses on exclusive tailor-made cookers for the most demanding customers.



We were thinking,
it doesn't just take a great chef to
get great results – it takes steam.

The Electrolux Condi Steam Oven. Chefs have a secret that helps them create food that's crisp and golden while at the same time being delicate and succulent. It's called combination cooking. Hot air and steam combine to deliver extraordinary results – in both taste and presentation. Really, chefs have had the advantage for years. Now it's your turn.

Thinking of you
Electrolux

Share more of our thinking at www.electrolux.com

Vi tänkte på dig
som vill ha hjälp med strykningen.

Iron Aid torktumlare. Den sätter ut ångströmmar som hjälper till att stryka, så att du slipper stryka så mycket. Och den har ett speciellt program som tar bort kalcium och vax på tvätt, ylleplått och förtäliga plagg, från äldre som strökar sig kammfärdigt. Självet är det också en utmärkt torktumlare, även för ylle och siden.

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www.electrolux.se Kundservicekontakt 0771-11 84 77





CHAPTER

7

The company as a citizen of the world

2011–Present

Significant milestones

Year	Event
2011	Keith McLoughlin replaces Hans Stråberg as President & CEO. Electrolux starts working according to the "innovation triangle," which involves a more structured collaboration between R&D, marketing and design. Electrolux acquires Egyptian Olympic Group and Chilean CTI.
2013	Launch of Ökokombi, a combined washer-dryer that runs on heat pump technology.
2014	Electrolux makes an offer for General Electric's major appliances business, but the approval process is delayed and General Electric pulls out of the agreement. Ronnie Leten is appointed Chairman of the Board.
2016	Jonas Samuelson succeeds McLoughlin as President & CEO. Electrolux acquires Vintec, a wine fridge specialist and Kwikoł, a water heater manufacturer in South Africa.
2017	Launch of the triangular robot vacuum cleaner Pure i9. Among its functions is an app that allows the user to control the vacuum cleaner remotely. Acquisition of innovative, California-based Anova and Best, a kitchen hood specialist.
2018	Launch of premium products in China under the AEG brand.

As usual, Electrolux was keeping up with its times: a company spanning the globe, which would survive as long as the management was able to satisfy the shareholder requirements for value development and the consumer demands for cheap and attractive products. Electrolux had become a global, focused and stock market-oriented company.

But in order to have a license to operate in the longer term, the company would need to do more than that. This was something that had been increasingly realized in the early 1990s, first by individual employees and then by company management. A new concept started circulating, namely that of "corporate sustainability."

The damage to the brand could be significant if a company was revealed to have committed environmental crimes or human rights violations. Information travelled fast on the Internet. And the negative reactions did not only come from the customers and environmental organizations, but to an equal degree from the company's employees. Who wanted to devote their working life to an employer with no regard for future generations? And an increasing number of investment funds started to actively drop stock associated with a negative environmental impact or lack of corporate social responsibility.

Non-profit organizations had been monitoring the companies' every move for decades, and, in addition to the profit estimates, the financial market now also had an increasing number of robust sustainability surveys. This is when the foundations were laid for the Dow Jones Sustainability Index and the RobecoSam Sustainability Award.



Electrolux was early to develop sustainable products for a better environment. The vacuum cleaners in the Green Range are not only energy-efficient, they are also made of up to 70% recycled plastic.

How well did Electrolux do in these sustainable development surveys? Very well – in fact, the best in its industry. Since 2006, Electrolux has consistently been ranked in first place among the household appliances companies on the Dow Jones Sustainability Index. The think tank Ethisphere named Electrolux one of the most ethical companies in the world. The company’s Head of Sustainability Affairs Henrik Sundström claimed that there was no conflict whatsoever between profitability and sustainability.

“We have made the assessment that in order to be a leader in our industry, we must also be a leader in sustainability, whether that means saving SEK 400 million annually on energy in our factories or being perceived by customers and employees as the number one choice for sustainability.”

“Sustainability is not a recent trend in our company; we have been working with this for a long time and have made great efforts to get where we are today,” noted Sundström.

» How well did Electrolux do in these sustainable development surveys? Very well – in fact, the best in its industry. «

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

Electrolux has won multiple awards for its environmental efforts and its sustainable production. Since 2006, Electrolux has consistently been named Industry Leader in the Household Durables category on the Dow Jones Sustainability Index.

Early environmental initiatives

The fact that Electrolux took a serious approach to environmental concerns at an early stage was primarily due to the generation of leaders that started at the company in the 1980s. They had already had serious discussions with researchers on the subject of how Freon affected the ozone layer towards the end of that decade. Head of Major Appliances Leif Johansson and his “three musketeers” Heikki Takanen, Ulf Södergren and Hans Stråberg got the message.

When the environmental organization Greenpeace unloaded a truck full of discarded refrigerators with Freon gas in the cooling systems in front of the head office in Stockholm



In 1992, Greenpeace demonstrated outside the main entrance of Electrolux headoffice against the use of Freon in refrigerators. And the company’s environmental efforts gained speed. Article from Swedish newspaper *Dagens Nyheter* on October 2, 1992.

in 1992, the company had already started developing Freon-free products, but this was an additional push in the right direction.

“Greenpeace did us a favor,” says Johansson. “We were a number of young people in major appliances who understood where this was headed and didn’t want to be taken by surprise by any environmental issues in our markets. The older generation had a harder time taking it in and the investors didn’t have that much foresight either and remained skeptical at first. This gave us the motivation to accept conversion costs that seemed heavy at first, but which resulted in both better and cheaper refrigerators. We started with environmentally driven product development that has given us a great advantage on the market.”

An example of how Electrolux was striving early on to take the lead when it came to environmental consciousness was the CFC-free generation of refrigerators, freezers and combination units that was launched in 1993. The products no longer had a negative effect on the ozone layer, they were more efficient and consumed less energy. A few years later, an even more efficient generation of refrigerators from Mariestad was launched with even lower energy consumption.

It was around this time that AEG executive Carlhans Damm, who was passionate about the environment, entered the organization. This would also prove important.

1994 marked the first time that the Annual Report contained a special chapter devoted to environmental activities. “Our goal is to be a leader in environmentally sound technology.” The company management underlined their responsibility for 40 million units a year, but also their ambition to have a positive impact in the world. The customers across the world were to be made aware of how their product choices were linked to a better climate policy; above all, carbon dioxide emissions needed to be reduced.

A media scandal in 1997, related to cookers that leaked poisonous gas from the insulation, tested the company's ability to live up to expectations. The crisis was averted by quickly stopping all cooker production and replacing the dangerous insulation material.

Ambitious life-cycle analyses of various household appliances showed that no less than 88% of their environmental impact occurred during use by the customer. This is where the greatest improvements could be made. The results are clear. Since 1998, the energy consumption, and thereby the climate impact, of refrigerators has gone down by 70%.

The next important improvement area would be the raw materials used, which were responsible for 9% of the environmental impact. In other words, there was 3% remaining, distributed fairly evenly between manufacturing, transport and recycling of appliances. Not insignificant, but of much less importance than most observers would have imagined.

» The results are clear. Since 1998, the energy consumption, and thereby the climate impact, of refrigerators has gone down by 70%. «

Miljösatningen gav oss världens energisnålaste kyl/frys.

Vår mission är självklart att påverka den omgivande miljön så lite som möjligt. Därför arbetar vi konstant på att förbättra, förändra och modernisera våra produkter – utan att för den skull göra avkall på produktens höga prestanda.

Låt oss ge dig några exempel: CFC-fria kylar och frysar har halverats jämfört med gamla skåp. De nya nya modellerna förbrukar dessutom mycket mindre energi. Electrolux TR 1000 SL2 på bilden är världens mest energisnåla kyl/frys – den ämnar bara 0,95 kWh/dygn! Här du ett 12-15 år gammalt skåp så står det 1,5-2 kWh/dygn. Vi står dig gärna för Super Low Energy-skåp i Electrolux-butikerna. Gärna att välja en skåp kyl eller frys hjälper du till att minska den totala energiförbrukningen i Sverige. Det är bra för miljön. Och du hjälper också dig själv, eftersom du sparar dina elkostnader med flera 100-lappar varje år – utöver pengarna på 15-15 år!

Att dröka och tvättmaskiner görverkar miljön genom sin förbrukning av dröka och tvättmedel klasser du säkert till. Men har du tänkt på att om du väljer en av Electrolux nya drökmaskiner, eller tvättmaskiner med ALC-system, så medverkar du både till att minska förbrukningen av energi och utsläppen av dröka- och tvättmedel? Det finns idag ingen annan dröka- eller tvättmaskin med Krossarens bästa betyg för dröking och tvättning, som förbrukar mindre energi.

Se de nya senaste modellerna i Electrolux-butikerna. Adressen till din närmaste butik hittar du i Gula sidorna under rubriken Hushållsapparater.



Electrolux

An advertisement for the world's most energy-efficient refrigerator and freezer in 1994.

In 2013, Electrolux set a target to reduce its carbon footprint by 50% by 2020, using 2005 as the base year. Above all, this required the continued development of new household appliances that both consumed less energy and water and which were made with less, preferably recycled, materials. In 2013, the AEG Ökokombi washing machine was one of the Group's top products, a combined washer-dryer running on heat pump technology.

The following is a more structured description of the sustainability work emerging within Electrolux.

Chemicals: Keeping track of, and limiting, the number of hazardous or potentially dangerous chemicals in all products became increasingly important. In addition to the chemicals regulated by law, the company has its own list of substances that are to be used restrictively. The list is regularly updated based on input from research and demands by various stakeholders. Sub-suppliers have to guarantee that they comply with regulations and Electrolux follows up with testing and inspections.

Recycling: Electrolux has contributed actively to many countries, including the EU countries, implementing producer responsibility, meaning that manufacturers are responsible for arranging the most effective recycling of their products. Metals, plastics and other materials can be reused in more sustainable manufacturing systems. A good example is vacuum cleaners, which are made from 70% recycled plastic. The amount of recycled material is also increasing in other products.



AEG Ökokombi is one of the Group's top products, a combined washer-dryer powered by heat pump technology.

Manufacturing: Since the volumes used in manufacturing are so great, even small changes are of importance. One goal is zero landfill, meaning that all waste material should be used or recycled. These are large quantities that would otherwise end up in a landfill. A systematic effort has been made in all factories over several years on the theme of “Green Spirit.” The same applies to energy consumption. The average energy consumption per unit produced in comparable factories is 40% lower today than in 2005.

Ethics: Companies that wish to be good citizens of the world must act in a manner that is perceived as responsible, not only within areas covered by the concept of “environment.” Corporate social responsibility includes everything from the risk of bribes to workplace conduct. Already in 2002, the first global code of conduct was launched. In 2015, a whistle-blowing system was introduced – the Electrolux Ethics Helpline – as well as a Groupwide training program on the code of conduct, which was completed by more than 10,000 employees.

Better society: Companies with long-term sustainability ambitions need to contribute to society in a broader sense. Electrolux has chosen to focus on initiatives within food, in collaboration with employees and local stakeholders. Projects receive funding from the relatively new Electrolux Food Foundation as well as the Feed the Planet partnership with the World Association of Chefs’ Societies (Worldchefs) and the world’s biggest youth organization AIESEC. These projects often have local ties and the employees of Electrolux contribute in different ways.

Promoting sustainable development is not only about taking responsibility for your own part of the processing chain but also for what happens at the company’s suppliers and customers. It is not only a matter of the company’s activities quarter by quarter, but of the impact that its operations and products have over decades to come. The corporate sustainability movement is a strong force, but it is difficult to explain to the citizens of the world.

The large climate meeting in Copenhagen in 2009 was seen as a failure, and there were hopes for better results in Paris in 2015. The question is whether the public environmental debate has revolved too much around the more grandiose plans and not enough around the stubborn sustainability efforts of companies that have developed more environmentally friendly products and processes cross the board.

An American executive in Stockholm

“Michael Treschow structured the portfolio in an absolutely essential way and visualized the underlying value. With Stråberg, we started thinking more about how to run a consumer-oriented company rather than a purely industrial structure. As Electrolux was becoming more and more refined, the company was streamlined even further, not just on the industrial side but also on the financial one. Stråberg and the new CFO Fredrik Rystedt made a tremendous effort to achieve as effective an organization as possible when the company was streamlining. These things are not always clear to the public but it was a major issue in the work of the management and the Board. At the same time, the President was working with others to structure the market and gain an idea of the customer structure.”

» The representative of main owner Investor described a development in which Electrolux, with the approval of the main owner, had gone from a conglomerate in the 1980s to a new structure and new consumer focus over the following two decades. «

What was the owners’ view of Electrolux? Marcus “Husky” Wallenberg, Chairman of the Board from 2007, summed up the development at Electrolux in the spring of 2012 during an interview with Bengt Carlsson for the Electrolux archives.

The representative of main owner Investor described a development in which Electrolux, with the approval of the main owner, had gone from a conglomerate in the 1980s to a new structure and new consumer focus over the following two decades.

This was the first time that the chairmanship had been held by a member of the Wallenberg family. But despite this, as this story shows, the influential family has never been far away due to its indirect ownership through Wallenberg sphere companies ASEA and Incentive.

This Wallenberg had been CEO and President of Investor, the main owner of Electrolux, from 1999 to 2005. His account was based on his own first-hand experience. When it came to globalization's strict demands on the company, he drew parallels to SKF which had gone through a trial by fire in the 1970s and 1980s.

"Now we have been facing the same type of criticism as SKF, as Stråberg and Keith McLoughlin have been forced to adopt different restructuring programs. It only took a bit longer for Electrolux to feel the global pressure. Major appliances were still regionally based, with regional customer preferences and fairly regional competition."



Ronnie Leten (at left) was elected as the new Chairman of the Board after Marcus Wallenberg at the Annual General Meeting in 2014.

"But during Stråberg's time, globalization was starting to catch up in the form of Southeast Asian competition. Bosch Siemens and Whirlpool also contributed to the tougher competition," said Wallenberg.

"There were, of course, many of the old veterans thinking 'now we need to save on costs and look at how much they're spending', but that's not the full story. This is still an extremely cost-efficient company and McLoughlin is running this like before. The public debate, this hounding of McLoughlin regarding his pension, is deeply unfair and misdirected. The old company men are led to believe that the company is on a spending spree."

"But this just happens to be the most international Group management found in Sweden, no-one has as many foreigners. The compensation structure for the top executives is simply different than for an all-Swedish management group. There's nothing we can do about that."

The year before McLoughlin started as CEO, Electrolux made a single provision for his pension. The agreement was that he would work for three years in order to earn that provision, otherwise he would have to repay the money. In addition, McLoughlin received compensation in the same way as previous CEOs. McLoughlin, who had the unreserved support of the main owner Investor, was not handed any easy victories when he took up the position at the turn of the year 2010/2011. While the share price was falling by 20% due to the disappointment that advertised additional dividends were smaller than expected, the papers wrote about his extra remuneration, which had been intended as compensation for leaving a better paying alternative career in the US.

A glocal company

The entire Wallenberg sphere had expanded globally around the turn of the millennium and the owner company Investor had sent an increasing proportion of its staff abroad. However, at this time they had withdrawn back to Stockholm. Doing otherwise meant excessive costs and a limited contact network. And yet the Wallenberg family was still in pole position among Swedish owners in terms of internationalization.

Electrolux had been both global and local, a "glocal" company where the Swedes were pursuing a global strategy and the non-Swedes were adapting to the local circumstances. But, at the beginning of the new millennium this started to change. A company only becomes truly global once employees of any nationality in the organization can reach the top management positions.

This became even more evident when Wallenberg handed over the chairmanship in 2014 to the President of Atlas Copco, Ronnie Leten from Belgium, who had been a Board member for two years. Electrolux, just like Atlas Copco and SKF, was thus placed among the world's most globalized companies who had head offices in Sweden. Sweden represented only 3% of the Electrolux Group's sales and there was very little manufacturing left in the country once Mariestad had been phased out in 2017.

Swedish media is probably no better or worse at understanding the conditions of globalization than any media elsewhere. However, McLoughlin, the American company President experienced stronger headwinds than his Swedish predecessors. That is the impression given by the newspaper clippings from those years.

Inside Electrolux, however, McLoughlin was a popular executive, both in Stockholm and in the rest of the organization, thanks to his manner of understanding and dealing with the daily challenges faced by a multinational organization. In his view, being able to manage these differences was, in actual fact, the Group's competitive advantage.

"We are running one of the most global companies in the world, having had our people in more than 60 countries for a long time – most of whom are working in their own local cultures. And the Swedes at Electrolux are not as focused on their domestic market as the Americans or the Germans since Sweden only represents 3% of total turnover," McLoughlin stated.

At the HQ in Stockholm, there always seemed to be some large global meeting going on as people from more than 50 countries busied themselves with their daily work.

“This is a significant change that my predecessor started and which I have continued. All the top executives communicate without hesitation in English, and as a native English-speaker I am constantly amazed at how the language barrier is handled in practice. There aren’t that many truly global companies in the world, but Electrolux is one of them,” he said.

The “Electrolux culture” was a mix of many cultures at the highest level, with one Swede, one Italian, one German and one American in the top management globally. There was even a Brazilian.

McLoughlin also wanted to shift focus towards the people in the organization.

“They have always been our most important competitive edge. Culturally speaking, Swedes have not been that open or transparent about future opportunities or careers. In such a homogenous culture as the Swedish one, you don’t speak as openly about everything as we have learned to do in the multicultural US. Now we are spending much more time in this company on the follow-up and development of talent. Every employee should have a plan, and every manager is responsible for that development.”



More than 50 nationalities work at the Electrolux headquarters in Stockholm.

» At the HQ in Stockholm, there always seemed to be some large global meeting going on as people from more than 50 countries busied themselves with their daily work. «

McLoughlin talked about major appliances as a unique industry in the sense that it was controlled by global enterprises that were still forced to conduct local business. Many of the company’s products were so large that they needed to be produced close to the customer, and consumer preferences varied both in terms of culture and of economic level, different standards and the organization of the retail sector.

“This is a very local business,” he noted. The Brazilians liked glass and chrome, the Scandinavians wanted simpler and more functional design, whereas the Americans wanted things to be big. Not even the Americans and the Canadians had similar tastes.

The work with modularization continued and was pursued very actively by McLoughlin, a major challenge in a Group that had been constructed from so many different companies. Through standardized global manufacturing platforms for new products, it was possible to squeeze product and product development costs. And it was possible to make sure that new products were designed to facilitate automatic production.

As more and more new products were based on Group modules, savings could also be made on purchasing. The experiences from the modularization showed that the time from product development to marketing of a finished product could be reduced by 20–30%, and the investment cost by 15–20%.

A production investment out of the ordinary that was much appreciated in the factories and the warehouses was McLoughlin’s personal focus on safety. His goal was for no-one to get injured or killed in the workplace. There was a clearer focus on improved safety management, reporting and competitions to see which unit was the safest. A 2017 statistical follow-up showed a 70-percent decrease in the number of incidents since the start of the initiative seven years earlier.

McLoughlin is sometimes said to have been the first foreign President of Electrolux. However, readers of this book, will know that he was actually the second after the British Harry G Faulkner in the 1930s. Faulkner was, of course, forced to give up the position as the Germans could not tolerate a British President. In the post-war era, the global market was characterized by barriers and regulations.

Under Treschow, who had come from the pioneering Atlas Copco in the period of globalization, it gradually became easier for non-Swedes to rise to the top. Stråberg furthered that development so ambitiously that there were no objections when an American was named as his successor.



In 2014, Ergorapido celebrated 10 years and 10 million units sold. Here is the 10 millionth Ergorapido.



Production of the 10 millionth Ergorapido in the Jászberény, Hungary factory in 2014.

Further restructuring

Already towards the end of his first year as CEO, McLoughlin had to develop a new restructuring plan, which was intended to produce savings of SEK 1.6 billion within five years. In North America, the major appliances market was expected to fall 25% below the peak level of 2005, and in Europe the forecast was 15% lower than in 2006. The massive overcapacity was pushing prices down, while the cost of raw materials was rising. The profit was cut nearly in half and the stock plummeted to 40% below where it had been when Stråberg resigned as President.

It would take until 2014 for the level to be restored. The media coverage would be harsh.

The Electrolux operation in Europe was struggling with profitability more or less throughout the period. But with restructuring and investment in product launches in the premium segments, Electrolux managed to go from zero almost all the way to the profitability target of 6% in 2015, while the sales volume increased by more than 4% in the same year. The then Head of Major Appliances EMEA Jonas Samuelson achieved great success and confirmation that the sector's "Plan to Win" was working. The company was now striving to position the premium brands of Electrolux and AEG in the respective markets where they were already strong. The AEG brand made a major investment in gentle washing machines and dryers for especially sensitive and expensive clothing. The Group was gradually reclaiming lost ground.

As part of this successful launch effort there was a range of new products, such as steam ovens with vacuum sealers used in sous-vide cooking. This was technology from the professional sector.

Following the financial crisis, the North American market had recovered significantly, largely thanks to a low interest policy. In 2011 there was a drop in demand, but as of 2013 the market was growing at between 5 and 10% annually. Here too, there were successful launches of new models, within Frigidaire Gallery and Frigidaire Professional. Electrolux managed to make a deal with Home Depot, one of the large American chains specializing in interior design products and construction materials.

Unfortunately, Latin America went from being a success market to a veritable sinker for the Group. Just after the 2014 World Cup, Brazil entered an economic crisis that entailed lower demand and deteriorated finances. From making a record profit in 2012, sales and profitability gradually fell and the region had to focus on cutbacks and cost control. Brazil had been second in the sales ranking for Electrolux after the US. It was a certain comfort that the market shares could be maintained and, in some cases, increased as the crisis hit the weaker competition even harder. And the 2011 acquisition of CTI made Electrolux the largest major appliances company in Chile.



A steam oven with associated vacuum sealer for food preparation with the sous-vide technique.



New models of Frigidaire Professional were launched with great success. This photo is from 2016.

» During the height of the globalization process, everyone had been talking about the dynamics of the BRIC countries (Brazil, Russia, India and China). This was no longer the case. «

Growth continued in the stable Australia and emerging Southeast Asia, where Electrolux had been building a strong brand for several years. However, profitability in the region declined after an investment to launch a large number of new Electrolux products in China between 2013 and 2014 did not go as planned. In four years, the sales did double, but the profitability was not sufficient to warrant continued investment in expansion for these new products.

During the height of the globalization process, everyone had been talking about the dynamics of the BRIC countries (Brazil, Russia, India and China). This was no longer the case.

Volatile exchange rates had a negative impact during the period, not least on vacuum cleaners and small appliances where the operating profit went from 6% in 2011 to a loss four years later. The vacuum cleaner brand Eureka was doing poorly in North America. The investment in small household appliances also contributed to deteriorating profitability as margins were being pushed down by products from China that could easily be shipped across the world.

Even so, the overall result for the Group was decent organic growth, primarily in North America. The best years were 2012 and 2013 with around 5% growth. The Group achieved an average organic growth rate around 3% in total. The problem was profitability which ended up between 1.5 and 3%, clearly below target.



AEG's extra gentle 9000 Series washing machine.

Future prospects in Egypt

During these difficult times, Electrolux persistently continued to promote issues of the future. In July 2011, one of the most peculiar press conferences in the company's history was held. Around 100 journalists gathered in Cairo for an announcement regarding the sale of the major appliances company Olympic Group to Electrolux. The press briefing lasted close to three hours, with prayer breaks. This was due in part to the head of Olympic's owner family, Dr Saad Sallam, giving no less than two long speeches outside of the planned schedule about the company, his family's future plans for the owner company Paradise Capital and how this would contribute to the situation of Egypt. McLoughlin, on the other hand, stuck to a brief script.

In the wings was Field Marshal Mohamed Hussein Tantawi, acting President of Egypt, who met with both parties at the presidential palace the day after the agreement was signed. The President then communicated, through his national television channel that a deal had been struck that showed the confidence in Egypt's future abroad.

The negotiations on the acquisition had come a long way in the fall of 2010. But following the Arab Spring early the next year, the situation had changed. While there were demonstrations in Tahrir Square in central Cairo every Friday, the acquisition negotiations continued on and off in the outskirts of the city.

"The owners of Olympic were skilled negotiators and they changed the rules of the game over and over again. They would come up with new thoughts and ideas on things that we believed to be settled, which made us



A major deal with the Egyptian company Olympic was presented at a press conference in Cairo in July 2011.

feel that we were going around in circles. Most likely, it was a matter of two different negotiating cultures clashing. This meant that everything was taking longer, while at the same time, the Arab Spring was happening. Of course, we devoted a lot of time and energy to trying to understand what was happening, analyzing the situation in Egypt and then negotiating the deal given the new circumstances," says Head of Corporate Communications Martin von Arronet, who was responsible for the external communication of the acquisition.

Electrolux announced that they considered their commitment in Egypt to be long term by acquiring and consolidating the Olympic Group, which for three decades had been doing business with Electrolux as a Zanussi retailer. This was the largest major appliances company in the Middle East and North Africa, with more than ten factories. The company had 7,300 employees, a turnover of approximately SEK 2.3 billion and a reported operating profit of SEK 280 million. The acquisition price reflected the large investment needs and the unstable political situation. But at the same time, this was the ticket to one of the world's most youthful markets in North Africa and the Middle East and a gateway to the African continent. At the time of writing, in line with its commitment to this promising region, Electrolux has built several modern factories in Egypt.



Electrolux cooker factory in Egypt.



The contract signing between Olympic's main owner Dr. Saad Sallam and Electrolux CEO Keith McLoughlin.

Global and digital marketing

Like McLoughlin, the American MaryKay Kopf had worked at DuPont and was hired in 2003 as the head of marketing for the North American major appliance sector of Electrolux. In 2011, a new global marketing function was formed which took a firmer grip on the branding and marketing of the strategic brands around the world.

Kopf played a central part in the development of what was initially defined as zones, within which Electrolux intended to conquer and over-invest. These were later developed into today's Taste, Care and Wellbeing.

It became increasingly important to engage consumers throughout the process of purchasing and usage.



"Space to Breathe" is an Electrolux social media campaign about how air cleaners and vacuum cleaners can counter asthma in children.

"The consumer must have a positive experience during the entire journey with their brand. You need a 360-degree consumer experience, where the customer has the best possible experience of the different brands at all contact points, from exploring different alternatives and visiting different websites, selecting a product with a retailer, to installation and use."

The consumer's decision to purchase a household product would increasingly mature out of visiting different websites, blogs or social media. This meant that the company's own websites were becoming increasingly important in convincing the customers. Electrolux

» The consumer's decision to purchase a household product would increasingly mature out of visiting different websites, blogs or social media. «



A picture from the Electrolux's film series "Now You're Cooking" for social media where the focus is on taste and cooking.

invested great resources in renewing and keeping their websites up to date in all countries. Considering the many product variations and brands in nearly 150 markets with different languages, this was a resource-consuming task.

As part of the "webification," there was an explosive increase in social media marketing. Among these was the campaign "Space to Breathe" on how air purifiers and vacuum cleaners could counteract asthma in children, while #ComidaEArte, "food is art," in Brazil and #WhereIEat on Instagram put a spotlight on culinary trends around the world. On-line sales kept increasing, both via direct sales and via e-tailers, the digital channels of the retailers.

The company's visual design language was modernized. The Electrolux logotype, which had essentially remained the same since 1962, was updated. A more differentiated brand language was also developed for the premium brand AEG, based on its German origin.

It was referred to as "innovation triangles" when the R&D, marketing and design units started to collaborate in a more structured way. The new requirement was for 70% of customers to prefer the product over a similar competing alternative in testing prior to launch. This was a rule developed by the branch in Brazil. The goal was also to reduce the time to market introduction by a third.

In these years, global projects represented an increasing proportion of the product development. A greater number of global manufacturing platforms facilitated the dissemination of successful launches from one market to the next, with adaptations to local preferences. Globalization of purchasing meant that one central function could coordinate around 60% of all purchases, corresponding to upwards of SEK 70 billion per year. A saving of a single percent could yield a net of SEK 700 million.

Globalization is the trend

Slowly but steadily, Electrolux increased its market share in the emerging economies where the company had 35% of its sales and aimed for 50% in another four or five years. According to the company's calculations, markets outside of North America, Western Europe, Japan and Australia/New Zealand already represented 70% of the world's demand for major appliance units. In five years, Western Europe had decreased from 20 to 13%. This change would continue. In terms of population, the emerging countries represented 83% of the world's population and an even greater proportion of the world's young people. In other words, there was only one road ahead for the long term.

During these years, politics in the US and Europe became increasingly polarized, which closed the door to the centrism that is always required between market economy and democracy for the system to work. Almost every nation in the world had now embraced market capitalism with a few exceptions, such as North Korea and Cuba.

But now even the Western leaders started questioning fundamental democratic institutions.

The market economy was under no threat, but democracy was on the decline in many countries. During his second term in office, Russian President Vladimir Putin denounced several institutions and rules that characterize democratic rule. Recep Tayyip Erdogan settled in as President of Turkey, apparently with the aim of remaining in office for life. In Xi-jinping led China, "Western influences" were considered harmful, and with the help of anti-corruption campaigns the new leader removed any opposition to his personal ambitions for power. Illiberal voices were also on the rise in countries like Poland and Hungary.

In the streets of North American and European cities, people protested both the banks' involvement in the financial crisis and the global enterprises.

After a long and prosperous liberal period during which a billion people had been lifted out of poverty, the wind seemed to have shifted. Global companies could no longer count on open borders and a favorable reception.

Attempt at one last major deal in the US

One of the market economy's strengths is that every major deal, whether successful or unsuccessful, will be picked apart afterwards by the shareholders and their advisors. This makes it harder to sweep problems under the rug and setbacks can quickly be turned into new opportunities. In less transparent environments, any uncertain values risk being left on the balance sheet, paving the way for pending disaster.

There is no such thing as a sure deal, but deals are assessed after the fact with the benefit of hindsight. Out of the hundreds of deals made by Electrolux, Facit was probably the worst, considering that so much of the leadership's time was spent on crisis management and so little was gained in terms of new market positions. Sometimes, the financial success of a deal is not everything.

The intended deal with General Electric, through which McLoughlin attempted to gain a radically different market position in the US, has often been described as a great gamble.



Electrolux washing machines in North America, 2012.

The whole thing boiled down to whether the agencies monitoring competition, i.e. the Federal Trade Commission and the Department of Justice, would allow the number two and three in certain market segments to merge. And was there really any chance of making the deal without having to pay the seller USD 175 million in the event that it did not go through? To an outsider, it was difficult to understand the details of this acquisition.

Whirlpool had strengthened its position on the American market by purchasing the crisis-ridden company Maytag in 2006, with the approval of the authorities. Maytag, which had traditionally been a leader in the high-quality segments, had not adapted to the new competition from Asian imports like Samsung, LG, Haier and Gree Electric. Whirlpool now had leading brands in all market segments, which put pressure on both General Electric Appliances and Electrolux.

Under McLoughlin, the Swedish competitor had taken a step up in terms of quality and price, which reinforced the impression that brands such as GE Cafe and GE Monogram had failed to keep up.

» There were obvious synergies in North America between their own production facilities and the ones operated by General Electric. «

The CEO of General Electrics, Jeff Immelt, had made several attempts to sell off the major appliance production, for example in 2008 when his efforts were thwarted by the pending financial crisis. The deal was massive and complicated, and Electrolux was one of the few companies that stood to make any industrial gains. General Electric saw no future in major appliances; the segment took too much away from other, more pressing issues in the world's largest conglomerate. The downside of having too many activities, as was the case for the old Electrolux, was that it prevented the management from focusing on the right things as competition grew. General Electric had also set out a new strategy and a different direction for the future.

In 2014, Electrolux and its main owner, Investor, were therefore presented with an opportunity to make the last major deal on one of the mature markets. The position in the US was to be strengthened before the company could really start vying for the emerging markets. There were obvious synergies in North America between their own production facilities and the ones operated by General Electric. There was hardly any doubt as to the possibilities of reducing the number of brands and strengthening Electrolux in the various segments.



The front page of *Dagens Industri* (Sweden's leading business newspaper) on September 9, 2014, had an article about the Electrolux plan to buy General Electric's major appliances business.

The argument of the Swedish company was that Asian competitors were already big in North America and they would likely grow even more. The competition between domestic and foreign companies on the market could intensify thanks to the synergies that Electrolux could gain, which would allow the company to offer competitive prices.

The Department of Justice was not convinced. They argued that if Electrolux were allowed to buy General Electric, the company and Whirlpool would become too dominant in the production of cookers for the market segment of new housing construction. The Department's lawyers felt that competition in this segment would be limited and there was a risk of construction companies having too few options to choose from. Over the years, different administrations had taken different approaches to anti-trust cases, and perhaps the Obama administration wanted to take a firm stance.

In the summer of 2014, the deal entered the final phase. Electrolux made an offer corresponding to SEK 28 billion and arranged for the funds. The mood in General Electric's major appliance division was cautiously positive. After all, McLoughlin was an American. This was simply seen as the last chance for the traditional companies to restructure. That is how it was packaged, not only by the Electrolux management.

Why would Electrolux pay a penalty fee to General Electric if the deal fell through? The parties were adhering to a modern business custom that has emerged as a result of wanting to encourage sellers to take part in acquisition negotiations. In practice, the selling party would have the most to lose from a deal being interrupted since their activities would be at a standstill while the authorities conducted a review. It would then be difficult to go back and regain the trust of consumers and shareholders.

But no-one believed the process would be so drawn-out that General Electric could invoke the clause.

The authorities finally decided to oppose the acquisition. According to the American model, they were required to prove their case in a court of law. Consequently, a lawsuit was filed in Washington DC against both General Electric and Electrolux. At first, the

companies expected the court proceedings to be completed quickly. However, the strategy of the Department of Justice was to leave no stone unturned in order to drag out proceedings.

In the courtroom, both sides had good arguments. “There was nothing to indicate that the judge was leaning one way or the other,” says one witness. For General Electric it was a stroke of luck that it took so long as it meant that the clause came into play.

On July 1, 2015, the Department of Justice lodged its plaint against the deal. On December 8, fifteen months after the deal was made public, General Electric decided to pull out, only to announce a month later that Chinese company Haier had agreed to a price that was 70% higher. Electrolux was forced to pay the fee, but unlike a seller, they did not have to start over. The stock market experts held nothing back in their comments on General Electric’s double game and the gullibility at Electrolux. In actual fact, the wind had changed during the process and acquisitions had become a major political issue in the US. Some also said this was the Justice Department’s way of finally getting the last word, to retribute those who had opposed Whirlpool’s acquisition of Maytag a few years earlier.

McLoughlin, who had stayed on as President to close the deal and ensure integration, left the company and could instead read the bitter analyses in the media even though the market value of the company was higher than when he started.

Instead it was time for another Swedish chief executive; the strongest internal candidate was Jonas Samuelson, who had been doing a great job in the strained European market.

Major acquisitions 1996–2018

Year	Company	Country	Main activity
1996	Refripar	Brazil	Major appliances
2000	Email	Australia	Major appliances
2011	Olympic	Egypt	Major appliances
	CTI	Chile	Major appliances
2014	Beefeater	Australia	BBQ products
2015	Veetsan	China	Professional dishwashers
2016	Vintec	Australia	Wine fridges
	Kwikot	South Africa	Water heater
2017	Anova	USA	Kitchen aid products
	Continental	Brazil	Major appliances brand
	Best	Italy/Poland	Kitchen hoods
2018	Grindmaster-Cecilware	USA	Professional beverage machines
	Schneidereit	Germany	Professional laundry equipment

Designing with a human touch



“Great design is recognized and valued for the human response in the experience it delivers,” says Pernilla Johansson, Head of Design at Electrolux. “In a digital world, intuitive design anticipates and guides human behavior. At its core, design is about problem solving and requires a fundamental human approach.”

In the beginning, industrial design was actually engineering. The engineer who developed the vacuum cleaner also gave the device its shape.

The first step towards industrial design as an occupation was taken in Germany in 1907, when Deutsche Werkbund, a federation of German artists, architects and politicians, was founded in Munich.

The federation wanted to combine art and industrial design. It wanted to promote a higher artistic quality to machine-made products. However, it was not until the 1930s before industrial design had a more general breakthrough with the main inspiration coming from the US.

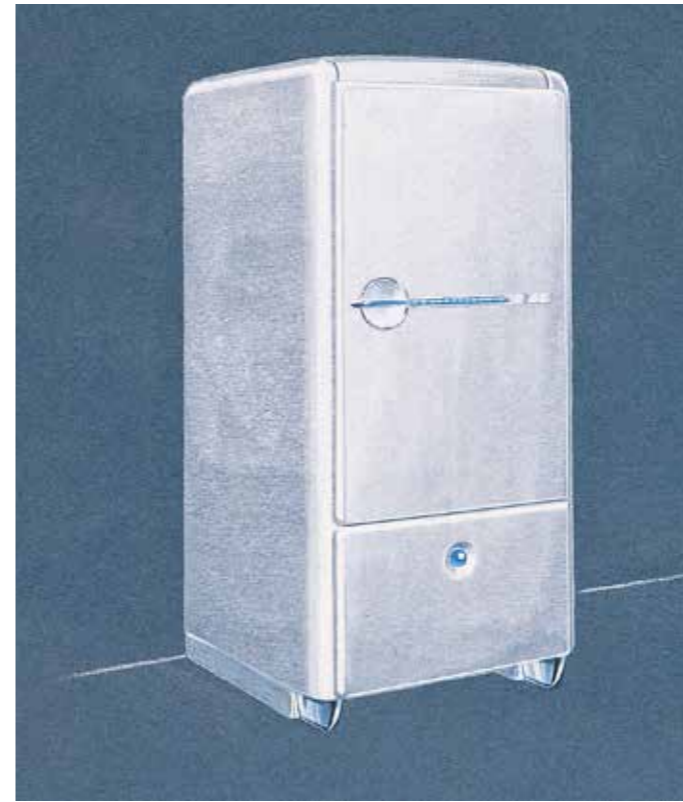
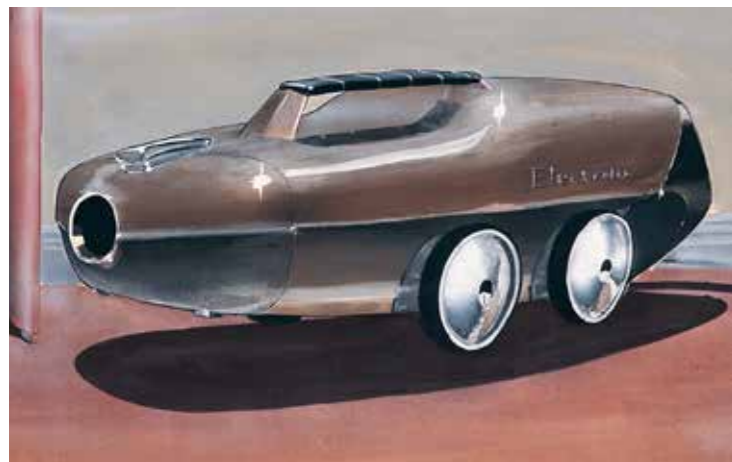
At that time, Electrolux began hiring leading designers on a consultancy basis, as design now became an obvious part in the development of new products.

For a long time, design continued being a consultancy service until 1963, when the company established a design department under Hugo Lindström

Lindström had started as an engineering consultant at Elektro-Helios and the then CEO Harry Wennberg gave him the opportunity to study design in America for one year before returning home and creating a design team.

Gradually, production-oriented Electrolux has become consumer-oriented. Today it is impossible to launch a new product without the consumer being involved through surveys and research.

» For a long time, design continued being a consultancy service until 1963, when the company established a design department under Hugo Lindström. «



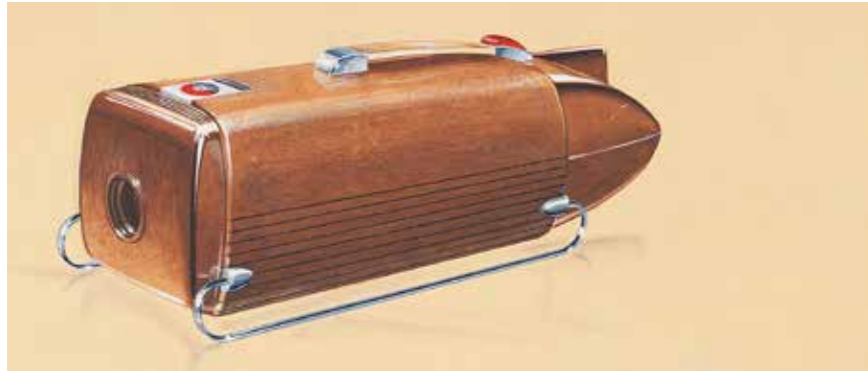
Electrolux design story

The story of design at Electrolux is of course as old as the company itself. Engineers with an interest in design designed the product range. Few products were such clear “style role models” as the Lux Model V from 1921 and its successor Z30, called “the loaf.” This was what the world’s vacuum cleaners would look like in the future.

Two of the leading US designers, Lurelle Guild and Raymond Loewy, came along with the Z30 and the cream-colored rounded L300 refrigerator in the 1930s. Both products were successes. Loewy’s disciple Carl Otto would later shape a new generation of refrigerators and freezers for Electrolux launched in 1961. There were stories about the American who held permanent “design receptions” at the Grand Hotel smoking a cigar. The young designers had to go there with their sketches.

Lindström’s department not only developed the new Luxomatic vacuum cleaner, but also two new design lines for kitchen appliances called “Future Line” and “New Generation.” As a young designer, Christian Klingspor, worked for seven years at Electrolux. At the age of 43, he returned to the Group as the new head to drive the Group’s design work until his retirement. Over the years, the design organization grew through several acquisitions, including AEG and Zanussi, adding several well-known designers, among them Roberto Pezzetta, who joined the design team.

As Electrolux bought companies all over the world – Italy, North America, Germany, Spain, Australia, Brazil, China and India – complexity increased due to 50–60 brands, different cooking cultures and housing standards.



Under the new major appliances head, Leif Johansson, Klingspor was given the task to reduce the brand complexity and simplify manufacturing. His team developed four design identities with different visual and emotional attributes shared by brands across Europe. This resulted in synergies in manufacturing and simplified product complexity.

"I gathered the design managers several times each year, which resulted in good design uniformity in each market even if the products were produced in many different locations," says Klingspor.

Klingspor was succeeded by Henrik Otto, who came from Volvo Cars. Otto advocated for design and brand to work more closely together, and intensified the focus on differentiated visual brand languages across brands.

In 2011, the Italian designer Stefano Marzano replaced Otto. He worked with Group Marketing to develop a holistic, consumer experience approach, which influenced the design way of working.

Lars Erikson succeeded Marzano in 2014. In the 90s, he set up Electrolux design studios in Shanghai, New Delhi and Singapore. As head of Group Design, he introduced the design excellence framework and Human Touch philosophy, which is now embedded in the daily work of the global design team.

The Human Touch principles puts the user in the center. The principles are driven by the following: Understanding the context of the home or workplace and the reality of life in relation to surrounding products; critically considering the usefulness in regards to functionality, aesthetics and fit-feel-finish; and thoughtfully validating the use through in-depth usability studies. It is the difference between products that are only aesthetically pleasing and products that provide meaningful holistic experiences.

In 2018, the Group launched a new Electrolux brand identity, which resulted in the creation of the Electrolux Brand Design framework, led by the Design leadership team in collaboration with the global Brand team. The new framework aims to create a progressive, premium, home-life brand through human-centric Scandinavian design.

Pernilla Johansson succeeded Erikson in 2018. She joined Electrolux in 2008 as the Head of Design for Major Appliances in Asia Pacific. From 2014, she led the global Home Care & Small Domestic Appliances design team.

Focused, global and profitable

- will the company withstand protectionism?



Now nearing its 100th anniversary, Electrolux appears to be more focused, globalized and profitable than ever before thanks to a combination of successful production shifts and a global economic trend where all its important markets, other than Brazil, are highly synchronized for a change. This is something of a paradox as the media debate reflects a reality where both democracy and free trade appear to be under threat.

Was the world heading into a period of protectionism in 2018 or was the global economy entering a better phase? This story of the last 100 years is not about the future, but rather about how the future has been envisioned at every stage. The reader knows the rest.

Samuelson, in his third year as President, is cautiously optimistic.

"All I can say is that everything is looking really good on our markets right now," he says. "We are pretty much back to the market level of 2007, before the financial crisis, that is.

Electrolux is either following the trend in our markets or, as in North America, compensating for losses we have made in cheaper segments with innovations. So we are now meeting our profitability targets nearly everywhere and for nearly every product.”

“In the short term, the major appliance market is controlled by three factors. The first is unemployment. When that drops, demand increases along with optimism. The second is the interest level, where low interest obviously means cheaper financing of new appliances. The third factor is the value of houses. If the value of houses goes up, not only are more houses built, but house and apartment owners start feeling that they can afford to invest and to spend. All of these factors are now interacting on nearly all the world’s markets, which benefits our industry.”

“For that reason, I can’t help but feel slightly optimistic about the situation in the world even though most political news paints a negative picture. The crash of the American housing market that spread to all the banks in the world produced a very negative view of market economy with the voters. Now that negative view has colored the public debate for ten years, but it is possible optimism will return.”

Household appliances are both consumer-centric and sensitive to economic fluctuations. Purchases are easily postponed for a few years when times seem hard, but by the same token it is easy to dream of something new when the future looks bright. The trend is amplified in both directions. The trend for major appliance sales in North America was well above 75 million units during the so-called super boom that lasted until 2007. The volume subsequently dropped quickly to 60 million after which it slowly started climbing again from 2012 towards the previous 2007 level.

The ten lost years reflected the pessimism and frustration of the American voters and consumers. It all happened to coincide with the first African-American President in the White House and new news media outlets that were able to reinforce an explosive mix of economic discontent, xenophobia, racism and suspicion of those responsible in politics and business. During President Barack Obama’s second term, the politics were in a



The pop-up restaurant The Cube by Electrolux was built in unique outlook points in Milan, Brussels, London and Stockholm.

» Electrolux still had 70% of its sales in mature markets, half of which was in North America. «

complete deadlock due to the opposition, which had gained control of Congress in the midterm elections. And then Donald Trump was elected, an outsider who has skillfully exploited the various expressions of dissent. The polarization has only been reinforced.

Western Europe showed signs of market development similar to that of North America, at approximately the same volume level. However, peak sales never reached the same level and the drop was not as dramatic. The recovery started one year later, and at the time of writing, it had not yet reached the previous peak levels. There were clouds on the horizon in Europe too, one example being the remarkable referendum on Britain’s membership in the EU where concerns regarding immigration led to the so-called Brexit. In the equally large economy of Italy, the election in the spring 2018 was dominated by populists. In the countries of the Visegrad group – Poland, Hungary, Czech Republic and Slovakia, politicians gave voice to their illiberal ideas, where immigration was depicted as the greatest threat to the country and the culture.

However, in other mature markets of Japan, Australia and New Zealand, the decline was never as dramatic and recovery was quicker, in part due to China’s infrastructure initiatives. Nor was the political change as evident.



In 2014–2015, Electrolux launched its Masterpiece Collection, a series of small kitchen products in the premium segment. Here is an advertisement from South Korea.



The Anova Precision Cooker can be connected to a mobile phone.

Electrolux still had 70% of its sales in mature markets, half of which was in North America. The impression was that the company was defending its positions in Europe while losing some ground in North America where the volume of the retailers' own brands had decreased. The discussion on tariffs caused a disturbance.

"When the US starts negotiating steel tariffs, the price immediately goes up on the domestic market, and steel is, of course, an important component in major appliance manufacturing. Major appliances are admittedly produced regionally as they are bulky, but material and components are purchased across borders in a pattern so complicated that it is hard to fully understand even for those of us working in management."

"We and other companies can't seem to get this through to politicians and citizens, who are happy imagining that the old order of domestically manufactured export products still applies," says Samuelson.

» Three quarters of the Group's turnover comes from elements purchased elsewhere – raw materials, components, products and services from other companies. More trade barriers would lead to less than optimal combinations and more expensive products. «

Three quarters of the Group's turnover comes from elements purchased elsewhere – raw materials, components, products and services from other companies. More trade barriers would lead to less than optimal combinations and more expensive products.

But the global market of the future will increasingly revolve around emerging markets: Africa, South Asia, the Middle East and Central America, where more than 70% of the world's young people live. In a few decades, this means the equivalent proportion of the world's labor force. The migration flows may seem large, but they are just a trickle from this perspective. Global companies have to move to stay relevant.

"This global shift will take time, from our point of view, some three decades maybe," says Samuelson. "In Africa, we have started in Egypt and South Africa, but it is still difficult to do business and establish any large facilities, like in the populous Nigeria, for example. Not even India has a large enough middle class yet as the basis of a large major appliance market."

Latin America has both more mature markets and future emerging markets. This is the most secure growth point for Electrolux. 15% of the Group's sales is here, once the recovery from the Brazilian downturn begins. The political development in Brazil is uncertain, but on the continent in general there are more liberal winds blowing than before.

China and Southeast Asia are strongly dominated by Chinese and Korean companies. The population is no longer growing there. In Japan and South Korea, the labor force, and therefore the consumer market, is already decreasing on an annual basis, and China is about to enter a similar long-term trend. However, the luxury product market remains interesting and 2018 marked the beginning of premium product launches in China under the brand AEG, which is more easily positioned among the most demanding consumers than Electrolux. German products have a good reputation in China when it comes to quality. This enables a recovery from the earlier setbacks encountered by the Electrolux brand.



The induction cooker Maxi-Sense, which was launched in 2016, has food preparation zones that sense the sizes and shapes of the various pots the consumer uses.

Four trends steering the market

In total, Electrolux has 30% of its sales in emerging markets. The goal is of course for this share to keep on increasing. There are four strong trends ensuring that a few global enterprises from the US, Europe, China and Korea control the market competition.

Consumer sovereignty continues to increase as consumers become increasingly well informed and able to more easily monitor prices, product properties and offers. On the other hand, retailers have less influence than before. “In this development we need to become better at positioning our brands and show how our products differ from one another and how they correspond to the customer’s needs.”

Digitalization is not only important in terms of how the consumers find and purchase products, but also increases the possibilities of developing more advanced products, many of which will be connected. “Digitalization is streamlining the Group’s operation in nearly every regard. It makes us a more effective client and a more skilled user of various production platforms. It improves our transportation and facilitates our design focus. And it gives us the possibility to communicate directly with the end consumer, which we haven’t been able to do since we had door-to-door sales in the days of Axel Wenner-Gren,” says Samuelson. “Every year, all competitors improve by a few percent, and if you can’t keep up, you’ll soon be out.”

Sustainability continues to increase in importance for customers, consumers and government agencies. This is not a new trend, but it has started to accelerate globally. “We are asking ourselves, now that everyone else is investing in digitalization and innovation too, whether sustainability and our Swedish heritage are maybe our most important competitive weapons on the market. When it comes to sustainability, we can make a real difference.”



Electrolux is experiencing a radical technological transformation driven mainly by digitalization. Modularized products produced in an automated and digital manufacturing set-up increase efficiency and quality.



The Electrolux smart oven CombiSteam Pro with a camera inside the oven, and the app My Electrolux. In 2017, a total of around 6 million connected appliances were sold in the world. Forecasts indicate that the corresponding figure in 2020 will be around 120 million. Besides simplifying and improving the use of the product, the connection also strengthens the contact with the consumer after purchase.

» Competitors can be expected to become fewer in number, larger and more global. «

A **global middle class** is a concept that is being increasingly talked about. The emergence of such a class creates opportunities for anyone that has already established strong offers in the wealthiest markets. “We are already selling our most expensive cookers and kitchen products in Southeast Asia.”

In a world governed by these trends, a continued consolidation of the industry is to be expected, as this forecast increases the need for large investments and economies of scale. Competitors can be expected to become fewer in number, larger and more global. All of the traditional competitors are continuing to push for solutions for the “home of the future.”

What is the threat scenario in terms of new competitors?

“We will surely be seeing major digital players and more specialized start-ups that use technology in an attempt to create new payment formats and which alter the value chain in the industry. At the same time, this is an industry with longer product cycles. We buy new major appliances around once every 12 years. In that time, computer technology becomes obsolete. In other words, it is important to find an interaction where the appliance remains in place while the technology can be replaced gradually.”

Companies can only be understood in light of competition. They are born, live, are devoured or shut down in environments that can be more or less demanding; the history of Electrolux has shown multiple aspects of this. The story also shows how protectionism leads to weaker companies while more open competition has led to greater efficiency and greater benefit for the consumers.

At the time of writing, company acquisitions and the launches reflect the strategic situation of the other parts of the Group as well. In Europe, the strategy is targeted growth with particularly strong market positions within built-in appliances in taste and care. The new acquisition Best is a manufacturer of innovative and designer kitchen hoods which has reinforced the Group's standing within design and development. One example of new product offers is AEG's connected washing machines and driers that can be controlled remotely via an app.

In North America, Electrolux was still in the first phase on the road towards profitable growth. The main focus was to reinforce the brand Frigidaire, and the most important launch was the first induction oven in a lower price range, under the name Frigidaire Gallery. The launch of advanced front-loading washing machines under the brand Electrolux continued. Large investments have been made in the refrigerator factory in Anderson and the oven factory in Springfield, US.



In 2018, Electrolux expanded its cooperation with Google by integrating online kitchen products in Europe with Google Assistant. This means that consumers can control products using voice commands.

In Latin America, which was striving towards the level of sustainable profitability, the brand Continental had been acquired. The factory in Curitiba, Brazil, had been renovated and the factories in Rosario, Argentina, and Santiago, Chile, had reached full capacity. Among the launches was a top-loading washing machine for customers in need of large capacity and a microwave oven that cooks with hot air circulation, the Air Cook.

In Asia, the key was targeted growth and a strong focus on development to achieve the most profitable products. The agreement with the Chinese company Midea regarding a joint venture investing in AEG products was the most important news. Refrigerators and washing machines for the whole region were manufactured in Rayong, Thailand. The washing machine Electrolux UltraMix was launched in Vietnam and China.

Due to highly competitive pricing, small appliances had restored profitability by clearing out its product program; the brand Eureka was for example sold just before the American launch of the new robot vacuum cleaner. Anova with its Precision Cooker was among the newly acquired companies. These products could be connected to a mobile device.



Since 2017 there are connected washing machines and tumble driers, here two AEG models.

The importance of having a purpose

It is clear, when looking at companies that have survived long term against tough competition, that a business concept can contain almost anything at all. If this logic had been simple and readily understandable, it would of course be more easily copied by new upstarts or old rivals.

But a company that has made it through such competition has had a long time to develop and hone thousands of aspects in its operation to gain a deeper understanding, both of its competitors and its customers. Even less is left to chance. Such a company is more difficult to imitate and more difficult to outcompete. The culture is embedded in too many places in the company, making it incredibly strong. This reinforces the business model at the foundation of daily operations. But it also requires that new experiences are not hampered by old ones. Change and adaptation never ends.

Due to competition, successful companies have gradually been forced to fundamentally transform their manufacturing capacity; they have streamlined their focus, trimmed their value chains and networks, and they have established more effective distribution systems. They have built strong, global brands that are often more prominent than the company itself, and they have persistently introduced new innovations that have afforded them at least a momentary advantage over their competitors.



And it is not only the companies of China and other developing economies that have increased the pressure for change. Other contributing factors are the processing of big data, automation, artificial intelligence and connected products that have made the situation more uncertain, even though the technological revolution has only just begun. It will be easier for new competitors to enter the market thanks to the new technical possibilities, and the complexity is continuously increasing.

As we are coming up on 100 years of Electrolux, trends such as globalization and digitalization have torn down old entry barriers and opened up new development paths for more actors, and the managements of mature companies are talking about the importance of innovation, brands, digitalization and having an in-depth understanding of their customers. And something that has always been felt by the employees has now been put into words; it is not only about making money but also about contributing to positive changes in society. A long-term goal that is relevant to the customers and which motivates employees. A purpose that answers the question, "Why are we here?"

In the case of Electrolux, the answer is about what Wenner-Gren started one hundred years ago, and what the company has been doing ever since: Shape living for the better. In the 1920s and 1930s, quality of life increased rapidly for millions of consumers across the world thanks to the vacuum cleaner and refrigerator. The development continued with a constant stream of new products that made cooking, laundry and cleaning easier for both consumers and professional users. Consumers have become more sophisticated and today the goal is to develop and improve culinary experiences, clothing care and well-being for a better and more sustainable life all over the world.

With its history, its Swedish roots and its professional organization, Electrolux is unique in the industry. The company is a leader in sustainability, innovation and design and has managed to build a reputation on these aspects, which over time have become increasingly important for conscious consumers the world over. And this still remains the focus in order to build an even stronger brand.

In a competitive environment, the best chance for large companies to survive is to always be one step ahead. The successful ones have learned to understand and impact how customers perceive their company, brands and offers. They are connected with their customers, employees and society. In a complex and constantly changing world, they create order by continuously contributing to the forces that lead to real progress, sustainability and greater faith in the future.

The paradox today is that many people are suspicious of both globalization and technical developments, at the same time as many mature global companies have been highly constructive and have shown great awareness.

The reasonable assumption is that this will continue in the future. Electrolux will survive and grow as long as the company has a good understanding of the factors that promote profitable and sustainable growth, while at the same time the company management has the courage and drive to make the necessary and constant adjustments.

Just as in Wenner-Gren's time.

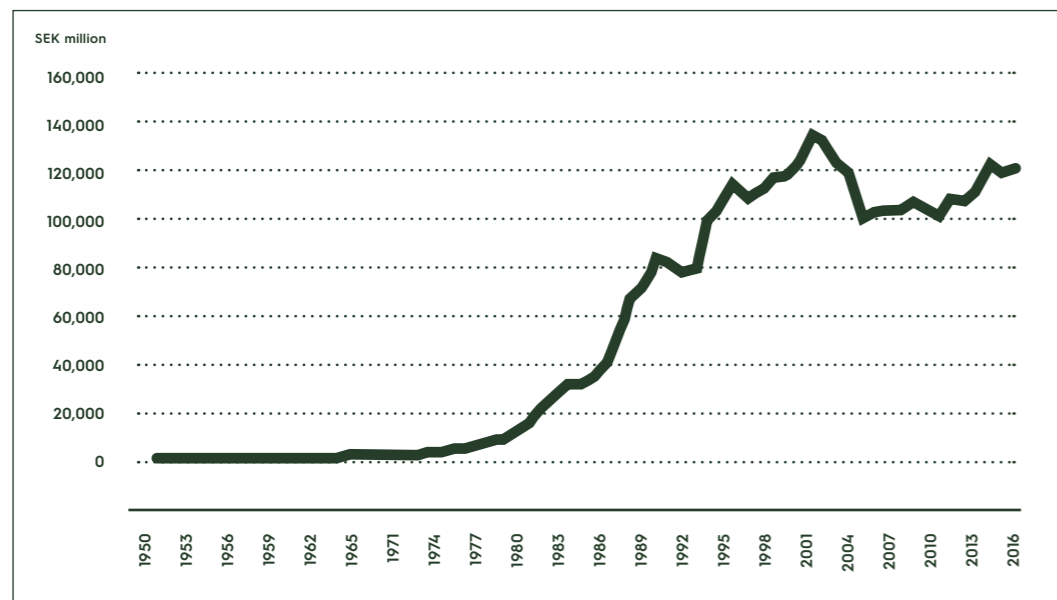
Electrolux in figures

Heading towards increased profitability

Group	2011	2012	2013	2014	2015	2016	2017
Sales, SEK billion	102	110	109	112	124	121	122
Change, %	-4.0	8.1	-0.8	2.8	10.1	-2.5	1
Operating margin, %	3.1	4.6	3.7	3.2	2.2	5.2	6.1
Employees, thousands	53	59	61	60	58	55	56
Equity, SEK billion	20.6	15.7	14.3	16.5	15.0	17.7	20.6
Equity ratio, %	27.0	20.9	18.8	19.2	18.0	20.7	23.0
Share price, SEK	110	171	169	229	205	227	264

Electrolux has seen very moderate growth, both organic and through acquisitions, towards the end of its first century. But the stock market has rewarded the company with a positive price trend once the profit margin improved again following the setback of the General Electric deal in the US.

Sales development



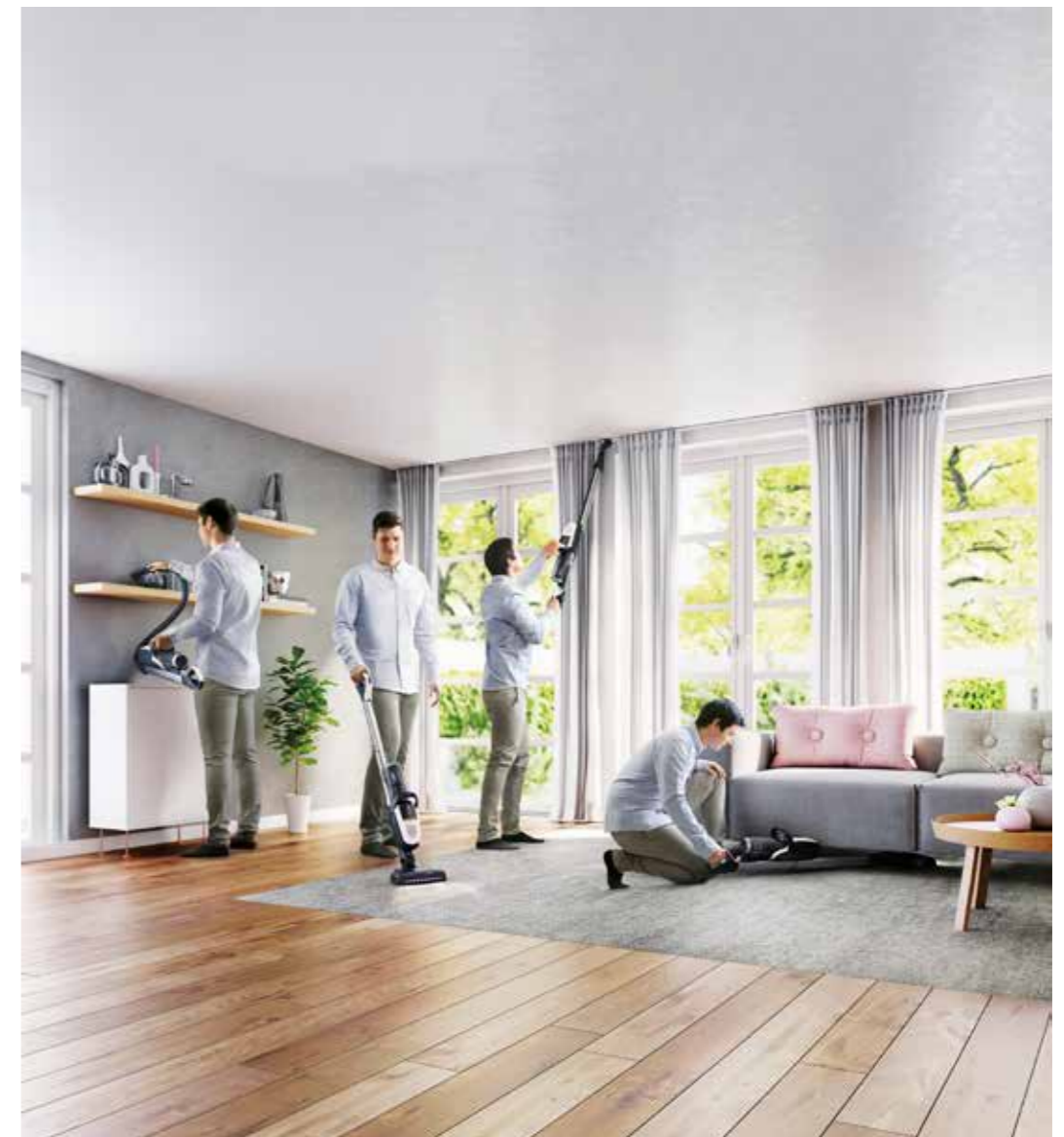
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The new Electrolux Pure F9 uses powerful battery technology and innovative design solutions to provide consumers with a product that combines the performance of a traditional vacuum cleaner with the freedom of a stick vacuum.





Presidents & Chairmen of Electrolux through history

Year	President
1919-1926	Axel Wenner-Gren
1926-1931	Ernst Aurell
1931-1941	Harry G Faulkner (acting President 1929-1931)
1941-1952	Gustaf Sahlín
1952-1962	Elon Ekman
1962-1967	Harry Wennberg
1967-1974	Hans Werthén
1974-1986	Gösta Bystedt
1986-1991	Anders Scharp
1991-1997	Leif Johansson
1997-2002	Michael Treschow
2002-2011	Hans Stråberg
2011-2016	Keith McLoughlin
2016-	Jonas Samuelson

Year	Chairman of the Board
1919-1926	Axel Hemming-Sjöberg
1926-1939	Axel Wenner-Gren
1939-1948	Axel Enström
1948-1952	Sigurd Nauchoff
1952-1962	Gustaf Sahlín
1962-1974	Ragnar Söderberg
1974-1991	Hans Werthén
1991-1998	Anders Scharp
1998-2004	Rune Andersson
2004-2007	Michael Treschow
2007-2014	Marcus Wallenberg
2014-2018	Ronnie Leten
2018-	Staffan Bohman

Axel Wenner-Gren, 74, outside the Electrolux factory at Lilla Essingen, in 1955.

Image list

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