



Lars Renström

### Personal details

Born in 1951

Swedish nationality

M.Sc in Chemistry from Royal Institute of Technology, Sweden, 1976

B.Sc in Business of Administration, Sweden, 1980

### Career

1975: Laboratory Engineer at National Institute of Metallurgy in South Africa

1976-1988: Various positions within ABB Cables AB

1988-1997: Various positions within Ericsson Cables AB, Telecom Cables Division, the last five years as Divisional Manager

1997-2000: President and head of Division Rock Drilling Tools of Atlas Copco AB

2000-2004: President and CEO of Seco Tools AB

Since 2004: President and CEO of the Alfa Laval Group

### External board assignments

1997-2004: OY Hackman Ab, Helsinki Stock Exchange

Since 2003: Profilgruppen AB, Stockholm Stock Exchange

### Awards

1995: The Swedish Quality Award

### About Alfa Laval Group

Alfa Laval's business is focused on providing solutions within three key technologies: heat transfer, separation and sanitary fluid handling. Headquartered in Lund, Sweden, the Group's global reach spans approximately 100 countries, 55 of them through its own sales organisation. In 2005 Alfa Laval had almost 9,500 employees, revenues exceeding €1.7 billion, an operating profit margin of 10.8 percent, and a return on capital employed of 22.7 percent.



## “Doing your best is not good enough - you have to deliver!”

Lars Renström, President and CEO of Alfa Laval Group

Could you briefly describe the business of Alfa Laval?

Alfa Laval is one of most well known Swedish companies. It has experienced tremendous growth from being a one-man workshop to becoming a global player with a leading position in several industries. Today Alfa Laval's business is focused on providing solutions within three key technologies: heat transfer, separation and sanitary fluid handling. During 2005 our sales exceeded €1.7 billion and our order intake was even higher. I feel we have the wind in our sails! So far we have performed well during 2006 and the forecast for the full year looks very promising.

How is the company organised?

We have two divisions. Our Process Technology Division focuses on customers who need specialised solutions to improve the efficiency of their processes. We work predominantly through our own sales force, targeting the food industry, energy and environment, process industry and life science. The Equipment Division works with customers who have a well defined regular need for our products. Most of the sales in this division are generated through contractors, distributors and resellers who target customers in sanitary, fluids and utilities, marine and diesel and comfort and refrigeration.

Which are the most important milestones in Alfa Laval's history?

I mostly look into the future - rarely into the past. But, of course, we have passed several important milestones. Originating from a separator business founded by Gustaf de Laval in the late 19th century Alfa Laval has taken several important steps. Technology-wise we are continuously improving and we have bought several companies over the years. Three of the most important milestones were the acquisitions of AB Rosenblad in 1962 and Sharples in 1988, which extended our offerings significantly, outside the traditional food industry, and in 2005 we bought Packinox, which broadened our product portfolio in the refinery industry.

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That was technology. Are there any other important milestones?

In 1991 Tetra Pak, owned by the Rausing family, bought the company and delisted it from the stock market. The Rausing family is very visionary and took actions based on their firm business beliefs. Consequently, during the 1990s Alfa Laval acquired manufacturing companies in Russia and China which became cornerstones of our current strong position in these fast-growing markets. Without Rausing's foresight, Alfa Laval would not have had the leading position in these markets today. In 2000 IndustriKapital bought Alfa Laval from Tetra Pak. A strategic cost-reduction programme was initiated which dramatically reduced our cost base without us having to abandon any of our core competences. With this programme we shaped the efficient organisation we still have today. Another important milestone was passed this year when we bought Tranter. This was an acquisition based on a multi-brand strategy and the aim was to enter a sales channel we otherwise never would have reached. Tranter will be a separate organisation and use its own brand.

Coming back to acquisitions, how well have they been integrated in the company?

We have completed several acquisitions during the last decades but also divested activities. All acquisitions, except Tranter, have been integrated. Divestments relate to underperformance or a change of company focus. However, you should keep in mind that the skill sets required to buy and integrate a company are different. You have to put a lot of effort into the integration work to make it successful.

How would you describe Alfa Laval's role in the industries where it is active?

In our vision statement "Pure Performance" we say that our knowledge and expertise should contribute to improving people's living conditions. That is our desire. But looking at our business we should improve our customers' productivity time and time again. To enable that, we provide complete solutions to our customers: capital equipment,

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aftermarket parts and services. We are putting a lot of effort into developing concepts and structures for aftermarket solutions which are appreciated by our customers. The aftermarket business has been with us for many years and that business is explicitly recognised in our organisation.

How does Alfa Laval create long-lasting customer value?

It all comes down to delivering results to our customers, having staying power in the markets and segments we engage in and being in the forefront regarding R&D to be able to push the market. The customer must be able to trust Alfa Laval.

Could you elaborate on how Alfa Laval is perceived by its customers?

We are perceived as a long-term industry player with staying power. Our strong name and brands are good indicators of that. The feedback I get is also that we are known for innovation and reliability. Everything originates in innovation, and there is always pressure on us to come up with new things or improve existing solutions. This is really stimulating and we must always add value for our customers in all new applications.

How do you explain Alfa Laval's recent successes?

Alfa Laval has passed a set of critical milestones. The market forces are now in our favour and the wind is blowing fully in our sails. In parallel we have improved our operations. The outcome of our efforts is that we have managed to lift profit margins to a new level. For that, we have gained a lot of credibility. We have been able to do so through a systematic way of working based on in-depth and consistent analyses. Lately we have worked actively with price management and we continuously work with improving internal efficiency. In addition, the increasing demand fuelled by a strong market has pushed the utilisation rate of our manufacturing capacity to very high levels.

In contrast to previous Alfa Laval CEOs you were recruited externally. How did you approach getting to know the company?

I was surprised how fast I learned about Alfa Laval and the organisation, and found my routines and ways to do my work. To a very large extent this was due to a well prepared organisation. My greatest appreciation must go to those who prepared my introduction and those who helped me in the initial period. Also, I had the privilege during my first two months with Alfa Laval of working side by side with the former CEO, Sigge Haraldsson. For a period of time I was outside the radar screen, without pressure, and had time to ask questions and learn. With that introduction I quickly felt rather comfortable.

How did you structure the first two years of your work to learn about the company?

I followed a working routine that I had developed during my time in previous CEO positions. During the first 100 days I travelled extensively in order to meet as many new colleagues as possible, and spent a lot of time on fact-finding. Following my fact-finding period, I created a programme which I summarised in ten bullet points on two pieces of paper. I then took the top management through my findings. Together we singled out the most important findings and created a Vital Few to guide my work and the development of Alfa Laval.

Which Vital Few did you identify?

It is really important that the Vital Few is a limited number of guiding stars, ideally three but not more than four. My hypothesis is that if the work has been done correctly and the analyses are right, the resulting programme should last for several years. I identified time to market, increased local presence, aftermarket and M&A as the Vital Few to guide the work. Once the Vital Few have been defined it is important to share them with the organisation. In this case I presented them to our top 100 managers. It is then through their knowledge and work that the Vital Few are implemented.

Was it easy to get understanding of and acceptance for your Vital Few?

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Carrying out a process like this involves many people, a vast number of meetings and even more informal discussions. This is really interesting, but time-consuming, and results in learning about the organisation and understanding the culture. I always ask people about their opinions and tell them to be frank and honest. Quite quickly you learn how to identify and ignore general complaints, and focus on the vital facts only. Over time a clear pattern will appear, and when you finally present your findings they will be obvious to everyone.

« In your view, what are the key insights you have brought to Alfa Laval?

One of the advantages of being recruited externally is that you look at things from a new angle. You bring other perspectives, knowledge and background. Although our prioritised areas are owned by the entire management team, my contribution is mainly price management, time to market and multi-brand strategy. Our latest acquisition, Trante, is an example of that strategy. Tranter has brought a complementary market channel and will not be integrated but be a stand-alone company, using its own brand.

What is your main driver?

I have a passion for growing and developing manufacturing companies! It is fascinating trying to build a world-class company. There are so many aspects to consider and it never gets boring. It is like playing the piano. You have a large set of keys and it is up to you to play good music!

How do you exert your daily leadership so as to ensure that the work carried out is in line with the board's expectations?

One could describe my daily management style as management of deviations. I do not demand detailed control. In a general sense I care about performance being in line with the agreed plan and with my expectations. Each manager should have a good picture of his or her operation and report major deviations, positive or negative. I do not have the time to learn all the details, but I must know

about major deviations from plan. I want and need to trust my managers.

Could you describe in more detail how you know that Alfa Laval is doing the right thing?

Prioritise, single out a Vital Few, stick to them and make sure the employees do their homework and analyses. I am a strong advocate of performance, and therefore doing your best is not good enough - you have to deliver! The customers demand that we show excellence in execution. The basis for being successful is to have a stable base to build upon. You have to be structured and approach each task in a systematic, consistent and consequent way. When somebody presents an idea or solution to me, I always ask about the approach and analysis. If the analysis is correct and the process to implement the findings is adequate, the results will come. But it might take some time so I am ready to be patient and do regular follow-ups. Ad hoc solutions could work and be successful for a period of time, particularly in booming markets, but once momentum deteriorates these solutions will not be sustainable.

How have you adjusted the way of working at Alfa Laval to be in line with your management style?

I decided not to change the top management team when I became the CEO but I introduced my management style. My communication is open and straightforward. For me it is important that the management team knows how I value their work. There should be no uncertainty about what I think about my colleagues.

What other aspects are important in your management style?

It cannot be stressed too often: you have to be focused, create a Vital Few and stick to them. Otherwise it is easy to lose track and start doing things without having a clear direction. Further, as a CEO, you have to have the overall view. Do not lose yourself in details. It is really easy to dig down into an issue but if you do that too often you might not see the entire context and, thus, you do not have the

time. Finally, keep it simple and do it now! Avoid making things complicated.

Focusing on the future, what is your vision for Alfa Laval for the coming five to ten years?

We will have increased our local presence in India, Russia and China. These are fast-growing countries and you need to be there to grab the opportunities. By then we will also have improved our aftermarket offerings even more, and we will still be in the R&D forefront, enabling us to push the market. During these five to ten years we will also have made several acquisitions corresponding to our new multi-brand strategy.

How will you address these challenges?

By making sure we deliver results! By delivering results on the bottom line we give ourselves the freedom to act!

» My communication is open and straightforward. «

*Interview conducted by Nils Boblin (Director in the Stockholm office) and Henrik Sandréus (Consultant in the Stockholm office)*