

International Business 02
Master Thesis No 2003:51

A SECURE ENTRY IN THE SWEDISH SECURITY INDUSTRY

- A study of the Swedish security industry, its players and
potential acquisition subjects for Gunnebo AB

Andersson, S.C. Johan
Larsson, Philip N.A.

Graduate Business School
School of Economics and Commercial Law
Göteborgs University
ISSN 1403-851X
Printed by Elanders Novum

Abstract

Gunnebo AB is one of Europe's leading companies within the area of security today. Gunnebo AB is now looking to expand its Gunnebo Integrated Security division with an entry in the Swedish security industry, where it has limited presence. The focus will lie on an acquisition of a Swedish electronic security or monitoring company.

This thesis describes and analyses the Swedish integrated security industry and market in order to identify, select, and value the most potential acquisition candidate/s according to certain acquisition criteria. The candidate/s should furthermore be able to form a platform for further expansion in Sweden.

The Swedish integrated security market is fragmented and consists of a large number of players, the industry is also very relationship oriented. In industry there are a lot of new comers and their difficulty is in getting established. To be successful in the market certain key success factors need to be fulfilled e.g. a full solution, well-established relationships, and strong sales and marketing.

Based on the ability to meet the key success factors and the ability to form a platform, a constellation of two candidates has been chosen. They complement each other in an excellent way and are the best acquisitions for Gunnebo AB.

Key-words: Security industry, Market analysis, Key success factors, Acquisition criteria, Acquisition candidate valuation

1	INTRODUCTION	- 1 -
1.1	BACKGROUND.....	- 1 -
1.2	PROBLEM DISCUSSION.....	- 2 -
1.3	PROBLEM.....	- 3 -
1.4	PURPOSE.....	- 4 -
1.5	DELIMITATIONS	- 5 -
2	COMPANY PRESENTATION GUNNEBO AB	- 7 -
2.1	GUNNEBO AB	- 7 -
2.1.1	<i>History.....</i>	- 7 -
2.1.2	<i>The new Gunnebo.....</i>	- 7 -
2.1.3	<i>Organisation.....</i>	- 8 -
2.2	GUNNEBO INTEGRATED SECURITY	- 8 -
2.3	STRATEGY	- 9 -
2.3.1	<i>Gunnebo AB</i>	- 9 -
2.3.2	<i>Gunnebo Integrated Security.....</i>	- 10 -
2.3.3	<i>Gunnebo Acquisition Strategy.....</i>	- 10 -
3	METHODOLOGY	- 13 -
3.1	INTRODUCTION	- 13 -
3.2	RESEARCH STRATEGY.....	- 13 -
3.3	RESEARCH APPROACH	- 15 -
3.4	RESEARCH METHOD	- 16 -
3.4.1	<i>Quantitative vs. qualitative.....</i>	- 16 -
3.5	STUDY CHARACTERISTICS	- 17 -
3.6	RESEARCH DESIGN	- 18 -
3.7	SCIENTIFIC REASONING	- 20 -
3.8	DATA COLLECTION	- 22 -
3.8.1	<i>Field Studies.....</i>	- 22 -
3.8.2	<i>Secondary Sources</i>	- 23 -
3.9	RESEARCH MODEL.....	- 23 -
3.10	DATA ANALYSIS.....	- 25 -
3.11	WEAKNESSES IN THE RESEARCH MODEL.....	- 26 -
3.11.1	<i>Access to Information.....</i>	- 26 -
3.11.2	<i>Gathering Information.....</i>	- 27 -
	MARKET AND INDUSTRY	- 29 -
4	THEORETICAL FRAMEWORK.....	- 29 -
4.1	INTRODUCTION / ACQUISITION MOTIVES	- 29 -
4.2	MARKET DEFINITION	- 29 -
4.3	MARKET ANALYSIS	- 30 -
4.4	INDUSTRY ANALYSIS	- 32 -
4.5	KEY SUCCESS FACTORS	- 33 -
5	INTEGRATED SECURITY INDUSTRY	- 37 -
5.1	EUROPEAN INTEGRATED SECURITY INDUSTRY	- 37 -
5.2	SWEDEN- SECURITY MARKET.....	- 38 -
5.2.1	<i>The Swedish Electronic Security Sector.....</i>	- 38 -
5.2.2	<i>Attitude</i>	- 39 -
5.2.3	<i>Customers.....</i>	- 40 -
5.2.4	<i>Products</i>	- 41 -
5.2.5	<i>Competition.....</i>	- 41 -
5.2.6	<i>Installation Sector</i>	- 43 -

5.2.6.1	Integrated Systems.....	- 44 -
5.3	SWEDISH ELECTRONIC SECURITY AND MONITORING SECTORS.....	- 46 -
5.4	INTRUDER ALARM SYSTEM.....	- 46 -
5.4.1	Alarm Installation.....	- 47 -
5.5	CCTV.....	- 48 -
5.5.1	CCTV Installations.....	- 49 -
5.6	ACCESS CONTROL.....	- 49 -
5.6.1	Access Installations.....	- 50 -
5.7	MONITORING.....	- 50 -
5.8	FUTURE TRENDS IN THE INTEGRATED SECURITY INDUSTRY.....	- 51 -
6	PLAYER MAPPING.....	- 53 -
6.1	PRODUCTS VS. ACTIVITIES.....	- 54 -
6.2	MARKET PRESENCE VS. TYPE OF CUSTOMER.....	- 55 -
6.3	TECHNOLOGY VS. NUMBER OF SITES.....	- 56 -
7	MARKET AND INDUSTRY ANALYSIS.....	- 59 -
7.1	MARKET DEFINITION.....	- 59 -
7.2	INDUSTRY ANALYSIS.....	- 59 -
7.2.1	Environmental Impacts.....	- 59 -
7.2.2	Rivalry among Existing Competitors.....	- 60 -
7.2.3	Bargaining Power of Buyers.....	- 63 -
7.2.4	Threat of Entry.....	- 64 -
7.2.5	Substitute Products.....	- 65 -
7.2.6	Industry profitability.....	- 66 -
7.3	MARKET AND INDUSTRY DYNAMICS.....	- 66 -
7.3.1	Market.....	- 66 -
7.3.2	Environment.....	- 66 -
7.3.3	Competition.....	- 67 -
7.3.4	Key Success Factors.....	- 68 -
	GUNNEBO AB ACQUISITION CRITERIA.....	- 71 -
8	THEORETICAL FRAMEWORK.....	- 71 -
9	AMENDED ACQUISITION CRITERIA.....	- 73 -
9.1	SELECTION CRITERIA.....	- 73 -
9.2	DESIRED FEATURES.....	- 75 -
	CANDIDATES.....	- 77 -
10	THEORETICAL FRAMEWORK.....	- 77 -
10.1	CANDIDATE VALUATION.....	- 77 -
10.2	SWOT ANALYSIS.....	- 77 -
10.3	FINANCIAL KEY RATIOS.....	- 79 -
10.3.1	Liquid Ratio.....	- 79 -
10.3.2	Current Ratio.....	- 79 -
10.3.3	Profitability.....	- 80 -
11	CANDIDATE PRESENTATION AND VALUATION.....	- 81 -
11.1	BELL SECURITY SVENSKA AB.....	- 81 -
11.1.1	Introduction.....	- 81 -
11.1.2	Organisation.....	- 81 -
11.1.3	Products and Services.....	- 81 -
11.1.4	Strategy, Mission, Vision.....	- 82 -
11.1.5	Development.....	- 82 -
11.1.6	References.....	- 82 -
11.1.7	Key Ratios.....	- 83 -

11.1.8	SWOT Analysis	- 83 -
11.2	BRAVIDA SÄKERHET AB	- 85 -
11.2.1	Introduction	- 85 -
11.2.2	Organisation.....	- 85 -
11.2.3	Products and Services	- 85 -
11.2.4	Competition	- 86 -
11.2.5	Strategy, Mission, Vision	- 86 -
11.2.6	Development	- 86 -
11.2.7	Key Ratios.....	- 86 -
11.2.8	SWOT Analysis	- 87 -
11.3	NORDIC ALARM AB.....	- 89 -
11.3.1	Introduction	- 89 -
11.3.2	Organisation.....	- 89 -
11.3.3	Products and Services	- 89 -
11.3.4	Competition	- 90 -
11.3.5	Strategy, Mission, Vision	- 90 -
11.3.6	Development	- 90 -
11.3.7	References.....	- 90 -
11.3.8	Key Ratios.....	- 91 -
11.3.9	SWOT Analysis	- 91 -
11.4	PELE SECURITY AB	- 93 -
11.4.1	Introduction	- 93 -
11.4.2	Organisation.....	- 93 -
11.4.3	Products and Services	- 94 -
11.4.4	Strategy, Mission, Vision	- 94 -
11.4.5	Development	- 94 -
11.4.6	Key Ratios.....	- 95 -
11.4.7	SWOT Analysis	- 95 -
11.5	RAPID LARMCENTRAL AB	- 97 -
11.5.1	Introduction	- 97 -
11.5.2	Organisation.....	- 97 -
11.5.3	Products and Services	- 97 -
11.5.4	Competition	- 98 -
11.5.5	Strategy, Mission, Vision	- 98 -
11.5.6	Development	- 98 -
11.5.7	Key Ratios.....	- 98 -
11.5.8	SWOT Analysis	- 98 -
11.6	TELEHANTERING I STOCKHOLM AB.....	- 100 -
11.6.1	Introduction	- 100 -
11.6.2	Product and Services.....	- 100 -
11.6.3	Organisation.....	- 100 -
11.6.4	References.....	- 100 -
11.6.5	Key Ratios.....	- 101 -
11.6.6	SWOT Analysis	- 101 -
11.7	YIT SECURITY UNIT	- 102 -
11.7.1	Introduction	- 102 -
11.7.2	Organisation.....	- 103 -
11.7.3	Product and Services.....	- 103 -
11.7.4	Competition	- 103 -
11.7.5	Strategy.....	- 103 -
11.7.6	Key Ratios.....	- 104 -
11.7.7	SWOT Analysis	- 104 -
12	CANDIDATE COMPARISON	- 107 -
12.1	THEORETICAL FRAMEWORK	- 107 -
12.2	BRAND RECOGNITION.....	- 108 -

12.3	MATCHING PROCESS	- 109 -
12.3.1	<i>Price, Personal Relationships</i>	- 109 -
12.3.2	<i>Certifications</i>	- 109 -
12.3.3	<i>Sales and Marketing vs. Full Solution</i>	- 110 -
12.3.4	<i>Reference List vs. Additional Services</i>	- 112 -
12.3.5	<i>Technology vs. Customisation of Products</i>	- 113 -
12.3.6	<i>Local Knowledge</i>	- 114 -
13	RECOMMENDATIONS	- 117 -
	LIST OF REFERENCE	- 121 -
	INTERVIEWS.....	- 121 -
	<i>Personal Interviews</i>	- 121 -
	<i>Video Conference Interviews</i>	- 122 -
	<i>Telephone Interviews</i>	- 122 -
	<i>Brand Recognition Telephone Interviews</i>	- 123 -
	<i>E-mail Interviews</i>	- 124 -
	PRINTED SOURCES.....	- 124 -
	<i>Literature</i>	- 124 -
	<i>Journals/Magazines</i>	- 126 -
	<i>Annual Reports</i>	- 127 -
	<i>Company Brochures</i>	- 128 -
	ELECTRONIC SOURCES	- 128 -
	<i>Company Websites</i>	- 128 -
	<i>Other Websites</i>	- 129 -
	<i>Databases</i>	- 129 -

1 Introduction

1.1 Background

The past five years have been characterised by threats around the world such as terrorism, wars, and other attacks. These events, currently and historically had, and will have an impact on people world-wide. The demand for security and safety in the society has increased. This also has an effect on companies, which are threatened by industrial espionage and other threats against their properties. The need for safety, protection, and security has increased the importance of the providers of these products and services.

After the 9/11 terrorist attack the visibility of the global security industry has increased, and due to terrorism acts around the world the industry is on the way up. In Sweden the murder of the Foreign Minister of Affairs (Anna Lindh) in 2003 has spurred the discussion of control, safety and security. People also discuss the effects of increased security have on the personal life and the protection of the intrusion in ones personal life. One talks about the Big-Brother syndrome, where everyone is being supervised.

The electronic security industry manufactures, designs, distributes, integrates, installs, and maintains security networks which consist of access controls, alarms, and close circuit television (CCTV) and some of the main customers and end users are hospitals, hotels (R.R. 2003), banks, airports, and subway systems. (Johnsson 2003, Wallenberg 2003)

The security industry is a very fragmented industry with many small players active on a local basis. There are, however, a number of large players on a global basis such as Siemens AG, General Electric, Tyco International Ltd. and Securitas AB. In the past years there have been many take-overs in the industry, such as Tyco acquiring Sensormatic Electronic Corp. and GE's acquisition of Interlogix Inc. Additionally, the industry is a high-tech industry and hence will attract companies from other technology-based industry. Subsequently more mergers and acquisitions in the industry are to be expected. (R.R. 2003)

INTRODUCTION

Many companies act mainly or even solely on instinct in terms of acquisitions and when evaluating an acquisition candidate. Companies should have certain proactive acquisition programs, in which the objectives of the acquisitions are primarily defined instead of having an opportunistic behaviour. Then steps and actions can be taken to reach those objectives. With a proactive acquisition program a company has a greater chance to avoid mistakes and mismatches and to make business constellations, which contribute to increased shareholder value. (Miller, B.J. 1994)

The acquisition program should furthermore be integrated in the overall strategy of the company. Acquisitions can support strategic objectives such as growth and market expansion etc. *“Most failed acquisitions result from permitting opportunity to drive strategy, rather than integrating acquisition decisions into an overall corporate strategy”* (Miller, B.J. 1994, p4). The company needs to have certain acquisition criterion, which should be included in a comprehensive acquisition program. (Miller, B.J. 1994)

1.2 Problem discussion

Gunnebo AB is one of Europe’s leading companies within the area of security today. The company holds very strong market positions in Europe and Asia and is market leader in several markets. Gunnebo AB has achieved this position primarily through a heavy acquisition record over the past decade. Those acquisitions have made the company expand rapidly and successfully over that period of time. (Gunnebo AB Annual report 2002) The expansion has been successful due to good managerial skills and careful revising of candidates. Gunnebo AB has drawn up an acquisition program, which consists of certain criteria that form the base when selecting potential acquisition candidates. (Johnsson 2003, Wallenberg 2003)

The main focus for the business unit within the Gunnebo Group, called Gunnebo Integrated Security, has been on the central and southern European market where the business unit is market leader in several markets. After a short period of consolidation Gunnebo AB is now looking to expand its Gunnebo Integrated Security unit. One of the markets where the presence is limited is in Northern

Europe, and especially in the Nordic countries. (Gunnebo AB Annual Report 2002, Dimming 2003)

With the Gunnebo AB acquisition criteria as a foundation the company is now looking to its home turf in order to enter and expand on the Swedish market. With Miller's hypothesis in mind this thesis intends to answer the questions mentioned below:

1.3 Problem

The problem in this thesis is twofold, but interrelated. First, the intent is to describe and analyse the Swedish security industry and the Swedish security market. The problem is subsequently formulated as:

What are the characteristics of the Swedish electronic security industry?

In order to analyse the market and industry deeper, the main question above needs to be split into sub-questions that will be answered according to an approach, which looks as follows:

- *How can the boundaries of the market and industry be defined?*
- *What kinds of actors are present and what are their positions within the industry?*
- *What does the industry look like in terms of competition, customers, and product offerings?*
- *Which are the key success factors within the industry?*

Secondly the intention is to select potential acquisition candidates according to the Gunnebo acquisition criteria. The criteria are very loosely formulated and must hence be adapted according to the Swedish electronic security industry and its characteristics according to the following problem:

INTRODUCTION

- *How can the Gunnebo criteria best be adapted and modified, and hence formulated in order to suit the characteristics of the Swedish integrated security industry?*

Once the criteria have been formulated the candidates need to be selected, analysed and valued in order to present the most potential acquisition candidates. The second main problem is defined below:

Which actors in the Swedish Security sector are the most potential acquisition candidates for Gunnebo and Gunnebo Integrated Security?

In order to conduct a structured and sufficient analysis of the selected candidates there are factors to keep in mind apart from the financial data on these companies. The following questions need to be emphasised:

- *Which candidate has the best ability to meet the key success factors of the market?*
- *Does the candidate provide a good foundation for further growth, i.e. management, installation activity, and sales?*
- *If it is not possible to choose one company that meets the various criteria, how can several be put together in order to create the best mix and match?*

1.4 Purpose

The purpose with this thesis is to scan and analyse the Swedish Integrated Security Industry in order to establish the characteristics of the market in terms of players, demands and future trends. Additionally the industry will be scanned in order to identify and select which player or players could act as a potential target for a

future acquisition in order for Gunnebo Integrated Security to enter and expand in the Swedish market

1.5 Delimitations

The intention is to identify the most suitable candidates for an acquisition. The focus will lie on the identification and evaluation of the companies, not on the integration process after the actual acquisition. Since Gunnebo AB has a clear point of view on how it wants to expand, i.e. organically and through acquisitions, this will not be questioned and dealt with in the thesis.

This thesis only focuses on the situation of Gunnebo Integrated Security Unit and its entry on the Swedish industry and completely disregards from other situations and modes of entry. Hence this research does not attempt to draw any other conclusions than those directly influencing Gunnebo Integrated Security and its situation. Based on the result and findings of this thesis no generalisations are supposed to be made.

Gunnebo Integrated Security is about to enter a new market where it does not have any activities within the particular areas. Subsequently all emphasis will be on the characteristics of that market. Gunnebo AB and Gunnebo Integrated Security will not be analysed as companies in order to obtain a strategic fit between Gunnebo AB, Gunnebo Integrated Security, and the acquisition candidate/s. Gunnebo will, however, form the base for the market and the companies selected according to desired candidate characteristics. If Gunnebo Integrated Security was to expand within an existing market this would have to be done, but since this is not the case such an analysis will not be conducted.

This thesis presents all the candidates that meet the selection criteria in the Swedish industry. Those that do not meet the criteria are totally disregarded.

2 Company presentation Gunnebo AB

This section will provide a basic overview of Gunnebo AB as a company and its business unit Gunnebo Integrated Security. It will further explain the strategic goals of the company and its unit. This section will form the starting point of this thesis.

2.1 Gunnebo AB

2.1.1 History

Gunnebo AB started its business some two hundred years ago with the production of nails and fences. The company had a long and successful development, but in 1980 the company found itself in an economic crisis. In the 1980s the company was restructured, giving more ownership to investment companies and institutions. Due to serious economic crisis and failing currency speculation in the beginning of the 1990's the company experienced a second major restructuring and a new, restructured Gunnebo AB was to be created. (Dimming, J 2003)

2.1.2 The new Gunnebo

In 1995 Gunnebo AB was bought by HIDEF Capital. HIDEF was, at that time, a pure investment company which focused on the manufacturing industry and building material. HIDEF took over the name Gunnebo AB and it was the beginning of the new business direction. Gunnebo AB was to transform into:

- A security group
- with large international activity
- and a company with rapid growth mainly through acquisitions

(Gunnebo AB Annual Report 2002, Johnsson 2003)

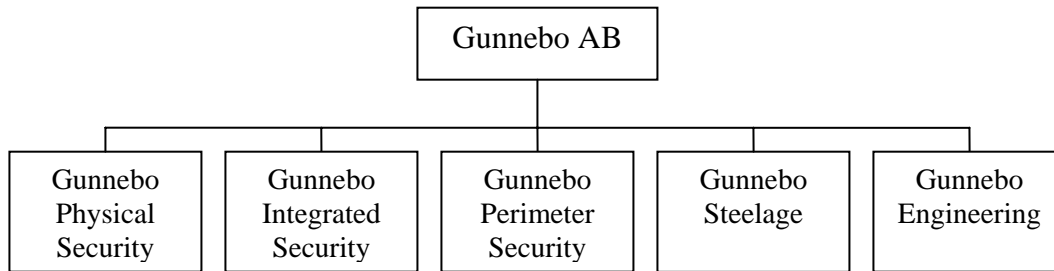
Since 1995, due to acquisitions and organic growth, Gunnebo AB has increased the security related part of the business from 44% to 83% and the group turnover from MEUR 280 to MEUR 810. The security part has acquired 26 companies in 14 countries and increased its turnover from approximately MEUR 110 to almost MEUR 670. (Gunnebo AB Annual Report 2002)

Today Gunnebo AB is a global security group with approximately 8,350 employees and 100 subsidiaries in 32 countries and sales in one hundred additional countries. In terms of sales, 91% takes part outside Sweden where 89% of the staff is employed. (Gunnebo AB Annual Report 2002)

2.1.3 Organisation

In 1999 another major restructuring of the company took place and Gunnebo AB was divided into 5 divisions as shown below: (Johansson 2003)

Fig. 2.1 Gunnebo Organisation



Source: <http://www.gunnebo.com>

2.2 Gunnebo Integrated Security

Gunnebo Integrated Security is one of the largest companies in southern and central Europe within the area of electronic security. It is also one of the three largest companies within the area of entrance control. In 2002 the company had an annual turnover of MEUR 240 and about 2,350 employees. The activities of Gunnebo Integrated Security are mostly concentrated to south and middle Europe with about 40 % of their customers in the banking and financial sector. The company develops, produces, markets, sells, and installs electronic security systems. The division is divided into seven business areas: Electronic Security, Entrance Control, Interlocking Doors, Enclosure Security, Monitoring, Indonesia, and Integrated Safes Activities. (Gunnebo AB Annual Report 2002, www.gunnebo.se)

The company's product portfolio consists of anti-burglary devices, fire alarms, fire extinguish systems, CCTV (surveillance with the help of cameras and monitors),

entrance controls, and passage control systems. The division also provides service and installation and has a couple of surveillance and alarm centres with full service coverage 24 hours a day. (Gunnebo Annual Report 2002, www.gunnebo.se)

Gunnebo Integrated Security has many world-known brands such as Fichet-Bauche, Ritzenthaler, Rosengren Larm, and Gunnebo Mayor. (Gunnebo Annual Report 2002) The division develops customised technology-based security solutions, which can be combined with entrance control and other physical security products that Gunnebo AB offers. (Johansson 2003, Wallenberg 2003, Gunnebo Annual Report 2002)

2.3 Strategy

2.3.1 Gunnebo AB

The activities of Gunnebo AB take place on a global market, where the main competitive means of Gunnebo are:

- a well-developed product range including both physical and electronic security systems
- local presence
- well developed and extended service activity
- specialised and customised service
- strong brands on a global scale

(Gunnebo Annual Report 2002)

The aim of the group is to further strengthen its position as a world leading security business through acquisitions and organic growth. The organic growth is mainly to take place in the service activities. The aim is to grow faster than the market. (Gunnebo AB Annual Report 2002)

The activities should primarily be developed within current security product areas. The focus of growth should lie on the electronic security, a segment which grows more than other sectors. On each and every segment the customers should feel that Gunnebo AB meets their current, as well as future, needs. The products and

services should be of the highest standards and quality. Gunnebo AB should offer complete security solutions in markets where there is a demand for these types of solutions. (Gunnebo AB Annual Report 2002)

2.3.2 Gunnebo Integrated Security

The electronic security sector is the area within security, which has grown the most the past 10 years. Gunnebo Integrated Security is expecting a market growth around 10 % in the coming years. The aim is an annual growth of 20% for the division. This will be done partly through organic growth, mainly in the service sector, but also through acquisitions. By offering advanced and trustworthy security solutions the position in current markets will be strengthened and the possibility to enter new markets will increase. (Gunnebo AB Annual Report 2001 and 2002)

In the past the customers have asked for a particular security solution, but this is not the case in today's environment. Today the customers are looking for the full solution. Therefore Gunnebo Integrated Security division has focused on working more as security consultants and less as a specialist on a particular product. The strategy for Gunnebo Integrated Security division is to analyse the needs of the customers and offer a complete integrated security solution. (Gunnebo Global 2001, No2)

2.3.3 Gunnebo Acquisition Strategy

Lars Wallenberg, the Executive Vice President of Gunnebo AB, is responsible for the company's M&A processes. He has worked for the company Trelleborg AB (also a company with a very aggressive acquisition strategy) and was hired by Gunnebo AB to pursue its` expansion strategy. Mr Wallenberg (2003) points out a number of characteristics that are important when conducting acquisitions and identifies several starting points to consider when analysing and valuing the acquisition candidate:

- One needs to look at where the candidate will be in 5-10 years in terms of products, markets etc.

COMPANY PRESENTATION GUNNEBO AB

- It further needs to fit in with the group in terms of products and strategy
- The candidate needs to be able to work on its own, i.e. it should be able to conduct business on its own prior to acquisition.
- The candidate also needs to present good and promising numbers, i.e. have a profit and a profitable history
- In addition, the candidate should show good and positive management

Mr Wallenberg, Mr Selosse, President of Gunnebo Integrated Security unit, and Mr Borgström, Sales Executive at Gunnebo Entrance Sweden, present certain characteristics for the Swedish entry that, apart from the above-mentioned factors, need to be fulfilled by the candidate in order for it to be of interest. These criteria should form the base for the identification and selection process of possible candidates in these markets. The characteristics are presented below:¹

- Approximate turnover of candidate should be MEUR 3-15
- Monitoring companies must have a minimum of 1000 lines
- Customers should be medium-sized and larger enterprises
- End-user relationships should be present
- Gunnebo is not primarily interested in producers since it already has its product portfolio
- The candidate should provide a platform with management for future expansion within the market
- Installation, sales function, and project handling should be present

The characteristics mentioned above will be adapted according to the situation in the Swedish market. In section Gunnebo Acquisition Criteria these desired candidate characteristics are discussed and modified in order to suit the characteristics of the market according to the market and industry analysis in order to find the best potential candidates.

¹ The characteristics are not ranked according to their importance, but presented randomly

3 Methodology

The aim with the methodology chapter is to link the theory and the empirical research together and ultimately describe the process of data collection and data analysis in a way that the work carried out in this thesis can be repeated and the same conclusions can be drawn.

3.1 Introduction

When considering which methodology to use when conducting the research one must adapt the method to be used and the sample selected to the field of investigation. There is an interplay and interdependency among all the different parts of the research project. The aim and purpose of the study needs to be established. (Merriam 1998, Patton 2002) Once established one can consider which method to use when gathering information and when analysing and presenting the research material, i.e. “*matching research methods to the purpose of the study, the questions being asked, and the resources available*” (Patton 2002, p 49).

3.2 Research Strategy

When conducting research several different methods can be used. Yin (1994) mentions five different ways of conducting research: experiments, surveys, archival analysis, histories, and case studies. Which research method to use depends on three conditions:

- a) The research problem
- b) To what extent the researcher can control actual behavioural behaviour
- c) The research's focus on contemporary events and on historical situations.

METHODOLOGY

The following model can be used when establishing the type of research conducted:

Fig. 3.1 Relevant Situations for Different Researches Strategies

Strategy	Form of research question	Requires control over behavioural events?	Focuses on contemporary events?
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	No
History	How, why	No	Yes/no
Case study	How, why	No	Yes

Source: Yin (1994) p6

When putting this thesis into the model one must keep in mind that the twofold aim of this thesis splits the research into two different, yet interrelated directions. The two areas both focus on the contemporary situation and neither requires the control of specific behavioural events. But the two areas tend to differ in terms of the formulation of research questions.

The aim of the first problem is to describe the Swedish Integrated Security Industry with its environment and actors, i.e. *what* the industry looks like and *who* the players are and *what* characteristics they have. These are typical research questions that match with a **survey**.

The second problem constitutes the selection of acquisition candidates on the basis of their characteristics, i.e. *who* they are, *what* characteristics they have, but also *if* they will fit within the Gunnebo group. This problem area seems to be a survey that tends to lean towards a case study. However this thesis will not deal with the actual integration process of the candidates. The selection and valuation of

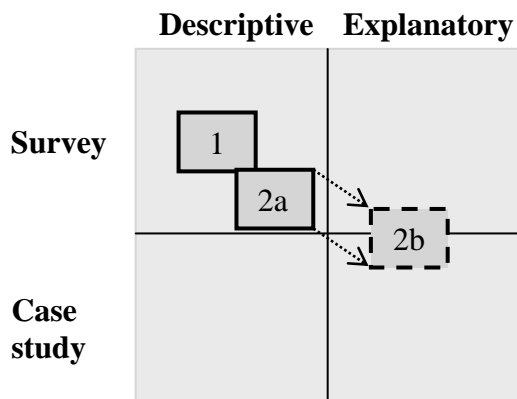
candidates will be motivated, which will be embedded within the research and a contribution to the final aim – the selection. Subsequently, the research of the second problem area will be conducted in the form of a **survey**.

3.3 Research Approach

The strategic approach of this thesis has been established to take the form of a survey. Surveys, as well as the other strategic approaches, can have one of three different possibilities: Explanatory, Exploratory, or Descriptive. The approach used is determined by the purpose and the research question to a great extent. (Yin 1994) In order to establish which kind of strategy to be used, once again the two problem areas need to be treated separately. Problem one aims to describe the Integrated Security Industry in Sweden and hence takes a descriptive approach. Problem two, on the other hand, focuses on explaining why the chosen candidate/s has/have been chosen, i.e. an explanatory survey. But it also takes a descriptive approach, since the candidates first need to be presented and described. The explanation needs to be based on something, i.e. the description of the candidate/s. This description also has a goal of its own, since Gunnebo lacks in information about the players on the two markets. Subsequently the approach of the second research problem is a duplicate one.

Based on the theories of Yin (1994) the strategy and approach best suited for the two research problems in thesis can be presented as in fig. 3.2 below:

Fig 3.2 Research approach of the two problem areas



Source: Own

The two problem areas are best suited to be approached in the form of surveys due to the research questions. The industry description and analysis is a straightforward *descriptive survey*, while the selection of acquisition candidates is somewhat of a mixture. The first part of the selection process (2a) is a descriptive survey. The aim of the second part (2b) is to explain why the candidate/s is/are chosen and hence is more of an *explanatory survey*, but with some tendencies towards a case study.

3.4 Research Method

3.4.1 Quantitative vs. qualitative

Quantitative research (by Eriksson & Wiedersheim-Paul 1997 also referred to as hard data) is often considered to involve the collection of data that is measurable in order to measure the degree to which something is present. Qualitative research (what Eriksson & Wiedersheim-Paul 1997 also call soft data), on the other hand, is commonly considered to establish whether or not something is present (Kirk and Miller 1986, Eriksson & Wiedersheim-Paul 1997). A much more concrete view of the two methods is Merriam's (1998) Qualitative data is presented in words, while quantitative in numbers. The advantage with quantitative research is the ability to ask a great number of people a set of a few questions, which results in the possibility to compare and generalise. Qualitative research, on the other hand, focuses on few people to provide detailed information and thus makes generalisations more difficult. (Patton 2002)

According to Kirk and Miller (1986) qualitative research involves a commitment to field studies and the interaction with people on their home turf. Patton (2002) takes a similar point of view and claims that qualitative data comes from three kinds of data collection: I) in-depth, open-ended interviews; II) direct observation; and III) written documents. Less important is whether or not numbers are used to gather data and reveal patterns. *“To see qualitative research as strictly disengaged from any form of counting is to miss the point that its basic strategy depends on the reconciliation of diverse research tactics.”* (Kirk and Miller 1986, p12)

Yin (1994) goes in line with the viewpoint of Kirk and Miller (1986) and Patton (2002) when he claims that even though qualitative and quantitative research are often distinguished, *“there is a strong and essential common ground between the two”*. (Yin 1994, p15) Patton (2002) takes it one step further and claims that since the two methods have different strengths and weaknesses they represent alternatives, but can nonetheless be included in the same study.

The empirical information gathered in this thesis is obtained by the revision of partly numerical values in order to establish historical, present situation, and future trends. The research has also involved the gathering of, so called, softer

METHODOLOGY

data in order to get ideas on underlying factors and characteristics. According to the “commonly used views” where it is either black or white, the research in this thesis is qualitative as well as quantitative. But if one considers the reflection of Kirk and Miller (1986) and Patton (2002) one method does not exclude the other, they can co-exist in a study. Another factor comes more in focus when establishing whether the research in this thesis is qualitative or quantitative. The research in this thesis is obtained through a combination of interviews with professionals in the Swedish security industry, written documents, and direct observations. These are the main feature of a qualitative research (e.g. Patton 2002, Kirk and Miller 1986). However some telephone interviews regarding brand recognition have been conducted with a quantitative method. Subsequently this thesis takes a combined method

The sound of the word “survey” and the fact that it is often used in situations such as market research and polls makes it possible and even likely that a survey exclusively relies on the gathering of quantitative data and present numerical values. But “...*the contrast between quantitative and qualitative evidence does not distinguish the various research strategies*” (Yin 1994, p14) Qualitative and quantitative research is independent from the research strategy. Subsequently a qualitative survey is fully possible.

3.5 Study Characteristics

The research strategy, research approach, and research method has been described and matched with the characteristics of this thesis and it will subsequently take the shape of a:

Descriptive/Explanatory Survey with a Qualitative/Quantitative method

Hereafter a discussion will follow on how the design of a study can be developed and formed in order to obtain quality and how this has been adapted and applied in this thesis.

3.6 Research Design

The understanding of how empirical reality works demands an appreciation of its objectivity. How that empirical reality and the truth is perceived and understood is up to us. But there are differences in how the reality is perceived i.e. the truth is subjective. The researcher needs to find certain ways to perceive and present the empirical world in such a way that the community can appreciate and approve it. The aim is to obtain the highest possible degree of objectivity (Kirk and Miller 1986) and hence improve the quality of the research (Yin 1994).

In qualitative research the researcher is the instrument responsible for both the data collection and the data interpretation. The instruments are dependent on human skill, presence, and perception. On this basis the qualitative method has been criticised as being too subjective. (Patton 2002)

The definition of objectivity is, according to Kirk and Miller (1986, p13), “...an aspiration to cumulative collective knowledge that is of interest on its own merits to those other than the friends and admirers of its creators”. Objectivity means that the research process is described in such a way that others can carry out the same experiment (Kirk and Miller 1986). Yin (1994) also includes concepts such as trustworthiness, credibility, and confirmability. It comes down to judging the quality of the research and to what extent the results and findings of the research can be trusted.

A useful device when obtaining objectivity, quality, and trustworthiness in qualitative research is the division of objectivity into two components: reliability and validity (Yin 1994, Kirk and Miller 1986). Validity and reliability of a study can be approached and obtained through the definitions of the concepts being established and used, and through the way information is gathered, interpreted, analysed, and presented (Merriam 1998). Validity can further be divided into Internal- and External validity (e.g. Yin 1994, Eriksson & Wiedersheim-Paul 1997).

Construct Validity refers to the creation and development of correct measures for measuring the field being studied (Yin 1994). How the findings of the study match the reality is dealt with by the **Internal Validity** of the research project, whether

METHODOLOGY

the study really reflects the reality (Merriam 1998). Eriksson & Wiedersheim-Paul (1997) define it as the conformity between the conditions and the measurable definitions of them. How the reality is translated into various measurable factors and how the translation matches the reality

External Validity means the degree to which the result and conclusions of a study can be generalised and applied to other situations and researches (Yin 1994, Merriam 1998). It refers to the result obtained, when using the instrument, matches with the reality and is hence dependent on the internal validity (Eriksson & Wiedersheim-Paul 1997).

An instrument with high **Reliability** reaches the same result over and over again (Eriksson & Wiedersheim-Paul 1997). Reliability refers to whether the same result and findings will be reached if the study is being repeated in other studies by other researcher using the same methods (Merriam 1998).

The trustworthiness in this thesis is increased according to Merriam's (1998) suggestions on how validity and reliability can be enhanced in a research:

- Several types of sources for gathering information are used, so called *triangulation*. A combination of primary and secondary sources increases the internal validity and the reliability. This is also in line with Porter's (1980) views on how to conduct an industry analysis, which will be discussed in section 3.8.
- Representatives of Gunnebo and other industry representatives have been consulted on the findings of the research throughout the research process on a regular basis. This *peer examination* enhances the internal validity. This also represents *member checks*, since the representatives give their views on the interpretation of the data.
- The reliability is enhanced due to the fact that theories behind the study, the interviewees, and the environment in which the interviews were conducted are presented in the thesis. This refers to what Merriam (1998) calls explaining *the investigator's position*.

- In order for a study to be replicated it needs to be explained in such a way that a second research team can conduct a similar study with similar results. The purpose of the methodology chapter is to document the process of the research in such a way that it can be replicated. This is referred to as the *audit trail* by Merriam (1998).

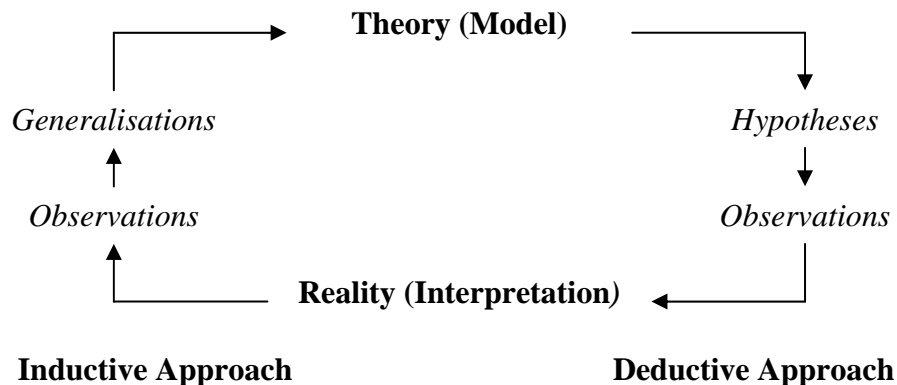
In addition to Merriam's (1998) suggestions of enhanced trustworthiness, the fact that the research team of this thesis consists of two people increases the possibility for valid observations and reliable interpretations. This thesis mainly takes the form of a qualitative research. A critique of qualitative research is that it is likely to be subjective due to the fact that the person/s gathering, interpreting, analysing, and presenting the data are the instruments of the research (Patton 2002). Two interpretations of the same data decrease the subjectivity and increase the objectivity and subsequently enhance the trustworthiness.

3.7 Scientific Reasoning

There are two main schools for scientific reasoning and how to draw conclusions: Empirism and Rationalism. Conclusions and knowledge of the former are based on observations, experiences, and experiments, and is known as the inductive approach. On the latter conclusions are based on reason and logic and is also known as deductive approach. (Eriksson & Wiedersheim-Paul 1997)

The two reasonings are shown in figure 3.2 below.

Fig. 3.2

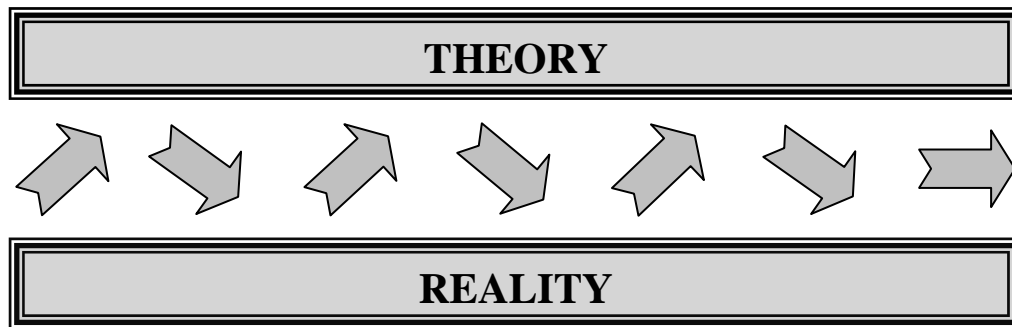


Source: Eriksson & Wiedersheim-Paul 1997, p229

METHODOLOGY

This thesis has a practical starting point. It is conducted in the way of a consultancy report, i.e. the company and its business climate form the base for the starting point. The aim is to explain the reality and with the help of academic models and theories structure the findings and come to logical conclusions. The empirical part forms the starting point, but there is interplay between the empirical part and the theories. The models are chosen to suit the empirical part, but at the same time the theory contribute with ideas on how to gather information and how to structure it. This thesis takes both an inductive and deductive approach i.e. an abductive approach, which Patton (2002, p 470) defines in qualitative research as “*a combination of inductive and deductive thinking with logical underpinnings*”. If presented in a model, the abductive approach would appear as in figure. 3.4.

Fig. 3.4



Source: Own

In the beginning of the process there is a lot of interplay between the two aspects in order to structure the whole project. The theories need to be adapted to the chosen research area and theories form a foundation for the gathering and presentation of the data. The interplay continues throughout the research project and several interviews have been conducted at a late stage in the process. This is due to the fact that we felt that we did not have sufficient information to draw conclusions and hence needed to go back out in reality to gather that information.

Hereafter the methodology chapter will take a more concrete approach. The collection, interpretation, and analysis of data will be discussed. The focus will lie on data needed for an industry and company analysis.

3.8 Data Collection

When conducting research about a topic, such as an industry analysis, there are two basic kinds of data: published data and field data or secondary and primary data. An industry analysis is a massive task and can take an enormous amount of time. Therefore it is very important to have a framework for how to collect and structure the data. The first task is to establish what one is looking for in order to avoid the gathering of data without a specific aim of what to look for and how to use it. This forms the underlying framework for the research project (Porter 1980).

Once the problem and delimitations of the research area have been established the second step is to determine which data is needed, how best to obtain it, and in what order the data is to be collected (Merriam 1998, Porter 1980). Numerous alternatives can occur but Porter (1980) recommends getting a broad overview of the industry at first. This can be done with the help of a wide range of sources, secondary as well as primary. Once a general overview of the industry has been obtained, one can focus on the more specific issues.

Porter (1980) further stresses the importance of combining field studies with published sources. It may be a good idea to go through secondary data before getting out in the field, but one should not wait too long with the primary data collection. The two types of sources should be explored simultaneously since they complement each other and synergies can be created.

3.8.1 Field Studies

Interviews are a way of collecting data that is not to be found anywhere else. Through interviews the researcher is trying to establish the interviewee's perceptions, experiences, and ideas of the reality and how he/she interprets it (Merriam 1998).

The structure of the interviews can be adapted to the situation and what the researcher is trying to find out. When one has little knowledge about a situation or issue and wants to learn more about that situation and develop a foundation for further research an **unstructured interview** could be preferred. This interview type rather takes the form of a discussion where open-ended questions are used. This

creates flexibility since no formulated questions are used and questions and topics can be adapted to the situation (Merriam 1998).

When the aim of the interview is to collect specific information one can use a list of flexible questions that can be adapted to the situation, but have to be covered. This interview type is called a **semi-structured interview**, and is more controlled than an unstructured interview (Merriam 1998).

The first interviews conducted with representatives of Gunnebo AB were more of a discussion in order to get a background in the area of research and an understanding about the problem areas. Later interviews were conducted in the form of structured discussions, where a list of questions were used. These questions were posed according to the situation and, depending on the discussion and the interviewee, additional questions were posed and topics discussed.

3.8.2 Secondary Sources

With Porter's suggestions in mind the research in this thesis started with the gathering of information concerning the security sector in general. This was done in order to get a good idea of industry characteristics and to lay a foundation for further research. Articles and the Internet were of great help in this phase. A second step to further increase the knowledge of the industry was to conduct interviews and discussions with representatives of Gunnebo. This gave a good base for how Gunnebo operates and its strategy.

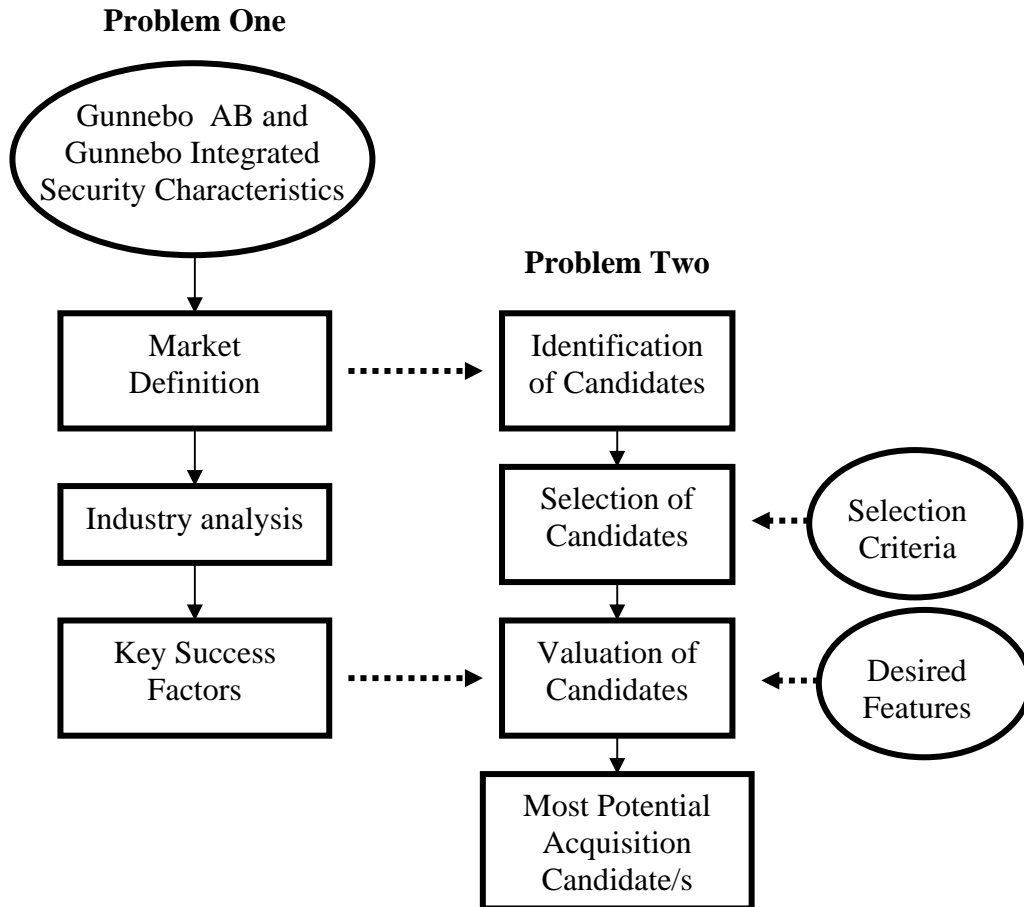
Parallel with the study of the industry, theories were surveyed and investigated in order to find suitable models that could be applied on the future empirical findings.

3.9 Research Model

According to Porter a framework for how to conduct the research was developed. This research model is presented in figure 3.5. The research model and approach of the problem areas is based on the model constructed by Golicic et al (2003) and has been modified according to the framework of Porter (1980) and adapted in order to suit the problem areas and purposes of this thesis. The gathering of information will have to be done in parallel since this will be of benefit in terms of

resources used. The starting point will, however, have to be the market and industry in order to get an overview and an understanding for the business and environment it is affected by.

Fig. 3.5 Research Model



Source: Adapted and modified from Golicic et al (2003)

In order to obtain a better understanding of the industry and gain more knowledge about possible acquisition candidates visits to trade fairs were made. These gave a good picture of the companies and worked as a good selection process.

To increase the understanding of the industry in order to create an analysis, further and complementary interviews were conducted with sources already interviewed and additional sources. These interviews took the shape of telephone and e-mail interviews. Secondary data complemented the primary data throughout the whole research process.

In the final step the selected candidates were valued according to certain valuation theories. These valuations were mainly made with the help of secondary sources since an acquisition is a very delicate matter to discuss with a possible candidate.

3.10 Data Analysis

Merriam (1998) stresses the importance of combining the collection of data with an analysis of the data. Only if these two aspects are integrated and conducted simultaneously can the data collection be revised and adapted for further research. This is especially important in a qualitative research where several interviews are conducted. New issues may emerge in one interview that are of importance to investigate in further interviews. Only by analysing the data on a regular basis can the data collection be updated and adapted. This will further decrease the risks of overlooking something that is of importance.

In this thesis the interview subjects and the interview questions have been updated on a regular basis as data has been collected. By doing this the research team has been able to identify important aspects that were missed in early interviews and added these aspects in later.

Analysis is about organising and interpreting the data collected in a way that makes sense. The data needs to be divided into categories and sub-categories in a process that transforms raw data into structured and categorised data. Data is to be broken down and compared with other bits of data in order to identify patterns. (Merriam 1998)

The final step in the analysing process is to discover and identify relationships among the categories and sub-categories, which will result in the development of models, generation of theories, and drawing of conclusions (Merriam 1998). This step includes taking the data one step further in order to create hypotheses, come up with recommendations, or detect future trends which result in the drawing of conclusions and suggestions on how to answer the problem questions posed (Merriam 1998, Eriksson & Wiedersheim-Paul 1997).

3.11 Weaknesses in the Research Model

3.11.1 Access to Information

Conducting research on an industry and on its companies is highly dependent on the access to good and reliable information. Throughout the research it was clear that it was very difficult to get exact and reliable figures in the industry. Among the different people active in the business, numerous numbers were given in terms of size and growth rates. The conclusion could be drawn that it is a very difficult industry to obtain information about. The reasons for this can be that companies are present in different sub-industries within the integrated security industry. Exactly where the boundaries of the Swedish electronic security industry are can be difficult to estimate and hence estimated differently.

The complexity of the industry could well be one of the reasons for the difficulty in finding information. Numerous people within the industry have been contacted in the form of personal contact, over the telephone, or via e-mail. The response has been very poor.

Additionally, research based on the gathering and analysis of information concerning acquisitions is a very difficult and complex issue. Having people reveal delicate and sometimes classified, but for this research crucial and important, information about their companies is not easy. Even more so if one is evaluating the company to see if it is a good investment. Therefore the potential candidates had to be approached very gently and with great caution in order to obtain any information at all. The problem could not be approached straightforward, but rather the “real” questions had to be embedded within other queries in order to obtain any information of use at all.

In addition most of the candidates are, due to the criterion given by Gunnebo AB and Gunnebo Integrated Systems, rather small players and there is not much information in journals or articles to be found. Not even in industry magazines. Due to this, the main sources of information concerning the acquisition candidates has been collected from the company web sites, from interviews with company representatives, or from annual reports. These sources, apart from the annual

reports, are very subjective sources. The information had to be collected with a pinch of salt.

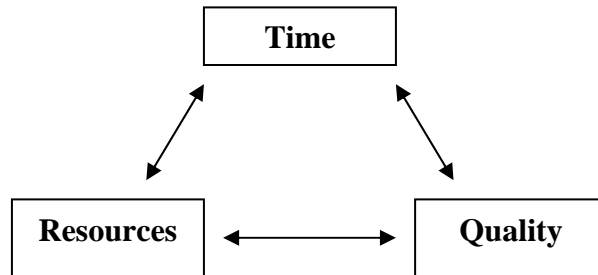
The factors mentioned above contribute to a weakened validity and reliability and the fact that some crucial data, that might have a direct impact on the final result, could be missing. Hence, it is possible that if one had had complete access to information on the candidates the final conclusions would have been different. Additionally a thorough and valid valuation of a company would require the company to be scrutinised, i.e. one would have to perform due diligence.

Even though the analysis and conclusions in this thesis may lack reliability, the candidates valued are the ones in the Swedish electronic security industry that match the Gunnebo AB acquisition criteria. Up until the final analysis the reliability is good.

3.11.2 Gathering Information

All kinds of data gathering consist of weighing three different kinds of variables, shown in fig. 3.6.

Fig. 3.6



Source: Modified from Eriksson and Wiedersheim-Paul 1997, p65

The double-headed arrows indicate an interdependent relationship between the variables. The quality of a research can usually be increased if there are a lot of resources such as money. The amount of resources simplifies the conducting of field studies and gathering of primary data. On the other hand the quality is often reduced by the level of time, i.e. the less time one has the less the likelihood is of conducting a research with valid and reliable conclusions and findings. The time and resources at ones disposal influences the quality of the result of the study (Eriksson & Wiedersheim-Paul 1997).

METHODOLOGY

In order to obtain a broad background and introduction to the Swedish security industry a trade fair was visited: SecTech in Stockholm, 29.10.2003. This visit provided a good foundation for the future research work. Short and brief interviews with representatives from various security companies were conducted. Due to the fact that the interviews were conducted at a fair made it difficult to get a deeper understanding of the industry and the companies. It did however provide a good base for the industry analysis. The selection of acquisition candidates could also be conducted.

The rest of the interviews concerning the Swedish industry and candidates were conducted in the form of personal interviews and telephone or e-mail interviews. The quality and reliability of this thesis could have been improved if there would have been opportunities to conduct deeper follow up interviews face to face and to visit candidate sites. Due to the resources available this was not a possibility and subsequently the quality is affected in a negative way.

An acquisition is a very delicate matter and candidates are not eager to discuss and reveal “classified” information that may well be of importance when valuing an acquisition candidate. Due to this fact, the valuation step in the process is mainly based on secondary sources such as annual reports. The fact, that more or less, no access was possible to primary information in terms of the final selection of candidate/s results in a reduced reliability of the study. There is a risk that the conclusions would have been different if representatives of the selected candidates would have been interviewed and would have had the opportunity to speak freely. On the other hand there were a few candidates that met Gunnebo's criteria in the selection process and the result would not have been very different if there would have been free access to all kinds of information.

MARKET AND INDUSTRY

4 Theoretical Framework

4.1 Introduction / Acquisition Motives

Acquisitions are long-term investments and companies must have a healthy base to build on. The management must clearly define the role of the acquisition and of the acquisition subject in the whole picture. The central question is whether the acquisition will add long-term value to the organisation (Rankine 2001).

It's of crucial importance that a company has an acquisition program that is an integral part of the company's overall strategy (Miller 1994). First of all the acquirer needs to have a strong and solid business. Secondly, the acquirer needs to have a clear focus and vision (Rankine 2001), what Miller (1994) refers to as an acquisition plan, and the candidate needs to fit within that long-term plan (Rankine 2001) and meet certain acquisition criteria (Miller 1994).

An additional underlying criterion for a successful entry onto a new market is knowledge about the market, about the competitors and other factors that may influence a successful entry and expansion in the market and obtain and sustain competitive advantage (Golicic et al 2003, West et al 1997). Prior to an acquisition it is very important to identify the key drivers of the market and its environment in order to understand the market and the industry and their likely development. This is a prerequisite for a successful acquisition (Rankine 2001, West et al 1997).

In order to be able to review and analyse the market, the market needs to be defined which will save a lot of effort and time (Rankine 2001, Porter 1980).

4.2 Market Definition

Market is defined by Mathur and Kenyon (1997, p 80) as “*the arena of competition*”. The arena consists of the competitors who have an actual or potential impact on the prices of the offerings of one another. Potential may influence prices in the future when trying to win customers over (Mathur and

THEORETICAL FRAMEWORK

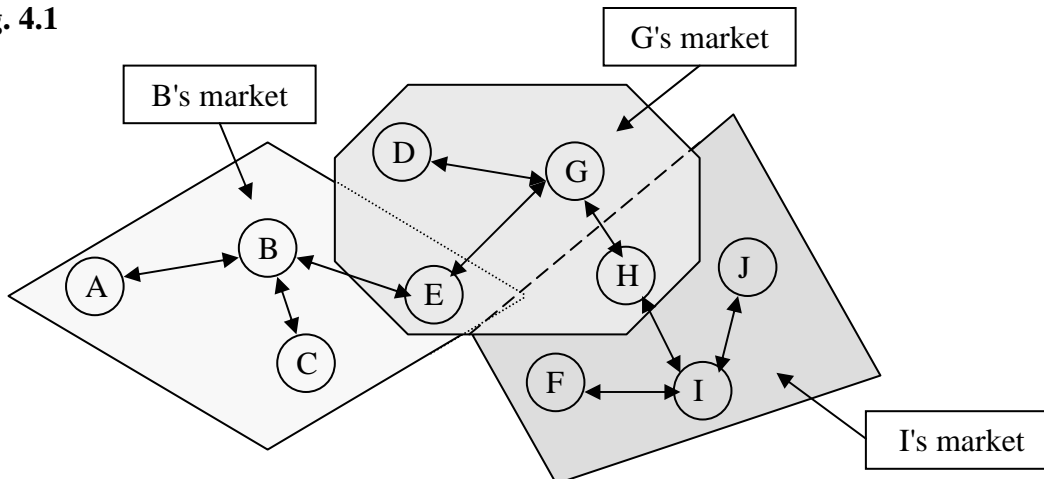
Kenyon 1997). According to Grant (2002) all offerings, at one extreme, compete with each other. A customer may choose between a new video camera and a trip to the Caribbean. But that does not mean that the two offerings influence the price of one another.

A market and its boundaries can therefore be identified and defined only by the list of the competing substitute offerings that have an actual or potential affect on the competing offering's price (Mathur and Kenyon 1997).

The definition of an industry would be “*a group of suppliers of competing substitutes*” (Mathur and Kenyon 1997 p 83), i.e. companies supplying products/services on the same market. But since all offerings of the companies are differentiated in one way or the other each company has its own set of competitors. Each company competes in, what Mathur and Kenyon (1997) call, its own private market.

How the private markets can differ is presented in fig. 4.1

Fig. 4.1



Source: Mathur and Kenyon 1997, p 89

4.3 Market Analysis

When analysing the customers it is important to understand what the customer wants to fulfil by using the product, i.e. customer value. E.g. when you buy a BMW, are you buying BMW the car or the prestige and feeling that comes with

THEORETICAL FRAMEWORK

the BMW. When understanding what the customer really wants a broader understanding of the market opportunities can be gained (Golicic et al 2003).

The acquiring company needs to obtain knowledge and understanding of the dynamics of the market, the customer type, the forces influencing the market, the performance characteristics of the candidate, and the environment in which the candidate operates. The advantages and possible benefits of the acquisition will be determined by the potential synergies that come with enhanced market share. A review of the candidate's market identifies the key strengths, weaknesses, opportunities, and threats of the market (Rankine 2001).

First it is important to understand the market by answering two sets of fundamental questions (Rankine 2001):

1. Why does the market exist? Which are the market drivers? Which are the underlying market relationships? What needs in the market in the industry fulfilling?
2. What is likely to change market attractiveness? Which factors can lead to a market becoming less attractive?

Grant (2002) also includes a third perspective, which is of importance when analysing and determining the situation of the market – the competitors. The following set of questions is subsequently added:

3. How does the firm survive competition? What drives competition? What are the main dimensions of competition? How intense is competition? How can we obtain superior competitive position?

The three sets of questions and how they are related will be presented and discussed further in figure 4.3, Integrated KSF Model.

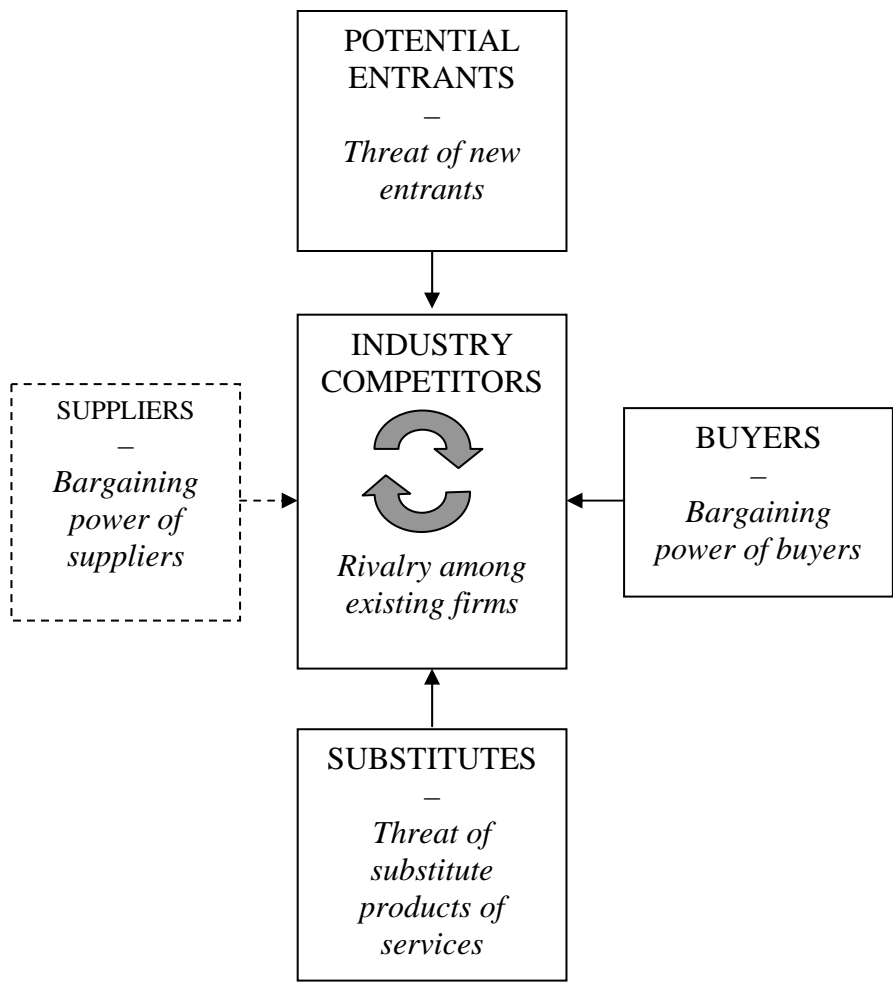
In the section below a model is presented, which gives a foundation on how answers to these questions can be found and subsequently the characteristics of the market can be identified and established.

4.4 Industry Analysis

Porter (1980, 1998) identifies five basic competitive forces that affect the industry and its profitability. In addition the model forms a context in which all companies in a particular industry compete.

The model is used in this thesis, not primarily to establish the profitability of the industry, but rather as a means of listing and analysing all the factors that have an impact on industry characteristics. The model provides a good basis for an understanding of the industry and its underlying characteristics. In addition the suppliers are of less importance in this thesis and will be disregarded from, hence the dotted line shown in the model below.

Fig. 4.2 Forces Driving Industry Competition



Source: Porter (1980, p4)

THEORETICAL FRAMEWORK

The five forces together determine the competitive forces and also the profitability of the industry. The aim for each company is to find the best position in the industry, i.e. where the company can best defend itself against these forces and also influence them in its favour. Knowledge about the forces makes the strengths and weaknesses of the company visible, positions the company compared to other actors, and simplifies projection of the future (Porter 1980, 1998).

New players in the market bring new capital, new resources, and a desire to compete for the same customers and gain market shares. The **threats of entry** are often determined by economies of scale, product differentiation, capital requirements etc (Porter 1980, 1998).

The **rivalry among the competing firms** in an industry takes the form of companies trying to constantly improve their position in the market. The competitors are very likely to react in one way or the other to such a move from a competitor (Porter 1980, 1998).

Firms and industries are, in general, competing with firms from other industries producing closely related or **substitute products** (Porter 1980, 1998).

Buyers try to force down prices, bargain for increased quality, and play competitors against each other all at the expense of industry profitability. A powerful **supplier**, on the other hand, can raise the prices or decrease the quality of its products and have a negative effect on the industry (Porter 1980, 1998).

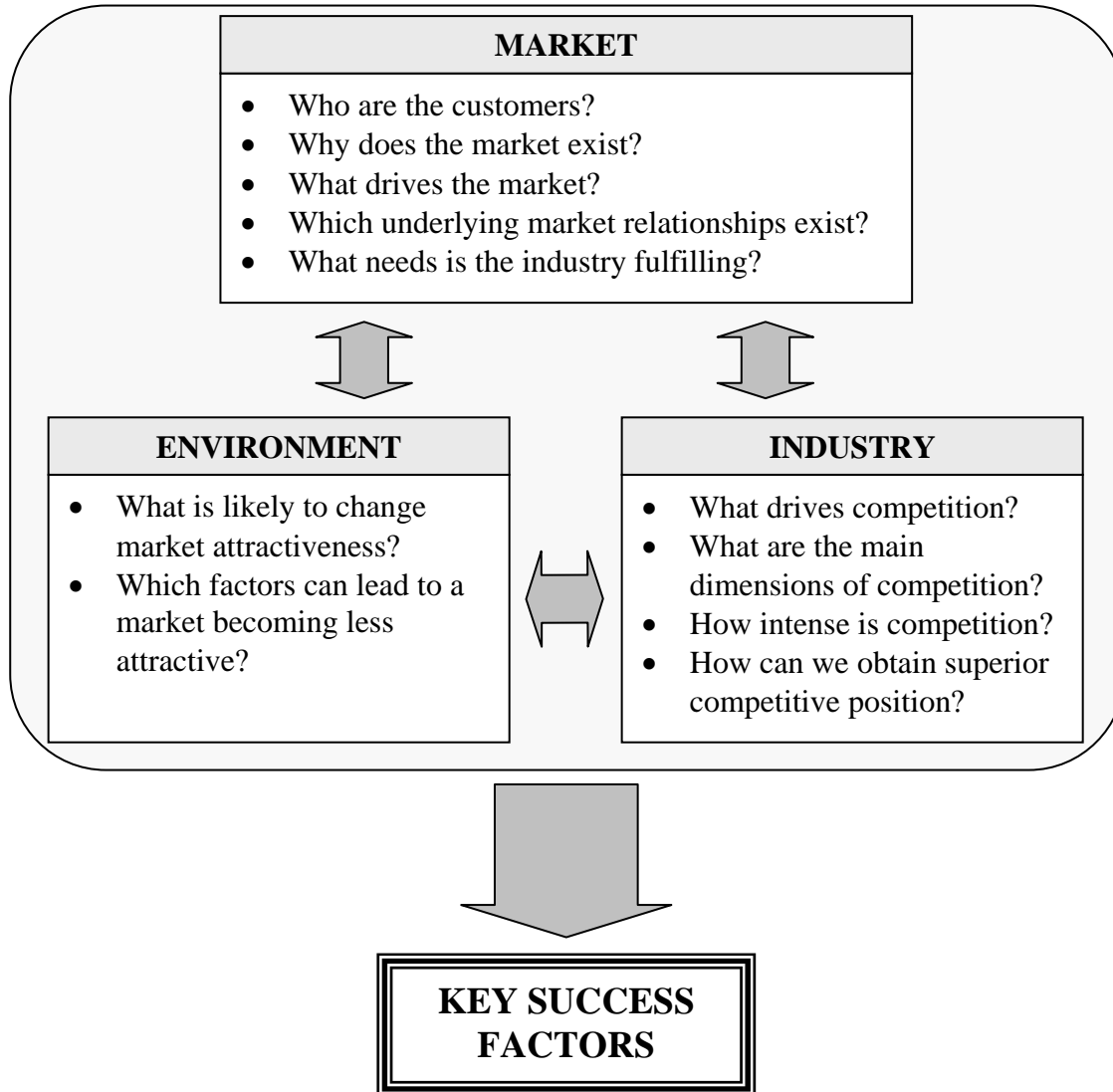
4.5 Key Success Factors

Within the industry there is competition and the competitors position themselves differently by differentiation of their offerings in order to best meet customer demands and needs. They each have their competitive advantage. To be successful in the industry a company must adapt to the industry environment and meet certain factors. These factors are called the Key Success Factors of the industry and determine the performance of the company (Grant 2002).

THEORETICAL FRAMEWORK

The Key Success Factors of an industry can be identified by investigating the three sets of questions, presented briefly in section 5.3 Market Analysis (Grant 2002).

Fig. 4.3 Integrated KSF Model



Source: Adapted and modified from Grant 2002, Rankine 2001

The three sets of questions previously mentioned represent three different influences that are of importance when establishing the characteristics of the industry. The market and the customers need to be analysed in order to find out why the industry exists, what need of the customer it fulfils in order to find out on what grounds the customer select offerings. Competition needs to be studied in order to establish what it looks like and how to differentiate and position in

THEORETICAL FRAMEWORK

relation to competitors (Grant 2002). The external environment needs to be analysed in order to establish factors that may change market and industry characteristics (Rankine 2001).

5 Integrated Security Industry

5.1 European Integrated Security Industry

The European security market is becoming more and more competitive. Many security companies have gone through mergers and acquisitions which has had an impact on the industry in most of the European countries the past five years. There has been an increased demand in the security market over the years and research² shows that with an annual growth rate of 9% electronic security is the segment in Europe that has the highest growth rate (Detektor International, 2003, No3).

Within electronic security the demand on CCTV and access control are increasing the fastest. This is mainly due to changing expectations of the users. The trend in these segments is towards convergence and digitisation, coupled with the increased use of Internet and IT-technologies. What can also be seen in Europe is the increase in security regarding implementation and integration of building management systems, this process will create new opportunities for security companies in the future (Detektor International No 3 Sept 2003).

The security industry has gone through a makeover in the last years. The well-established security technology brands have met competition from companies originating in other technological industries. Today producing companies such as Honeywell, General Electrics, Siemens, and Bosch have entered and taken large market shares of the market. In the CCTV sector companies such as Sony, Panasonic, and JVC are the dominating players. The companies specialising in security technological products have either been acquired or have seen their market shares decreasing. Subsequently the pure security producers are becoming fewer and fewer (Alexandrie 2003).

Access control is one sector that has not followed this trend. The sub industry is still dominated by specialising security companies. According to Lennart Alexandrie (2003) Editor-in-Chief, Protector International, one reason is that the access control products are more difficult to export than alarm systems or CCTV products.

² Electronic Security, Physical Security and Security Services in Europe 2002/2003

One reason for the increased competition from other industries is that the integrated security industry is very easy for technological companies to enter. The features of the products are very similar to products in other industries, e.g. CCTVs has the same basic idea as any video camera (Forsback 2003, Miettinen 2003, Alexandrie (2003) Editor-in-Chief, Protector International).

The increased competition and the cheaper products it brings have led to a growth in the market and an increase in demand. From a larger perspective, factors such as the globalisation and the opening up of borders that comes with the development of the EU has had an impact on the increased demand of security (Koskiniemi 2003). Current events and terrorist acts have also contributed to the growth (Jalo 2003, Koskiniemi 2003).

5.2 Sweden- Security Market

Looking at the Swedish security market as a whole, the trend is that it is constantly growing. The total turnover in the security market had reached over 18,5 billion Swedish crowns in 2002 (Aktuell Säkerhet 2003 No1).

5.2.1 The Swedish Electronic Security Sector

Some years ago the Swedish electronic security market was one of the leaders in the integrated security sector. It was for, instance among, the first markets to introduce access systems consisting of cards and/or codes, but these have not been further developed. Today Sweden lags behind other countries, such as Germany and the UK, when prioritising security. Security is not of primary concern for companies and organisations. The finance departments do not grant the money for spending on security. This is mainly due to the fact that there is no money to be gained. The people responsible for the security are pro security, but the decisions are often made at the finance department. In general, there is a huge potential demand for security systems in Sweden. Many of the systems the military and other governmental bodies use are around 20 years old (Borgström 30/9).

The Swedish integrated security industry is growing with an annual increase of 8-10%. The growth is likely to increase even more in the coming years due to the increasing demand of IT-based solutions that many companies are requiring

(Lennen 2003). Another reason for the growth in the market is the changed attitudes which are presented below.

5.2.2 Attitude

In general, Swedish companies have a high standard of security, in comparison with many other European countries, but there are a number of areas that need to be developed. One thing that differentiates Sweden from other European countries is the attitude towards safety. The general attitude towards security is still that Sweden is a safe country and therefore security does not have to be prioritised (Lindberg 2003). This is a rather old-fashioned point of view, according to Svärd (2003). The general perception is that Sweden is a lot safer and more secure than the reality. However the attitude is changing and the companies are starting to realise the importance of security, therefore many companies are moving from a reactive investment approach towards a proactive and preventive approach (Lindberg 2003, Svärd 2003).

Lindberg (2003) points out that even if there has been an economic downturn the last couple of years, companies are now prioritising security higher than only half a decade ago. One of the main reasons for the market growth is the recent tragic events that have taken place all over the world, such as the 9/11 terrorist attack and the murder of Anna Lindh, which have started to change the general perception and attitude towards security (e.g. Lennen 2003, Lindberg 2003). Other important factors are globalisation and the development of the European Union, which contributes with an increased need for controls and security checks (Svärd 2003).

In addition to the external environmental factors companies are also influenced by shareholders, insurance companies, unions, and state regulations. It is the customers that have the most influence on companies, however, especially if they are engaged in high-risk activities e.g. companies supplying to the army or other governmental bodies. In this sector industrial espionage is another important factor for increased level of security (Svärd 2003).

The increased demand for security has resulted in companies implementing strict security policies. These policies are then constantly revised to fulfil the demands of the level of security the company wants to achieve (Svärd 25/11 2003).

Another thing that leads to an increased demand for security is that many companies have outdated systems, which will need to be replaced in the future. These systems still fulfil the basic functions and so are satisfying the most important criteria of functionality, which is what most customers have been demanding. A trend among many large companies is that they are trying to cut costs by decreasing the amount spent on physical surveillance and replacing that with technical systems, which fulfil the same function (Borgström 2003).

5.2.3 Customers

The most important features for a customer when purchasing security systems are that they fulfil the security demands and meet the security policy (Svärd 2003). Another important feature for a customer when deciding on a supplier is trust. Price is also very important, but takes a secondary role (e.g. Svärd 2003, Lindqvist 2003). Price can always be dealt with if there is a relationship (Walter 2003). Once the customer has purchased and implemented the systems it cannot combine and complement with other products from other suppliers and integrators (Lindberg 2003). Functionality and after-market service and support are also of great importance. Relationships are important for the first contact, but if demands are not met they are of little importance (Svärd 2003).

In addition many customers find the ability to customize and integrate systems as very important characteristics in a product and supplier. In the future the technical features of the products will be of more importance in order to be able to integrate the different systems, Customers today want one provider of all products on all locations (e.g. Andersson 2003, Lindqvist 2003).

One important fact when looking at the customers is how they choose the supplier and what the decision-making process looks like. According to Borgström (2003) the decisions are usually made centrally on a national level. This does depend on the investment however. The larger the investment the higher up in the hierarchy the decision is made (Svärd 2003). Even though most companies have a person or a department responsible for security matters the definite decision is made by the

finance department. They are the ones that have to grant the expenditure and approve the cost (Borgström 30/9 03).

5.2.4 Products

The technical development has increased substantially over the past years and today the product life cycle is 50 % shorter compared to a couple of years ago. Today the products are much more sophisticated and technological compared to ten years ago. One feature with all products today is the importance of being able to integrate them with other products used in the business. In the future the key is to be able to offer completely integrated systems, which is what most customers are already demanding today (Mattsson 2003). As competition increases the products are also becoming more user friendly. The products are becoming easier to install. There is a trend towards what are known as “plug and play-products”, i.e. easily installed products (Driscoll 2003).

According to Svärd (2003), security is about authorized people not noticing the security systems while unauthorized do. When investing in security one is investing in hindering the unauthorized. No substitute solutions to security products and services, which can prevent unauthorised access, can be found.

Service and maintenance have increased in importance and have a growing share of companies' turnovers. These are the prime value adders for electronic security compared with physical security. Service and maintenance represent up to 45% of turnover for companies in integrated and electronic security (Driscoll 2003).

5.2.5 Competition

Looking at the geographical presence of security companies in Sweden, Stockholm is the area where most companies are located. In Stockholm there is quite a good representation of firms offering various kinds of security solutions. This is mainly due to the fact that most of the governmental organisations and bodies, such as the parliament, are located there. In addition, a lot of national headquarters are situated in the city and hence the location where most of the decisions are made (Borgström 30/9). Even though the bigger cities constitute the

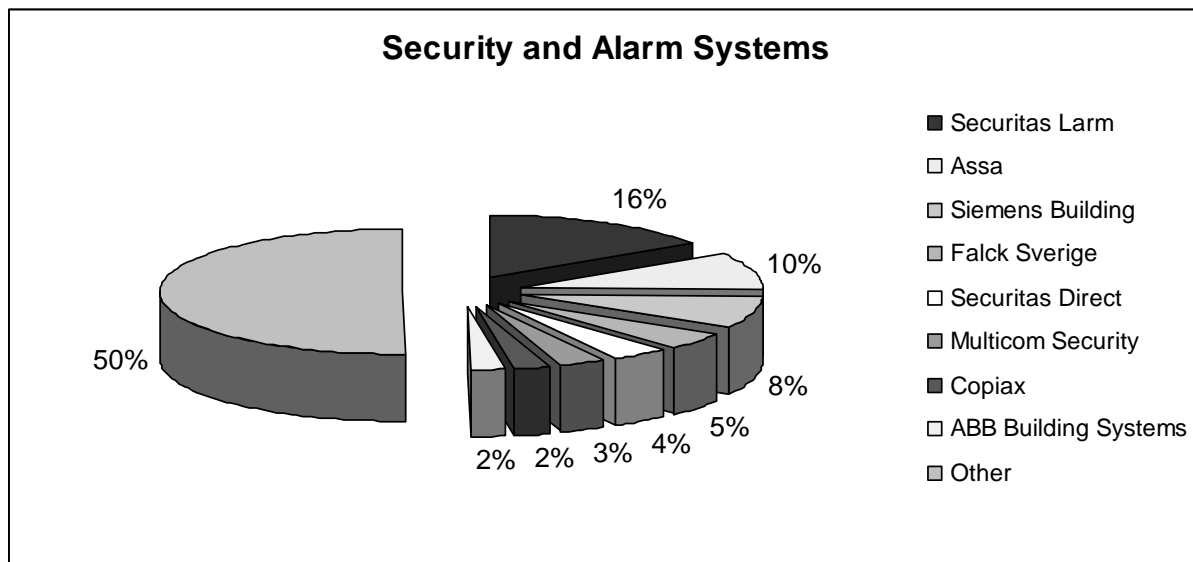
INTEGRATED SECURITY INDUSTRY

main markets for security, Gothenburg and Malmö lag a bit behind Stockholm (Borgström 30.9.2003, Tommy 25.11.2003).

The Swedish electronic security industry is very fragmented and consists of a few large national players and many small players operating on a local basis (Lindberg 2003).

Figure 5.1 shows the situation in the industry and presents the major players.

Fig. 5.1



Source: Aktuell Säkerhet 2002 No 4

The 400 largest players in the Swedish integrated security industry have a joint total turnover of more than MEUR 2222, but only MEUR 700³ is generated in the categories of CCTV, burglar alarms, access control, and mechanical/electronic locks. Intruder alarms is the largest product category in terms of turnover with 1,6 billion crowns. In terms of number of operating companies, CCTV is the largest segment (Aktuell Säkerhet 2002 No.4).

One of the reasons for so many smaller players is the ability to enter the industry, especially the CCTV and alarm segments. Over the last years a lot of new players have entered the market. This is due to the fact that a lot of the products are

³ B2B as well as residential customers.

imported and it is very easy to be a distributor of CCTVs and alarm systems, especially Asian ones. These players don't normally survive that long since the Swedish security industry is very relationship oriented. To become a successful company one has to be in the business for a long time and have the right contacts (Lindberg 2003).

According to Sidén (2003), another factor that will in the future affect competition and the number of actors in the market is the demand for certification. In the future many companies will require ISO-certified companies and in the alarm segment, class III certification.

Gunnebo AB stressed, as mentioned in chapter two, the importance of end-user relationships and the installation activities for the possible acquisition candidate. Therefore it is of interest to investigate the installation business and its players, which have direct contact with the end-users.

5.2.6 Installation Sector

Installations of security systems are rather easy and similar to other installations and installers often have a broad area of installation activities. Apart from security these activities can include, installations of tele, networks, and IT. The non-security activities will be disregarded, but it is of importance to mention that very few installation companies focus solely on installation of security systems (Borgström 2003).

Within the security installation sector the largest segment is intruder alarms, with a turnover of MEUR 97 in 2002, followed by fire alarms (MEUR 94) and access systems (MEUR 57). The installations of locks, CCTV, and integrated systems have turnovers of around MEUR 22 each. What can be seen is that the installation of intruder alarm systems is very closely related to the installation of access systems. In the survey conducted by Aktuell Säkerhet (2002, No1) 88 out of 118 investigated were present in both segments.

As with the Swedish security industry in general, the installation business is very fragmented as well. The three biggest players in the installation business are Securitas Alarms, Siemens Building Technology, and YIT. Securitas is by far the

INTEGRATED SECURITY INDUSTRY

biggest with a turnover of roughly MEUR 100. Proof of how dominant Securitas is in this business is that the second largest player Siemens Building Technology, only have half the turnover of Securitas. Table 5.1 presents the ten largest players in terms of turnover and in what category these companies have generated the most (Aktuell Säkerhet 2002, No1).

Table 5.1

	Company	Turnover Security Unit (MEUR)	Tot. Emp.	Total Turnover (MEUR)	Locks	Intruder Alarm	Fire Alarm	Access Control	CCTV	Integr. systems
1	Securitas Larm AB	103,3	750	112,2		45%	24%	24%	7%	
2	Siemens Building Tech.	45,6	370	45,6		10%	80%	8%	2%	
3	YIT	16,8	3200	400		26%	40%	17%	2%	
4	Swesafe Sverige AB	9	70	10	57%	10%	2%	21%	1%	9%
5	Consilium Security Systems AB	7,3	42	7,8			79%	21%		
6	Esmi Multi Signal AB	6,8	59	8	6%	12%	59%	12%	6%	6%
7	Midroc Electro	4,4	900	77,8	X	X	X	X	X	X
8	Worldmald Fire Systems AB	4,3	125	17,2			100%			
9	Petersson & Barr AB	4,2	37	4,2	70%	8%		10%	5%	7%
10	Telehantering AB	4,2	49	4,4	3%	42%	16%	21%	7%	11%

Source: Aktuell Säkerhet 2002, No1, pp 50-52

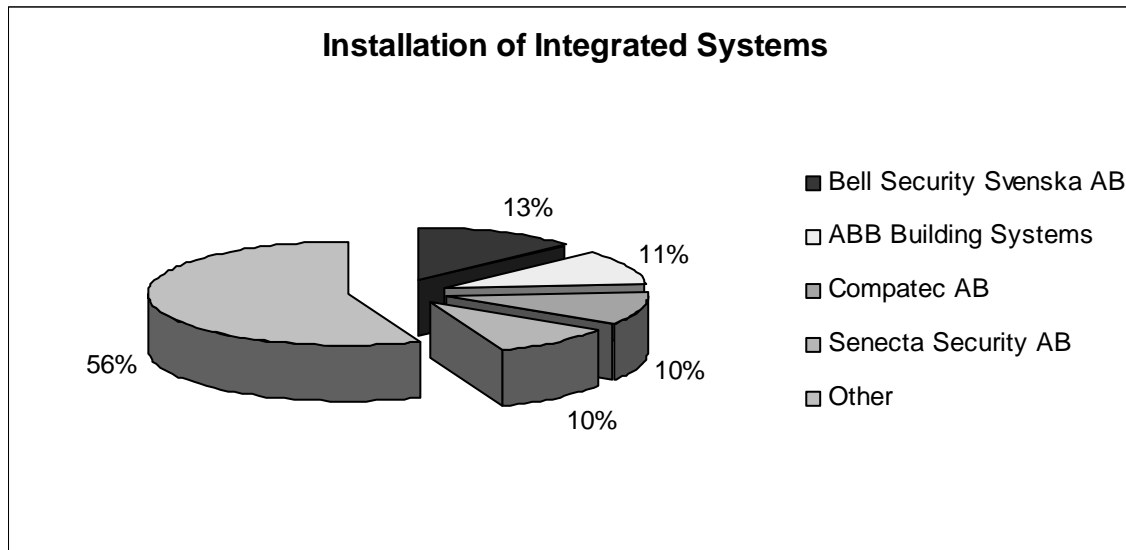
5.2.6.1 Integrated Systems

Integrated systems is the category within security installations which is growing the most. As can be seen in figure 5.2, this sector is very fragmented with no

INTEGRATED SECURITY INDUSTRY

particular company having market dominance. The total value of this category is estimated to be around MEUR 22 (Aktuell Säkerhet 2002, No1).

Fig. 5.2



Source: Aktuell Säkerhet 2002, No1

5.3 Swedish Electronic Security and Monitoring Sectors

In this section the three sectors in the electronic security industry: Alarm systems, Access control, and CCTV, together with the monitoring sector, are presented separately in order to get a better picture on each of the segments.

Due to the fact that the industry is very fragmented and consists of many players it is very difficult to obtain key numbers on the different sectors. The turnover and growth rate are to be taken with a pinch of salt and are rough estimations by professionals within the industry. In addition the sectors are characterised by vague boundaries and sources differ in terms of estimations, which makes them even more difficult to estimate.

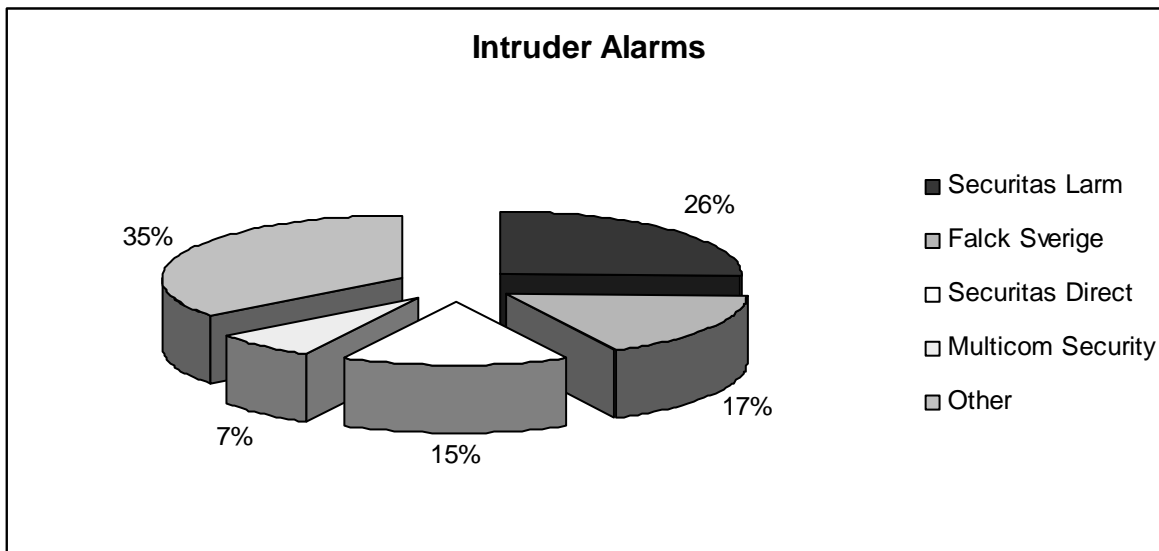
5.4 Intruder Alarm System

Estimated size (MEUR)	Approximately 200 (residential included)
Growth in percent	5-8%
Kinds of players	Few larger player, many small and medium players with local coverage
Largest player	Securitas Larm, Falck Sverige, Securitas Direct, Multicom Security

The intruder alarm sector is characterised by numerous small and medium-sized players with good local coverage. The value of the sector is estimated to be around MEUR 200 (Aktuell Säkerhet 2002, No4) and the annual growth is predicted to be between 5-8% (Edsman 2003).

Figure 5.3, below shows the main companies in the total intruder alarm sector. The figure shows that only four companies have a turnover more than MEUR 11. It is clear that Securitas is also dominating this category with the two Securitas companies, Securitas Larm and Securitas Direct, which together have a turnover of MEUR 70. Falck and Multicom are other large players with 17% respectively 7% market shares. Other companies are sharing a market share of 35 % (Aktuell Säkerhet 2002, No4).

Fig. 5.3

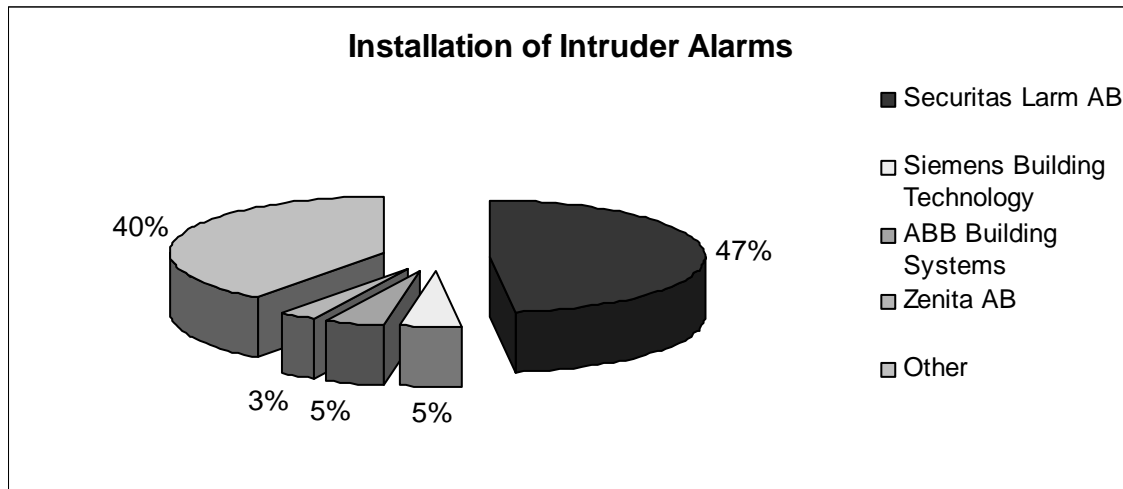


Source: Aktuell Säkerhet 2002, No4

5.4.1 Alarm Installation

Looking at category installations of intruder alarms as shown in figure 5.4 below, it can be established that it is heavily dominated by Securitas Larm AB with a market share of almost 50%. The rest of the players all have very small shares of the market. The total value of this category is estimated to almost MEUR 100 (Aktuell Säkerhet 2002, No1).

Fig. 5.4



Source: Aktuell Säkerhet 2002, No1

5.5 CCTV

Estimated size (MEUR)	40
Growth in percent	15 %
Kinds of players	Few large, many small players
Largest player	Axis Communication AB, Securitas Larm AB, Sony, Information System

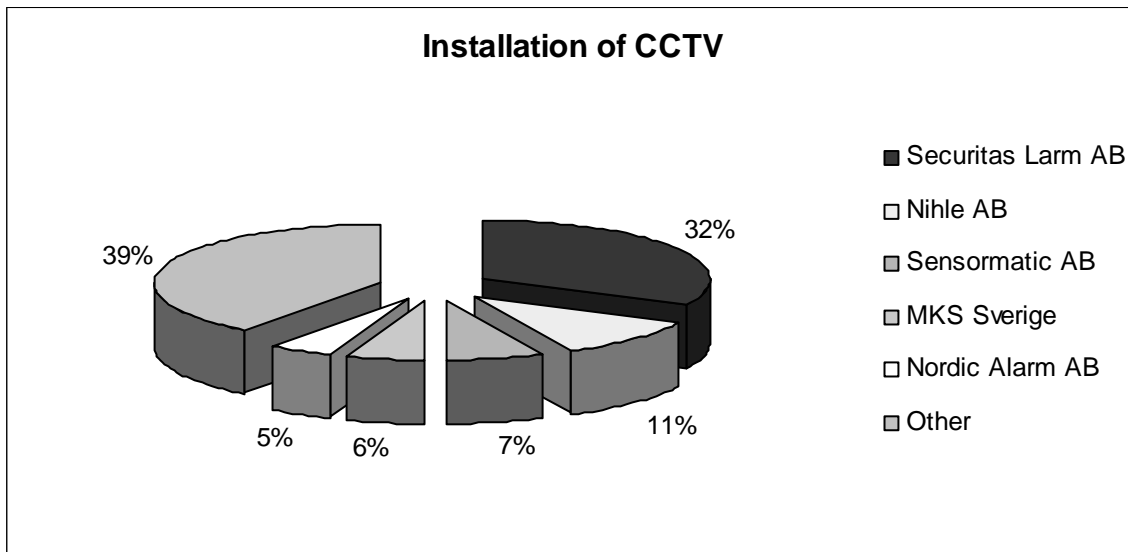
The CCTV sector is by far the sector expanding most within integrated security. According to Fleming Eklund, president at Information System, the value of the CCTV sector is very hard to predict since there are almost 4000

companies in the market, however, he predicts that the sector is valued around MEUR 40 and that the annual growth is around 15 % (Eklund 2003). Reasons for the growth include changes in the law regarding surveillance of public places and the cost of sending motional pictures across long distances has decreased substantially. Today almost all communication takes place over digital networks or over the Internet. This creates a good picture quality and a simple installation process. Even the storage of pictures is done digitally today (www.sakerhetscentrum.nu).

5.5.1 CCTV Installations

Installation of CCTV shown in figure 5.5 below, is also dominated by Securitas Larm AB with a market share 32 %, the second largest player regarding this category is Nihle AB with a market share of 11%. Other players are Sensormatic AB (7%), MKS Sverige (6%), and Nordic Alarm with 5%. Looking at the total value of this category it is estimated at MEUR 24 (Aktuell Säkerhet 2002, No1).

Fig. 5.5



Source: Aktuell Säkerhet 2002, No1

5.6 Access control

Estimated size (MEUR)	30
Growth in percent	8-10 %
Kinds of players	Few and large players
Largest player	Securitas Larm AB, Bewator, Solid, Bravida

The access control market is valued at MEUR 30 according to Mattsson (2003). He also says that the growth in this sector is between 8-10 % annually. The market is dominated by a few players the largest being Securitas Larm

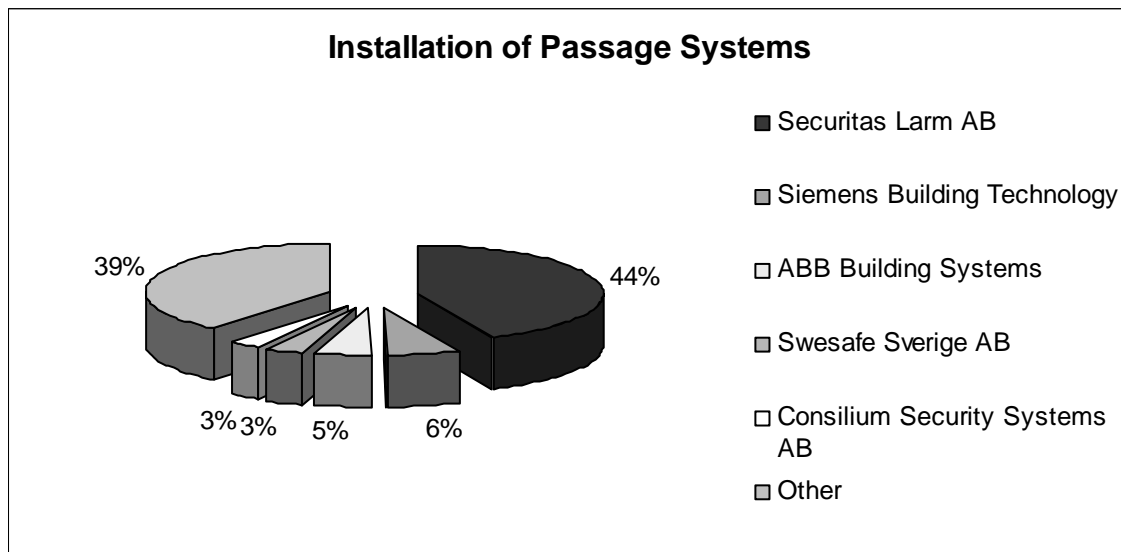
AB, Bewator, and Solid (Mattson 2003). In the past the magnetic card has been the dominating product, but the trend is that almost all companies are looking at non-physical interface solutions today. It is also clear that companies today want

their access control integrated with both burglar alarms and CCTV (www.säkerhetscentrum.nu).

5.6.1 Access Installations

Figure 5.6 below shows the installation companies within the access systems segment. As with the other segments this is also dominated by Securitas with a market share of 44%. Other companies having a small market share are Siemens Building technology (6%), ABB Building Systems (5%), Swesafe Sverige AB (3%), and Consilium Security System (3%). The total value of this category is estimated at MEUR 57 (Aktuell Säkerhet 2002, No1).

Fig. 5.6



Source: Aktuell Säkerhet 2002, No1

5.7 Monitoring

Estimated size (MEUR)	40-45 (residential included)
Growth in percent	High
Kinds of players	Two giants dominating the market.
Largest player	Securitas Bevakning AB, Falck Security AB, Svensk Bevakningstjänst, Rapid LarmCentral

The monitoring sector has an estimated turnover of MEUR 40-45 (Aktuell Säkerhet 2002, No2). The total growth of the sector cannot be estimated by any of the sources, but since many monitoring companies have increased their turnover

significantly the conclusion can be drawn that the growth is very high. The sector is characterised by large players such as Securitas Bevakning AB and Falck Security AB which have a large coverage all over the country. In 2002 Securitas had a turnover of MEUR 25 and Falck Security MEUR 8,9 (Aktuell Säkerhet 2002, No2).

In 2000 Rapid had a turnover of approximately MEUR 1.1, the company has grown a lot and in 2001 the turnover was close to MEUR 2.3. (www.rapidlarmcentral.se) Svensk Bevakningstjänst monitoring centre is ranked number four with a turnover of MEUR 1.1 in 2002 (Svensk Bevakningstjänst, Annual Report 2002).

The concentration of certified monitoring centres is getting smaller and smaller. The smaller centres, which are newly established, are acquired by the larger ones. During 2002 two certified monitoring centrals were bought. SOS alarm is a monitoring company that is developing its systems towards a concentration on larger alarm centres. Within Securitas and Falck there is a constant dialog about how many alarm centrals should be operated (Rapid Larmcentral, Annual Report 2002).

5.8 Future Trends in the Integrated Security Industry

Most of the companies interviewed believe that the security business will keep on growing the next in ten years. The trend is that the integration of systems will be of more importance in the future, the techniques for protection and control will be integrated with other systems and will become a natural part of the administration in a company. Many companies also think that locks, alarms, control and surveillance techniques will be developed and become much more sophisticated and technological (e.g. Mattson 2003, Lennen, 2003, Lindberg 2003, Walter 2003). There will be an increased use of wireless technologies and systems (Driscoll 2003-12-11). This will, however, not change the business completely since there will still be a need for the use of safes and guarding during the next two decades (Mattson and Lennen). Furthermore passage systems will be combined with property management (Kastensson 2003).

INTEGRATED SECURITY INDUSTRY

In addition, the society will cut down on its service to its citizen and police will not have the same resources in the future, therefore a privatisation is inevitable, where the individuals will choose how to protect themselves. This development will give new opportunities for the security business. Crimes are not likely to decrease in the future and tragic events such as sabotage and terrorism are something that is becoming more common in the world (Jekert, 2003).

According to Ahlgren (2003), the responsibility of security will be pushed over to the individual, which will result in companies having higher demands on finding solutions for each individual customer. He also believes that the IT development will continue to develop the industry in the same pace it has in the past couple of years. In addition, identification by fingerprints will gradually take over today's passwords and codes (Jekert, 2003).

6 Player Mapping

In this section the biggest and most important potential competitors of Gunnebo are presented and compared against each other. There are some large players in the Swedish industry, which are not presented in the models. They are not seen as potential competitors to Gunnebo and have hence been excluded. The aim is to identify the characteristics of the players in order to map them in various models. The axes have been chosen and combined in order to present and distinguish the players.

Unless anything else is stated the information is gathered from the company web site or from companies' 2002 annual reports

Companies within the same industry differ in terms of resources and capabilities, and hence have different strategies in order to match each internal situation with the environment. When conducting a structural analysis within industries the competitors should be organised according to their strategies into strategic groups. A strategic group is a group of companies within the same industry pursuing similar kinds of strategies along the strategic dimensions (Porter 1980).

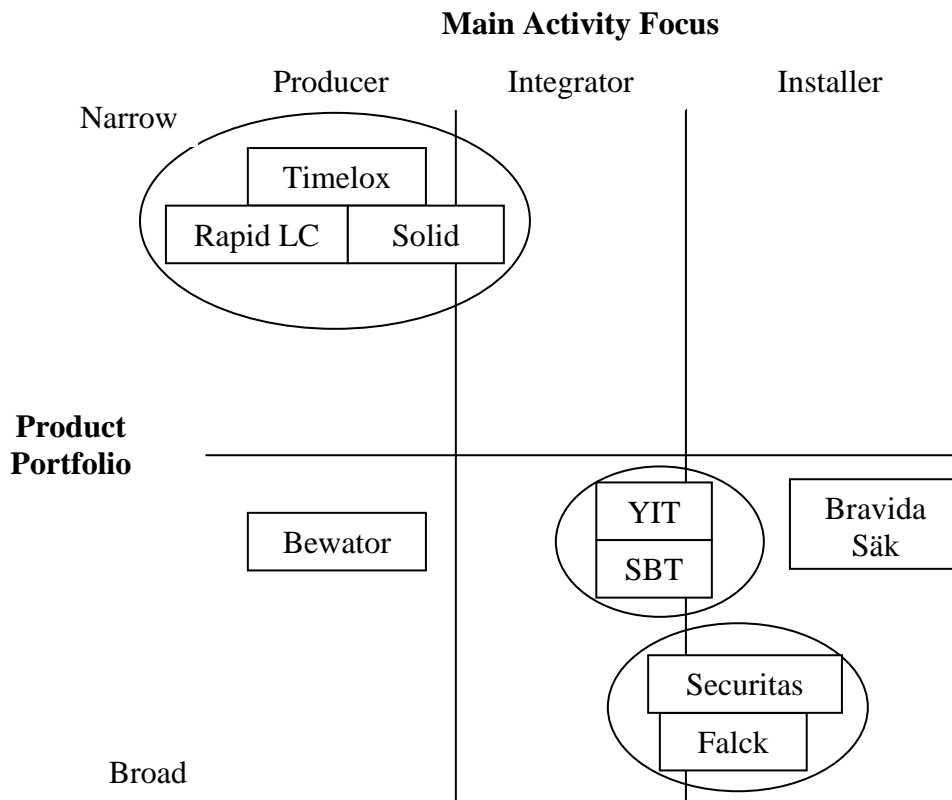
The companies forming a strategic group tend to have a lot in common such as strategy, market share etc, but they also tend to be influenced by and react to the forces affecting the industry and the group in a similar way (Porter 1980).

6.1 Products vs. Activities

Product and activities of the player gives a food overview of their offerings.

Timelox and Solid are very similar. They specialise in one product segment, access control, and are both subsidiaries of Assa Abloy. What separates them is that Solid has started to move towards the integration segment lately (Borgström 2003). Rapid is a monitoring company and is positioned as a producer of services. Bewator is also a producer, but has product in the areas of access, alarm, and CCTV.

Fig. 6.1



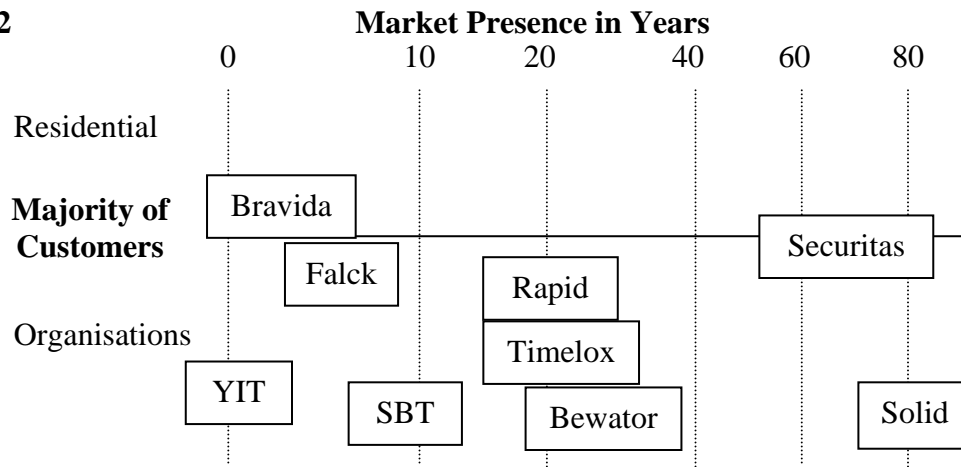
YIT, Siemens Building Technologies (SBT), and Bravida Säkerhet offer products and services in access, alarm, and CCTV. YIT and Siemens Building Technologies are installers with integrating functions, while Bravida Säkerhet is mainly considered as an installation company.

Securitas and Falck both offer a full product portfolio within electronic security, including monitoring services. Securitas does some production, but they are also to be seen as installers and with integrating activities.

6.2 Market Presence vs. Type of Customer

The time the player has been present in the market gives an indication of brand-recognition and established networks.

Fig. 6.2



Solid and Securitas have, by far, the longest presence in the Swedish industry. Falck and Siemens Building Technologies have been present in Sweden five and twelve years respectively. Falck's entry took the form of an acquisition of Partena Security, which was founded in 1965. Siemens Building Technology entered by acquiring Cerberus, which in its turn had its roots in Billman-Regulator, founded in 1931. In addition Siemens has a well-established and recognised brand name worldwide. The same situation applies to Falck and its parent Group4Falck. Bravida has only been in Sweden since 2001, but originates from Norway. YIT entered the security industry in 2003 by acquiring ABB Building Systems. Timelox was established in 1982 and since 1999 is a part of the Assa Abloy.

All of these players have been present in the Swedish security market for several decades in one way or the other. This indicates that they all have well established businesses and networks.

Securitas, Falck, and Bravida Säkerhet have all residential and B2B customers, but their main focus lies in B2B activities. Rapid has some residential customers, but

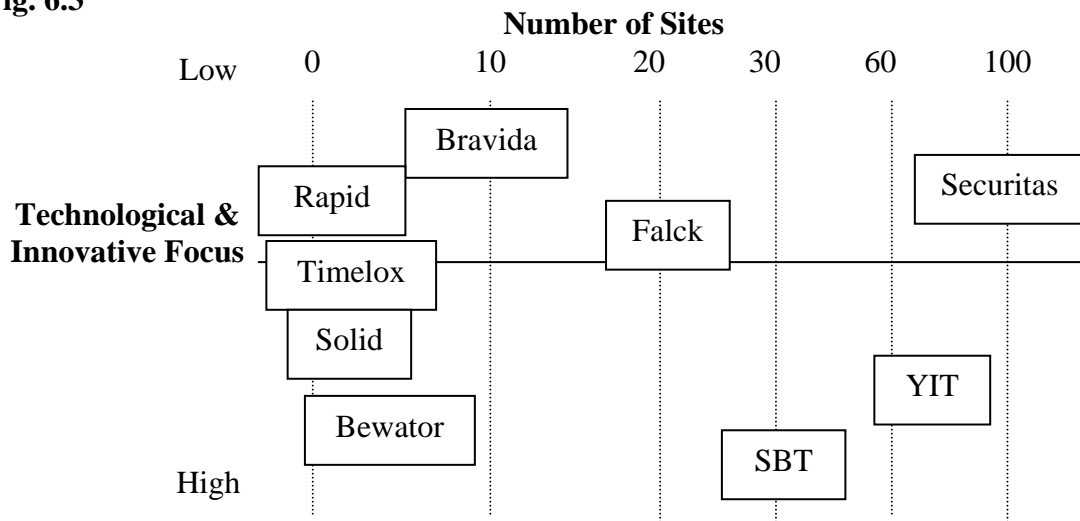
the majority is organisations and residential and industrial areas. (Adman 2003) Bewator and Solid mainly have distributors as customers.

6.3 Technology vs. Number of Sites

The innovative focus is put in relation to the other actors and they are hence ranked internally. Bravida, for instance, should be seen as an innovative company, but compared to the other players they lack in this aspect. Innovation is measured in terms of the products, project handling, and services.

Securitas, Falck, and Bravida do not have the same technological focus as SBT and YIT. Bewator, Timelox, and Solid are all producers with technological products. Rapid is a rather innovative company and is about to launch a unique product in the market.

Fig. 6.3



The number of sales and service offices gives an estimation of the local knowledge of the players in the industry.

All the players have national coverage in one way or the other, but Securitas is outstanding in terms of number of sites with approximately one hundred sales and service offices. Falck and Siemens Building Technology have little over twenty and thirty sites respectively. Solid has three, while Timelox, Bewator, and Rapid only have one. Bravida Säkerhet has eight regional offices, which offer sales, services, and after-sales support, but with the help of the whole Bravida group's

PLAYER MAPPING

one hundred locations the whole of Sweden is covered. The whole YIT group has about 75 locations spread over Sweden.

7 Market and Industry Analysis

7.1 Market Definition

The market definition is important in order to establish ones customers and competitors. In order to get this information one needs to be present in the market. It is the aim of Gunnebo AB to enter the Swedish electronic security market in the form of an acquisition. So far it has not decided which candidate to acquire, and information about the market and the industry is important for that selection. Therefore the market has to be seen as fictive, hence the ultimate market of Gunnebo AB cannot be established. Therefore the focus will lie on the areas of interest within the Swedish security industry for Gunnebo AB, i.e. the Swedish electronic and monitoring industry. Eventually it is the aim of Gunnebo to expand and provide a full range of its product portfolio in Sweden. Subsequently the market is defined as *Swedish non-residential end-users or distributors within the areas of Access, Alarms, CCTVs, and Monitoring.*

The definition of the Swedish electronic security industry was defined in section 1.1 as players manufacturing, designing, distributing, integrating, installing and maintaining access control systems, alarm systems, and CCTVs. Included also are companies within the monitoring industry. Subsequently the future competitors for Gunnebo in this industry are all the players providing these products and services to the market that has a direct or indirect impact on the price level within that market.

7.2 Industry Analysis

7.2.1 Environmental Impacts

The attitude towards security has changed a lot during the past years and today companies, in general, prioritise security much higher than only a decade ago. There are several external environmental factors that influence the attitude and a company's level of security. External factors such as tragic events and terrorist attacks are, of course, something that has increased the general public opinion about security and it has also made companies more aware of the importance of security. However the external factors do not generally result in direct actions.

A more direct influence is practised by the different stakeholders of the companies, such as shareholders, customers, staff etc. Therefore the conclusion can be drawn that the company's macro-environment creates awareness, while the microenvironment results in action and investments in security. Subsequently it can be said that since the stakeholders have more impact on the company, security today is very connected with the company image and it has a much higher impact on the success of a company. Investments in security, and communicating these investments to various stakeholder groups, have become a means of competition for companies. In some industries, e.g. high-security industries, security investments have even become a prerequisite for the company to be able to play and compete for orders. The companies' customers regard the investments in security as a kind of guarantee for quality. These segments disregard the cost security generates and rather focus on the future profit security investments generate in the form of orders.

7.2.2 Rivalry among Existing Competitors

Looking at the Swedish Integrated Security market one can conclude that the industry is very fragmented. The industry mainly consists of smaller companies operating on a local basis. However there are a few strong national players such as Securitas and Falk, which dominate most sectors. Due to their position and their brand recognition they have been successful and the competing companies have had trouble stealing market shares. However the position and the success of the largest players make them less flexible and they have a disadvantage in areas such as product development, compared to smaller niche companies. The inflexibility of the major actors has created opportunities for smaller companies to gain market share by offering more advanced products and specialising in certain segments.

The market is increasing though and the largest players, especially, are still gaining market shares due to their power in the market, most notably Securitas. The power of Securitas is mainly due to its well-established brand name, the size of the company and its many business units. The size gives it the opportunity to offer a full range of products and services including surveillance and guarding at a premium price, and also to benefit from synergies among the many business units.

MARKET AND INDUSTRY ANALYSIS

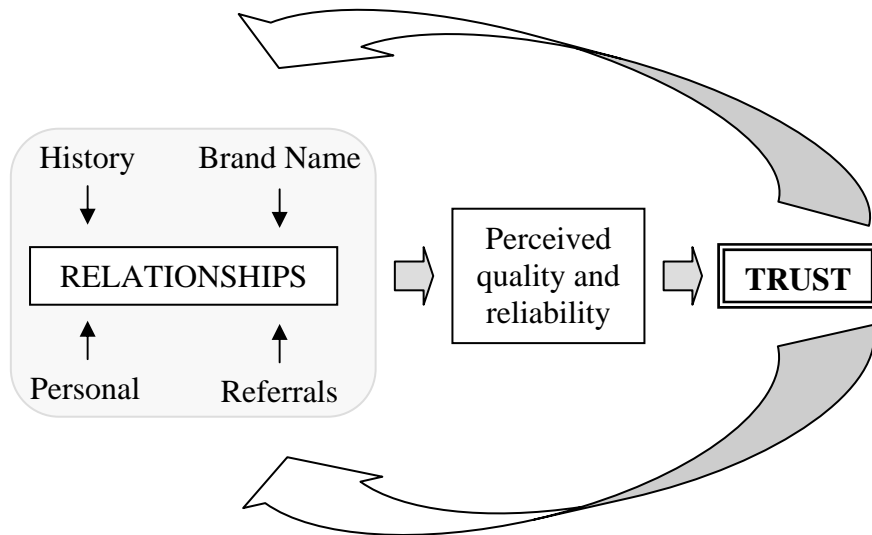
As in all industries, there is competition in the Swedish electronic security industry. But due to the unequally sized competitors and a good market growth the competition is not extremely fierce. One factor for the existing competition is the lack of differentiation in what the different companies are offering. Products are becoming matured and players must find new ways of adding value for the customer. The main trend is to offer complete solutions and focus on additional services. As the trend goes more towards technological products the need for service increases. Subsequently, service and maintenance has, and will have, an increasing importance from a competitive point of view.

Certifications according to e.g. the ISO-standards provide a guarantee for the buying firm. The increased demand for certified security companies is likely to affect the smaller companies, which do not have the same ability as the larger ones in this aspect. Many small and local players will not survive and the larger will get more dominant.

The industry is very relationship oriented. Since security is a very delicate issue the customers need to trust in their relationships with the suppliers. Good relationships with trust are the main means of competition. Trust is built on relationships, which can take many forms. Customers can have relationships with brand names. This is one of Securitas' and Falck's advantages. By having a strong brand name trust can be perceived through the name. Trust can also be built on a security provider's reference list. Having important customers and business partners, especially in the high-security sector, gives an indication of reliability and quality, which results in trust. This image, is in addition, spread through word of mouth which contributes to success. Personal relationships, which are not business related, can also result in a new business relationship, e.g. people shift industries and bring their relationships with them, which result in new customer networks. In addition trust can be gained over time. Meeting demands and preferably exceeding customer needs and wishes generates customer satisfaction, an underlying criterion for trust. In meeting customer demands and needs customisation is of utmost importance. Different organisations have different needs and the ability to customise increases the ability to meet the demands and needs of the customers.

Figure 7.1 shows the underlying relationships of the market and how they are related.

Fig. 7.1



Source: Own

Brand name, reference list, personal (individual relationships), or previous business relationships (history) are relationship drivers. The relationship to a company results in perceived quality or reliability of the product or services, which in turn generates a level of trust. The trust further strengthens or weakens the relationship between the company and its stakeholders. A strengthened relationships results in new referrals, increased brand name awareness and a better ability to establish new relationships.

Since relationships are in focus companies within the industry are trying to build and maintain their relationships with their customers. But since there is competition in the industry, and competition is about winning over customers and gaining market shares, the security companies cannot focus solely on customer retention. Customer acquisition is just as important, especially for all the newcomers in the industry. Established businesses have a head start due to well-established relationships and networks. Therefore new companies must focus more on a strong marketing and sales force, that promote the company and its products and services in order to establish brand relationships, which ultimately lead to trust.

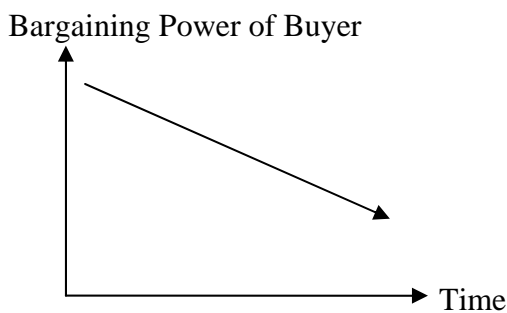
7.2.3 Bargaining Power of Buyers

The industry is increasing due to enhanced demand of security and security related products and services. This increased market demand attracts many new businesses, all fighting for market shares. These two factors outweigh each other, the increased market is met with an increased industry.

Since the industry is relationship driven it results in a need for the newly entered companies to offer something different. They have to compete with lower prices, more sophisticated products, or additional services in order to get established in the market and later fall back on relationships. Due to the many upstarts the customers can force the prices down when entering a new relationship with a security provider. This gives the buyer the bargaining power at the first purchase. The buyer is given an opportunity to play the competitors against each other. In addition the first purchase usually involves a substantial investment and so is more attractive to the security provider, which helps push down the price.

As the relationship develops and trust is established the switching costs of the buyer increase. In addition different suppliers' systems are not compatible and are difficult to integrate, which results in the customer usually being tied with a specific provider. Over time the bargaining power of the buyer decreases and shifts to the selling firm, as shown in figure 7.2.

Fig. 7.2



Source: Own

Trust is most likely to be gained over time and through a successful managing of relationships. If the supplier meets the demands and wishes of the customer the switching costs of the buying firm increases and subsequently the power shifts from the buyer to the seller. If, however, the demands of the customer are not met or trust is not

established the switching costs seem lower for the customer. Subsequently the shift of power is dependent on the ability of the seller to meet the demands of the buyer.

The customer awareness in product development and technology is increasing, which gives the customer more of an upper hand if the supplier does not follow the development. The switching cost is high to some extent, but the supplier must meet customer demands, otherwise relationships do not matter.

7.2.4 Threat of Entry

The Swedish security industry consists of several small local players and new companies constantly emerge or enter the industry. In addition, the market is growing which indicates low barriers of entry, especially within the sectors of CCTV and intruder alarms. One reason for this is that the product differentiation within these sectors has been limited. Almost anyone can become a distributor of these products and due to the many producers, especially in Asia, it is rather easy to set up a business. The access control and monitoring sectors on the other hand are more difficult to enter. These sectors are more capital intensive and the right network is of crucial importance, especially since these sectors focus more on B2B activities.

Even though it is rather easy to enter the industry due to low barriers of entry in terms of economies of scale, capital needed and an increasing market make it very difficult to get established and stay in business and most of the upstarts disappear after awhile. This depends on the many relationships that characterise the industry.

As mentioned above there are several factors driving a relationship, e.g. brand recognition. Securitas has been in the business for a long time and has built up a brand and a company image. Lack of brand recognition is a major barrier of entry for companies trying to get established, especially for small companies. Larger internationally well known companies, or companies well-recognised in other markets, such as Siemens Building Systems, do not have this problem and can get round this particular barrier.

Since the industry is very based on relations another very large barrier is switching cost. Most companies in the industry have well-established relations with their customers and due to that relation their customers stick with that company's products. Many of the companies researched have large companies as their customers. Therefore the magnitude and the width of the products and solutions

they purchase are extensive and involve large investments. Once a customer has chosen a supplier it is very expensive to change systems, since many of the different solutions offered are not compatible. The research shows that a company that has chosen a supplier and its systems is not likely to change suppliers.

In terms of product development the technical standard has increased significantly during the past year and today most products are of high technological standard. One of the keys in technical development today is the ability to integrate different products with a system that makes it possible to run all security functions from one location. Technology focused companies from other industries have a rather easy entry and several high-tech companies can nowadays be spotted in the security industry, e.g. Bosch, Panasonic, and Sony. They have a good situation in the industry since they have the technology the market demands.

On the other hand, the market is increasing and there are many new customers emerging who have realised their need for security systems. In addition, the technical features of the products are becoming more complex, which results in more room for product differentiation. Its very important for newcomers to offer something that the existing companies cannot offer. They have to cut prices, offer differentiated products and services, or specialise in some other aspect.

7.2.5 Substitute Products

Security is to be seen as a solution to problems such as feeling safe in a shrinking world characterised by globalisation, integration, and numerous threats in terms of terrorism, vandalism, crimes, industrial espionage, etc. In order to reduce the threats and prevent accidents companies and organisations invest in security systems. There is no way to protect oneself other than investments in security products and/or services. Hence there are no direct threats from substitute products in the security industry. On the other hand, the many different security variations can supplement and complement each other. Physical guards can substitute CCTV and monitoring systems. Gates, fences, and safes can substitute alarm and access control systems. The products however are not to be seen as supplements, but rather as compliments. One does not exclude the other.

7.2.6 Industry profitability

Due to the fact that the industry is characterised by a decreasing bargaining power of customers over time, high barriers of entry, due to time needed to establish networks, and since there are few, or no, substitute products, the future for the industry looks very good. In addition, the attitude towards security is increasing and no slow down in globalisation is to be expected in light of the enhanced width and depth of the EU. This results in good forecasts for the industry.

7.3 Market and Industry Dynamics

The conclusion has been drawn that the industry forecasts look good due to increasing market growth and the high power of industry. In order to establish the key success factors of the industry Rankine (2001) and Grant's (2002) questions concerning the market and the industry will be answered. The questions are only answered, not motivated, since the answers are to be found in the above analyses. Hence this section is to be seen as a summary of the discussion above.

7.3.1 Market

Who are the customers?

Medium-sized and larger organisations in the public or private business.

Why does the market exist? What needs in the market are the industry fulfilling?

To provide safety and fulfil a need for protection against internal and external threats as well as promoting a purpose, i.e. to show that one cares.

Which are the market drivers?

Increased demand from various stakeholder groups, especially from the customers.

Which are the underlying market relationships?

Trust in the buyer-seller relationship, as shown in figure 7.1.

7.3.2 Environment

What is likely to change market attractiveness?

The external threats, such as globalisation, current events, etc, create customer awareness. If this awareness becomes as important of an influencer as the

MARKET AND INDUSTRY ANALYSIS

stakeholder demands, market attractiveness is likely to increase. Additionally the height of the barriers of entry may have an impact. Possibilities for new players result in a dynamic environment with new influences, which is of benefit to the market and hence is a market driver.

Which factors can lead to a market becoming less attractive?

Small and local players being outperformed by the larger national/global companies, which could result in a situation with few dominating companies where decreased and lack of competition could lead to decreased customer awareness and ultimately in decreased demand in the market.

7.3.3 Competition

What drives competition?

Relationships, price, innovation, and differentiated offers

What are the main dimensions of competition?

The main dimensions are that the market is very fragmented its uneven competition in the market and competitors differ depending on geographical area

How intense is competition?

Competition is moderate due to increased demand in the market and high entry barriers in the long run.

How can a superior competitive position be obtained?

Factors deciding are customer knowledge, local presence, additional services, provide full solution, well-established business and the ability to customise, strong sales and marketing

7.3.4 Key Success Factors

The understanding of the market and how competition is conducted result in the establishment of the key success factors of the industry.

The key success factors of the Swedish integrated security industry are the following:

- Brand-recognition
- Personal relationships
- Good reference list, with many customers in high-risk industries
- Local knowledge
- Technological and innovative focus
- Offer full solution
- Additional services
- Customisation of product
- Low price
- Strong sales and marketing
- Certifications

Relationships can emerge from brand recognition or through personal relationships. It is therefore important to offer at least one of the two. As mentioned before the security industry is very relationship oriented, so the importance of good personal relationships is of key importance. Personal relationships emerge through customer care and meeting customer demands. Being able to understand the customer presence is of utmost importance. Customer knowledge and local presence can replace a well-recognised brand if one focuses on one particular segment in terms of activities and/or geography. It is also clear that brand recognition is of major importance to succeed in the security industry.

One reason that brand recognition is a key success factor is that security is very closely related with trust and safety, therefore customers want a brand, which symbolises these values. To build an image that symbolises trust and safety takes very long time. This is the main reason that new companies have big trouble

MARKET AND INDUSTRY ANALYSIS

getting into the market and companies that are already established, such as Securitas, are enjoying success.

Having a well-established customer base is also of key importance if one is to succeed in the security industry. Since switching cost are very high, as mentioned before, once a customer has chosen a supplier they are likely to stay with that company. Having customers in high-risk industries, such as the Swedish military, is also of importance since this communicates and sends a message that the company is very secure and trustworthy.

The trend in the future is that customers want to control all security from one location and have one supplier that fulfils these demands. Therefore the technological focus and the ability to offer a full solution are considered key success factors. The industry is moving at a very high pace regarding technology and it is of crucial importance for a company to keep up with the development if it wants to be successful. Many companies have also realised that being able to offer an additional service is what customers today are looking for. The trend is that many large customers want a total facility management, which includes the total handling and care taking of a building. Several construction companies such as YIT have realised this and are very successful today.

Customisation of products is also of great importance. This refers to the adaptation and modification of the core product in order to satisfy customer demands. Additional services, on the other hand, refer to the services that complement the core product and are not directly related to the product itself.

The security in industry is characterised by many players offering a wide range of products. Many companies look very similar and have the same approach. Even if the industry is very relationship oriented, sales and marketing have had an increasing importance in order to attract and retain new customers.

GUNNEBO AB ACQUISITION CRITERIA

This section discusses Gunnebo AB's loosely defined characteristics of the candidates. The characteristics are adapted in accordance with the market in order to suit the Swedish market and its players and candidates.

8 Theoretical Framework

As mentioned before it is of utmost importance to have an acquisition program that matches with the company's overall strategy. A crucial moment in the acquisition planning process is the definition of a detailed list of criteria, which should describe the most desirable characteristics of a potential candidate. (Miller 1994) Such criteria should be rather broad, but still specific enough to provide a basis for a valuation. In addition, such criteria should not be too specific in order to avoid no candidate meeting the criteria (Rock et al, 1994).

Rock et al (1994) points out a step-by-step process when conducting a selection process. First, the specific industry needs to be identified. In order to narrow it down a segment within the industry that is of interest can be chosen. Then the companies within the chosen segments should be examined in order to identify companies of desired size. The focus should lie on the company's position in the segment and its strengths and weaknesses together with its financial result as an independent unit (Rock et al 1994).

Miller (1994) and West et al (1997) identify certain factors that should be included in a typical list of acquisition criteria, which is closely much in line with the viewpoint of Rock et al (1994). The candidates' characteristics should be specified according to:

- Industry or segment of industry
- Method of distribution
- Size
- Geographic constraints
- Financial and operational criteria

THEORETICAL FRAMEWORK

In addition, West et al (1997) advises not to acquire a company that needs a major change in terms of strategy and marketing or an injection of cash. These candidates rarely become good acquisitions.

For an acquisition to be successful the first step in the selection process is to conduct thorough and appropriate due diligence. A due diligence process covers numerous factors that need to be covered (Hitt et al 2001). This thesis will not go deep enough to perform a due diligence, but the areas that need to be covered give an indication of what to look for when designing a list of acquisition criteria. Hitt et al (2001) claims that the following items should be looked at when conducting due diligence:

- Financial numbers
- Human resources
- Customers- and marketing-related issues, such as customer relationships
- Processes, such as manufacturing and services
- Management capabilities

9 Amended Acquisition Criteria

After revising the competition within the industry, its players and the characteristics of the market, with special focus on the key success factors, the candidate characteristics of Gunnebo AB, presented in chapter two, need to be revised and modified.

With the prerequisites of Gunnebo AB, and the characteristics of Gunnebo Integrated Security in mind, the acquisition criteria for the situation in the Swedish market have been defined. The candidate characteristics have been amended in order to fit the situation in the market and in the industry. The criteria are divided into two sets. Firstly, certain criteria are presented that need to be met by the candidates, the so-called ***Selection Criteria***. These form the foundation for the selection process. Secondly, more abstract criteria are presented which are based on the key success factors of the market. These features are desired in a candidate and hence called ***Desired Features***. The candidates will be compared and rated internally against these features.

9.1 Selection Criteria

Fig. 9.1 presents the Selection Criteria for the identification of acquisition candidates in the industry. The amendments and changes, compared with the original criteria, are thereafter explained and motivated. The selection criteria are ranked internally and the steps in the selection process have been conducted according to this list of criteria.

Fig. 9.1

- ❑ **Product relatedness within Gunnebo Integrated Security product range**
- ❑ **Turnover – MEUR 2,5 < 18**
- ❑ **Security unit with ability to stand alone**
- ❑ **Focus on medium-sized and larger organisations**
- ❑ **End-user relationships**
- ❑ **Activities in:**
 - **project handling**
 - **installation**
 - **sales**
 - **integration**
- ❑ **Stockholm presence**

Criteria for Monitoring companies

- ❑ **Turnover – MEUR 2,5 < 18**
- ❑ **> 1000 lines**

Source: Modified and amended from Borgström (2003), Selosse (2003), Wallenberg (2003)

First, the turnover range is extended to MEUR 18 in order to fit Bravida Säkerhet and YIT within the range since they are very interesting companies with a national presence.

Secondly, many players that could be of interest belong to larger competing groups, such as Securitas, Group4Falck, and Siemens Building Technologies. These units are seen as too dependent on their group, and vice versa, and too difficult to acquire and so are disregarded.

Many players provide products and services to both organisations and the residential sector. Gunnebo focuses exclusively on B2B activities and hence the candidates' emphasis must lie within that segment.

AMENDED ACQUISITION CRITERIA

Finally, the main activities in security take place in the Stockholm area and the candidate also needs to be present there. If it has presence in Gothenburg and/or Malmö as well it is considered as a bonus, but not a prerequisite.

Monitoring services stand alone in this aspect. The monitoring service is standardised and hence product relatedness does not apply. In addition, location is of little importance since the service is not geographically bound. The main criterion for a monitoring candidate is that it has at least one thousand lines. The criterion in terms of turnover does still apply however. End user relationships come automatically with the service. However the focus should be on the B2B activities.

9.2 Desired Features

The desired features are based on the key success factors and will not be presented again since they have already been explained. The main idea is that the candidate/s form/s a basis for future expansion within, and across, the markets. Hence an organisational and managerial platform should be present. Gunnebo Integrated Security wishes to acquire a network through which the company can introduce its products in the market.

In addition, the key success factor complete solution will include the ability to offer fire alarms and installation of the same.

CANDIDATES

10 Theoretical Framework

10.1 Candidate Valuation

Companies make money through their core competencies, which could be a combination of several factors. Companies in the same sector position themselves differently and hence have different core competencies. It is therefore important to understand how the candidate makes money, i.e. which core competencies it has. (Rankine 2001) This is what West et al (1997) refers to as the key success factors of the company.

One question to answer is:

How does the candidate make money?

It is important to know how and why the candidate makes money and find out the core competencies of the candidate and its competitive advantage (Rankine 2001).

Another question is:

Which features are central to the success of the candidate?

10.2 SWOT Analysis

Forming a strategy is to form a plan on how to cope with competition. (Porter 1998) The benefits with a SWOT analysis are several. The programs of the different divisions within a company are coordinated, an objective is defined (Porter 1991), and the strengths are exploited while the weaknesses are protected (Grant 2002). Basically, the formulation of a strategy means that a formula for how a company should compete is established, what its purposes are and what it needs in order to reach these objectives (Porter 1991).

THEORETICAL FRAMEWORK

A company cannot base its strategy solely on its internal resources and capabilities. The strategy must be adapted to the industry environment and the more general environment of the company. (Porter 1991, Grant 2002) Grant (2002) refers to this adaptation of business strategy to its environment as “Strategic Fit”. According to Grant (2002), the industry environment consists of suppliers, competitors, and customers while the more general environment consists of e.g. economic, technological, political, and social factors.

The industry characteristics have an especially great influence on which strategy a particular firm adapts. Industry external factors are of secondary nature since they affect the industry and the actors present in that industry. Subsequently, the industry itself is of primary concern when formulating a strategy (Porter 1980).

Subsequently, a business strategy is formulated in accordance with the creation and sustainability of a profitable fit between a company and its environment. A SWOT-analysis (Strengths, Weaknesses, Opportunities, and Threats) is a necessary and complementary step when analysing and valuing an acquisition candidate. (West et al 1997) It is also the traditional way of constructing the above-mentioned strategic fit. (Valentin 2001) The SWOT-analysis lists the characteristics of the company and the characteristics of its environment and presents favourable and unfavourable factors according to figure 10.1.

Fig. 10.1

	Internal Factors	External Factors
Favourable Factors	STRENGTHS	OPPORTUNITIES
Unfavourable Factors	WEAKNESSES	THREATS

Source: Valentin 2001, p 54

10.3 Financial Key Ratios

10.3.1 Liquid Ratio

Liquidity refers to the companies ability to pay their debts to creditors when they are due. (Hallgren, Holliwel) Liquidity is one of a company's critical measures. The lack of liquidity results in the inability to pay debts and, in the long run, destruction. (Hallgren) The formula is presented below:

$$\text{Liquid Ratio} = \text{Quick Assets} / \text{Current Liabilities}$$

The rule of thumb is that the liquid ratio should equal 100%. (Hallgren)

10.3.2 Current Ratio

The current ratio indicates the solvency of a company. This shows the amount of liabilities that are covered by cash or assets, which should be able to converge rapidly into cash for payment of liabilities. (Holliwel) The solvency gives estimation on the stability of the company and its ability to survive economic downturns. (Hallgren) The current ratio is calculated as follows:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

An increased current ratio compared with previous years may indicate:

- Higher profit margin is being achieved
- An increase in sales is to be expected
- Assets are excessive or unable to sell

A decreased ratio may indicate:

- Creditors are not paid
- Falling profit margins

Low ratios can lead to a delay in payment of debts and/or increased borrowing. (Holliwel)

10.3.3 Profitability

Profitability of a company can be measured in many ways. (Holliwel) Return on assets (ROA) is the most important measure in terms of profitability for SMEs. (Hallgren) ROA is calculated as profit before taxes and interest (PBIT) in accordance with total assets, as shown in the following formula:

$$\text{ROA} = \text{PBIT} / \text{Total Assets}$$

When compared with other companies in the same business, ROA indicates how efficiently the available assets are exploited in order to produce profits (Holliwel).

11 Candidate Presentation and Valuation

Below, the companies that met the Gunnebo criteria are presented and valued. Unless anything else is stated the information is gathered from the company web site or from companies' 2002 annual reports

11.1 Bell Security Svenska AB

Turnover:	MEUR 3.1
No of employees:	17
Type of company:	Producer/importer/Integration
Security focus:	CCTV, Intruder Alarm, Access Control, and IT-systems,
Founded	1998
HQ location:	Stockholm
Geographical coverage:	Sweden

11.1.1 Introduction

Bell Security Svenska AB is one of the main Swedish security integrators. The company has had a stable growth since it was founded in Sweden 1998 and has more than tripled its turnover. However in 2002 the company had a slight decrease. The company has many leading organisations as their customers, particularly within the banking and finance sector.

11.1.2 Organisation

Bell Security Svenska AB is owned by Bell Group plc, which is an international company with activities in Europe, Asia, Australia, and North America. The group is listed on the London Stock Exchange. Bell Security Svenska AB sources a lot of products through the parent company and benefit from financial and R&D resources.

11.1.3 Products and Services

Bell Security Svenska AB provides installation and service of complete integrated security solutions including CCTV, Access control, Intruder alarm and IT systems. The company works both with its own products and through alliances and cooperation with other producers. This gives the company the opportunity to satisfy all types of security demands. The heart of Bell Group plc is the manufacturing company Pacom Systems. This company develops an integrated

passage, alarm, and presentation system, which make it possible to administrate a lot of information from one location. The system is widely used by large companies and banks all over the world.

11.1.4 Strategy, Mission, Vision

The primary ambition of Bell Security Svenska AB is to be a problem solver with a long term focus and sustained relation to the customers. Through Bell Group plc, Bell Security Svenska AB has the access, the experience, and the knowledge to provide the best possible security solution, which will give it a leading position within the Swedish integrated security sector.

11.1.5 Development

The turnover of the company decreased in 2002 by 16% from MEUR 3.7 in 2001 to MEUR 3.1. This is mainly due to the present situation in the market. In 2002 the company made 25 installations of security systems for cash machines, the company also installed systems at 15 bank offices. Further, the installation of an integrated security system for Casino Cosmopol Gothenburg was completed and an order for the fourth casino in Stockholm was received. The value of the installation at the casino in Stockholm is estimated to be around MEUR 0.9.

According to Bell Security Svenska AB the situation in the market in 2002 lead to less investment in Sweden, which also affected the security business. The decrease in the company's turnover in 2002 was due to a decrease of orders from Bell Security's present customers as well as a decrease in the number of building projects. However, the situation during the last half of 2002 was much better and the predictions for this year were very good. The opinion of the management board is that Bell Security Svenska AB is well positioned as one of the leading companies in providing integrated security solution in the Swedish security market and that the company will again grow during 2003.

11.1.6 References

Bank and Finance: Nordea, SEB, D Carnegie & CO, Riksgäldskontoret

Other: Svenska Spel, Casino Cosmopol, Smart AB, Accenture

11.1.7 Key Ratios

Bell Security Svenska AB	1999	2000	2001	2002
Turnover (MEUR)	1.1	1.4	3.7	3.1
No of Employees	13	16	19	17
Liquid Ratio	1.05	0.70	1.10	0.96
Current Ratio (%)	21.66	12.34	21.73	20.75
ROA (%)	-17.88	-17.15	13.79	7.52

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

11.1.8 SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> ◆ High product standard ◆ Core competence within integrated solutions ◆ Strong parent company, financially strong ◆ Strong reference list 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ◆ Expand geographic coverage ◆ Internationally strong brand ◆ Market demands integration
<p>WEAKNESSES</p> <ul style="list-style-type: none"> ◆ Decrease in turnover in 2002 ◆ Limited customer base ◆ Poor brand recognition ◆ Poor marketing function 	<p>THREATS</p> <ul style="list-style-type: none"> ◆ Lack in local adaptability and flexibility due to parent control ◆ Small size prevents larger contracts ◆ Acquisition disadvantages

Bell has a wide range of product offerings since it does its own production as well as doing production for other brands. This creates flexibility since the company does not depend solely on suppliers. In addition producing its own products gives it an opportunity to stay in the front in terms of technological innovation and focus. On the other hand it can be costly to subcontract as well as carry out its own production. It could be seen as a weakness not to focus on one competence. Especially in an economic recession when it is important to cut costs.

Even though the company has only been present in the Swedish market for about five years and has had relatively little time to establish any deeper customer relationships, it has due to its financial capacity of an international group the patience and power of endurance to survive the first slow-down. Which the company experienced after the first four years of rapid growth. Having a strong

CANDIDATE PRESENTATION AND VALUATION

international group as parent and the future demand for integrated solutions creates an opportunity to expand the business geographically in order to reach further growth.

The 2002 decrease in turnover was due to fewer investments of present customers. This can be a sign of poor sales and marketing function. It may not have the ability to attract new customers as much as desired. This is definitely a weakness and hence a threat since this is very important due to the strong position relationships have in the industry. Sooner or later the demand from present customer groups will mature and if one cannot find new territories it is difficult to survive. Survival cannot solely be made on maintenance and after-sales service.

Looking at the financial figures of Bell one can see that the company's liquidity, which determines the company's ability to pay their debts to their creditors when they are due, was a bit below 1 in 2002. One can also see that the company struggled in 2000 to meet the demands of their creditors. Another ratio showing that the company was struggling in 2000 is the current ratio, which was very low that year compared to previous. However, it can be seen that the company had a much better year in 2001 where the current ratio was back at around 20%. In 2002 the current ratio decreased a little bit, mainly due to a decrease in sales. Overall, one can say that the company's solvency is good which leads to stability and an ability to survive economic downturns. The profitability of the company was not good a couple of years ago but the past two years the company has shown a positive return on asset. The return on asset in 2002 was 7,52 %, which was a slight decrease from the year before. Compared to the other companies investigated, the profitability of the company is still too low.

Bell has a fairly good list of references. Most of the companies present a list of references on their web-site and hence the conclusion can be drawn that this is a good way of promoting oneself. This is one way of establishing relationships with the customers since brand recognition and referrals are types of relationships. Having organisations in the public sector and banks are good ways of gaining new customers on referrals. In addition, Bell integrates technological products and offers complete solutions; Two characteristics that are important in the future of the business, since customers want as few suppliers as possible when relationship

and trust are in focus. On the other hand, the small size of the company may have an impact on the company's ability to handle larger projects.

Bell Svenska Security AB can benefit from its parent's internationally well known brand. However being part of a large and successful international group does not necessarily mean benefits and strengths. Bell can risk being too controlled and lack an ability to adapt to local situations and needs.

11.2 Bravida Säkerhet AB

Turnover:	Around MEUR 17
No of employees:	120
Type of company:	Importer/Installation/Integration
Security focus:	CCTV, Burglar Alarms, Access Control, Fire Alarms
Founded:	2000
HQ location:	Stockholm
Geographical coverage:	All over Sweden

11.2.1 Introduction

Bravida Säkerhet AB is an installer and system supplier within fire and security solutions. The company has eight different offices all over Sweden covering the largest cities, Stockholm, Gothenburg, and Malmö. All of the offices offer sales, design, project management, installation, and after market support. Bravida Säkerhet AB is quite a young company in Sweden, but with many employees with years of experience within fire and security. The company's customers are both the private and public sector. The biggest customers are within the industrial sector, business sector, military, and in the entrepreneurial market.

11.2.2 Organisation

Bravida Säkerhet AB is a subsidiary wholly owned by Bravida AB. Bravida AB is one of the leading suppliers, of all kinds of electrical installations and services within areas such as telephone networks, ventilation, etc in the Scandinavian countries.

11.2.3 Products and Services

Bravida Säkerhet is primarily an installer and offers products in the areas of Fire Alarms, Burglar Alarms, Access control, CCTV, Integrated security systems, and

lock systems. The company is certified as Alarm class II. Bravida Säkerhet works as a distributor for most of its products and has several long term contracts with its suppliers. However the company has one own product called Bravida Integra, which is an integration system, making it possible to run all security from one location. Most of the sales involve fully integrated solutions. In terms of single products, passage systems is the most successful one.

11.2.4 Competition

The main competitors, according to Ahlgren (2003), are Bewator and Securitas.

11.2.5 Strategy, Mission, Vision

The three words that symbolize Bravida Säkerhet AB are quality, creativity, and experience. The vision of Bravida is to be the natural choice when it comes to installation and the use of technical security systems.

11.2.6 Development

According to Ahlgren (2003), the future looks good. One of the reasons is that a major contract was recently signed with Telia Sonera. This is a project that is very large and complex and will run over five to seven years. Ahlgren (2003) also mentions that the focus in the future will be on integrated security solutions, which is a sector that is predicted to have a large increase in growth.

11.2.7 Key Ratios

Bravida Säkerhet AB	1999	2000	2001	2002
Turnover (MEUR)	1.3	0.5	9.3	17
No of Employees	4	4	62	68
Liquid Ratio	1.12	3.74	2.27	1.54
Current Ratio (%)	15.83	14.86	16.97	15.99
ROA (%)	0.99	-2.33	0.24	-5.14

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

11.2.8 SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> ◆ High competence regarding installation ◆ Local knowledge and local presence ◆ Broad customer base ◆ Parent brand name – reputation ◆ The ability to offer total facility management in corporation with Bravida AB 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ◆ Good reference list can lead to referrals. ◆ Synergies with Parent
<p>WEAKNESSES</p> <ul style="list-style-type: none"> ◆ Security not core competence of Bravida AB ◆ Poor technological and innovative focus ◆ Bravida AB too large an organisation, hence administration problems and inflexibility 	<p>THREATS</p> <ul style="list-style-type: none"> ◆ Too broad a focus (geographically) – competes with Securitas ◆ Future decline in construction business ◆ Continuous decrease in profitability

The main strength and competence of Bravida Säkerhet AB is their long experience within installations gained from being a part of a Bravida AB. The company is a large installer with eight offices around Sweden. It has a broad customer base and hence a good competitive position since most of the installation companies are only physically present on one or a few locations. Due to this Bravida Säkerhet AB can benefit from synergies and spread the risks. Due to the many locations it is present in it has an opportunity to establish relationships over a wide geographical area and establish local knowledge. The company can adapt to local disparities, which gives it an opportunity to further broaden and deepen its customer relationships. In addition, the company can benefit from the parent's brand name, which can lead to new customers

On the other hand, being present on a national basis means that Bravida has to compete with Securitas, the leading company in the business. Securitas has a strong competitive advantage in terms of its brand name. Trying to compete with Securitas on a national basis is not easy since this means that focus is not locally,

CANDIDATE PRESENTATION AND VALUATION

but nationally, and hence close relationships may be more difficult to establish with the customers.

Looking at the financial figures of Bravida Säkerhet, one can see that the liquidity of the company the past three years has been very high which shows that the company has had too much capital that has not been invested properly. However the trend is that the company's liquidity is decreasing, getting closer to the ideal number of 1. The current ratio of Bravida Säkerhet AB the past four years has been very stable at around 15 to 17 %. This shows that the company's stability is very good. The profitability of Bravida Säkerhet AB has been very poor during the past four years. This can be seen looking at the return on asset, which in 2002 was negative 5, 14 %.

Even though Bravida is a well-established company and an expert within the area of installations of security, one of its weaknesses is that the products the company offers are often of a lower technical standard compared to some of their competitors. Another weakness that might have an impact on the company's growth is that the parent company's core competence is not within security. This might cause problems when the parent company is choosing what area to invest in in the future.

The parent company Bravida AB is a large organisation originating from Norway focusing on all kinds of installations. The security section is only a small part of the activities and not part of the core offerings. However due to the many areas of activities Bravida has the possibility to create synergies and cooperation among the units and hence reach a broader customer base. Being part of a bigger organisation also gives Bravida Säkerhet AB the possibility to offer a fully integrated solution of facility management, which is what many customers are demanding today. There are also negative sides of being part of a larger organisation, because it can create problems such as slow administration and inflexibility.

11.3 Nordic Alarm AB

Turnover:	MEUR 4, 5
No of employees:	40
Type of company:	Importer/Project handling/Integration
Security focus:	CCTV, Burglar Alarms, Access Control,
Founded:	1988
HQ location:	Stockholm
Geographical coverage:	All over Sweden

11.3.1 Introduction

Nordic Alarm is a company which specialises in protection of high risk objects, even though it has all kinds of organisations as customers. By developing their own intelligent products and security systems the company has reached a unique position in the security market. The company has established itself to be one of the leading companies in supplying systems to the high-risk sector. In the public sector their biggest customers are the Swedish military and the police, looking at the private sector some of their biggest customers are Shell, ICA, OKQ8, Lidl, and McDonald's. One of the most recent contracts that Nordic Alarm acquired is from Skanska/Drott. The order is a multi million project, where Nordic Alarm is to install an integrated security system containing intruder alarms, passage control systems, CCTV, and visitation handling for one of Skanska/Drott's bigger housing and office projects.

11.3.2 Organisation

Nordic Alarm was founded in 1988 by the owners Arne Gille and Jens Lennen, and has had a rapid expansion. The company today has around 40 employees and has geographical coverage all over Sweden (Lennen 2003).

11.3.3 Products and Services

Nordic Alarm is one of the leading providers of systems for protection of high risk objects. The company's systems give the customer a solution where all the surveillance functions such as passage control, information from detectors, card readers, cameras, etc. can be controlled from a distance through a central unit. The company is also one of the leading suppliers of integrated systems in the Swedish market. (Lennen 2003)

The products are of high technical standard and the company has been awarded for the most innovative product by Detector magazine, for two consecutive years. In addition the company offers complete service packages with risk analyses and has had a close cooperation with Rapid Larmcentral for several years.

11.3.4 Competition

According to Lennen (2003) the largest competitors of Nordic Alarm are Securitas and Falck, which are the two giants within this sector of security with large market shares.

11.3.5 Strategy, Mission, Vision

The company has a clear goal to expand its business in the future both by growing organically and through acquisitions. An example of Nordic Alarm's growth strategy is the acquisition of Teletron in 2003. The two companies have had a very close cooperation in product development and system solutions for bigger security projects for many years. According to the owner of Nordic Alarm, the integration process will be very smooth (Lennen 2003).

Teletron is a company based outside Gothenburg that last year had an annual turnover of MEUR 9. This company has also profiled itself as a system integrator, developer, and producer of security systems for industrial facilities. The most well known product of Teletron is the integrated security system Integral. The biggest customers to Teletron in the past have been Oskarshamn and Forsmark Nuclear plants, the Central Bank, the SEB, the police, and the correctional system.

11.3.6 Development

The last five years Nordic Alarm's turnover has increased with 104 %, mostly through organic growth. The company has had an approximate organic growth around 20 % each year, but with the acquisition of Teletron the total growth will increase. With the acquisition of Teletron the company's turnover next year is predicted to reach MEUR 6.7 (Lennen 2003).

11.3.7 References

Bank & Finance: Deutsche Bank AG Bankfilial, and UBS Switzerland Bank filial
Real Estate: Drott, NCC and Skanska

Retail: ICA, KF, Konsum, McDonald's, Silja Line, Statoil, Svenska Shell

Industry: Ericsson

IT: Anoto AB and IT-Universitetet

Offices: Insurance Company Allianz, Mitsubishi Electric, Norsk Hydro, Parkeringsbolaget, Posten Sverige

Government Authorities: Försvaret, Polismyndigheten i Stockholm, and Svenska Flygvapnet.

11.3.8 Key Ratios

Nordic Alarm AB	1999	2000	2001	2002
Turnover (MEUR)	4.0	3.8	3.5	4.5
No of Employees	19	26	27	31
Liquid Ratio	1.73	1.41	1.56	0.96
Current Ratio (%)	22.96	21.08	9.25	17.15
ROA (%)	23.16	5.77	-5.00	-13.56

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

11.3.9 SWOT Analysis

<ul style="list-style-type: none"> ◆ Well established customer base ◆ Ability to integrate ◆ 20 % organic growth past 5 years ◆ Innovative and technology based products ◆ Managerial skills ◆ Excellent R&D 	<ul style="list-style-type: none"> ◆ High-risk projects in reference list – lead to referrals ◆ Teletron in Gothenburg – base to strengthen geographical presence ◆ Good differentiation compared to competitors ◆ Improved R&D due to Teletron
<ul style="list-style-type: none"> ◆ Poor local presence and local knowledge ◆ Limited financial resources ◆ Low profitability 	<ul style="list-style-type: none"> ◆ Too broad a geographical focus – customer losses ◆ Limited opportunities to grow due to private ownership and financial resources ◆ Integration problems with Teletron

One main strength of Nordic Alarm is its niche competence. The company has focused on integration and installation of customised high-risk projects. This has resulted in a unique position in the market. The ability to customise and integrate high technological products gives them a good position for the future. The

CANDIDATE PRESENTATION AND VALUATION

company has an innovative and technological focus and has its own design and development units.

As with Bell, Nordic Alarm has a good list of references especially within high-security projects, something that gives them a good reputation among customers.

With the purchase of Teletron, Nordic Alarm acquired a business network in Gothenburg with similar products and activities. This, together with the organic growth, gives a good foundation for expansion within the market. Due to the fact that the two companies have a history of cooperation Nordic Alarm does not see any problems integrating the two companies. This can give an indication of a possibility for underestimating the integration process.

The two founders still run the company, which gives an indication of good management with lots of experience and knowledge. Another positive factor of Nordic Alarm is the mere fact that the company has shown a steady growth even in tougher times. This gives an indication of big potential and a good position in the market.

Looking at the financial figures, the liquidity of the company has been too high the past years, but the company has managed their liquidity better and in 2002 the company had a ratio of 0,96, which is close to the ideal number of 1. Looking at the current ratio one can see that it was stable during 1999 and 2000. In 2001 it had a sharp decrease, but the year after it increased to around 17 percent. Nordic Alarm solvency is considered to be very good showing that the company is very stable and has a good ability to survive and handle economic downturns. During the past two years the profitability of Nordic Alarm has been bad, the return on asset was in 2002 -13,56 %, which was a decrease from the previous year of -5%. Nordic Alarm is in the Scandinavian market, but with 40 employees this can be to wide an area to cover. This could indicate low local knowledge, which in turn can lead to customer losses.

11.4 Pele Security AB

Turnover:	MEUR 3
No of employees:	25
Type of company:	Integrator, Installer
Security focus:	Access, Alarm, CCTV
Founded:	1989
HQ location:	Stockholm
Geographical coverage:	The big city areas – Stockholm, Gothenburg, Malmö

11.4.1 Introduction

Pele Security is an independent distributor, integrator, and installer that offers all kinds of customised security solutions mainly in Stockholm. Some field activities are conducted in the Gothenburg and Malmö areas. Companies and organisations in the private and the public sectors constitute more than 90% of the customer base, while residential customers represent less than 10%. The ISO9001 certification process has begun and is expected to be completed before the end of 2003.

The headquarter, with storage, is located in the Northern Stockholm region and another office is situated in the south of Stockholm. The latter was established in 2002 in order to be closer to the customers and offer a more personal service. The target is to expand organically and through acquisitions.

11.4.2 Organisation

Pele is a wholly-owned subsidiary of Väsby Larm AB, which is a part of TF Förvaltning AB. Pele's administrative department consists of two sales representatives and two people responsible for the procurement procedures. These people act as project leaders and handle the customer contact throughout the whole project. Pele's main means of conducting sales is pursued in the form of public procurement notifications, mouth-to-mouth, and in the form of tips from various sources (Persson 2003).

The company itself carries out most of the installations, but at some major projects the installation is outsourced. The project handling is in the regime of Pele

however. The service unit conducts maintenance and other after-sales services including stand-by back up.

11.4.3 Products and Services

Pele offers a wide range of products in the areas of access control (e.g. mechanical and electronical locks and card systems), intruder alarms (e.g. infra-red motion detectors, glass-break detector, vibration and fire detectors), CCTV (e.g. digital or network-based), and fire alarms. These systems can be customised or integrated in order to meet the customer needs. The products are connected to alarm and monitoring centres and Pele cooperates with the most well-known and recognised suppliers in the business.

The products are technology based and include, among others, e.g. motion detectors that can separate pets from humans. In addition to the products, Pele offers several additional services such as insurance and service agreements, security advising and consulting, and security analyses.

In addition to just having CCTV, alarm systems, and access control systems, which most of the installation companies have, Pele also have their own locksmiths that offer installation of mechanical locks. Pele offers a 24/7 on call duty, which provides services and maintenance.

11.4.4 Strategy, Mission, Vision

The strategy and vision is to be a more personal security supplier in close contact with the customers.

11.4.5 Development

The company has shown a steady growth due to organic expansion as well as due to acquisitions, which has resulted in increased market shares. In 2002 Pele increased its market share with 20%. This expansion will continue with the focus on a stronger sales department.

In November 2003 Pele acquired the tele-unit Teleservice of Elektroskandia together with personnel and service and maintenance agreements. The acquisition will result in antenna and fire alarm activities together with a wider geographical

presence. The new turnover is expected to reach 46Mkr and the employees will increase to 48 (Hugin-Sverige 2003.11.21). The reason for the acquisition was to take a proactive approach, not waiting for the slow down in the market to change.

11.4.6 Key Ratios

	1999	2000	2001	2002
Turnover (MEUR)	0.7	1.1	2.4	3
No of Employees	6	13	25	25
Liquid Ratio	2.28	1.28	1.67	1.50
Current Ratio (%)	63.77	50.92	56.06	52.51
ROA (%)	15.45	12.31	24.10	18.55

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

11.4.7 SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> ◆ Independent integrator / installer ◆ Strong sales and good presence in Stockholm ◆ Technological and innovative products and services ◆ Certifications ◆ Customisation 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ◆ Continued local expansion ◆ Operations in several cities – simplifies expansion ◆ Emphasis on strong sales ◆ Complete solutions with additional services
<p>WEAKNESSES</p> <ul style="list-style-type: none"> ◆ Passive sale and marketing approach ◆ Low installation capacity 	<p>THREATS</p> <ul style="list-style-type: none"> ◆ Difficulty to expand geographically

Pele has recently opened a second office in Stockholm in order to provide better service and create a more personal relationship with the customer. This gives an indication of a clear focus within the Stockholm area, where most of the business in Sweden is taking place. Pele has carried out projects and has customers in Gothenburg as well as Malmö, but since the second office was set up in Stockholm and not in the other regions it can be difficult for the company to maintain its customer base in the other regions and offer after-sales services and maintenance. The sales and marketing functions are also weaker in these areas. In

CANDIDATE PRESENTATION AND VALUATION

terms of sales and marketing, Pele takes a rather passive approach and waits for the customer to take the first step.

Pele is an independent integrator and installer giving them the flexibility to choose and adapt supplies according to needs. The company also has several certifications. It has a technological and innovative focus as well. In addition to the products, Pele offers several additional services, such as consulting, training, and security analyses. This gives Pele the opportunity to provide a complete customised solution to the customer.

The installation of some projects are outsourced to other installation companies, which can result in decreased control, even though Pele is still in charge of the project. On the other hand, it can be viewed as Pele knowing its capabilities and limits and hiring competence externally when it is not to be found internally. Regarding Pele's security solutions, they are connected to alarm and monitoring centres operated by well recognised companies within the business, which gives an indication to the customer that they get qualitative services that can lead to more and enhanced relationships

Pele has an expansion strategy of organic growth as well as by acquisitions in order to strengthen its sales function. A strong sales function creates a possibility for new customers and further organic growth. Pele's financial situation is very good. However the company has had a very high liquidity the past four years with too much capital not invested wisely. The stability of the company is very good showing very high current ratios around 50 %. This shows that the company is one of, or probably the most stable company among the candidates valued. The profitability of Pele has been very good during the past years with high return on assets compared to the other candidates. The company had a very good year regarding profitability in 2001 with a return of assets of around 24 %, in 2002 this return was slightly lower with 18.6 %.

11.5 Rapid Larmcentral AB

Turnover:	MEUR 2.8
No of employees:	30 (Rapid Group 260)
Type of company:	Service provider
Security focus:	Monitoring
Founded:	1988
HQ location:	Stockholm
Geographical coverage:	Nation-wide

11.5.1 Introduction

Rapid Larmcentral is an ISO 9001:2000 certified monitoring company, the first monitoring company in Sweden (SAF-Tidningen 2000), focusing on residential as well as organisations in both the public and private sector. Due to the disposal of the site in Söderhamn in 2002, Rapid Headquarter and monitoring centre are situated in Stockholm. Sales are conducted from the Stockholm based call centre or via partnering installation firms located all over Sweden. Due to this, Rapid operates on a national basis. The main installation partner is Nordic Alarm.

11.5.2 Organisation

Rapid Larmcentral is owned by Gabrielsson Invest AB since 2002, but acts as the parent of wholly-owned subsidiary Rapid Bevakning, which is a guarding company operating only in the Stockholm area. The two Rapid units work closely together and share the same board and finance department (SAF-Tidningen 2000).

11.5.3 Products and Services

The monitoring centre is operating 24 hours a day all year around. The services are based on a security analysis resulting in a customised service for each customer. In addition to the monitoring service Rapid offers services, such as reports, over the Internet, the telephone landline, or GSM, storage possibilities, finance packages, and GPS positioning. Some of the services are carried out in cooperation with other companies, such as Länsförsäkringar (insurance company) and Zenita AB (security company)

11.5.4 Competition

Rapid's main competitors are the two biggest monitoring companies in Sweden, Securitas and Falck, and the fourth largest, Svensk Bevakningstjänst.

11.5.5 Strategy, Mission, Vision

Rapid aims at being the fastest and most reliable security company in the market. This is done with the help of competent and motivated employees and a focus on qualitative services. Furthermore, Rapid aims at being one of the front runners in monitoring and focuses on research in order to offer unique and innovative products.

11.5.6 Development

The disposal of the Söderhamn site has meant a better focus on maintaining a good position in the market and keeping an innovative focus. 2002 was the second consecutive year with a deficit, but the future looks bright according to Adman (2003). Rapid is about to launch a new unique product that will allow the customer to see instantly what, where and how something has happened (Adman, 2003).

11.5.7 Key Ratios

	1999	2000	2001	2002
Turnover (MEUR)	1.7	2.2	2.3	2.8
No of Employees	24	24	24	24
Liquid Ratio	0.23	0.35	0.33	0.34
Current Ratio (%)	22.94	24.94	7.29	6.21
ROA (%)	-10.24	-17.12	-16.61	-11.43

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

11.5.8 SWOT Analysis

<ul style="list-style-type: none"> ◆ Customisation ◆ Technological and innovative ◆ Good coverage in Stockholm 	<ul style="list-style-type: none"> ◆ Better focus and consolidation can prosper growth ◆ Unique product on the way
<ul style="list-style-type: none"> ◆ Two consecutive years of deficit ◆ Poor sales and marketing 	<ul style="list-style-type: none"> ◆ Weak reference list ◆ Market consolidation ◆ Competes with the big two

CANDIDATE PRESENTATION AND VALUATION

Rapid Larncentral focuses on customisation and adapting its services to customer needs, which lie in the future. Since it is a smaller company than its main competitors, Securitas and Falck, it has a better possibility to adapt and customise. On the other hand, those competitors have a major advantage due to size, resources and, brand name.

Rapid has a technological and innovative focus and has many additional services with a new unique system on the way. The services are designed to suit private persons or smaller companies rather than high-risk projects, however, which is likely to result in less likeliness of referral. This is shown on the reference list, which consists mainly of industrial areas and residential areas.

The two consecutive years of deficit can be seen as a weakness, but actions have been taken and one site has been disposed and this is to be seen as an opportunity rather than a weakness due to the consolidation and future possibility to focus only on the Stockholm area.

The economic situation of Rapid Larncentral has been very bad the past years, this can be seen when looking at the financial figures. Rapid has had serious problems with their liquidity the past four years and in 2002 had a liquidity ratio of only 0,34. The company's bad liquidity has resulted in an inability to pay their debts to creditors. Looking at the current ratio it is also very bad with a ratio as low as 6,21 in 2002, this ratio shows that the company currently is very financially unstable compared to the other candidates. Rapid is a company that is struggling economically and has had a very bad profitability the last years with a negative return on asset. The return on asset for 2002 was -11,43 %.

11.6 Telehantering i Stockholm AB

Turnover:	MEUR 4.7 (MEUR 4.2 within security)
No of employees:	52
Type of company:	Installation, Integration
Security focus:	Tele, Data and Security
HQ location:	Stockholm
Geographical coverage:	Mainly Stockholm

11.6.1 Introduction

Telehantering focuses solely on companies in the public sector and private sector and has many years of experience within areas such as tele, computer, and security. The company has a turnover around MEUR 4.2 regarding installations of security related services. The company is certified according to ISO 9001 and 14001 as well as certified by the police to install intruder alarms.

11.6.2 Product and Services

Telehantering is an independent installation and integration company focusing on CCTV, Intruder Alarms, passage control, fire alarm, computer networks, and telephone networks. In the area of networks the company also conducts R&D and has developed its own system. Telehantering offers project handling, documentation, registration, and after-sales service. The company has a policy not to be dependent on any brand in order to give the customer the best solution. The ability to choose a supplier based on customer demands and hence the ability to customise is seen as the main strength of the company.

11.6.3 Organisation

The company's service department consists of ten well educated service technicians, which have contributed to a long and prosperous relationship with customers. This has lead to long service contracts and maintenance programs at several of the customer's security facilities. Sales are usually conducted in the form of mouth-to-mouth and visits to trade fairs.

11.6.4 References

Solna Polishus, Kv Garnisionen , Bonniers Fastigheter, Sveriges Riksdag, Högsta Domstolen, Svea Hovrätt, Ericsson, Svenska Dagbladet, Stockholms Universitet.

11.6.5 Key Ratios

	1999	2000	2001	2002
Turnover (MEUR)	4.7	4.3	3.8	4.7
No of Employees	49	47	47	52
Liquid Ratio	2.13	1.61	1.66	1.51
Current Ratio (%)	19.02	35.59	36.92	32.32
ROA (%)	36.92	19.41	13.32	4.93

Source: 1999-2002 Annual Reports, Affärsdata – företagsfakta

11.6.6 SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> ◆ Core competence within installation ◆ Good technical service ◆ Decent references ◆ Independent installer 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ◆ Expand geographically ◆ Broad product portfolio with additional service ◆ Maintenance of services as well as of customers
<p>WEAKNESSES</p> <ul style="list-style-type: none"> ◆ High liquidity, poor return on asset 	<p>THREATS</p> <ul style="list-style-type: none"> ◆ Few referrals due to few high-risk references ◆ Independency can result in lack of continuity

Security is the core activity for Telehantering. It constitutes around 90% of its activities. Having other installations not within security as well is not to be seen as an additional burden, since the installations are fairly similar and does not require any skills in particular. The company is independent of suppliers and has the flexibility to purchase upon demand. On the other hand, not having a contract with suppliers may lead to a lack of continuity, increased prices, and, in the end, an enhanced price to end-user.

After-sales services are in focus and having 20% of the total number of employees. The focus lies on maintaining the customer base and improving the customer relationships. The customer focus, together with the offerings of additional services, such as documentation and registration, is something the customer demands in the future. This can lead to the development of old relationships as well as the establishment of new ones.

Having the focus on the Stockholm area shows a good strategy of focusing on one area and becoming successful within that. Having a solid foundation within the most important area in Sweden provides a good platform for a possible further geographical expansion in the future.

Having publicly governed buildings shows a good list of references that can lead to a better reputation within the industry and hence lead to new customers. However these are not considered as high-risk objects, which would have been preferred. One reason for this could be the lack of focus on security and installation of high technological security products. This can, in return, lead to a lack in acquiring new customers, especially when there are other players that have the ability to provide such a list.

The financial figures of Telehantering show that the company has had a high liquidity at around 1.6. The current ratio of Telehantering is good and has been very good the past three years at around 30%. This shows that the company is very stable and has an excellent ability to handle economic downturns. The profitability of Telehantering was very good looking back a couple years, however the trend is that the return on asset has constantly decreased the past four years and in 2002 the return on asset was a low of only 4.93%.

11.7 YIT Security Unit

Turnover:	MEUR 16.7
No of employees:	100
Type of company:	Installation, Integration
Security focus:	Access, CCTV, Intrusion, Integration
Founded:	Acquired from ABB in 2003
HQ location:	Västerås
Geographical coverage:	All over Sweden

11.7.1 Introduction

YIT is one of the largest construction companies in the Nordic countries with a turnover of MEUR 2900 and more than 22000 employees. YIT Building Systems is the division focusing on installation and construction technology and provides systems for electricity, heat, ventilation, security, and protection. YIT Building Systems has a turnover of more than MEUR 333 and employs over 3000 people in

Sweden. (Affärsdata-Företagsfakta) The Building System unit was acquired from ABB in 2003, increasing the turnover and employees by almost one third. YIT Building Systems operates in the Nordic countries, in Russia, and in the Baltic States.

11.7.2 Organisation

The Security Unit is a non-independent business unit within YIT Building Systems and has sites all over Sweden and also an organisation that serves nation-wide customers, which are given a contact person that coordinates the nation-wide activities. (Karlsson 2003)

11.7.3 Product and Services

YIT's customers consist of all kinds of larger companies and organisations that need the full solution of facility management. (Karlsson 2003) The product portfolio in terms of security products consist of access control, CCTV, and Alarms. The Security Unit sources independently and cooperates with suppliers on a world-wide basis. The Security Unit purchases components, updates them, and integrates them into an integrated system in order to provide the complete solution. YIT Security Unit takes full responsibility for its systems and provides consultancy services, installations, and maintenance in addition to the physical products (Karlsson 2003). YIT Building Systems additionally offers computer communication technologies and computer systems on a local basis.

The security products are compatible with other technical and administrative systems, which gives YIT Security Unit an opportunity to provide customised solutions together with the products and services of YIT Building Systems and YIT.

11.7.4 Competition

The main competitors are Bravida Säkerhet, Nordic Alarm, and Securitas. (Karlsson 2003)

11.7.5 Strategy

YIT Security Unit strives to meet the customer's needs, regardless of whether it concerns a full solution or a delivery in parts.

11.7.6 Key Ratios

YIT Building Systems*	1999	2000	2001	2002
Turnover (MEUR)	350	388	404	354
No of Employees	3000	3100	3140	3010
Liquid Ratio	1.48	1.10	1.19	1.13
Current Ratio (%)	17.94	19.37	18.44	16.19
ROA (%)	8.18	10.73	9.56	-7.10

Source: 1999-2002 Annual Reports, Affärsdata - företagsfakta

* N.B. the figures are for the whole Building Systems unit.

11.7.7 SWOT Analysis

<ul style="list-style-type: none"> ◆ Complete solution of integrated security ◆ Strong parent company, financially strong ◆ Well-established network through parent company ◆ Large geographical coverage <p style="text-align: center; font-size: 2em; opacity: 0.5;">STRENGTHS</p>	<ul style="list-style-type: none"> ◆ Exploit synergies with parent company <p style="text-align: center; font-size: 2em; opacity: 0.5;">OPPORTUNITIES</p>
<ul style="list-style-type: none"> ◆ Security not main competence of YIT Building Systems ◆ Newly acquired unit, integration process not fully completed <p style="text-align: center; font-size: 2em; opacity: 0.5;">WEAKNESSES</p>	<ul style="list-style-type: none"> ◆ Security not a core focus of YIT Building Systems ◆ Security unit not independent <p style="text-align: center; font-size: 2em; opacity: 0.5;">THREATS</p>

One of the strengths that YIT Building Systems security unit has is that they can offer a complete solution of security products in combination with the main activity of YIT Building Systems, which is construction technology and installation of various solutions, such as heat and ventilation. The service is also combined with the parent companies facility management, which gives the customer a more complete service.

Another strength the company has is its size and a well established name, which gives them the opportunity to be able to handle very large projects and large customers. Since YIT building systems have a very well established network this gives the security unit a well founded base to start from. YIT Building Systems

CANDIDATE PRESENTATION AND VALUATION

has a very wide geographical coverage, which enables it to handle projects all over Sweden.

A weakness in YIT Building Systems is that security is not the main competence; hence most customers that are only looking towards security might not choose YIT Building Systems as a security provider. Another weakness of YIT Building Systems is that the security unit is a newly acquired unit from ABB and the integration process has not been fully completed. The fact that the security department is a unit within YIT Building Systems might cause problems in the future, making this department less flexible. The Security Unit runs a risk of being used mainly as a complement and an additional service to the core functions of YIT Building Systems. This is further increased by the fact that the Security Unit is a part of the Building System division and does not have its own resources.

Looking at the financial figures of YIT Building Systems one can see that they have had good liquidity the past years, close to the ideal number of 1. This shows that the company has good control over their cash flow. The solidity of YIT Building Systems has also been very stable with a current ratio lying around 18 % in the past four years. This number shows that the company can handle economic downturns. Looking at the profitability of the company, it has been fairly good with a return on asset at around 9%, however in the year 2002 the company's return on asset went down to a negative -7.1%.

12 Candidate Comparison

12.1 Theoretical Framework

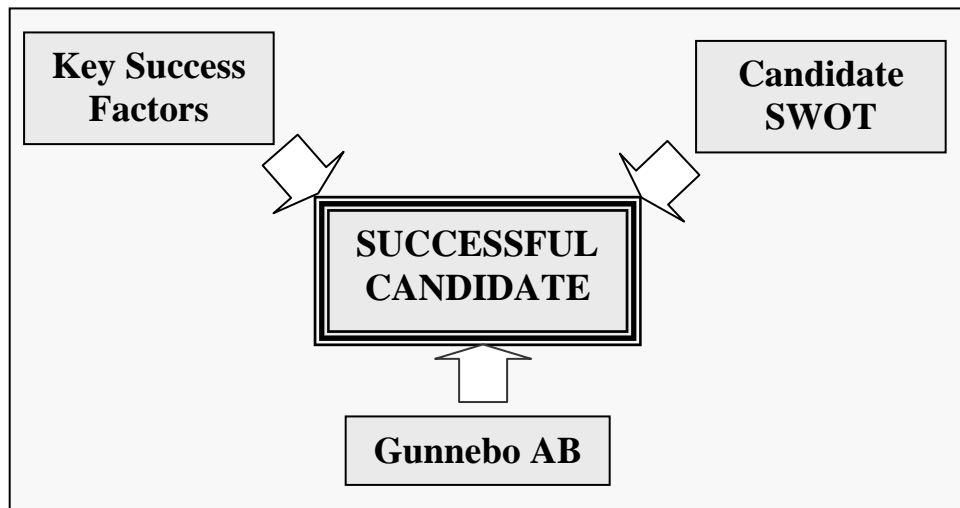
The next step is to compare the candidates with each other in terms of their ability to meet the key success factors of the market

The following factors have already been discussed:

- Key Success Factors of Market
- Candidate SWOT

The matching process will look as follows:

Fig. 12.1



Source: Own

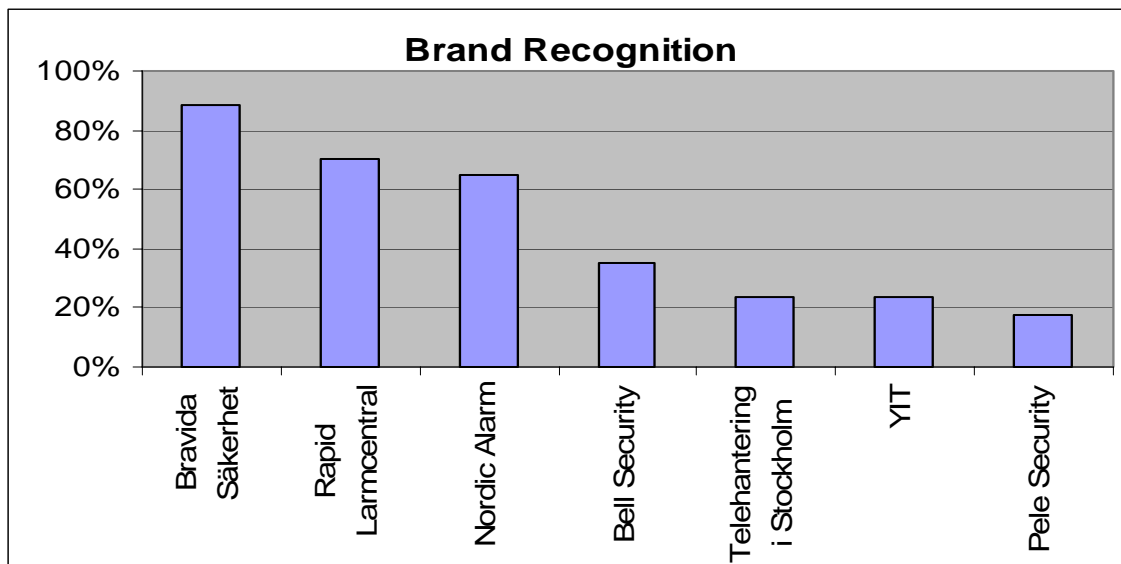
Firstly, the candidates are compared against each other in terms of how they meet the key success factors of the market. Once that is done, and a pattern can be identified regarding how the candidates perform on average, they will be matched with Gunnebo AB and Gunnebo Integrated Security. The candidates are requested to form a platform on which Gunnebo Integrated Security can build a strong position in the market and for future expansion. This represents the Gunnebo AB point of view.

12.2 Brand Recognition

In this section several telephone interviews with potential customers of Gunnebo Integrated Security have been conducted in order to establish whether they are familiar with the candidates. The interviews have been conducted according to a quantitative method. The potential customers consist of larger companies, governmental organisations and airports. The interviewees consist of 17 Heads of Security or Security Managers. They do, by no means, constitute a representative sample but the answers give an indication of the brand recognition of the candidates.

The result of the interviews is presented in figure 12.2 and shows the percentage of interviewees familiar with the candidates.

Fig. 12.2



Source: See List of Reference, Brand Recognition Telephone Interviews

In terms of brand recognition the candidates can be divided into two main categories. Bravida Säkerhet, Rapid Larmcentral, and Nordic Alarm are well recognised while Bell Security, Pele, YIT, and Telehantering i Stockholm have rather low recognitions.

12.3 Matching Process

Based on the information and the company analysis, the candidates will be compared to the Key Success Factors of the Swedish security industry. The comparisons are made in the form of models and/or text. All the companies fulfil the criteria set on the different axes; however, to see which companies are exceptional they have been rated internally. Rapid Larmcentral AB has been excluded in some aspects since it is a monitoring company and hence, due to the uniqueness of its services, it is sometimes difficult to make comparisons with the others. It will be explained in the models if Rapid Larmcentral has been treated differently and, in that case, how.

12.3.1 Price, Personal Relationships

Even though price is to be considered a key success factor it is of less importance in the aspect of a comparison among the candidates. After a possible acquisition the candidate is supposed to distribute and install the products of Gunnebo Integrated Security, which will decide on the level of price.

12.3.2 Certifications

Most of the companies are certified according to various certification and approval methods. Pele is rated the highest in this aspect with approvals according to SUA; RUS 130:6 and the ISO 9001 will be completed during 2003. In addition the company is approved by the police to install alarms.

Telehantering i Stockholm is rated as number two due to its ISO 9001 and ISO 14001 certifications together with its approval for alarm installations by the police department.

Rapid Larmcentral, as the first monitoring centre in Sweden to be certified according to ISO 9001, and Bravida Säkerhet, which are certified according to Alarm class II are tied third.

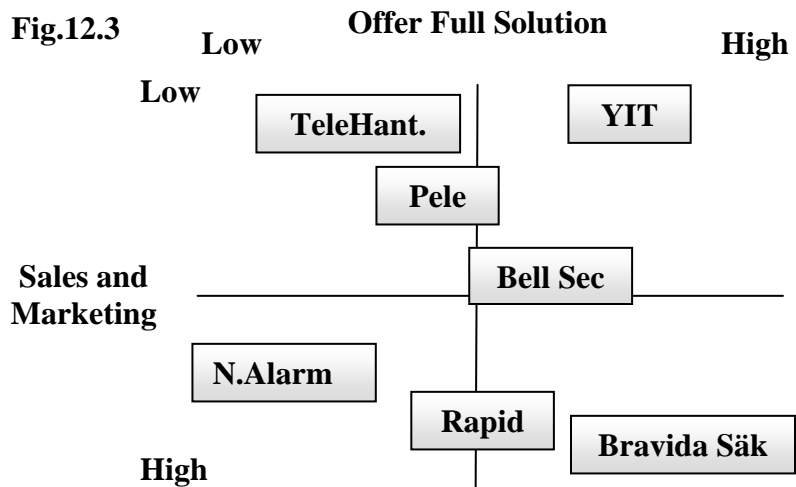
Bell, Nordic Alarm, and YIT Security Unit do not mention anything concerning certifications and hence the conclusion is drawn that none of the companies are certified or authorised according to certain standards.

12.3.3 Sales and Marketing vs. Full Solution

The sales and marketing function of the candidates has its base in the brand recognition. Brand recognition gives an indication of how well these activities are carried out.

First of all, it has to be stated that Rapid Larmcentral is not rated in terms of ability to offer a full solution. This is due to the fact that it only offers one service. Therefore the company is to be seen as neutral in terms of this aspect and has hence been placed on the middle line. In terms of sales and marketing Rapid Larmcentral is very good, and it promotes itself well in the form of visits to trade fairs and advertisements. Today the company is the third largest monitoring company in Sweden and the promotional activities have contributed to this. Rapid Larmcentral only has a turnover of roughly MEUR 0.22, but yet has a very good brand recognition

Bravida Säkerhet has only been present in Sweden for three years but due to its wide coverage its brand name is highly recognised. Bravida Säkerhet benefits a lot from its parent, which is a very large



company within electrical installations in Scandinavia. The large number of residential customers the group has increases the recognition of the company and the brand. Reasons for the well recognised brand are that the company has a good sales force and good marketing. The sales and marketing is done from the eight sales offices, which enables Bravida Säkerhet to cover the whole of Sweden. In addition, the company promotes itself in several industry magazines and in the form of visits to trade fairs. Bravida Säkerhet offers a complete solution in terms of integration and installation of integrated security products

Nordic Alarm has been in the industry for approximately twenty years and, due to specialised products and niche activities, has created a well-recognised brand.

CANDIDATE COMPARISON

Other reason for the well recognised brand is that Nordic Alarm puts a lot of resources into advertisements and being present in trade fairs compared to the other candidates. Due to its ability to specialise, the company loses in ability to offer a full solution. Nordic Alarm focuses on specialised products for high-risk objects and hence lacks in ability to offer a complete solution to all kinds of customers.

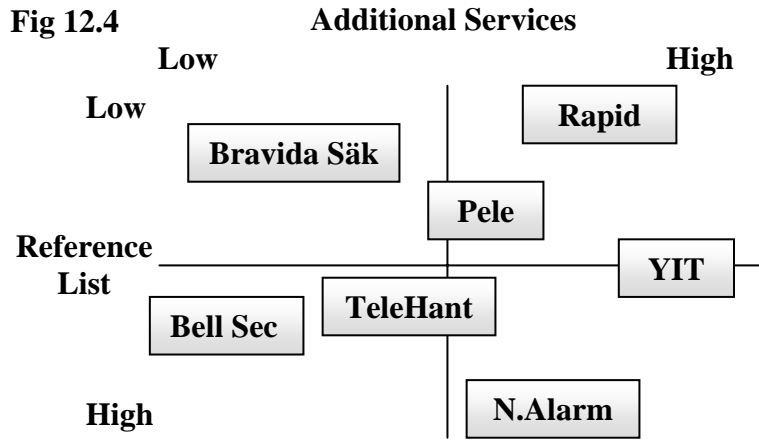
The acquisition of ABB Building System security unit from ABB is very recent and it may not be commonly known that YIT also is engaged in security activities. The brand recognition is still to be considered as low however since most people connect YIT with construction. YIT Security Unit is very integrated in YIT group and YIT Building Systems and hence does not have a sales and marketing function of its own. The YIT Security Unit positions itself highly in terms of its ability to integrate and install complete solutions.

Bell entered the Swedish market in 1998 and this can be the reason for the moderate brand recognition. Bell Security Sverige AB does benefit from the size and reputation the Bell Group has on an international basis as well as the effort that has been put into marketing these past five years, especially advertisements in industry magazines. Like Nordic, Alarm Bell Security Svenska AB is a specialised company. However Bell is not as specialised and therefore has the ability to offer a wide range of products for several kinds of customers.

Pele and Telehantering i Stockholm are very similar in the aspects of sales and marketing. Even though they both only focus on the Stockholm region they have rather low brand recognition in Stockholm. In addition, the companies are not advertising in magazines or present at trade fairs to the same extent as Nordic Alarm, Bravida Säkerhet, and Bell Security Svenska AB. Pele and Telehantering i Stockholm are the two companies with the worst sales and marketing functions in comparison to the other candidates. Pele is rated higher since its expansion strategy is based on sales and marketing. In addition they both have similar product portfolios. Pele's is slightly broader due to its extensive offers of variations and additional product features.

12.3.4 Reference List vs. Additional Services

Nordic Alarm has an outstanding reference list with immense high-risk projects such as the military, the Swedish Air Force, and other organisations that are to be considered as high risk. In addition, it has several retail chains, petrol stations, and well-known companies. Even though R&D, design, and integration is its focus, Nordic Alarm offers a wide selection of additional services. It provides maintenance and risk analyses, and its close cooperation with Rapid Alarmcentral enables a wide selection of additional services.



Bell is similar to Nordic Alarm in the aspect of customer base. Bell has several banks, casinos and other highly recognised organisations on its list of references, but does not reach the level of Nordic Alarm. Bell, however, does not offer the same wide selection of additional services as the other players.

Bravida Säkerhet only offers additional services such as integration and maintenance. This can be compared with Pele and Telehantering i Stockholm, which have more of a focus on maintenance. Pele has a 24/7 stand by service unit and Telehantering i Stockholm has one fifth of its personnel only working with service and maintenance. Pele is also very similar to Bravida Säkerhet in terms of reference lists. They both have all kinds of organisations, real estates, residential, etc, but no high-risk projects. Telehantering i Stockholm, on the other hand, has the police, courts of law, and other governmental and state buildings in addition organisations in all kinds of sectors. This gives the company a rather high rating in terms of list of reference.

Rapid Alarmcentral and YIT Security Unit are the two companies with the most additional services. Rapid Alarmcentral offers, risk analyses and storage possibilities apart from monitoring services. The customer can also receive

CANDIDATE COMPARISON

messages over GSM, the Internet, and the telephone landline and can also be tracked over GPS. For a monitoring centre the size of Rapid Larcentral this is considered very good. However in addition to standard service and maintenance, YIT Building Systems and its Security Unit offer, security training and consultancy activities. YIT Security Unit's customers consist of larger organisations, premises, and facilities. However no high-risk projects are listed.

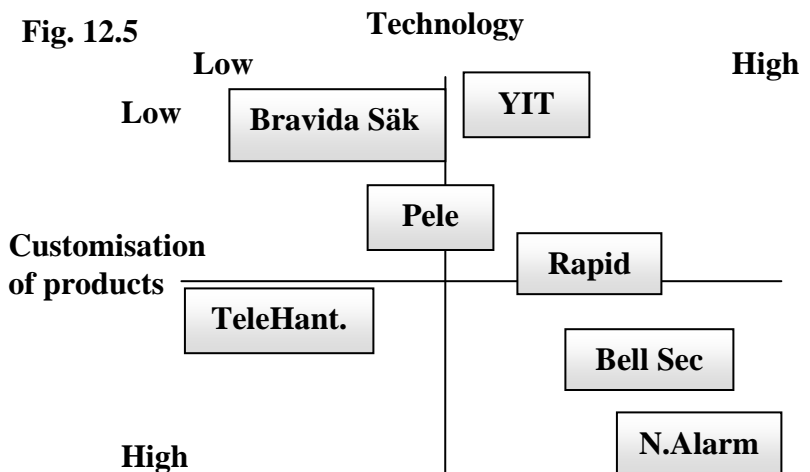
Rapid is considered to be the company with the least impressive reference list. The company has several companies and business as well as residential areas. In addition it has several services focusing on the individual, such as an emergency mobile phone. The customers are usually smaller companies where the individuals are in need of protection.

12.3.5 Technology vs. Customisation of Products

Bell Security and Nordic Alarm are the two companies that have the most technical products to offer and are also the most innovative companies compared to the other candidates. Proof of the high technical standard of Nordic Alarm is that for two years in a row

they have won the magazine Detektor's award for most innovative product. A reason for Bell Security's excellent position in this chart is their own integrated systems developed by Pacom Systems, which is one of the most well-

known systems in the market and used by banks all over the world. Both Bell Security and Nordic Alarm have developed their own products, which gives them a better possibility to customise their offers towards the customers needs.



Telehantering i Stockholm and Pele also have high standards of their products, but due to the fact that the companies are installers they do not have the same ability to customise their products. In addition Pele does not have the human resources to

CANDIDATE COMPARISON

provide a high level of customisation. Bravida Säkerhet is also first and foremost an installer, but has its own integrated system. The technical standard of the product offerings is, still behind the two leading companies in this chart however.

One of the reasons for Bravida Säkerhet AB's lower technical standard is that it has many long term contracts with old suppliers who are lagging behind in product technology. Because of the size and that security is not the main competence of the Bravida Group and YIT their security units have less possibility to adapt according to specific customer needs and hence are less focused on customisation. These two companies have more standardised solutions and hence they are not as good as the smaller, more specialised, companies, such as Nordic Alarm and Bell security, in regards to customisation of products.

Rapid Larmcentral has several product offerings which can be combined and customised in order to meet specific customer demand. In addition, the company is quite innovative and is about to launch a unique product in the market.

12.3.6 Local Knowledge

Since the candidates operate with different geographical focus, local knowledge is put in relation to geographical coverage. Local knowledge has its foundation in the number of sales offices in relation to the geographical presence. This aspect is also closely connected with the sales and marketing function of the candidates.

Bravida has a better local knowledge on a national basis than Telehantering i Stockholm due to its many sales offices. Telehantering, on the other hand, has better customer knowledge in the Stockholm area due to its local focus. Pele is also a company that has only focused on the Stockholm area and therefore the local knowledge in this area is very high, especially since the company has two sites in the region.

Bell Security also has very good local coverage in the Stockholm area due to the location of its headquarter. The aim is to cover the whole of Sweden, but the number of staff makes it difficult to obtain the coverage and local knowledge needed and desired. This might cause it to lose customers in the future.

CANDIDATE COMPARISON

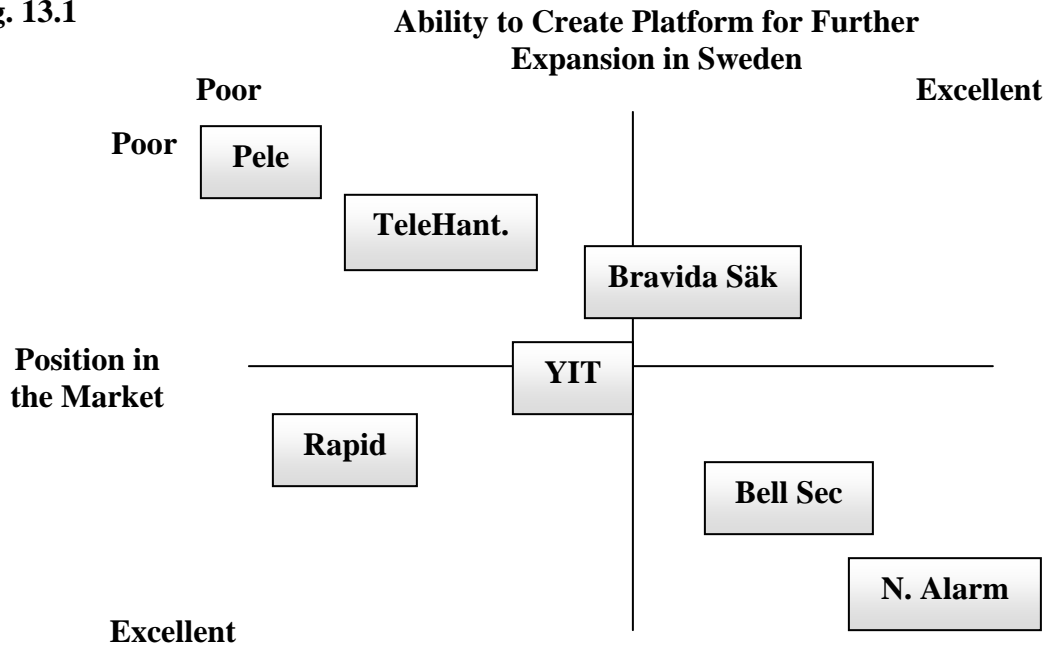
Nordic Alarm also has very good coverage in Stockholm and the company will probably also have a very good local knowledge of Gothenburg in the future due to the acquisition of the Gothenburg based company Teletron. On a national basis, however, the company lacks in local knowledge, mainly due to its size and its specialization within the high risk sector.

Many of the candidates investigated have good local knowledge in the area of Stockholm. YIT and Bravida Säkerhet AB are the only two candidates that have a good local knowledge on a national basis due to the many sales offices they have established all over the country.

13 Recommendations

Hereafter a comparison is made among the candidates on their ability to form a platform for Gunnebo Integrated Security’s future expansion. This is put in relation to their ability to meet the key success factors of the market, i.e. each candidate’s position in the market, as shown in figure 13.1. As mentioned above, they are rated internally in order to establish which of the candidates, or set of candidates, is the most suitable for an acquisition.

Fig. 13.1



Hereafter our recommendation is presented on which candidate/s should be acquired

Our recommendation to Gunnebo AB is to acquire Nordic Alarm and Bravida Säkerhet. With an acquisition of Nordic Alarm, Gunnebo Integrated Security will get a specialised niche competence. Nordic Alarm is the company that fulfils the key success factors the best. The company has a very high technical standard for its products. Proof of this is that the company has won several awards for their highly innovative products. The ability to customise and integrate high technological products gives it a good position for the future. Nordic Alarm also has a very good customer base with several important customers in key industries such as the military and in the banking industry. The company has also had very

RECOMMENDATIONS

good growth the past five years with an organic growth of 20 % each year. This indicates that the company has a very high potential for further growth in the future. Looking at the financial figures it can be seen that Nordic Alarm is a company which has very good stability and the ability to survive economic downturns. The profitability, however, has not been so good, which is an opportunity for Gunnebo AB to exploit in order to get a good price. In our opinion the company also has very stable management with lots of experience and knowledge due to its 15 years within the industry.

Nordic Alarm is a specialised company and even though the company has national coverage it is too small for Gunnebo Integrated Security to form a good base for further growth from a nationwide perspective. Therefore, we also recommend Gunnebo AB to acquire Bravida Säkerhet in combination with the acquisition of Nordic Alarm. With an acquisition of Bravida, Gunnebo Integrated Security will get the width needed to succeed in the Swedish market.

Bravida Säkerhet has a large geographical coverage with sales offices all over the country. The company also has a very large customer base and very good sales and marketing. Another important factor that makes Bravida Säkerhet a good acquisition is its high competence within installation, which we believe is one of the key factors for Gunnebo Integrated Security success within the industry. Gunnebo Integrated Security needs the established network and customer relationships, which Bravida Säkerhet can contribute with.

Bravida Säkerhet has good financial stability, but the profitability has not been very good the past years. Gunnebo AB is known for turning unprofitable companies around, therefore Bravida Säkerhet provides a good opportunity in this aspect. In addition, Bravida could also be acquired at a lower price.

In our opinion, the constellation of Nordic Alarm and Bravida Säkerhet will be the best possible alternative for Gunnebo Integrated Security to enter and expand within the Swedish market. The two companies are an excellent complement to each other. Nordic Alarms represents the depth in terms of their niche competence, specialised products, and good reference list. Bravida Säkerhet represents the width with large geographical coverage, wide customer base, and

RECOMMENDATIONS

high competence regarding installation. By making these acquisitions we believe that Gunnebo Integrated Security will be a very successful player in the Swedish security market in the future.

List of Reference

Interviews

Personal Interviews

Adman, M.B. (2003) Managing Director, Rapid Larmcentral AB, 29.10.2003

Ahlgren, J. (2003) Sales Representative, Bravida Säkerhet AB, 29.10.2003

Borgström, C (2003) Sales Executive Scandinavia, Gunnebo Entrance Control, 30.9.2003

Forsback, I (2003) Sales Manager, Alarm Systems Finland Oy, 16.10.2003

Dimming, J, (2003) Senior Vice President Group Communications, Gunnebo AB, 11.9.2003

Jalo, M (2003) Managing Director, Tele-Projekti Oy, 17.10.2003

Johnsson, U. (2003) Senior Vice President Human Resources, Gunnebo AB, 1.9.2003, 24.9.2003

Karlsson, B. (2003) Sales Representative, YIT Building Systems, 29.10.2003

Koskiniemi, H (2003) former President Aldata Oy, 17.10.2003

Lennen, J. (2003) Managing Director, Nordic Alarm AB, 29.10.2003

Lindberg, F. (2003) Support Technician, Kaba AB, 29.10.2003

Mattson, L (2003) Sales Manager, RCO Security AB, 29.10.2003

Miettinen, T. (2003) Product Manager CCTV, Oy Esmi Ab

Sidén, N. (2003) Support Technician, JNT AB, 29.10.2003

Svärd, L (2003) Head of Security, Ericsson Microwave Systems, 25.11.2003

Wallenberg, L. Executive Vice President, Gunnebo AB, 1.9.2003, 24.9.2003, 11.11.2003

Video Conference Interviews

Driscoll, B. (2003) Vice President Special Projects, Gunnebo Integrated Security Systems, 2003-9-24,

Selosse, C. (2003) President, Gunnebo Integrated Security, 24.9.2003

Telephone Interviews

Andersson, J-O. (2003) Head of Security, Sveriges Riksbank 15.12.2003

Borgström, C (2003) Sales Executive Scandinavia, Gunnebo Entrance Control, 31.10.2003, 17.12.2003

Edsman, P. (2003) Sales and Marketing Manager, Securitas Larm AB, 18.12.2003

Eklund, F. (2003) President, Informationssystem AB, 18.12.2003

Koskiniemi, H (2003) former President Aldata Oy, 10.11.2003

Lindqvist, P. (2003) Head of Security, Kronobergshäktet, 15.12.2003

Persson, T. (2003) Sales Representative, Pele Security AB, 25.11.2003

Walter, L. (2003) Sales and Marketing Manager, Telehantering i Stockholm AB, 25.11.2003

Brand Recognition Telephone Interviews

Andersson, J-O. (2003) Head of Security, Sveriges Riksbank, 15.12.2003

Arvidsson, E. (2003) Head of Security, Karolinska Hospital, 15.12.2003

Augustinius, J. (2003) Security Manager, SEB, 15.12.2003

Axelsson, T. (2003) Security Manager, Posten, 15.12.2003

Bukari, I. (2003) Site Security Manager, Ericsson AB, 15.12.2003

Forsell, G. (2003) Head of Security, Riksdagen, 15.12.2003

Holmgren, B-E. (2003) Security Manager, SAPA, 15.12.2003

Kilström, H. (2003) Head of Security, Huddinge University Hospital, 15.12.2003

Kring, B. (2003) Security Manager, Stockholm University, 15.12.2003

Landman, P. (2003) Security Manager, Riksskatteverket, 15.12.2003

Lesling J. (2003) Head of Security, Grand Hotel Stockholm, 15.12.2003

Lindqvist, P. (2003) Head of Security, Kronobergshäktet, 15.12.2003

Mårtensson, J. (2003) Head of Security, Regeringskansliet, 15.12.2003

Pärlebrandt, L. (2003) Head of Security, Riksskatteverket, 15.12.2003

Söderberg, K. (2003) Head of Security, Alfa Laval, 15.12.2003

Sundblad, R. (2003) Security Manager, Arlanda Airport, 15.12.2003

Thelaus, R. (2003) Head of Security, Socialstyrelsen, 15.12.2003

E-mail Interviews

Borgström, C (2003) Sales Executive Scandinavia, Gunnebo Entrance Control, 7.10.2003, 18.11.2003

Driscoll, B. (2003) Vice President Special Projects, Gunnebo Integrated Security Systems, 2.10.2003, 16.10.2003, 11.12.2003, 12.12.2003

Johnsson, U. (2003) Senior Vice President Human Resources, Gunnebo AB, 8.10.2003

Selosse, C. (2003) President, Gunnebo Integrated Security, 29.9.2003

Wallenberg, L. Executive Vice President, Gunnebo AB, 25.9.2003, 6.10.2003

Printed Sources

Literature

Eriksson, L. T. and Wiedersheim-Paul, F. (1997) *Att Utreda Forska och Rapportera*, Liber Ekonomi, Malmö

Golicic et al (2003) Conducting a market opportunity analysis for air cargo operations, *Transportation Journal*, Summer 2003

Grant, R.M. (2002) *Contemporary Strategy Analysis: concepts, techniques, applications*, Blackwell Publishers Ltd, Oxford

Hallgren, Ö. (1995) *Finansiell Strategi och Styrning*, Ekonomibok Förlag AB, Helsingborg

Hitt, M.A., Harrison, J.S., Ireland, R.D. (2001) *Mergers and Acquisitions – A Guide to Creating Value for Stakeholders*, Oxford University Press, New York

Holliwell, J. (1997) *The Financial Risk Manual*, Financial Times Management, London

Kirk, J. and Miller, M. L. (1986) *Reliability and Validity in Qualitative Research*, Sage Publications, Beverly Hills, Cal

Mathur, S.S. and Kenyon, A. (1997) *Creating Value – Shaping tomorrow's business*, Butterworth-Heinemann, Oxford

Merriam, S. B. (1998), *Qualitative Research and Case Study Applications in Education*, Jossey-Bass Publishers, San Fransisco

Miller, B. (1994) *Mergers & Acquisitions*, John Wiley & Sons Inc., New York

Patton, M. Q. (2002) *Qualitative Research & Evaluation Methods*, Sage Publications, Thousand Oaks, Cal.

Porter, M.E. (1998) *On competition: A Harvard Business review book*, Harvard Business School Publishing, Boston

Porter, Michael E. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York

Porter, Michael E. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York

Pratt, S.P., Reilly, R.F., Schweihs, R.P. (1993) *Valuing Small Businesses and Professional Practises*, Business One Irwin, Homewood, Il

Rankine, D. (2001) *Why Acquisitions Fail – practical advice for making acquisitions succeed*, Pearson Education, London

Rock, M.L., Rock, R.H., Sikora, M. (1994) *The Mergers & Acquisitions Handbook*, McGraw-Hill Inc., Washington D.C.

Sherman, Andrew, J. (2003), *Fast-Track Business Growth*, Kiplinger Washinton Editors Inc. Washinton, USA

West, T.L., Jones, J.D., (1997) *Mergers and Acquisitions Handbook for Small and Midsize Companies*, John Wiley & Sons, Inc. New York

White, G.I., Sondhi, A.C., Fried, D. (1994) *The Analysis and Use of Financial Statements*, John Wiley & Sons, Inc. New York

Yin, R. K. (1994) *Case Study Research – Design and Methods*, Sage Publications, Thousand Oaks, Cal.

Journals/Magazines

Ahmed, Nasim (1999) Analysing market competition, *The Independent*, 20.11.1999

Aktuell Säkerhet, 2002, No1

Aktuell Säkerhet, 2002, No2

Aktuell Säkerhet, 2002, No4

Aktuell Säkerhet, 2003, No1

Aktuell Säkerhet, 2003, No4

Alexandrie (2003) Editor-in-Chief, *Detektor International*, No 3 Sept 2003
Detektor International, No 3 Sept 2003

Golicic et al (2003) Conducting a market opportunity analysis for air cargo operations, *Transportation Journal*, Summer 2003

Jekert, B. (2003) Säkerhetsbranschen Blickar in i Framtiden, *Aktuell Säkerhet*, 2003 No4

Kastensson, B. (2003) Magazine Interview, Aktuell Säkerhet, 2003 No4

Lindsten, Per-Olof (2003), Porträtt: Bjarne Holmqvist – Gunnebo Expressen, *Veckans Affärer*, September 8, 2003

R.R. (2003) Security Sector Secures Higher M&A Values, *Mergers & Acquisitions Report*, Vol 16, No 33, August 18, 2003-09-07

SAF-Tidningen, March 2000

Valentin, E.K. (2001) SWOT Analysis from a Resource-Based View, *Journal of Marketing THEORY AND PRACTICE*, Spring 2001, pp54-69

Annual Reports

Bell Security Svenska AB Annual Report 2002

Bravida Sakerhet AB, Annual Report 2002

Gunnebo Annual Report 2001

Gunnebo Annual Report 2002

Nordic Alarm AB, Annual Report 2002

Pele Security AB, Annual Report 2002

Rapid Larmcentral AB, Annual Report 2002

Telehantering i Stockholm AB, Annual Report 2002

Zenita AB, Annual Report 2002

Company Brochures

Gunnebo Global 2001, No2

Electronic Sources

Company Websites

www.bellsec.se, 1.9 – 19.12.2003

www.bewator.se, 1.9 – 19.12.2003

www.bravida.se, 1.9 – 19.12.2003

www.bravidasakerhet.se, 1.9 – 19.12.2003

www.falck.se, 1.9 – 19.12.2003

www.gunnebo.se, 1.9.2003 – 19.12.2003

www.nordicalarm.se, 1.9 – 19.12.2003

www.pele.se, 1.9 – 19.12.2003

www.rapidlarmcentral.se, 1.9 – 19.12.2003

www.securitas.com, 1.9 – 19.12.2003

www.securitas.se, 1.9 – 19.12.2003

www.sibt.se, 1.9 – 19.12.2003

www.siemens.com, 1.9 – 19.12.2003

www.solid.se, 1.9 – 19.12.2003

www.telehantering.se, 1.9 – 19.12.2003

www.timelox.se, 1.9 – 19.12.2003

www.yit.com, 1.9 – 19.12.2003

www.yit.fi, 1.9 – 19.12.2003

www.zenita.se, 1.9 – 19.12.2003

Other Websites

www.sakerhetscentrum.se, 1.9 – 19.12.2003

Databases

Affärsdata - Företagsfakta