

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



NO SMOKE WITHOUT FIRE: THE CASE OF OLA ROLLÉN

By:

REBECCA HUBER

LINNÉA LINDGREN

AUDREY-ANN B. PAQUETTE

First Edition
Student Case Papers

2017

Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management

No Smoke without Fire: The Case of Ola Rollén

WRITTEN CASE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

REBECCA HUBER

LINNÉA LINDGREN

AUDREY-ANN B. PAQUETTE

No Smoke without Fire: The Case of Ola Rollén

On October 26th, 2016, Ola Rollén, the long-standing CEO of Hexagon was arrested on the accusation of insider trading.¹ One year earlier, Rollén, a national hero for Swedish citizens and CEO role model, bought two million shares in Next Biometrics on behalf of his investment firm Greenbridge Ltd and some 284,000 shares on behalf of his private investment company Iskossala Ltd. Rollén is one of Sweden's best-known business leaders. In fact, he helped turn Hexagon from a small conglomerate with a market value of one billion SEK in 2000 into a 150 billion SEK technology market leader with an expected high growth rate for 2018 (Reuters, 2018). Once Rollén was publicly accused of insider trading in 2016, he received a lot of attention from Scandinavian media. As Rollén represents the figurehead of the company, the situation has created a lot of speculations among different stakeholders. The Board of Hexagon now needs to decide how to cope with the situation: does Rollén stay or will keep him cause too much damage to Hexagon's reputation?

Background

Founded in 1992, Hexagon is a global IT solutions provider that strives to enhance quality and productivity in the industrial and geospatial landscapes by offering sensors, software and domain knowledge to its customers. The Swedish company assesses current technological implementations and provides solutions to overcome conflicts, challenges and complexities that industries are facing. Hexagon is active in seven main divisions; agriculture, geospatial, geosystems, manufacturing intelligence, mining, positioning intelligence, Power Process and Marine (PPM) as well as safety and infrastructure (Hexagon, 2018a). Although it is a relatively young company, Hexagon became one of the global leaders within their field, generating 35 billion SEK in sales with a 24.1% operating margin (Hexagon, 2018b). Hexagon claims that its success derives from their six values: profit-driven, professional,

¹ Insider trading refers to the buying or selling of a public company's stock or other securities by someone who has access to nonpublic information or material about the security or the company.

innovative, engaged, customer focused and entrepreneurial. As of January 2018, they comprise approximately 18,000 employees in 50 countries with its headquarters remaining in Stockholm, Sweden (Hexagon, 2018c). The innovative, future-oriented and proactive mindset is clearly reflected in the company's vision "to play a leading role in the effort to solve the challenges our world is facing by delivering information technology that fuel possibility" (Hexagon, 2018d).

A major part of the company's success is largely attributed to Rollén who emerged as the new CEO in 2000, appointed by the famous businessman Melker Schörling, to rebuild the company. Rollén brought in fresh wind and aimed at organizing and improving what was a fragmented company before. Within that year, a new management team was set up while new strategies were developed that now followed a clear vision. Striving to become a market leader, the focus was to narrow down the company's investments in order to become specialized in the advanced measuring instruments industry (Hexagon, 2018a). Rollén is, at least until now, seen as an exemplary leader and a hero for Sweden's public. In fact, serving as the President and CEO of Hexagon as well as a member of the Board of Directors since 2000, he transformed the company into the leader in measurement technology and related software. Since the beginning of his CEO career at Hexagon, he was awarded numerous awards reflecting his success as a CEO. He won the Leader of the Year award in 2005 by the Business World (Isaksson, 2005) and in 2014 and 2016, Harvard Business Review named Rollén one of the best-performing CEOs in the world. Also, Rollén's outstanding leadership and stewardship in integrating various companies under Hexagon have been acknowledged by Geospatial Media and Communications who offered him the 2015 Geospatial Business Leader of the Year award (Hexagon News, 2015). Through these achievements, he did not only manage to create an excellent reputation for himself, but also for Hexagon. Next to his admired professional personality, Rollén is highly valued and liked by stakeholders for his humble and approachable character. The Swedish national is a father of three and lives in London. Rather than portraying himself as a corporate businessman, his social media sites illustrate his private character, often posting humoristic pictures and personal experiences.

Naturally, Rollén's achievements have also affected the financial status of the company. Since Rollén took over as the CEO, bringing new change in management and new strategies, the company's share price has substantially gained value over the years, as seen in **Exhibit 1**. By driving the company's growth both organically as well as through strategic acquisitions and transactions, the market capitalization value of Hexagon has increased from one billion SEK to approximately 150 billion SEK (Reuters, 2018).

The Incident

The last two years were a strenuous time for both Rollén and Hexagon that resulted in a high-profile case in Scandinavia. In order to fully understand the extent and details of the case, the following section provides a coherent timeline (see **Exhibit 2**) about Rollén's alleged insider trading activities that resulted in a five-week trial. Rollén acted on behalf of himself, as well as under his two companies, as illustrated in **Exhibit 3**.

In January 2015, Melker Schörling and Ola Rollén agreed to form Greenbridge Ltd, an investment company with long-term holdings. Later that year, in October 2015, Greenbridge Ltd bought some two million shares in Next Biometrics, a high-security fingerprints product company. Greenbridge Ltd is the most important shareholder of Next Biometrics with 17% stake. A few days before, on October 6th and 7th, 2015, Iskossala Ltd, Rollén's private investment company, bought some 284,000 shares of the same company. Rollén also tried to buy up to 950,000 shares on his behalf but failed eventually. These transactions were independent from Hexagon (Turula, 2017). Even though these are considered as 'just' transactions, they must be put into perspective in order to understand the accusation against Rollén.

At the time of Rollén's purchases, Next Biometrics revealed a royalty deal with Ngoc Minh Dinh, a key owner of the company. A few hours after Rollén's transaction was made public, the company's stock price jumped by 83.5% (Turula, 2017). Also, later in October, Dell was officially announced as a new customer of Next Biometrics (Business Insider, 2017).

The situation escalated one year later resulting in a real-life nightmare for Rollén. However unpleasant for Rollén, it was a high-profile case generating much speculation in both media and among stakeholders. On October 26th, 2016, Rollén was arrested and detained in Sweden for insider trading due to his purchases one year earlier. Following his arrest hearing in Oslo on October 29th, 2016, Rollén was detained until November 4th, spending almost one week in jail. After Rollén's release on the 4th of November, he continued as CEO of Hexagon.

It was only five months later, on March 15th, 2017, when Rollén was indicted by the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime for violation of:

"...the provision that the purchase of financial instruments or the encouragement of such transactions must not be carried out directly or indirectly for one's own or a third-party account by anyone who possesses inside information" (First District Attorney Marianne Steensen Bender v Ola Rollén, 2018, p. 3).

In autumn 2017, the Swedish business hero found himself in a courtroom in Oslo desperately trying to prove his innocence. October 30th, 2017, marks the beginning of

Rollén's five-week-long trial. According to the prosecution team of Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, Rollén knew about at least one of the four following points, all of which are considered insider information:

- Next Biometrics' rights issue would take place a few days after he purchases the shares.
- Greenbridge Ltd planned to buy shares from Ngoc Minh Dinh, Next Biometrics' major owners.
- Next Biometrics would close a royalty deal with Ngoc Minh Dinh.
- Next Biometrics planned to present a new customer, namely Dell.

The prosecutors wanted outcome was clear: they asked for an 18-month prison term for Rollén's 2015 purchase of shares in Next Biometrics, based on the above accusations.

However, according to the defense team, Rollén was not aware of the four allegations listed above. They claimed that even if he was aware it would not be enough ground to prove him guilty since reasonable investors would not have attached importance to this information. Furthermore, one of Rollén's explanations for his transactions was his confidence in Next Biometrics' fingerprint sensor technology as he expected them to experience an explosive growth. In fact, he claimed: "Next [Biometrics] has been a risky operational investment all the time but I am convinced that we will all have fingerprint cards on our credit cards in four years' time" (Rollén n.d. cited in Reuters, 2017). With that being said, Rollén more or less claimed that he would have proceeded with the transaction irrespective of additional information or not. Furthermore, Rollén stated that the transaction he did was the result of his own independent analysis of the company and that he did not possess privileged information.

Yet, one of the case prosecutors wondered how advanced Rollén's calculations were when he decided to make such an investment in the company. The prosecutor team's beliefs were clear. They argued that Rollén's meeting with Next Biometrics' CEO, which took place before the trades, gave him access to confidential information. They believed this to be the reason why Rollén purchased such an extensive amount of stock and did not believe Rollén's statement that it was his own independent analysis. However, Rollén's defense argued that Next Biometrics' share has always been very volatile. Additionally, they emphasized that the stocks soared due to the CEO's investment and status among Swedish retail investors. His lawyer believed that Rollén started a domino effect, thus encouraging investors to buy shares which he claims justified why there was no abuse of insider information.

Rollén's lawyer specified that the charges his client was facing were simply based on a misinterpretation of the factual and legal issues in the matter. He claims that Rollén acted based on normal procedures in the marketplace.

As it is true for every case, someone always draws the short straw. In the case of Rollén, it was the prosecution. Even though the prosecutor had access to the CEO's text messages, emails and private computer, she did not manage to prove Rollén's guilt. Since the burden of proof for insider trading cases is very high, The Oslo City Court finally acquitted Ola Rollén on January 10th, 2018, rejecting all charges of insider trading. This decision finally brought some calm to Rollén who was constantly in the spotlight of Scandinavian media.

However, he was summoned to appear again on January 29th, 2018.

Conclusion

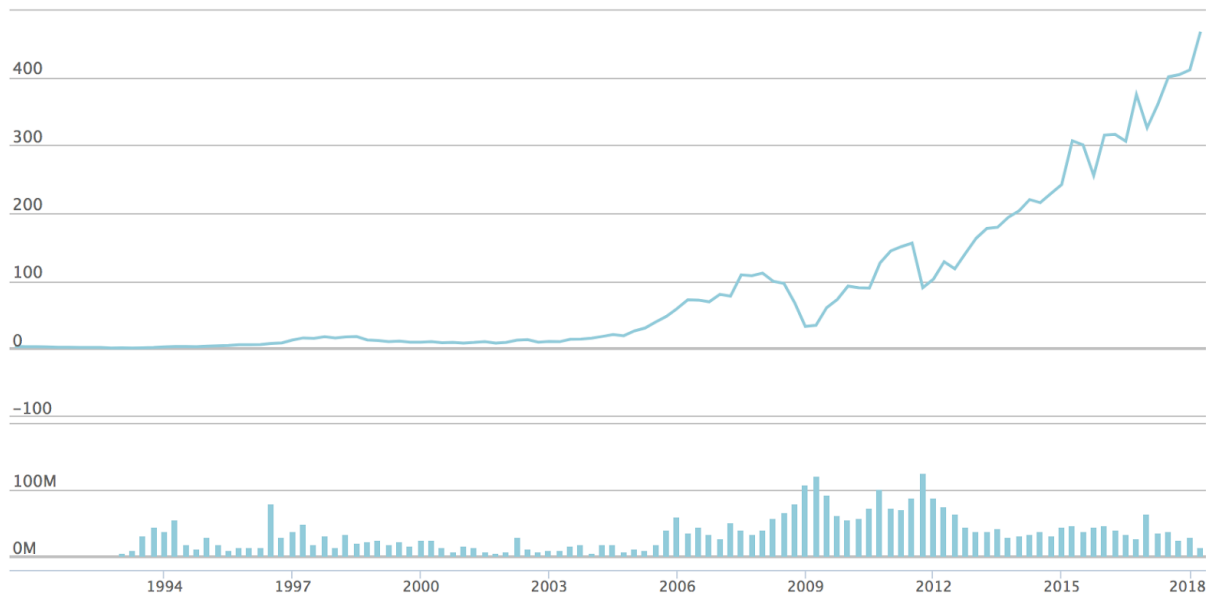
Hexagon is among the most attractive stocks on the Stockholm stock exchange. After the accusations in October 2016, Hexagon's shares fell 10% but has continuously grown since November 2016 up until January 2018. Overall, Hexagon has outperformed the benchmark index, OMXS30, since 2013. Their stock price was up 25% over the last 12 months (January 2017-January 2018) resulting in the largest gap reported so far (see **Exhibit 4**). However, according to bank analysts, the Rollén trial is more determining of the companies' stock price than its third-quarter report, which was released on November 3rd, 2017. Hexagon's Board and shareholders claimed that "if [Rollén] falls, it would be a catastrophe" for the company (Turula, 2017).

Some stakeholders believed that the Boards' decision to retain him as the CEO of Hexagon was a signal of his innocence. At the same time, by staying CEO, Rollén portrayed loyalty to those who believed in him. On the contrary, according to Petter Gottschalk, a professor at Oslo Business School and an insider trading expert, there is an important difference between a company's owners and those who run it. While an owner accused of a crime can come back, he believes an employee, such as a CEO, will frequently fall down (hard) and not come back (Turula, 2017). The message is clear; some still believe in Rollén's innocence while others perceive him to be guilty. Hexagon's stakeholders are now impatiently waiting for the next steps of Hexagon and Rollén.

Given the fact that Rollén is summoned to appear in court again, speculations are reviving and Rollén is once more in the media's spotlight. The Board of Directors of Hexagon are now meeting to discuss the situation. Taking the role of the Board of Directors, you are now to decide on the future of the company. *How should you deal with the situation; should Ola Rollén be dismissed or retained as CEO of Hexagon? How will your decision affect Hexagon's reputation?*

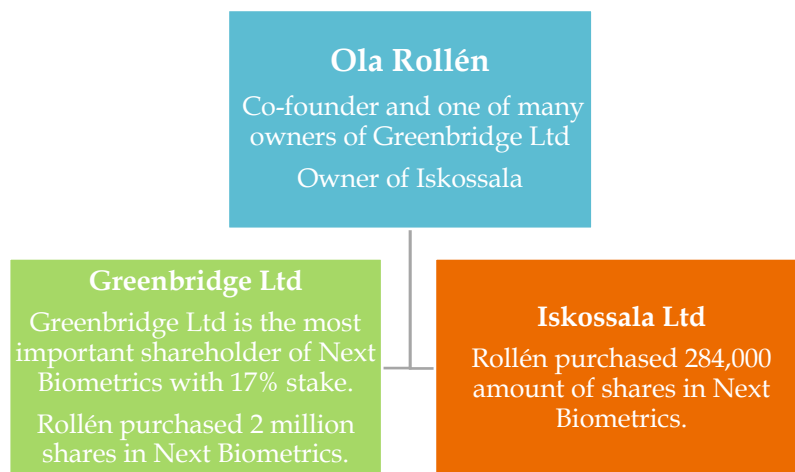
Exhibits

Exhibit 1. Hexagon's share price development from 1992 to 2018



(Source: Hexagon, 2018e)

Exhibit 2. Parties involved



(Source: Hjort, 2016)

Exhibit 3. Timeline of the incident

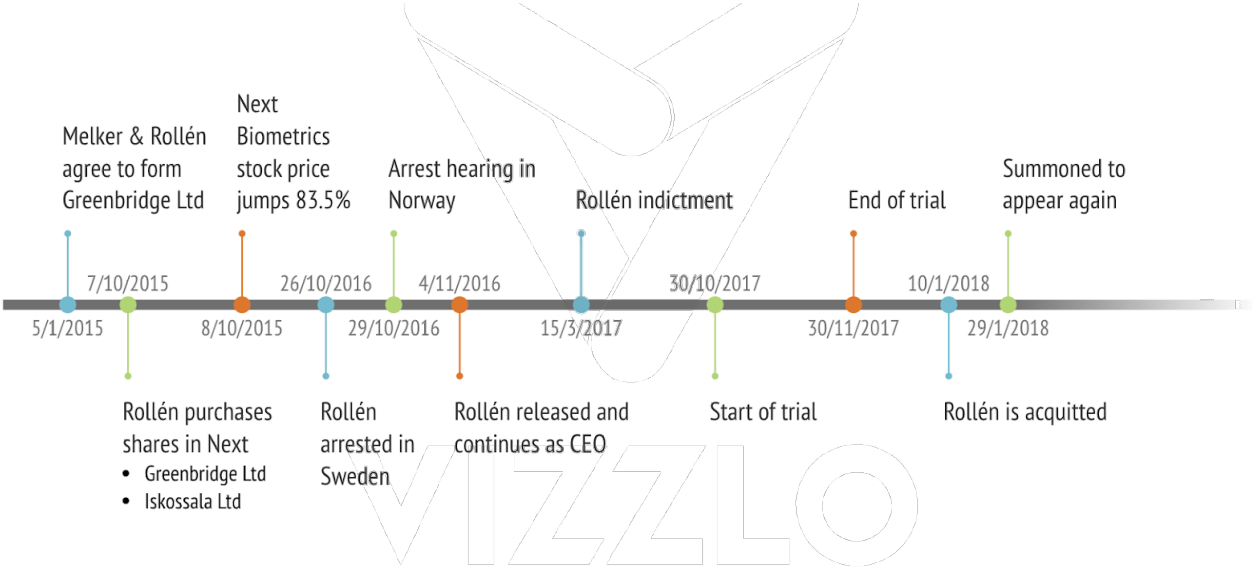


Exhibit 4. Hexagon’s share price in comparison to the OMXS30 (January 2016 – January 2018)



(Source: Avanza, 2018)