

Scouts are more Attractive

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Lars Kolind, was originally employed at Oticon to make a traditional cold, turnaround: an axeman responsible for trimming down the organization, but also saving Oticon. Lars Kolind managed the turnaround in the first year. Supported by very positive feedback from colleagues and employees, who acknowledged his first year result - he decided to completely reorganize the whole company. The result is well known: Oticon shook the world by introducing the spaghetti organization.

Ten years later, Lars Kolind still has surprises: On December 3, 1997 Lars Kolind decided to retire from business as he wished to devote more time and energy to his private life. Lars Kolind's decision to leave Oticon was purely out of personal reasons; he leaves no sinking ship behind. Based on a forecast of a DKK 1.4 billion revenue, a profit of DKK 205-210 million before tax is expected for 1997.

Lars Kolind had started playing with the idea of leaving Oticon in October 1997, after a long 27 day trip abroad, in countries such as New Zealand, North and South America and Japan. He thought carefully about the idea, and finally made his decision in late November 1997: "During the last ten years I have spend so incredibly many hours working for Oticon that I think that I have worked for almost twenty years. I have also traveled almost 100 days a year. That is difficult to combine with a wife and four children between eight and eighteen. I think the price has been very high - but it has been worth paying. But I must say that it will not be worth paying for the next ten years."

The stock market's response to Kolind's decision was unambiguous: a vertical dive in the price of shares from 340 to DKK 305, meaning a total drop in the company's market value of DKK 571 million.

Whereas most of Lars Kolind's colleagues have shown great sympathy with his decision, a great number of others find his withdrawal too sudden. But, Lars Kolind argues: "There are lots of examples of directors who reduce working hours and start playing more golf during the last ten years of their CEO tenure...But I don't think that is good enough for Oticon. A CEO of such a dynamic firm must drive with a 120 km an hour - also around the corners."

Lars Kolind became a multimillionaire in 1995, when Oticon was introduced at the Copenhagen Stock Exchange. Lars Kolind is said to have more than DKK 100 million - and is thereby in a very fortunate position to leave his company and do as he pleases.

Besides spending more time with his family, Lars Kolind wishes to be more engaged with things that he believes are "worth fighting for and that are essential." He will devote more time and energy to the scout movement and to societal and church matters - particularly societal matters. He also wishes to become a better chairman on the various boards on which he serves.

Lars Kolind's resignation was effective from May 12, 1998 when the hearing aid manufacturing company holds its regular stockholders meeting. His successor has already been appointed. Niels Jacobsen who has worked as Executive Vice President at Oticon since 1992 will be the new CEO. He has been Lars Kolind's racing partner for six years. Niels Jacobsen, who holds a M.Sc. in economics, is ten years younger than Kolind. Although Niels Jacobsen will not be solely responsible for Oticon, as a second director will be appointed also, it is still interesting to see that Oticon has chosen a director with a personality which is clearly very different from Lars Kolind's.

Niels Jacobsen has been described as something as rare as an “intellectual economist, with more than just numbers on his brain”. Probably the largest difference however is that Niels Jacobsen is much less of an extrovert than Lars Kolind. Niels Jacobsen has felt comfortable in Lars Kolind’s shadow, and has no intension of changing that attitude: “Lars Kolind has on several occasions held a high profile in the press, but I will only perform publicly to the amount that is good and appropriate for the business we are driving” and “I will be keeping a lower profile than Lars Kolind, but the strategy remains unchanged.”

Lars Kolind in turn describes his successor with the following: “He is very goal-oriented and he knows what he wants. But that also means that he is predictable so that you know exactly where he is heading. That is both positive but also critical in that he is very hard to budge.”

It will be interesting to see whether Niels Jacobsen’s perception of Oticon is in line with that of the board of directors and that of the employees, or whether they will all have to work hard in order to budge their new CEO to compromise his and their ideas of what Oticon should be.

Either way, Niels Jacobsen does not plan to make any radical changes in the company. Niels Jacobsen describes his own management style: “I have a very straight forward and direct leadership style with a consistent message. I find it important that the direction and the values are not changing or varying, but that especially my closest employees know my attitudes towards most problems in the company. I find it important to say things as they are. It is so much easier, and problems can be solved immediately in that way.”

At this point however, only time will tell whether this is a management style that matches Oticon’s corporate strategy in the future.

Questions for Consideration

1. How will the change in management change Oticon?
2. Discuss strategic misfits.
3. Is the stock market reaction appropriate?
4. Which management style would be most inappropriate?
5. Discuss the development of Oticon in the context of a company’s life cycle.

References

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