Lessons from the Top:
The value of failures, speed and creativity

This Eric Salmon & Partners, 'Lessons from the top' is a thought leadership article based on an interview by Simone Maggioni with Ola Rollén, CEO of Greenbridge and Chairman of Hexagon and SIG Solutions AG.

Simone   How would you imagine the business environment in 2035?

Ola I think that by 2035, unless we shape up, Europe will be in a very bad shape. A lot of the European industry, the classic engineering industry like the German auto industry for example that we have lived from, will have a very tough time and I think it might have been outcompeted by Chinese and other Asian players by then, unless we shape up. Sorry for being a bit gloomy. Technology will always continue to evolve, and it will be very sophisticated ten years from now. But geographically and geopolitically, unless we do something dramatic, Europe will be the loser in the global game.

Simone Our region is clearly behind in technology development, are there any services or sectors that could actually surprise us moving forward. I am thinking about the space economy, the medical and life sciences industries…could they provide us a bit more hope.

Ola   They could, but the fundamental problem is that both Americans and Asians at large work harder than we do in Europe. Someone has to say that; they don't work 35 hours per week or 32 hours per week.

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You can be clever, you can innovate, but you also need to work hard and currently we have a combination of entitlement and legacy where we live very comfortable lives. Europe to me is the nicest continent on the planet, but especially over the last five years we have lost focus on competitive edge. That worries me. I don't know if it is aptitude or if it is actually that our living standards are so good that it is pointless to try to improve it a little more.

Simone Have our European companies gone too far in terms of being accommodating or complacent.

Ola They are a product of the society. That is how our society is: companies just try to fit in to the society. Society has become more complacent, and it is comfortable to live in Europe.

Simone So perhaps the advice to the future CEO is to go to China.

Ola It is fascinating to see how China does it. They very systematically target a lot of industries and they create what they call "local champions", they flood the Chinese market with those technologies or products and then as the Chinese market becomes too small for them they expand internationally. So, in the first step what happens is that these Chinese local companies will out compete any foreign company in China, but then obviously as capacity grows they outgrow the local domestic market and then they start to export to the US, to Europe, South America and so on. If you look at electric vehicles for example, you are seeing more and more BYDs on the roads, you see dealerships able to service them in all countries in Europe, and if they are 30% cheaper than a Volkswagen…

Simone How do you see the future leader, the CEO in 10 years, is there something that you can think of that could be different and distinguishing?

Ola I think the single biggest, most important trait for a future CEO is ingenuity. To be able to be curious, look beyond what is obvious in your industry and actually be really curious about what could we do better for our clients, reconfigure our products, doing something very differently. We grew up in a society, in a culture where you go to school where there are standard courses and they have looked the same for the last forty years; we learned the same things, the Boston Matrix and so on. After graduating we joined a company and they have policies and rules, routines and everything. And these big companies are amazing at driving on a straight road where everything is predicted and you know more or less what next year is going to look like, who competition is and so on. But if there is a bend or a turn in that road, then most organizations as we know them today derail. They can't cope with that kind of change. I think that the most important trait going forward is curiosity, ingenuity, being able to figure out new ways of doing things and not being stuck in a standard format.

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Simone You often talk about the pursuit of disruptive ideas.

Ola The comfort zone is very dangerous.

Simone I quote you: "the best way to predict the future is to create it". And also "creativity and speed make the difference".

Ola Absolutely. Most organizations are bureaucratic, so if you can find a way to take decisions at half the time than your competitors, you improve every day. If you are slightly faster than your competitors, if you show up at your customers a little earlier with better solutions and ideas, eventually that is going to have an impact and even if you might have a cost

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disadvantage or not as good products, you may catch up. Speed is probably how I think we could compete in Europe.

Simone So, what prevents many companies from actually do that? What are the main obstacles?

Ola It is management, it is leadership. You have committees, you have subgroups, you have people that should be informed before you take a decision. So we build all these hierarchies of decision making to feel good and feel that we are examining the decision properly. This is not always bad, but in return you lose agility and speed. It is important to understand that if you take three weeks extra to take a better decision, you might lose the opportunity.

Simone Is there a way to make organizations a bit more fluid, less bureaucratic?

Ola Absolutely. There are two things I have learnt: delegation and creativity. Delegate responsibility as far down into an organization as you can. Many companies, especially Scandinavian companies, are doing that nowadays. But that is not enough. Even if you have delegated responsibility and the specific business unit is profitable and performing, the managers might not have the courage to express the dramatic scenario at the horizon, as in the case of electric cars instead of combustion engine cars. Am I going to risk my career to take this hard decision today, or am I just sitting here and follow the straight and narrow road, eventually I am going to change job and it is going to be somebody else's problem. That is what we need

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to address. Look at China, they think very differently. They don't think about themselves as individuals, they think about the organization that ultimately is going to live forever and that makes you take decisions differently. So if we can spur people to take these bold decisions even on lower levels in the organization, we will have a very different competitive landscape.

Simone Enabling people to take decisions: it is probably the single most important aspect for a company, encourage more people to take initiatives and decisions. Why is it so difficult?

Ola You start your career and you are young and inexperienced and if your boss is scared as well and have a risk adverse approach then no one will take risks. Remember what they said in the old days? "You can't get fired if you buy from IBM". So everyone tries to minimize risk rather than maximize opportunity. It is just built in us. We want to have a pay raise. We want to go on vacation. We want to buy a bigger house, a new car and want to put our kids through school. Why should we take risk?

Simone What could be done then to encourage more risk taking? Do you think a company should take some specific actions?

Ola   I thought about it the other day because my mom turned 90, so I had to give a speech at her birthday party. What was fascinating about Sweden in the 80s was that we were a really rich country, you could fail in high school and the government would provide you with a new chance at a school for high school drop-outs, anyone could go to university in Sweden. The government paid your tuition fees and you even had a "salary" to survive during your schooling years. That built a culture where anything was possible, and if you failed, it wasn't the end of the world. You always had a second chance. Now that was a bit utopian because you couldn't afford that society, but at least it created the confidence in people that it is not bad to fail, it is OK, you always get a second chance.

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It is not the end of your life. As you know it, that is ultimately what we need to work on. And that could be a huge competitive advantage globally. Because most cultures are hierarchical and built on fear.

Simone   As a CEO who delegates and gives the liberty and the freedom to take initiatives and maybe to make mistakes, is there a way to control and is there an acceptable failure rate?

Ola   Absolutely. You control through key ratios and we have good systems today that if you delegate responsibility and you follow up, let's say every quarter, how much can derail in three months? Not that much. The corporate systems are so efficient that if you know a bit about finance and how it works then you can intervene in time, before it's too late.

Simone   So financial metrics is a good effective way to keep risk under control.

Ola   Absolutely. Let's say a manager comes to me and say I need to hire 15 new sales guys and I promise you that it is going to be profitable to hire them because we are going to sell much more; you let it go 3-6 months and you see, OK, you used to sell for 100 and now you sell for 120, that is 20% increase, but your personnel cost has gone up by 35%, is that a great deal to sell 20 more when the cost has gone up by 35? That is a tactic I use – incremental changes, the increase of cost and revenue, and you very quickly see if it is working or if it is going the wrong direction. You can have a proper discussion after three months. Numbers don't lie, it is a very efficient way of following up.

Simone You are known for having executed an amazing track record of M&A with Hexagon; by definition you get a lot of different cultures in the group, how do you build a culture? Is there such a thing like a culture, a company culture at the end?

Ola   Absolutely. Culture is probably the most important thing. The company culture is set by the management. People watch you as CEO 24/7 and they check if you are honest about what you are saying or if it is just marketing and loose statements. People are very clever and they very quickly realize what kind of person you are and what standards you live by yourself. Culture can't be underestimated. If we want to make Europe

"If we want to make Europe competitive again, we need to instill a culture of speed and creativity"

competitive again then we need to instill a culture of speed and creativity, those soft areas. As leaders, we need to set the example, send the right signals; how we communicate, the way we present things

makes people see through your messaging and say "this is what he or she really believes in" and not just corporate ******** that somebody has fabricated.

Simone And how did you do that so many times with so many companies, did you make yourself visible and communicative when you bought a company?

Ola   Absolutely. First of all, for the bigger acquisitions Hexagon made, I always put myself as the president of that division for the first five years. Because then I got to know the people, I got to know the culture. But even before you acquire a company you must be able to articulate why you buy that company. I usually divide it into confrontational and synergistic acquisitions. My favorite example is this: you and I are bakers and I buy your bakery. That is a confrontational acquisition. The only thing I want from your bakery is your customers. I don't want your oven. I don't want your recipes because I am obviously much better at baking bread. So everything else becomes obsolete and it is just extra cost. But if I can fold your customer base into my bakery, it becomes very successful. But when we negotiate it is easy to become friends. I might say; "you can't be CEO, Simone, but you could be the CFO or the VP". Then we merge into my organization, where we use my recipes and my oven. But then you feel a little disgruntled because you have been doing this activity even longer than me, and you had some really good recipes. That will bring you to think I don't really know what I am talking about, there are other ways of doing this, even better ways. So at the end I have created an enemy within my company. That is why I call this model confrontational. You must know what the ultimate target is. The ultimate target is to take your customer base, nothing else.

Now the other end of the spectrum is synergistic acquisitions where we keep our businesses, I have a bakery and you have a dairy and together we could make sandwiches with butter and cheese on top, that we start selling and we make far more money than just selling bread or dairy. So, I need you to continue to make great butter and great cheese. We just need one guy slicing up my bread and putting butter and cheese on it and start selling it. So we need to focus on that project. But apart from that, your organization can continue to do what they used to do. My organization can continue to do what we used to do. The enemy when you do a synergistic acquisition is actually my organization's management, because suddenly someone from HR will come into

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your dairy and say; "you know what, at the bread factory we have business cards in blue and red and yours are yellow and green, so we need you to change that". Is that important for us? No. Is it annoying for you? Yes. Do we need to change your business cards in order to make a sandwich? Of course not. So a lot of acquisitions are killed by the acquiring company's management and policies. Releasing all these staff functions, is killing the motivation in the acquired entity. Very different from confrontational acquisitions where you actually want to cut cost and bring as many customers over. I think acquisitions start with you realizing what is it you want from this acquisition, what is the important asset that you want to maintain.

Simone How did you allocate your time as CEO in driving that growth process of Hexagon

Ola Talking to people is probably what you spend most of the time on, trying to make sure that everyone keeps focus on the target that we are trying to achieve, breaking down that target for all divisions and business units. So you have something to talk about and always being available. I think that is my most important contribution as the CEO of a large company that my calendar is not fully booked. Keep time to address the unplanned. The unplanned is going to wreck your plan.

Simone You seem to be accessible to people.

Ola Right. You need to be accessible because other people decide what you get exposed to and that might not be the right exposure. So you need to have some kind of system where you know that you will get exposed to good, bad and ugly. Life is not planned, it is just happening. So if you load your work day with pre-planned work and tasks and meetings that are not moving the needle, when something occurs that does move the needle, then you don't have time to address it, and that is a big mistake.

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Simone This is a really good lesson. Sometimes you struggle to talk to people and it seems they don't have a minute during the day and then you really wonder how effective are those minutes?

Ola This is a mistake we do in large organizations. You can live inside that organization without really encountering the real world, especially if you are on the top because people tend to be very nice to the CEO. How do you know what´s happening to your organization in the real world, how our competitiveness is evolving and so on? The single biggest mistake I have seen is managers that tend to book meetings to the minute back-to-back. They have no time to take on unplanned events- and they are going to happen!

Simone How do you get feedback, when you are chairman, when you are CEO and people tend to be nice to you.

Ola I think it's very important to have a few really good persons that you trust outside of your own organization, with whom you discuss and compare notes.

Simone What about the board, do you expect the board of directors to give you feedback as CEO or Chairman?

Ola I don't think that boards are that effective when it comes to matching a CEO, giving him/her good input. Boards typically tend to lecture a CEO when things go wrong, but when things go well it is not that common. Feedback happens more with other people where you don't have a hierarchical relationship, people that are on the side, maybe having a similar job, similar experiences.

Simone Maybe there is room for making the boards even more effective.

Ola Absolutely. If you have a super good management, you don't need a board to review numbers and things, but that is what we tell them to do. The board obviously should read the numbers when things go wrong and when they start to see things derailing; but in good and well-functioning organizations the board could play a very different role. Usually boards consist of senior people with lots of connections, they could open doors and opportunities for those companies. The CEO could pull on the board and use them almost as consultants.

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Simone What is really the aim of the board and how do you as a chairman assess whether the board has been successful

Ola You have never seen a successful board with an unsuccessful CEO. Ultimately the board's responsibility is to make sure the CEO is successful because if the CEO is

successful the company is successful and thus the board is successful. I have never seen a great board with a lousy CEO.

Simone I need to ask the compulsory question. Have you found already how artificial intelligence can really be played in the role of the CEO or is that too early?

Ola I think already today large language models are great speaking partners when you want to learn something, you want a summary on a subject and it saves an awful lot of time. In my private company we invest a lot in AI and AI is what I would call common wisdom. It's what every member of mankind has put on the internet and then distilled down to an answer on whatever subject you ask it. So it is never more clever than mankind, if you put stupid things in you get stupid answers out. For sure at this stage it saves managers a lot of time. I see a very dangerous trend right now, with the social media and AI that is tuned to your questions combined with your browsing habits on the internet, you end up only seeing the things you want to see and you are never challenged in your opinion. We shall see where it ends, but I still believe AI is a really good thing and we are all going to use it. It is important to remember that the algorithm is a mathematical or probabilistic calculation, and when you ask a large language model a question, what is happening is the calculation of probability equations, we should always keep this in mind.

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Simone We need to learn more and practice more the use of technology?

Ola Take jobs where it is important to stay alert, like pilots or doctors. When you assess a patient, you might have a good day or a bad day as a doctor. AI never has a good or a bad day. AI is just a machine. In law, in medicine, education, there are so many areas where our human bias is influencing us and where AI could help.

Simone Thank you so much

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