

Carl Gustaf von Koch and the Introduction of Modern Risk Management in Sweden

By

Mikael Lönnborg [Södertörn University, Sweden]

Proceedings of the Joint Workshop on Innovation and Entrepreneurship in Co-operatives, the Private Sector and Public Services Lessons from Sweden and Tanzania (2016)

Abstract

Carl Gustaf von Koch was a legendary innovator and entrepreneur in the Swedish insurance history and highly involved in transforming the Swedish insurance market. He started his career as an unpaid officer in the state administration and only gained income by selling insurance in Sweden for foreign insurance companies. It gave him the skills to introduce an entirely new type of organization in Sweden that offered risk allocation to fixed premiums, which revolutionized the Swedish insurance market. As financial innovator he took the initiative in 1855 to the formation of the first Swedish insurance companies Skandia. He was also a financial entrepreneur as CEO of the new company the first three years.

The establishment of Skandia was a typical example of how Swedish business interests imitated foreign models and implemented a new organization form on the Swedish market. It may be noted that von Koch was very much helped by forming the new company thanks to the Crimean war boom in the early 1850s. However, the fact that von Koch just a few years after Skandia formed were forced to leave their chief executive was partly due the international recession 1857/58. In addition, von Koch was the first CEO in Sweden that managed to install a bonus scheme for himself that gave incentive to expand the business rapidly. He quickly established business on foreign markets that led to massive losses and mistrusts among the board of directors. However, this was partly one of the reasons of his dismissal, and many of the problems he encountered will illustrate the problems of shifting the role from an innovator to an entrepreneur. This paper will describe and analyse the case of an individual that acted as both innovator and entrepreneur for introducing modern risk management on the Swedish market. The story demonstrates that it is difficult to move from a role as "innovator" and to be an "entrepreneur" that should execute formalisation of the original idea. In addition, the case will be put into a larger context to illustrate why the innovation was successful but also why von Koch as an entrepreneur was a failure. Finally, the paper will use the case to discuss and analyse theoretical issues about entrepreneurship but also about internationalization of business.