



PREMIUM

Kampen om bankdatorerna: Den okända historien om svenska Philips fall

Så här gick det till när svenska Philips Data Systems blev ledande på bankdatorer, för att sedan falla tungt på grund av tre avgörande misstag.



PREMIUM

En lucka i urberget döljer Sveriges normalhöjdpunkt



PREMIUM

”Statsfiendens” forskning gav grundstenar till Poliovaccinet

TEKNIKHISTORIA

The battle for bank computer markets: The unknown story of the rise and fall of Philips Sweden



Few companies managed to compete with IBM in selling bank computers. But that is exactly what electronics giant Philips' Swedish operations did – almost by accident.

This is the story of how Philips Data Systems became the leader in banking computers, then fell hard due to three crucial mistakes.

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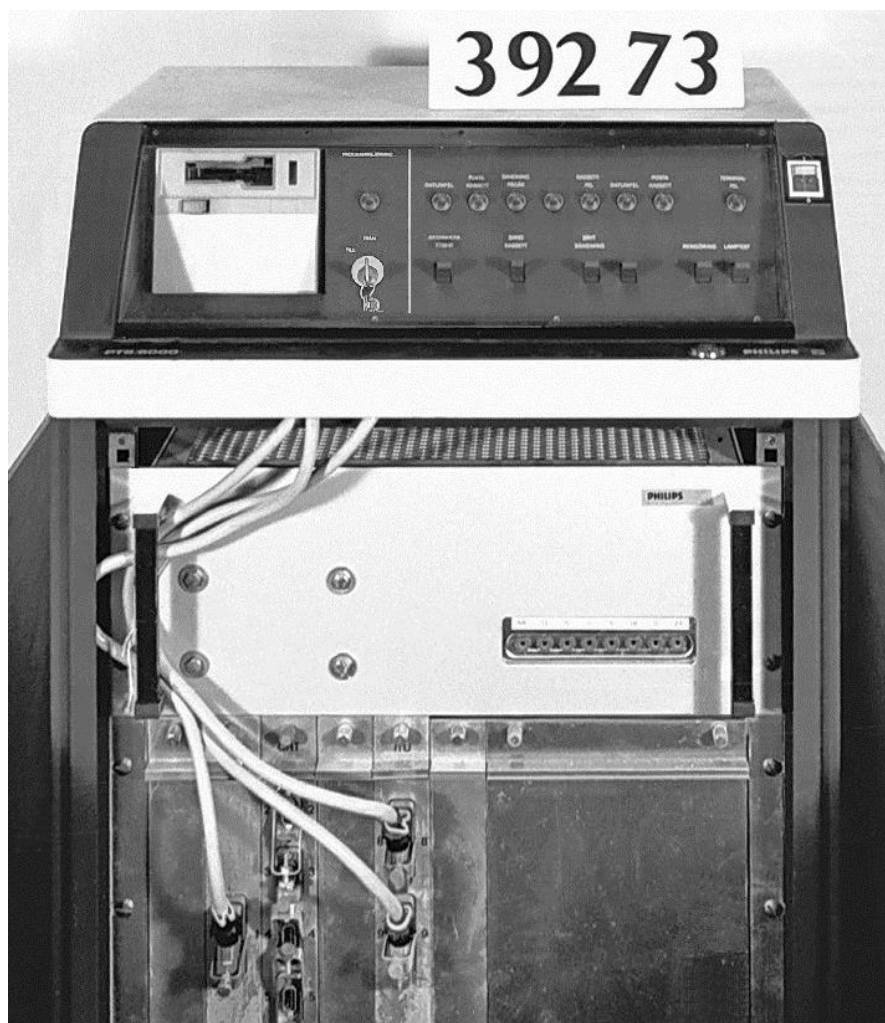
There are probably only a few people who know that the Dutch electronics giant Philips was once the world's largest in banking computers. Behind the success was a group of engineers and developers at the company's Swedish operations in Järfälla.

– Just like the parent company, Dutch Philips, the Swedish operation started with selling light bulbs and then grew rapidly. Philips Sweden was founded in 1919 and rather soon started its own light bulb factory in Stockholm together with Osram, says Mats Danielson, professor of computer and systems sciences at Stockholm University.

Mats Danielson is the author of the book [The Rise and Fall of Philips Data Systems – A major European computer industry](#). It is based on a wealth of company facts in combination with around fifty interviews with people who worked at, or had insights into, Philips Sweden.

Fast growth in defence technology

Philips' Swedish subsidiary entered more and more markets, and the premises in Stockholm time and again became too small. Among the parts that grew rapidly were the divisions that developed surveillance systems for the Swedish Armed Forces – and computers. The investment in bank computers arose by chance when in 1969 Philips bought the company Arenco Electronics, which had the contract to build Handelsbanken's bank computers but was unable to carry out the project.



*This is the very first Philips PTS 6110 computer model installed at Handelsbanken...
TEKNISKA MUSEET*



... and the peripherals, so important to Philips, for the same computer.
TEKNISKA MUSEET

The Philips engineers quickly discovered that the intended construction of the bank computer was too costly. It could be made smarter, they realised. At the same time, they saw the potential in building a reliable solution in the times that prevailed, where Swedish banks had opened their eyes to the possibilities of digitalisation.

– They also realised that there was no point in competing with the computer giant of the time, IBM, to build large computers, or to enter their American home market. Instead, Philips Sweden decided to invest specifically in banking computers, which was a niche, and do it really well, says Mats Danielson.

Quickly known for being operationally reliable

But the bank computers themselves were not really technological marvels capacity-wise, notes Mats Danielson.

– The capacity of the computers that Philips Sweden constructed was neither better nor worse than others at the time, but the construction was done in a very skilful way. Philips computers quickly became known for being very reliable. And the banks could afford them, they didn't have to buy the cheapest on the market, but could buy what worked without problems and interruptions.

During the 1970s, Swedish bank offices were among the most computerised in the world, and Philips Data Systems was the largest supplier.

– In Sweden, they soon had contracts with all Swedish banks except Sparbanken, which had Datasaab's system, and SE-banken, which bought German Nixdorf. Soon Philips was the largest in Europe in bank front-office computers.



*Philips' Swedish operations entered more and more markets and outgrew their premises again and again. Here the office in the Veddesta industrial area in Järfälla.
LARS GUSTAFSSON/JÄRFÄLLA KOMMUNS BILDARKIV*

Three crucial mistakes

Then came the fall.

– The head office in the Netherlands decided to gradually centralise operations in the early 1980s, says Mats Danielson.

Suddenly, the decisions were made by people who had no idea what was required to maintain the trust of the banks and at the same time top quality.



*Philips ATM machine.
PER IVAR LINDEKRANTZ/TEKNISKA MUSEET*

Some time later, the Swedish operations were further eroded, when the Philips group decided in 1987 to spin off the part that worked with military technology – which was sold to Bofors. That closed the possibility of collaborating on development issues between the Swedish divisions.

What Mats Danielson counts as the third mistake was a wrong centralised decision in a technology shift in the early 1980s.

– Then the 16-bit computers were no longer enough, more powerful computers were needed. Philips decided to invest in developing a single computer model that would work across all areas, from traditional computing to process control and bank offices, even though the success of the bank computers was largely due to the fact that they were purpose-built.

Banks increasingly nervous

The development of the new computer model took time, and once it was finished, manufacturing in the Netherlands was very expensive.

– Now the banks started to get nervous. During the technology shift, Philips Data Systems no longer had anything to sell, and the bottom line got redder and redder. In the end, the Philips group had eroded its entire market in bank front-office computers, says Mats Danielson.

In 1991, what was once a leading competence centre in Europe was sold to Digital Equipment. The success story of Philips Data Systems Sweden was over.

FACTS

Philips timeline

The history of electronics giant Philips began in **1891** when Gerard Philips and his father Frederik started light bulb manufacturing in Eindhoven, the Netherlands. Ten years later, the company was Europe's third-largest manufacturer. As time went on, new branches of development emerged, from radio tubes to radio and television sets – and from **1963** also computers.

As early as **1919**, the first Swedish office was established and four years later Svenska Philips was formed with 40 employees at the time.

In **1925**, a Swedish branch was started that produced neon signs: Philips Neon.

In **1932**, Philips and Osram started a light bulb factory in Stockholm.

In **1953**, Philips Teleindustri was formed, which manufactured communication equipment and radar for, among others, the Swedish Armed Forces.

In **1969**, Philips acquired Swedish Arengo Electronics and with that company the contract to develop bank terminals for the Swedish bank Handelsbanken.

In **1975–1985**, Philips Data Systems Sweden had the largest market share in Europe in banking computers, as well as over 20 percent of the world market.

From **1980**, the Swedish business lost more and more of its self-determination as decisions were centralised to Philips' headquarters in the Netherlands.

In **1991**, the computer business was sold to Digital Equipment.