Companies like yours have become increasingly focused on corporate social responsibility and sustainability. Why?

Thirty or 40 years ago, very few businesses made a concerted effort to develop their relationship with society. They were nice to their employees locally and so on, but I’m talking about a focus outside of their immediate society. Today, corporate social responsibility and sustainability are not only important but fashionable. Almost everyone pays tribute to this and focuses on it now. You could argue that this is just cynical business people responding to the flavor of the day. But I don’t believe that’s the case at all—at least, not from my perspective. To me, it’s fundamental that you have to relate to your society if you’re going to be a successful business. That means you have to relate to the people in society—to the citizens, to your employees, to your shareholders, to all kinds of constituencies. If you can get this in some kind of balance, you create the best chance of being successful over the long term; and if you fail in any of those areas, your performance will be less than optimal. So, to me, this is fundamental. All the companies we are involved in, including Investor itself, publish their own sustainability reports as part of the annual report. As a lead shareholder, we tell the companies, “This is important. It is something that we prioritize.” It’s very simple. By my logic, it’s obvious that you have to deal with sustainability because otherwise you sub-optimize. But it’s also a matter of morale.

Jacob Wallenberg, head of one of Europe’s greatest business groups

...explains how cities and corporations can help each other to compete

As chairman of Investor AB, Jacob Wallenberg leads one of the world’s most prominent business families. In 1916, this Swedish industrial holding company was spun off from SEB, a bank that Wallenberg’s great-great grandfather founded in 1856. Today, Investor owns significant interests in high-quality global companies, such as ABB, AstraZeneca, Atlas Copco, Electrolux, and Ericsson. Investor also embodies the Swedish corporate model of long-term, engaged ownership, buying to hold and develop companies—naturally sharing strategic interest in the success of the communities in which Investor does business. Here, he discusses the need for cities and companies to collaborate for the common good, applying dual lenses of his extensive global experience and local roots in Stockholm.
Is that focus on sustainability more common in Nordic countries than elsewhere?

It’s part of our tradition, of course. But I also see it when I visit the United States and talk to companies there. I used to be on the board of Coca-Cola, which is a terrific example of a company that truly works with sustainability from all the angles that I touched upon. My experience is that all these American companies like Boeing, General Electric, or Citigroup basically have the same attitude, and these are some of the core American names. After all, ask a manufacturer what can happen if it’s accused of using child labor. They’re almost out of business because they have not paid respect to basic values. This is for real today. That’s the way the world works. And I think we’ve all come to accept that this probably is for the good of the world.

How should the public and private sectors work together for the good of the cities where they’re based?

It’s a fundamental question. The short answer is that the two have to collaborate because there’s a mutual interest in helping each other. But I would argue that, in a place like Stockholm, business was not an integral part of the city’s development over the last 30 or 40 years. The large companies were not engaged. They were out there in the world doing their own thing, but they weren’t looking at the place where their head offices are located. In the meantime, the city developed by itself, dealing more with the small or medium-sized companies that are more abundantly represented in society here. However, over the last 10 years, a completely different picture has emerged, with large companies becoming much more engaged in discussions about how the city could best develop. The Stockholm Chamber of Commerce has led some really important initiatives over the last few years. And there is a big seminar called the Stockholm Meeting, which takes place every spring, where representatives from business and society engage for half a day. We’re talking about hundreds of people—representatives from all kinds of companies, from all facets of political life—discussing issues of mutual importance. Things like this have really ballooned over the last few years, and it has made a terrific difference. I would argue that you have a more mature discussion between the parties today, a mutual exchange of information. This also leads to better decisions that are founded in a real need, not just something that politicians sort of believe is important, but something where people have agreed that this is really important. I should add that these are also important issues for employers. Take a company like Ericsson, where I’m on the board. Ericsson has more than 100,000 employees from 150 countries, so it’s working with many nationalities. It needs to recruit international, highly educated individuals, whether it’s software engineers, managers, or whatever. When Ericsson tries to attract people here in Stockholm, what do those individuals do? They look at the city, as well as the workplace. They look at transportation, they look at schools for their children, they look at cultural life and sports—the whole life picture. Cities and employers have come to accept that all these ingredients do make a difference. So, all these parties have a common desire to deliver as well as possible on those different demands. Otherwise, it’s not going to be a competitive city. You’re not going to be able to attract and recruit those individuals from abroad, which is absolutely fundamental for a company like Ericsson.
What does Stockholm need to improve over the next five or 10 years?

There are a few absolutely fundamental issues, and this goes for most cities. In Stockholm, we have the whole question of traffic. I’m primarily talking about cars now. We are underinvested in infrastructure. This is in the process of being addressed but we have to see more action. There is a lot more that can be done. Second, housing. We have a dysfunctional rental market in Sweden, with some laws left over from World War II that create a less-than-liquid market for rental apartments. This is a problem when you try to attract people for shorter periods, for a few years, which is what rental apartments are perfect for. So we need significant developments legally, as well as more construction. The affordability of housing is becoming an issue, too. If you’re going to buy an apartment, Stockholm is getting quite expensive. It’s a matter of supply and demand. You have to increase the supply. That is very important. Another broader-based issue is education—at the university level, at high schools, the general educational system. Then there is the care system for the elderly and the ill. All these things could be improved. These are things that leaders in Stockholm are trying to improve the whole time. These are challenges that most cities are dealing with, and we have the same issues.

How big a challenge is immigration?

We’ve had an enormous influx of immigrants and, in some cases, refugees who are fleeing from wars. Since the Arab Spring, we’ve seen this terrible situation in which many people are fleeing, either from the war in Syria or for pure economic reasons. They have no future where they are, so they are fleeing to Europe. Legally, there is an enormous difference between immigrants and refugees, which is part of what is being debated by politicians as we speak. All this leads to a societal issue: How do we integrate this large number of foreigners coming in very rapidly, putting our societies under stress? Our systems—be it housing, schools, or welfare—are all under significant stress. This is not just a Stockholm question. It’s more of a national issue, and it goes for all countries in Europe. Add to this that there are political parties that are dead set against immigration, regardless of the reasons, and you have a very potent political challenge for the foreseeable future. It’s a terrible situation. The only silver lining is that all countries in Europe need more immigration. Someone has to take care of us when we get old.

When Ericsson tries to recruit international, highly educated people in Stockholm, those individuals look at the city, as well as the workplace. They look at transportation, schools, cultural life, and sports. All these ingredients make a difference.
Sweden has a strong commitment to community priorities like sustainability, education, and immigrant integration. Is this sense of shared values one reason for the success of Stockholm?

Any city has to be integrated to perform well. But integration is a much broader issue than just allowing foreigners to live here. For example, it also has to do with integrating people whether they’re rich or poor or whether they’re working in business or culture. I think many pieces work pretty well together here to make it a more complete society—a lot better than in some other places. We’ve also had a very long period of peace in Sweden, which has helped to instill a sense of stability. You could argue that there is also a conservatism or a lack of desire for change, which is not always positive. We have a very conservative view on architecture in this city. You can build anything you please as long as it looks like it’s from the 1700s. So, there are pluses and minuses.

Do urban issues affect the strategic decisions that Investor’s companies make—for example, about where to locate your offices?

When our companies look at where to establish a regional head office or an important office, all these urban issues that we’ve been debating are fundamental. We have to try to put into numbers the pluses and minuses of the different candidate cities—and your Cities of Opportunity report is used extensively in that context. So, it’s really important that any city that wants to attract companies must address all these issues. The city has to deliver on all the constituent parts or it will have a problem. We are acutely aware of this with our large, multinational companies. We have 11 large head offices in Stockholm. I used the example of Ericsson before, but this applies equally to other companies, whether it’s a bank or a company like Atlas Copco. These companies all work with a huge number of international people. The city where you locate an office has to be competitive or your employees will not go with you. They’ll go elsewhere.

You’ve lived or worked in several of the cities in our report, and Investor operates in all 30 of them. Do any of those cities particularly catch your eye in terms of business opportunities?

I think one of the great growth stories will be written in Jakarta. Indonesia has been fairly insular, doing its own thing. But it’s a huge country with a very ambitious government, and it’s modernizing a lot. A number of our companies have been there for a long time but they’re truly growing there now. Large companies have to look for new growth markets. We’ve done places like Japan, China, and Thailand. Some have worked better than others. Vietnam has been tough. Indonesia is also tough, partly because there’s a lot of competition there. It’s a less than well-developed place in many aspects but with high ambitions. So, I have high hopes. It has great potential.
You’ve spent a lot of time in American cities like New York and Philadelphia. How does life there compare with life in Stockholm, and can we learn anything from one another?

You have better hoagies in Philadelphia! But no, what strikes me about the United States is always its multiculturalism. It’s a country made up of people from all corners of the world, which is fascinating. It’s a well-functioning society in one sense, but you’re also left more to yourself, both for good and for bad. There’s less government intervention, less political intervention. Most Americans don’t mind that. The idea of America as the land of opportunity means something to everyone, regardless of their political attitude. I’m talking very generally here, and I’m sure there are enormous exceptions. But in Swedish society, we are brought up knowing that the government will always tell us what’s right or wrong and what we should do and not do. It’s a huge difference.

Is quality of life threatened today by the speed and distractions of modern society?

Absolutely. This is one of our single most important challenges. I’m not talking about refugees and disasters of that nature, but more as an ongoing matter of day-to-day life. There is the whole question of how to deal with real-time information, with being hooked up the whole time. You never have time to reflect, and the information itself lacks quality. Journalists no longer have time to do fact finding. It’s driven by headlines. It’s going to be an enormous challenge to ensure that people can make good decisions. And there is also a genuine risk of people stressing themselves out and overworking themselves. I think this will be an even more significant issue as we move forward.

Sweden has an excellent educational system, but many of Investor’s executives were educated abroad. Is that by design?

Historically, most Swedes were educated here in Sweden. I was educated abroad myself, and I do think it’s a great advantage to have spent time abroad. One of the very important values that Swedes have to understand is that this little country is not the center of the world. Wherever you come from, it’s a problem when you think that your own country is the center of the world. And I think this country excels in that type of thinking. We tend to travel the world and tell people what is right and wrong, which is a bit unfortunate. But if you live abroad for a while, you realize that maybe you shouldn’t have that attitude.

As a resident of Stockholm, how would you define what gives the city such a high quality of life?

I would say that it’s a matter of safety, cleanliness, and great employers who can attract highly educated, highly skilled individuals. You also have access here to a wide range of restaurants, theaters, sporting events, and other activities. There has to be an active life available outside of work. To me, that’s a great city.

Do you enjoy living in Stockholm?

Yes, I love it. It’s great. I should add that I really enjoy the fact that you can bicycle almost anywhere. And you can walk. It’s fantastic here.