

# FOUR SIDES

Modesty—Morlas—Artistry—Confidentially

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## GOOD AND BAD ADVISORS/SUBSUPPLIERS

**A** long life in the M&A and strategic management consulting businesses has underlined a certain knowledge. Suppliers of services as well as of products can be of good or bad quality. You can find bad lawyers, technical, management and other consultants, bankers etc. as well as you can find products with low quality.

Bad advisors gives you bad results. But it is a two parts game. With unskilled, unknowledgeable, lesser intelligent clients there is also a risk for bad results.

Let me give you two examples from Sweden:

The first is Karolinska University Hospital. When the new hospital building should be built the political management of health care in the Stockholm region – who is governing KUH – decided that they should also have a look at the organisation so the new building should suit an eventually new organisation. They brought in Michael Porter and the consultants he cooperated with. He had formulated a new theory on how to organize health care called “value based care”. The total billing was over 200 million Euro and the results were a catastrophe. Things have to be reversed, the new building had to partly be rebuilt and many people got fired. The essence of the idea was that the care should be organized in entities focusing on narrow defined diseases, so the personnel could specialise and become world class in the care of this disease and most cost effective in the world.

What went/was wrong:

1. Most of the patients at the hospital have several diseases so they fell between the different firm defined organizational units and had to be transferred between units several times with a cost and confusion and frustrated doctors and nurses.
2. The architecture was wrong even if the organisation had been fully implemented; it did not at all fit the logistics needed to get things rolling or had the right design of the spaces.
3. Neither the doctors nor the nurses where involved in the process to design the new organization or the new building. It was basically a process between the politicians and the consultants.
4. The politicians were totally unqualified to judge the excellent presentations that the consultants did – they were overwhelmed.

The second example is the Swedish Cooperative (KF/COOP) – a member governed organisation totally dominated by the Swedish Socialist Party. Their businesses are basically food retail, logistics and some real estate. Before they also had food production but have to sell that due to bad performance. Their

main competitor is also a cooperative but based on independent local entrepreneurs that are running one or a couple of food retail stores (ICA).

KF/COOP has been the largest client for one other big American consultancy firm for many years. KF/COOP has never performed but ICA has been a success story.

What went wrong:

1. The consultants’ job and the decisions were all top down. It was the Board and the top management who took all decisions. The organisation was not involved. The consultancy’s presentations were excellent but had no contacts with realities as of course not the recommendations.
2. The Board and the members were much more politicians than businessmen or women and many of them had very little knowledge or education.

Our philosophy has always been that consultancy project have to be part of a process where you involve the organisation whether you are changing/developing your strategy or doing a merger. Furthermore, you must have a staff in the consultancy company that is not too young and that do have operational experience as Managing Director, Division Head or other relevant experience.

As a buyer of consultancy services you have to investigate the quality and experience of the consultants carefully and you have to see that you as a buyer have staff that can be a professional interface to the consultants.

Talking about experience: When NUH decided to go for “Value Based Care” it had not been implemented anywhere in the world!

See also the interview with Lars Kylberg.



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# LISTEN, LEARN, DON'T INTERFERE



**Lars Kylberg has been CEO for SAAB-SCANIA, ALFA LAVAL, INCENTIVE and worked for ASEA in Iran, Colombia and South Africa among other things. Lars is a member of Lagerkvist & Partners' Advisory Board and Chairman of the Board since long.**

**Four sides:** You have been very successful during your professional life. What is the key to run large corporations in your perception?

**Lars Kylberg:** When you are coming as a new CEO the most important thing is to start listening to many people on different levels in the organisation so you deeply understand what they are doing and how they are thinking. Do not interfere with directives and orders until you know what is going on. Instead talk with people and encourage them to implement the ideas they have that you think are good. This creates an ownership and a motivation – “the CEO encouraged me to implement my ideas” – which increase the development of the company more than you can imagine.

**FS:** And when you want a large corporation to develop, to increase productivity, to focus on the right things?

**LK:** Fundamentally crucial is to see to that all people in the Company becomes part of the process – and I mean all people from top to bottom. Then the employees understand which the goals are and how the road look like to get there.

**FS:** What have made the Swedish engineering industry so successful, for example Scania?

**LK:** From the beginning the engineering industry was organized in different entities like production, development department, sales and marketing, purchasing etc. Now it is organized as a process where all people take part in an integrated process. The perspective has also turned. You start from the market. Which are the key priorities for your customer. For Scania it was crystal clear. The truck shall be as efficient and reliable as possible and as cost efficient for the fleet owner or Contractor as possible. The truck is his working “factory” – or tool - that shall make it possible for him to work, survive and earn money with a profit. Before, many industries were

very technically oriented. As long as you produced an excellent product technically the perception was that then will the customer buy it. This is why trucks and cars are totally different animals.

**FS:** You have seen many mergers and been part of some. There have been many efforts to consolidate different businesses. There was a try to merge Volvo and Scania for example which failed. Should that had been a good idea?

**LK:** To bring together two companies or two brands in the same business which are of approximately the same size is very difficult. There are very different cultures, although the companies are in the same business. That was also the case with Volvo and Scania. It would very probably have been a great failure if the two companies had merged. And I am sure their joint market share had not increased; it would had diminished. Take the example with Iveco. They had decided to expand their truck business through acquisitions. They had at that time a market share of 8 %. They acquired several companies with the ambition to increase their market share substantially – two to three times. It failed. The joint company lost market share and ended up at 12 % and a lot of losses.

**FS:** You have worked, even if it was a long time ago, in Iran. Our perception is that this country has a large potential and the agreement that Obama sealed with Iran and others was an interesting new start. We started in Iran 2016 and were very optimistic. What is your opinion today?

**LK:** Persians, the Iranian people, are intelligent, well-educated, and smart. But first of all they are entrepreneurial. When I worked and lived in Iran I got a positive perception of the Iranian people and their potential. It is a complicated situation today and has been like that in the region since long. This will not be solved by embargoes and other hindering measures. Trust and treaties are the only ways which

*“I don't regret what I have done in life, what I regret is what I haven't done*

could bring the progress to the Iranians they so well de-serve.

**FS:** You also worked in Latin America, in Colombia. Which is your perception of this continent?

**LK:** It is a fantastic continent. I worked for ASEA in those days. We liked it very much there. Also, during my time in Saab-Scania and in Alfa Laval we worked a lot there. Colombia is a very nice country with nice and excellent people. Also, Chile and Peru are good countries. It is very sad that Venezuela has gone down the drain. It is so sad that a socialistic experiment and a one man show has destroyed the country. Before, Colombia, Venezuela and Ecuador were very close and worked efficiently together as they were/are very similar in their mind set, in their thinking and how they behave. I really hope Venezuela will come back. Considering the other countries, they will continue to develop in good order. I am more sceptical to Argentina and Brazil. Argentina has all the prerequisites a country can have and still they can never make it although you shall be aware of the fact that the big farms continue to do well and seem to keep the country afloat. Brazil is difficult and has always been difficult and I hope the Andean pact will hold together.

**FS:** After a long life in business, have you seen a change in the contacts and the communication with the different governments in Sweden?

**LK:** Yes. Before, we could have much more informal communications and contacts with members of the government. We could meet them and socialise with them and inform about our concerns and also get to know them. Now that has deteriorated partly because it is more difficult but also because the knowledge politicians have about business life is far less than before.

**FS:** A question linked to this is the impact of the Swedish Business Association (Svenskt Näringsliv).

*“Brains are an asset if you hide them.*

Mae West

*“You only live once, but if you do it right, once is enough*

Mae West

It seems to have little impact on the public opinion and has problems to handle their own organisation. What is your opinion?

**LK:** It was wrong to merge the negotiating organisation for salaries and other terms for the employees (SAF) and the organization for public opinion questions for Swedish Businesses (Industriförbundet). These are two very different tasks. I think it will be much better if the organisation is divided into two again. Then the impact on both fields will increase substantially.

**FS:** Finally, are you optimistic or pessimistic for the future of Swedish businesses, are you optimistic or pessimistic for the future of Sweden as a country?

**LK:** Since I have been working in Swedish industry both internationally and nationally for more than 30 years, I know what Swedes are capable to accomplish. I have always been an optimist and I think I have very good reasons to stay an optimist.

## FOLLOW THE MONEY – CLIMATE AGAIN

**W**e have written a lot about the climate in Four Sides before. To understand the strength, the opinion has become that we can draw parallels to when AIDS was discovered in 1982. At that time, all who got AIDS died. Money

was pouring into AIDS research, so it was attractive to have an AIDS angle in your application for funds. The same has happened with the climate. The scenario from many is here that we will all die if we do not dramatically change. This has created a boom in research applications that have a climate angle in it.

*“I wrote the story myself. It's about a girl who lost her reputation and never missed it*

Mae West

Most of the outcome of this research has NOT confirmed that we have lethal dangerous global warming that will kill us all and that the reason is CO<sub>2</sub>. Most of the researchers are not corrupt even if they have a climate angel in their applications. However, IPCC is not telling the truth.

According to IPCC, 11 944 scientific papers confirms that man-made CO<sub>2</sub> -emissions cause global warming. However, at a closer look, 97% of these papers conclude that there is a link between CO<sub>2</sub>-concentration in the atmosphere and temperature and that human activities in some extent generates CO<sub>2</sub>-emissions. Only 41 papers out of 11 944 state that there is a clear link between man-made emissions and an increase in temperature. That represent 0,3% of the papers. The information from IPCC is hence misleading.

Today's atmospheric CO<sub>2</sub>-concentration is historically low, even from a 500 million years perspective. During the Cretaceous and Jura period when the dinosaurs roamed the Earth, the CO<sub>2</sub>-concentration was much higher than today. This period was characterized by a rich diversity of species.

Even from a shorter time perspective, there is evidence that the Earth's temperature has varied with-

“An ounce of performance is worth pounds of promises.

Mae West

out human interference. Some examples are the warm period during the Viking Age and the “Little ice age” that lasted from the 1300-hundreds until 1870. These two documented periods were present in the charts in the IPCC-report in 1990. However, these periods were omitted in the report of 1995. According to IPCC because their presence would weaken the message about Global Warming. All this was uncovered when the Russian company Tomline, by mistake, received mails in their servers that contained correspondence between British and American climate researchers linked to IPCC.

To recapitulate, higher temperature leads to higher concentration of CO<sub>2</sub> in the atmosphere, not the other way round. Then, higher concentrations of CO<sub>2</sub> lead to more biomass growth since CO<sub>2</sub> is a building block in the photosynthesis. IPCC has hence reversed cause and effect and omitted the positive aspects of CO<sub>2</sub>.

## WORLD POPULATION WILL SOON DIMINISH AND THE PROCESS HAS STARTED

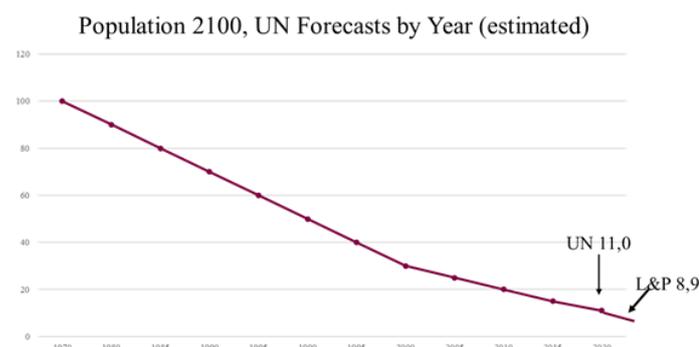
United Nations did 1970 a forecast that World population the year 2100 should have grown to 100 billion people. Since then UN has successively cut down the forecast and is now saying that the population the year 2100 will be 11 billion people. We think it will be lower, maximum 8,9 billion. See the graph below.

48 nations are diminishing in population already today like Japan, Italy, Korea, Spain and most of Eastern Europe. “We are a dying nation” said Italian Health Minister Beatrice Lorenzin 2016. China had most people in the work force 2010 and is in a couple of years starting to go down in population. Brazil and Indonesia will start losing population 2040-50,

India round 2060. And so it goes on.

The real problem we are facing is how we shall be able to have enough work force to continue to produce and grow. More robots, AI and other innovations and developments are therefore very good for the Earth. Lack of work force is already a big problem in most parts of the world. But for example, Japan has been able to continue to grow although the population has gone down for a long time. We are optimistic – the world will fix it. There is no population boom and poverty will have disappeared from earth by 2030 based on UN forecasts i.e. no people living under the poverty boarder of 2 USD per day by today's measures.

Source *EMPTY PLANET* by Darrell Bricker and John Ibbitson and L&P research.



“He who hesitates is a damned fool

Mae West

# THE WORLD USES LESS RESOURCES – PRODUCING MORE

Until the mid-1990- ties the use of raw material, energy, water etc. was increasing in the same pace as our economies were growing. That is not the case anymore. We are getting more from less.

The world has on average grown its GNP with 3-4% since the mid-nineties but the use of raw material has gone down substantially. We are here talking of a decrease with approx. 25%.

Have a look at the graphs below. The world is becoming a better and better place.

Population growth has been increasing more and more rapidly. It took 200 000 years for the population to reach 1 billion, 125 years to reach 2 billion, 31 years to reach 3 billion, 15 years to reach 4 billion, 12 years to reach 5 billion, etc. During this time we live longer than previous generations. All depends on ever better living conditions.

Source: Andrew McAfee *More from less* and L&P research

“It is not the men in your life that matters, it’s the life in your men

Mae West

“You are never to old to get younger

Mae West

