

THEY FOUGHT THE LAW ... AND THE LAW WON

Holstein and Birgersson broke the rules by daring to be different. They've been praised and they've been damned but they've changed the way Swedes think. **BY MARC SPIEGLER**

A headline on the cover of a magazine published in Stockholm at the end of 1999 proclaimed: "And a saviour is born: Jonas Birgersson." A young man is pictured wearing an orange fleece, with his arms in a religious pose. He is smirking.

If anything summed up the time and the place it was the business weekly *Veckans Affärer's* cover story. It was an era of venture capital, madness and hype. The under-stated Swedes had become decidedly un-Swedish.

The cover earned Birgersson the nickname "Broadband Jesus", but he was already a celebrity. He was head of a Web consultancy valued at \$4 billion (€4.3 billion), yet he looked as if he lived as a student. And he had a vision: Sweden 2.0 – a nation hardwired for the Internet.

But his fame was due to his willingness to break the rules of Swedish society, often referred to as the Law of Jante. This comes from a novel written by Aksel Sandemose about a narrow-minded Scandinavian port town of that name. Condemning the sometimes punishing homogeneity that reigns throughout Scandinavia, he proposed a Nordic Ten Commandments. Among them: "You shall not think you are special"; "You shall not think you are cleverer than us"; and "You shall not think you can teach us anything".

Even today, though most young Swedes have never heard of Sandemose or his works, they often invoke Jante to explain their culture. In the old days, fame in the business world came only to old men who headed

major companies and passed it to their successors upon retirement. There was, in short, no Swedish Richard Branson, Silvio Berlusconi or Donald Trump.

Then the Internet Economy erupted and it transformed Stockholm. Two men, almost comically dissimilar, emerged as Web prophets. Dashing Johan Ståel von Holstein came first, securing massive funding for the Web agency Icon Medialab and aggressively taking it global. A free-market absolutist from the Stockholm School of Economics, he preached the gospel of personal wealth, displaying his success in the form of flashy suits and flashier cars.

Next came Birgersson. A child of academics, he dropped out of Stockholm University and returned to his native Lund, a research university town. In 1996, after a tour in military intelligence, he launched a Web consultancy, *Framtidsfabriken* or *Framfab* for short (literally, "future factory"), which became the largest company of its kind in Europe.

Wealth notwithstanding, he consistently turned up for photo shoots in his signature orange Helly Hansen fleece. To this day he has no car. Staunchly Swedish in his values, Birgersson became an Internet icon for the ruling Social Democrats, whose left-wing policies Holstein railed against.

"They [Holstein and Birgersson] were symbols for the great new things happening in this small, strange country," recalls Pontus Forsström, founder of the Vision media group. "But it was like Elvis Presley and Tommy Steele in the 1950s; you couldn't be a fan of both men at the same time."

Students leaving university longed to work for start-ups such as *Framfab* and *Icon*, or better still, create their own companies. "Both of them inspired young people to get into the Internet business," says Joakim Strignert, a consultant with Stockholm's Acan-

FREE RADICAL:
Holstein secured massive funding for his Web agency Icon Medialab, but subsequently left Sweden in a huff

It was a time of madness, hype and too much venture capital. Sweden became decidedly un-Swedish

MAGNUS BERGSTRÖM/PRESSENS BILD

SMART CASUAL: Birgersson has pushed for Sweden to be as capital-rich and aggressive as the US, yet he doesn't own a car

do, a Web consultancy. "It was like in the 1980s, when the 'Swedish wonders' – Mats Wilander and Stefan Edberg – started winning big tennis tournaments. Other Swedish players had beaten them, so they knew they could compete internationally, too."

Once-conservative banks fought to fund risky start-ups, while even Sweden's staid old-money businessmen started to cut larger public figures.

But pedestals are shaky things. As the Net economy started skidding last year, both Icon and Framfab faced unexpectedly high losses. Holstein left Sweden to head Icon Medialab Asia's Singapore operations, then sold off all his Icon stock in November. Almost simultaneously, Birgersson abandoned his spot as CEO, moving to a research position within the company. Since then, both men have become invisible. In the world's most wired country, there was suddenly a "visionaries void". To many, the duo's rise and fall seemed simply to prove the Law of Jante correct – and few cared to share their fate.

Sweden's high times came after a period of deep

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despair. In the late 1980s, an economic downturn swept over the country. Rather than a model society, it seemed a moribund state with over-ambitious social policies. But not for long. The Swedes – incorrigible gadget freaks – embraced computers early; the nation still boasts the world's highest Internet penetration. So when the Net mutated from an academic to a business arena in the mid-1990s, the Swedes had a jump on the rest of Europe.

Holstein seized the advantage. He launched Icon Medialab in 1996. Before the year was out, Icon had opened offices in Madrid and San Francisco. As more funding rolled in – notably from the American adver-

tising giant Interpublic Group – Icon took an even more aggressive stance, buying rival Web agencies in Paris, Milan, Oslo, Helsinki, London and New York. The client list grew to include SAS airlines, Siemens, Sony, DHL, Volkswagen and Nestlé.

Holstein's forceful style had been forged during years working as a marketing specialist for Sweden's Modern Times Group. At its head stood Jan Stenbeck, who had transformed an industrial holding company into a massive media empire by breaking the state's television monopoly in 1987. Holstein calls Stenbeck "the best Swedish entrepreneur ever", crediting him with laying the ground for development of both the wireless and Internet industries.

Sweden's only truly flamboyant tycoon – notorious for heavy partying and opulent yachts – Stenbeck had always kept a low profile politically. In this respect, Holstein declined to follow his mentor's example. "I had a profound fear and concern about the state of the nation," he explains. "I thought that the younger generation in Sweden were enslaved by the stupidity of the old-fashioned model that pushed down dreams."

Taking to the ramparts, Holstein attacked the government's heavy taxes and its social policies. Getting personal, he is reported to have once called prime minister Göran Persson "the stupidest man I ever met".

Had he been living in almost any other Western nation, Holstein's political views and luxurious lifestyle would have been quite normal. But in Sweden, he truly seemed a rebel. To his mind, that made him a target for others. "I have never been treated as a hero in Sweden's press," he says. "They like to say that they built me up and brought me down, but they have always been negative."

When Birgersson started gaining prominence, Holstein suspected a plot. He will not go quite as far as to label Birgersson's ascent a propaganda ploy, but he does not shy away from labelling his rival as opportunistic. "Jonas Birgersson is a brilliant tactician," says Holstein. "He saw us build Icon Medialab and he copied our models, then positioned himself opposite me in order to gain political support. The Social Democrats desperately needed someone to be their ideas guru and Jonas played that part brilliantly. But to me, the valuation of Framfab was the biggest joke of the industry."

Few other observers would suggest such seamless collusion between Framfab and the Social Democrats. But if Holstein had been the party's *bête noir*, then Birgersson became their pet entrepreneur.

Embracing the government's policies, he served as living proof that Social Democratic values and Internet business know-how could co-exist. Framfab's clients included Nike Europe, Volvo, Universal Music, 3M, Bosch, Ikea and Saab. The company had swelled to almost 3,000 employees, most of them Swedes, and the stock market loved it – pushing the stock to 25 times the value of its initial public offering price.

"There was a time when every major Swedish

MALCOLM HANES / PRESSENS BILD

PipeBeach

PipeBeach specialises in developing speech applications based on the forthcoming Voice XML-standard. The company has a head start in the development of Web-based applications for multi-user platforms: it has already created SpeechWeb, an audio-based Web browser that makes it possible to surf the Web and hear your e-mail using only voice commands.

FOUNDERS: Christer Granberg, Hans Bjurström, Scott McGlashan, Jesper Högberg and Berndt Johannsen

INVESTORS: Investor Growth Capital, Servisen, Banco Teknik & Innovationsfond, Bank of New York, Inter Maritime Bank, T-Bolaget, Zodiak Venture Capital

INVESTMENT: €14.6 million

WEB SITE: www.pipebeach.com

'We sought out people who didn't fit in because they were too smart, and we created a space for these guys'

...politician would make a pilgrimage to visit Jonas in Lund, like the poor relations from the countryside visiting the rich city cousin," recalls Lars Ilshammar, a historian and member of Sweden's Information Technologies Commission.

During those visits, Birgersson pushed his dream – Sweden 2.0 – to make the country an information nexus built around the Internet. "We wanted to have as much competence as the Americans, have as much capital, be as aggressive," he explains. "But with the Swedish dimension of having a strong social system."

We meet in Davos, during the World Economic Forum, yet he is hardly dressed to impress. Sporting floppy trousers with an orange racing stripe down the side and a thick grey sweater, Birgersson gives off the slightly fatigued air of an amiable pop star. But despite his geek credentials, he blithely rolls out phrases such as "exponential value creation".

A crucial prerequisite for Birgersson's Sweden 2.0 plan was creating the digital infrastructure across the country. The government-owned telco, Telia, dragged its feet on investing in such a major project, which could hit telephone revenues.

Finally, in 1998, frustrated with lobbying for change, Birgersson founded Bredbandsbolaget ("the broadband company"), aka B2, to spur the government into action. B2 soon teamed up with Sweden's largest housing company, HSB, promising to wire 100,000 apartments with inexpensive 10-megabit access by the end of 2000.

Faced with an external rival, Telia consequently announced its own broadband programme. Meanwhile, the Social Democrats started pushing their broadband bill, which positioned high-speed Web access as an inalienable civil right – even in Sweden's

remote regions. In Europe, the move once again signalled the country's drive to lead the Net race, and Birgersson heavily promoted it to the nation.

If he is remembered for anything, Birgersson believes that it will be for pushing broadband. But he also takes credit for undermining the Law of Jante.

"In Sweden, people historically were not allowed to excel at intellectual stuff," he explains. "Everybody loved sports stars. But for intellectual stars, the response is, 'Who do you think you are?' If a teacher created special classes for maths students, he'd be branded a Nazi, trying to create an elite. We sought out the people who didn't fit in because they were too smart, and we created a space for these guys."

Big money, crazy times

Presented with two such media-genic figures, the Swedish press pounced. "Both of them were phenomenons of the time and both were superb salesman," recounts Bernt Hermele, editor-in-chief of *Veckans Affärer*. "The media, reasonably enough, covered them. After all, just because the world turned mad doesn't mean we shouldn't report it. But sometimes the press became part of the selling process. We forgot the basic rules of business journalism, and wrote about things that hadn't happened yet."

Before his tenure started, the magazine ran a picture of Holstein with the headline: "Biggest, best, most beautiful", then followed six months later with Birgersson's "Broadband Jesus" cover.

Not that all the press was so laudatory. *Veckans Affärer* lambasted the Swedish boo.com very early, with the May 1999 headline: "The Empress's New Clothes." Boo represented only the most famous (and later most infamous) battalion of the Swedish Internet invasion sweeping Europe. Following in the footsteps of Icon, Swedish-run companies such as Dressmart, Boxman, and LetsBuyIt.com (co-founded by Holstein) pushed pan-European projects. Many global venture-capital firms regarded Sweden as a bonanza of Internet pixie dust – every other start-up in London, it seemed, had a Swedish managing director. There was some logic to this frenzy, of course. Stockholm ranked second only to Silicon Valley as a centre for innovation – and first when it came to anything wireless.

"At one time, Stockholm alone had 200 venture capital firms, which was more than New York," recalls Ola Ahlvarsson, who founded first Boxman and then consultancy Result Ventures. "Entrepreneurs grew balls out of nothing, and thought they could take on billion-dollar companies."

Money flowed to start-ups easily – perhaps too easily. Ruefully, Holstein recalls: "Sometimes, a friend would call and tell me he was investing in a company I didn't really know, and I'd just say, 'Throw in a couple of million kronor for me as well.'"

Even the men from Sweden's billion-dollar firms started acting strangely. Forsström remembers seeing Marcus Wallenberg, heir to his family's famously dis-

Blueice Research

Blueice develops security application software that operates on wireless devices, such as Internet-enabled mobile phones or personal digital assistants. The company has developed a security platform which identifies users and manages transactions with digital signatures. Its software works in conjunction with systems that use standard PKI (public key infrastructure).

FOUNDERS: Thomas Holmström, Erik Johannesson, James Holohan and Martin Argenius

INVESTORS: The founders, Gilde IT, Push Technologies.

INVESTMENT: €2.5 million

WEB SITE: www.blueiceresearch.com

creet Investor AB empire, speak at an Internet conference. "The Wallenbergs never, ever gave speeches before this," Forsström explains. "And Marcus Wallenberg went on stage and talked about how power was shifting from older people with capital to younger people with ideas."

Though that was only last year, the long-haired, 28-year-old Forsström recalls the event as if it were some distant dream, shaking his head mildly in delayed disbelief and peering quizzically over his angular eyeglass frames. Those heady days seem long past.

Both Framfab and Icon's stock peaked at roughly SKr320 last winter. Now, both trade at barely above SKr10. On the Nasdaq, they would be only a few dips away from getting delisted.

Icon's troubles are hardly surprising; the rumours had long circulated that its acquisition strategy had unleashed internal chaos, and Holstein's constant sniping at the Social Democrats had undoubtedly hurt the firm in Sweden. Cutting his losses, Holstein left the country to launch Icon Medialab Asia last spring. That was no surprise, but he certainly raised eyebrows in November by selling off half a million shares of Icon's stock – his entire remaining stake. Observers saw it both as a personal capitulation and a bad omen for the company. In December, the final tie was cut: Holstein left the board of Icon Medialab. He blames much of Icon's woes on "socialistic journalists, with pressure put upon them by a socialistic government".

Holstein moved to Singapore in part, he says, because he felt the Asian country's political climate favoured entrepreneurs, rather than punishing them. Now he's considering a return to Europe, but one thing seems clear: "I doubt I will return to live in Sweden for many, many years."

A reversal of fortunes

Yet the real surprise in November came a few days later: after third-quarter losses of over €18 million, Birgersson announced he would no longer head Framfab. (Observers are still debating whether he jumped or was pushed.) Instead, Birgersson said, he would head the 70-person Framfab Labs innovation group.

Company stock jumped noticeably with the news of his stepping down, which only a few months earlier would have sent share prices into a vicious tailspin. A week later, Birgersson also resigned as CEO of B2, which had recently cancelled its October IPO. Sweden's press portrayed the tumultuous two weeks as if it were the fall of a crown prince.

Last week Framfab laid off 400, making the total of job losses 750 over four months – very un-Swedish employer behaviour.

If Holstein seems bitter now, Birgersson has lost power with more grace. Some Swedes suggest that for Birgersson, the gaming fanatic, being "Broadband Jesus" was always just a role. As president of Sweden's massive role-playing gamers association, he had first been lauded for expanding the organisa-

tion, then eviscerated for supposedly turning kids into "cold-blooded killers". Thus, the media's praise-then-blame cycle with Framfab was not wholly unexpected.

"Before, people would tell me, 'You and Johan turned the economy around, you can challenge Microsoft.' Things were out of proportion on the way up, and they're out of proportion on the way down," he explains, referring to the way in which analysts first embraced, then abandoned Framfab. "On the psychological side of things, I think Swedish society wanted this backlash. The dotcoms were annoying. So now the old establishment is getting cocky again."

Clearly, the pendulum has swung back towards old money in Sweden – for many, the Net economy's malaise served to confirm the Law of Jante's essential truth. Those who ran farthest ahead, and fell the

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hardest, are now jeeringly called the "nouveau pauvre". The new style in Stockholm is to keep quiet. No one is in a rush to promote Sweden's special status as a wired pioneer. But silence is precisely what some young Swedes fear. "Birgersson and Holstein made a huge difference in people's thinking about Sweden," says Stockholm Web designer Darja Isaksson, 24. "If the old Swedish mentality hits us now, we're back to nowhere. If we're going to stay big internationally, we need more bigmouths."

But the bigmouths are lying low. Even in the city's mobile sector, the most fertile field for technology, no visionaries have arisen. That's no accident. Consider prime candidate Johan Lenander: a former star at the Stockholm School of Economics, he just signed a series of contracts with major European telcos for his company, PicoFun, to deliver WAP games. A year ago, the intense, lanky Lenander would have been climbing on every soapbox in sight.

"I love to make speeches about the future, and I can get an audience really engaged," he confides. "But my partners have asked me to keep a lower profile now. In this climate, visionaries have to deliver. If Jonas Birgersson started out today, no one would listen."

In some sense, Birgersson feels, that doesn't matter. Bubble or no bubble, Sweden remains a technological powerhouse. And having been so publicly transgressed, the Law of Jante can never regain its full force.

"This dynamic way of looking at your life is a bug that doesn't get out of the system," says Birgersson. "If you'd never used tools and someone gave you a hammer, then you'd never go back to using your hands." ■

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