

FOUR SIDES

Modesty - Morals - Artistry - Confidentiality

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Issue 1, 2003

THE MESSAGE

3GCC

Because of tough branch restructuring and a deep recession, companies are once again focusing on economic measures. Traditional cutbacks are 'business as usual'. Companies unable to manage this situation themselves replace management rather than bring in consultants.

Restructuring and development of production configurations have led to a decrease in production and logistics costs. The efficient production of goods and services is a necessity. The ICT (Information Communication Technology) industry is a good example of a branch where, in addition to development efforts, cost-effective production has played a key role in company successes.

To achieve a lower cost structure, traditional cost cutting and restructuring are 'business as usual'; generally, companies manage these procedures relatively well on their own. In many respects, Scandinavian companies have set an example, but that is not always enough.

During severe cutback programmes, companies often worry about 'throwing out the baby with the bathwater'. With this in mind, Lagerkvist & Partners has developed a concept that we call 3GCC - Third Generation Cost Cut. Our assignments have proceeded from several simple observations:

'Our company has cut back and restructured as much as we can. In spite of this, we ascertained two things; on the one hand, we need to cut back even more and on the other, we are afraid we may have cut back in the wrong places, thereby reducing our future competitiveness.'

For answers to these questions, they engaged the services of Lagerkvist & Partners. These types of undertakings are more creative and strategic in nature. First, we build on other avenues of approach and perspectives than companies normally have. Not only do we find additional potential for cost cutting, but frequently we also put back cost cuts that turned out to be made in the wrong places.

For example, as part of one project, the company located US\$ 450 million in cutbacks. We found an additional 350 million, but also put back US\$ 150 million. The net result was US\$ 200 million more.

In our experience, facilities for main production, basic logistics and purchasing often function well. Continuous rationalisation programmes help to maintain competitiveness. However, considerable new potential can be found in just those areas that 'fall between the cracks'. We like to say that by 'moving the spotlight' we shed light on new arenas. It is relatively easy to find new potential if one knows where to look.

Magnus Lagerkvist
Executive Director
Lagerkvist & Partners

LAGERKVIST & PARTNERS

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

To Create Success

By believing in our analyses and by creating a culture based on results we have the requirements to make our company successful, says Sverker Martin-Löf.

Four Sides: Looking at SCA, one sees that it has always been better than its competitors at the key ration level. How have you managed to be so successful? The impression is that you have dared to belive in your own analysis and then followed your conclusions.

Sverker Martin-Löf: Yes, that's it. At the same time, we have had an excellent, stable owner with long-range ownership who believed in management. Further, we have taken advantage of the competence inside the company. Rather than control from the top, we have built from below. We have created a culture based on results.

FS: If we look at the revenues of the forest industry it is still an unstructured branch. No company has more than three percent of the global market. Some structuring has occurred, but will it continue and will it be on a global basis?

SM-L: We have to remember that some competition is global, but in this industry it is not. Corrugated cardboard is very local as fas as both production and the market are concerned and it is possible to compete at the local level. This also applies to hygiene products, at least if one is talking about Europe and the United States.'Private Label' is very important and requires time and local contact with clients. However, Global sourcing', particularly in certain segments, can speed up structuring. On the other hand, if one looks at newsprint, magazine paper, kraft paper and pulp, these are global segments with global competition, and structuring will also follow this pattern. Further, there are some segments, such as 'protective packaging', where competence is an important component. This is a narrower niche but it is more developed and offers great potential for profitability. According to these patterns, I believe we will see continued development: however, at the regional level we will still carry on good business, not the least in SCA's segment.

FS: Compared to so many companies, it is unusual for people to be fired from SCA. Instead, it has had well-planned successions and promotions, both when you took over as managing director and now with Jan Åström as your successor. What key factors helped you to achieve this?

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SM-L: Promotions bases on results. We have promoted good people who have produced results; this way we have ensured that the right people come to the fore. We have been tough when it comes to both delegating and measuring results. We have also been able to manage those who were not suitable for an assignment by making sure we have given them work that suits them better.

FS: The company is not known for being a leader when it comes to salaries or paying particularly well compared with its competitors.

SM-L: No, that's the way it has been even when we began to catch up; we also have a limited bonus system but, on the other hand, we offer good pensions; however, it takes a long time to qualify for them. This has also contributed to the staying power of our managers.

FS: During your tenure as managing director, the strategic changes were enormous, for example, the emphasis on Hygiene and Packaging and the sell-off of the fine paper product line, for instance. How do you work strategically and how much time do you devote to these strategic questions?

SM-L: The fact of the matter is, we have devoted a lot of time to these questions whereby we have come up with a strategy and created a vision. Thus, it has been easier for the board to take a position on acquisitions because it knows if the company is in the right place or not and can look more at profitability than just at the acquisition itself.

FS: Now, you've established yourselves very quickly in the USA and captured a critical mass. You appear to be much more profitable than your competitors who have gone there. What made you take this step now? What do you think is the key to your successes up until now?

SM-L: We had a stable base in Europe, a well-prepared board with a vision and the necessary funds. This meant that, when Georgia Pacific sold a larger division, we could avail ourselves of the opportunity. We knew that we had the cash and management capacity to take care of it. Further, we have been very focused on the fact that the United States must fend for itself and every step we take must be productive. And so far that has been the case.

FS: What do you think about Scandinavia and Sweden as a base for global companies like SCA in the future?

SM-L: Sweden is a good base and, up to now, it has been possible to recruit good management that is able to live in a global environment, and very successfully at that. It also works culturally and logistically. Of course, there are problem areas, including the tax system, income taxes, wealth taxes, inheritance taxes, and others. Things have to change in these areas.

FS: Now and than over the years, you have used the services of Lagerkvist & Partners, as well as other consultants. What do you see as the consultant's role, today and in future?

SM-L: The organisation has to be involved when consultants are brought in and their work has to be transparent.

FS: We usually say that in order for an organisation to really benefit from good consultants, it must have strong, coordinated leadership.

SM-L: Yes, that is correct. Management must be coordinated and strong. They are the ones who are going to get an impression; after all, they are the ones who run the business. Consultants should never replace management or be the reason for not doing something.

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FS: This recession is lasting longer than many people thought it would. At the same time, the results have been more positive. The forest and manufacturing industries have had good - sometimes very good - results. We have seen a volume growth in most branches and IT and telecommunications are still experiencing growth even if prices have fallen in most segments.

At the same time, the exchange of information and analyses has never been more integrated globally than it is now. Have the stock market and other analysts become a driving force in spite of the fact that reality is saying something else?

SML: We must not forget that the exchange rate has been in our favour this time, permitting us to show real competitive strength. Concurrently, the problems in the United States have caused companies to turn inward, at least more oriented to internal markets, so we have not faced competition the way we did during other recessions. Of course, a sharp decline in the dollar would affect all of us considerably. In this respect, we believe that SCA, both within Hygien and Wellpapp, will hold its own pretty well. We are much less exposed here than most of our Scandinavian competitors.

I often quote myself. It adds spice to my conversation.

Bernhard Shaw

It is impossible to enjoy doing nothing if one does not have a lot to do.

Jerome K. Jerome

LAGERKVIST & PARTNERS

Lagerkvist & Partners – an attractive office

Universum has carried through an investigation among so-called "Young Professionals", i.e. young university graduates with 1 - 5 years of experience. They ranked the most attractive companies in Sweden, i.e. where they most would like to work. Lagerkvist & Partners was ranked 22nd. The 50 most attractive companies are listed below. We thank for the confidence and hope to be able to continue to live up to this in the future.

Business	Number	Business	Number	Business	Number
IKEA	1	Ericsson	18	Pharmacia	35
Hennes & Mauritz	2	Dagens Nyheter	19	Telia	36
Arla Foods	3	Handelsbanken	20	Kraft Foods	37
TV 4	4	Vodafone	21	Unilever	38
Bonnier	5	Lagerkvist & Partners	22	Coop	39
Exportrådet	6	Sony	23	Svenska Spel	40
SAS Scandinavian Airlines	7	L'Oréal	24	VING	40
BMW	8	Alfred Berg Fondkom.	25	Microsoft	41
Accenture	9	Volvo CarCorporation	26	Ernst & Young	42
Coca-Cola	10	ABB	27	IBM	43
Fritidsresor	11	ICA	28	OM	44
AstraZeneca	12	SEB	29	Sveriges Riksbank	45
CapGemini Ernst & Young	13	Tetra Pak	30	KPMG	46
McKinsey & Company	14	The Boston Consulting	31	Cisco Systems	47
Skandia	15	ÖhrlingsPricewaterhouse	32	AlfaLaval	48
Nokia	16	EF Education	33	Nestlè	49
Utrikesdep.	17	Procter & Gamble	34	FöreningsSparbanken	50

If you've got enough talent, you don't need exercise.

Sten Broman

We learn from history that we can never learn anything from history.

Bernhard Shaw

If you cannot joke about something, it is seldom worth taking seriously.

Sigfrid Lindström

The minute you are no longer the best, you are forgotten.

Hans Rausing

LAGERKVIST & PARTNERS

Co-operation between GITP and Lagerkvist & Partners

Interview with Rob van't Hullenaar, Chairman of the Board of GITP International BV, and member of the EuMan Group Supervisory Board and Pieter van Leeuwen, Managing Director of GITP International Projects and the EuMan Group.

Four Sides: GITP provides Human Resource (HR) services. Could you describe these services?

GITP employs 300 consultants and 150 support staff. Founded in 1947, we are a full-service HR consulting firm that offers services ranging from search, recruitment and selection to analysis and assessment of operational, professional and executive areas of responsibility. We also handle career counselling, coaching, individual and group management training, management-for-hire, compensation and benefits, management consultancy for corporate governance, and HR strategies and policies in both national and international contexts.

FS: You are an international company based in The Netherlands. Where do you operate?

Our companies are based in The Netherlands, Belgium, Germany and Poland. Via the EuMan Group, our international joint venture, we operate in all major business areas in the world.

FS: Are you focused on a specific business sector or do you work with all kinds of companies?

We are delighted each time a client appreciates our services. Our long-term experience shows that HR assignments from different sectors are more likely to resemble one another than are those from the same line of business. We believe it is easier and quicker to learn about a specific sector than it is to build and develop superior professional and general HR experience.

FS: You are one of the members of the EuMan Group. Tell us something about this co-operative effort.

The EuMan Group is a joint venture between four leading HR consulting firms: GITP, InsepConsulting (France), The Oxford Group (UK) and TESI (Italy). As a group we are based in seven countries and have over 700 consultants, employees and support staff. We will formally integrate into one company at the end of 2003. What is unique about the EuMan Group - as a type of "Intel inside" - is that we can create optimal solutions for our clients, ranging from international corporate HR projects to localised solutions. In our approach we respect and consciously take into account the complex dynamics in the mix of organisational, national and regional cultures.

FS: Knowledge-intensive companies have shown considerable interest in HR-related issues. How interested are traditional industrial companies?

We try to avoid labelling companies as "traditional" or "modern". In general, but not always, companies are more and more willing to invest in and focus on long-term HR solutions.

FS: During recessions, interest in HR-related questions tends to decrease. What are the likely consequences of this tendency?

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In times of recession, management seems to focus on productivity and sales and, because of increasing shareholder influence, on quarterly results as well. But who is going to deliver the desired result?

At GITP, our motto is "employees are creating your company day by day". We see ourselves as proof of that motto - with increased sales and profits for more than 50 years and the financial strength to grow.

FS: Today, companies tend to outsource HR functions. What is your opinion of this trend? Does the lack of in-house HR competence represent a risk?

We experienced this trend in the 1990s, primarily in The Netherlands, where major companies outsourced their HR departments. GITP had the opportunity to acquire sections of the HR departments at Akzo-Nobel, The Royal Dutch Post, and Telecom. Other companies, such as Shell, Philips and Unilever, downsized their corporate HR departments at the group level. There is a distinct difference between HR consulting firms and staff agencies. We are talking about two very different processes.

One deals with recruiting resources for the shop floor, while the other has to do with helping a business create the right company culture and implement management's long-range business plans.

Both are equally important, but they require different core knowledge and capabilities.

FS: Where do you think the co-operation between GITP International and Lagerkvist & Partners might lead?

We believe that our complementary capabilities will give added value to our clients and increase business. For GITP, this means the possibility of expansion into northern Europe, while Lagerkvist & Partners will gain access to our client base in countries where GITP is strongly represented. Of course, we hope this leads to a mutually interesting co-operative effort. The challenge will be to meet and exceed the expectations of companies with our joint offers, the quality of our co-operation and the effectiveness of the solutions we deliver. In the end, the real test will be our client's evaluation of our work..

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