

FOUR SIDES

Modesty - Morals - Artistry - Confidentiality

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Issue 1, 2001

THE MESSAGE

Europe's Unexplored Corner

There are few markets left in the world where there has not been an attempt to penetrate. This applies even more so in Europe. The former Yugoslavia has however been Europe's unexplored corner. Because of political risks, inaccessibility, war, etc., it has neither constituted a market nor has it been possible to gain insight into. Now the situation is different. Here it is the "fast mover and first mover's advantage" that counts.

Lagerkvist & Partners started its office in Croatia two years ago. It has been developing strongly since then. Today, we work with several large organizations in the region and with those who are interested in coming in. The situation in the former Yugoslavia reminds me very much of the situation in Chile in 1990. Chile was considered unstable, too far away, and politically infected. It was at this time that we started our office there. The only poor assessment we made, despite the fact that we were very optimistic; was that development was much more positive than we originally thought it would be.

The value of the Chilean stock exchange has increased more than thirty times since 1990. Development in the country, as well as in the region, has been very positive. Our office was located in Santiago until 1995. Today we have an office in the region where we service local and regional companies, as well as European and American companies with stakes in the region.

As for Croatia and the former Yugoslavia, the feeling today is exactly the same as the feeling in Chile in 1990. Slovenia is already accepted and has been for a long time now, but uncertainty is inherent in the other states. Croatia has long been known as a very dynamic country with industrious inhabitants.

The difference between Chile in 1990 and Croatia and the former Yugoslavia 2000/2001, is that I think it will go much quicker now. There is an existing infrastructure of good organizations in place and a highly educated and civilized population.

If one strolls through bombed-out Sarajevo, it is fantastic to see how quickly it is being rebuilt. There aren't any of the well-known trade names such as Prada, Escada, Armani, etc. that don't have boutiques in the city.

It is my hope that more Western European companies will realize the potential and quickly begin to invest. We have also learned to handle the political risks that we today assess as being relatively small even if they do, of course, exist.

Magnus Lagerkvist
Executive Director
Lagerkvist & Partners

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Our Four Sides

MODESTY

in the Company's approach to an assignment and with respect for the client's own expertise

MORALS

in the form of loyalty to the client and strict focus on the client's long-term development and profitability

ARTISTRY

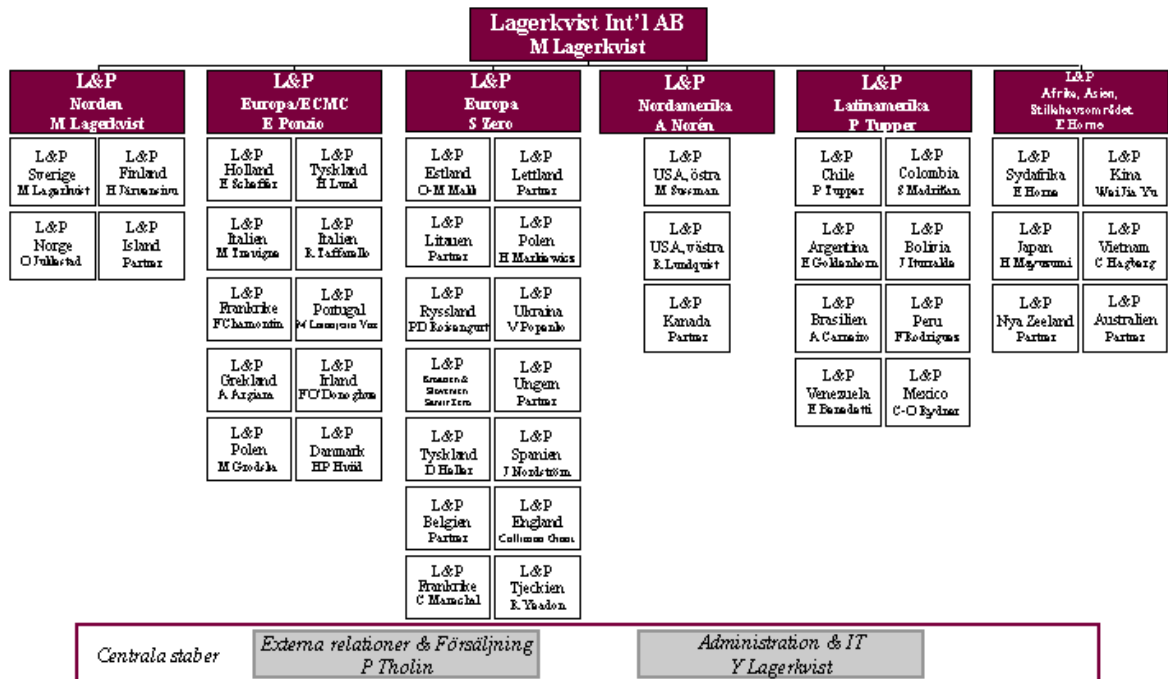
through efforts to provide innovative solutions that give the client a position of leadership

CONFIDENTIALITY

in the Company's approach to an assignment and with respect for the client's own expertise

Lagerkvist's Global Market Organisation

We will present Lagerkvist International's Global Market organisation once again because there has been some changes made. We have strengthened several areas and new managers have been appointed. Feel free to contact them directly or through our office in Stockholm. As before, our activities are global strategy, implementation, marketing and advertising.



Never confuse movement with action.

Ernest Hemmingway

The battle is in the details.

Magnus Lagerkvist

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The Terrific Journey – Interview with Ove Mattsson

During the last decade, Ove Mattsson has been one of Sweden's most successful business leaders. When he became manager for Casco in 1978, the company had a turnover of SEK 300 million. When he retired last year as CEO of Akzo Nobel Coatings, the paint company had a turnover SEK 50,000 million and an operating profit of SEK 4,000 million. It has been a fantastic international journey resulting in one of the world's leading paint companies. In the meantime, Ove Mattsson also found the time to be CEO of Nobel Industries for a couple of years in the beginning of the 1990s. He carried out a thorough reconstruction of the company, selling the chemical and paint operations to Dutch Akzo. Today, Ove Mattsson is in a number of Swedish and foreign boards, and is a new member of Lagerkvist & Partners' Advisory Board.

Four Sides: How have you managed to achieve such fantastic expansion while maintaining profit?

Ove Mattsson: Fairly well managed, the paint industry is relatively profitable. Our objective has been to grow via acquisitions. The difficult thing is to grow and to complete the integration without too much turbulence. However, we have seldom gotten in over our heads.

FS: How many companies have you bought?

OM: If I also count buying all of the small companies, formation of joint ventures, and sales; we are somewhere between 150 - 200 transactions.

FS: What is the most important when one buys a company?

OM: You must have a clear understanding of what you want to achieve with an acquisition. Once you complete a few, you learn from the most elementary mistakes. Since we started out so well, we just kept on going. If the buying process takes a little time it is easiest. It gives you a chance to get to know the company you want to buy before the sale is final. Preferably, the ones who take care of the acquisition should also be the ones who manage the acquisition process because it gives you the ability to prepare the integration tasks much better.

FS: How do you make it through the integration process?

OM: To know what you want and then to behave in such a way as you yourself would want to be treated during an acquisition. In addition, you must keep a sharp eye out for conflicts, and a sharp eye out in those areas in the acquired company where uncertainty can begin to spread. In other words, acquisitions require a pretty high EQ within the company doing the buying.

FS: What is the difference between international business and the Swedish perspective?

OM: International focus. There is not any room for management to spend a substantial amount of time on local buy-in on the home front. Management must have an international heart that beats for everything that is good for the business regardless of where it is. This requires leaders who feel secure in an international environment and can live with not receiving much attention from the home organization.

FS: Is Sweden oblivious of international developments or are we on top of things?

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OM: We are hanging in there. The relatively open and reasonably democratic management style probably has a future. We have, out of tradition, many international organizations and our membership in the EU forces us to constantly be reminded that globalization is progressing. Even if there are many people who appear to want to stop this trend, there is much that indicates that our well-being is completely dependent upon how successfully we can take part in globalization. It is, after all, much easier for small countries to adjust to changes than it is for larger ones.

FS: What do you think about EU and EMU?

OM: I have a very strong intuitive feeling that Europe needs the EU to be able to assert itself in the world, for example towards the USA; and the negative aspects of Europe's national states is being slowly broken down. For me, EMU is a necessary practical solution - changing currency every time you travel within Europe is not that good. EMU forces a more uniform economical and political thinking upon Europe and thinking in Euro instead of the Dollar is good for our self-confidence.

FS: Are you optimistic about the future?

OM: Life is too short to harp on nightmare scenarios. I believe that we have a good possibility to influence our future. But of course there are risks that it can go very wrong. In many ways man really is not capable of knowing what is good for him..

Everything should be done as simply as possible, but no simpler.

Albert Einstein

All great truths begin as blasphemies.

G.B. Shaw

It is better to travel hopefully than to arrive.

L. Stevenson

You know children are growing up when they start asking questions that have answers.

J. Plomp

The Dinosaurs will be the Web-Economy's Winners

The international companies in the "old economy" will be the big winners in the new. The traditional companies have most to gain by applying the new technology. It brings enormous rationalisation potential to this process. We are very optimistic.

The rule of 93-7

93 per cent of all actual online trade, measured in terms of value, takes place between companies, while only 7 per cent takes place between company and consumer. We believe that these proportions will, for the most part, remain. Eventually, we might be looking at an 80-20 rule: 80 per cent business to business, and 20 per cent business to consumer. Lagerkvist & Partners have taken an active role in adapting traditional companies to the new web-based economy. The companies that correctly apply e-trade in their day-to-day business can expect extensive rationalisations, especially of administration and logistics.

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The aftermarket

Consider the aftermarket, for example. In the system that is now being developed, the customer can have direct access to the seller's own inventory records and product portfolio and identify the products needed or the orders that must be made; the order can then be placed and confirmed electronically. This eliminates a large amount of manual work that is currently done on the phone, by fax, through meetings etc. This also applies, to a certain extent, to new sales of equipment, for which much of the preparatory work ahead of the tender and sale/purchase can take place via online presentations.

The moment of truth

However, we can never escape the moment of truth. If you're selling some builders' equipment, a stone crusher, a forestry machine or the like, you must meet to discuss prices and details at a given stage and obtain a mutual impression of each other as people. Much of the administrative work that is to be done on both sides, before, during and after a transaction, can, however, be trimmed down and streamlined, making huge savings for both the buyer and the seller.

The ICT economy

The ICT (Information Communication Technology) economy is a recent phenomenon and incorporates many new companies. Of course, many of them will not survive or develop as positively as hoped, but the new economy is creating fresh realities. Extensive streamlining, in terms of both size and efficiency, will be possible in the traditional industrial sector, and there is thus clear room for these ICT operators to manoeuvre. The winners will be the traditional companies of the old economy, within which we as consultants identify a key role for ourselves; and naturally this pleases us since the major players in the old economy make up a large section of our customer base.

Work as if you were going to live forever. Love as if you were going to die today.

Seneca

Never to have been loved is unfortunate, not to be able to love – that's tragic

Camus

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