



IMPROVING and Integrating

From the lows of the recession, Sanitec Group has transformed its operations and processes, implementing holistic systems and a cohesive culture.

Images courtesy of Sanitec Group

As the European market leader in bathroom ceramics, Sanitec has a strong portfolio of well-loved and well-known brands. With 18 production facilities and around 6,200 people spread across Europe, Sanitec has rebounded from the depths of the recession and emerged stronger and more profitable than ever.

Peter Nilsson, CEO of Sanitec Group, spoke to *The CEO Magazine* about the company's impressive turnaround and its plans for the future.

The CEO Magazine: You became CEO of Sanitec in 2010. Could you give us a brief insight into your professional development?

Peter: I came to Stockholm because of the Stockholm School of Economics, which is just a great

platform. I then joined Swedish Match and I stayed there for 17 years. I worked my way up to group management, and 12 out of those 17 years were actually spent working abroad in Holland and the United States, mostly working in turnaround situations.

In 2008, I was asked to join Sanitec as chairman of the board because the company was in trouble. This was in the middle of the acceleration of the recession and the company was heading towards significant financial difficulty. In December 2008, we announced default towards the lenders so from a board perspective I had to govern the company through a financial reconstruction, which took place in the spring of 2009. We settled with all stakeholders in July 2009.

I then became CEO in 2010 but I'd been involved in the company

since 2008. During a financial restructure, the chairman of the board works very closely with the company, almost on a daily basis. I had to be on top of everything, even daily cash flows.

Looking back, I think the difficulty that really hampered Sanitec's ability to resolve the situation was that it wasn't operating as an integrated company. It was operating as a holding construction for a lot of local national organisations.

When you have a financial crisis in Europe, the flexibility of 12 small pillars to deal with the situation, compared to one big pillar where you would have organised your costs and capacity within your network, was just too low. In 12 countries simultaneously you've got problems with your costs, a lack of efficiency, and pricing capacity. That was the underlying

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Inspired by water...

For decades, OLI has been developing and producing sanitary installation systems aimed at innovation. The dual flush cistern and the silent inlet valve were two major inventions. Currently, OLI is a worldwide reference. It has more than 41 active patents in Europe resulting from a continuous investment in research and development, guided by the constant challenge of water sustainability.



Hidroboost

The Hidroboost technology, one of the latest developments from OLI, enables energy to be generated as water enters the cistern. It also supplies a system of energy accumulation for the electronic activation of the self-sufficient dual flush, in energy terms. The dual flush activation of the cisterns equipped with the Hidroboost system is carried out with a no-touch activation through capacitive sensors. All it takes is the approach of a hand for the flush to be activated through the power of clean energy.

lack of preparedness that was Sanitec's problem.

What did you see as your primary goals as CEO when you took on the role? What did you want to achieve?

I'm an improvement junkie. I've developed some eccentric behaviours as a result. I've become extremely honest or blunt around my own performance and the company's performance. Fundamentally, I believe in people and their capabilities but I'm very unsympathetic if they don't get going. It's kind of enormous patience paired with impatience.

For my vision, I tried to work with words that were new to the organisation so they wouldn't fall into assuming that they know what they mean. I forced them to reflect. I get the mandate to define those words. I came in and simplified all those things with the project plan and profit and loss improvements.

We need to do three things in Sanitec: raise the bar, simplify, and regain pride. Those were the three things that I started with. Raise the bar was about not being afraid to set aggressive goals and expect the best. It's more important to strive for a goal than to actually reach it. The worst that we have are the 70-per-cent-ers, who think that mediocrity is good enough. The worst that we could do would be to put a mediocre plan in place.

Let's go all out! We have market-leading positions, we have the size, so let's go flat out and see how far we can reach. That was the raise the bar thinking. In hard numbers, target setting, and striving for cost elimination—it was very tangible but it was also about performance culture and performance management.

If we needed cost savings, then I wanted to express enormous frugality. I used my own computer in my first year. I didn't take one out, I just bought myself a private computer. Why would I take one at the company's expense when mine works perfectly? I still have a

desktop computer, instead of an expensive laptop. I expect my management team to dare to do the same. In these market-leading old industries in Europe, you'll often find directors with their corner office and corporate car. You need enormous frugality.

Simplify was about daring to see the true performance of the company. No hidden mark-ups or concessions—we wanted to measure our true performance. We broke apart the legal accounting from the operational accounting. We isolated that so it meant that we spoke less to the managing director and more to the under-managers. The operational side is what's important.

One very effective way of triggering change and getting performance up is to spread information. Be overly transparent. Typically, when you come into low-performing companies, something you always see in them is that information is power, and confidential is a very common word. I ensured that the reporting was spread to all managers very quickly. A common trait that 98 per cent of managers have is competitiveness. It's just about finding what triggers that competitiveness. That's why transparency of information and true performance measures are so damn effective.

I also introduced the four D's of Sanitec. I said to all the managers that I expected them to live the four D's, which are debate, discuss, decide, and deliver. Basically, every meeting should have these four elements. They need to emerge with tangible decisions that have verbs attached to them—action words that detail how they're going to achieve their goals.

The third pillar is about regaining our pride. If we're best in class then let's brag about it and celebrate it. Try to find heroes in the organisation; don't be afraid to celebrate people's achievements and thank people for their good efforts.

What are your plans for Sanitec's growth in coming years?

Our strategy is pretty simple. In Sanitec, we've been on a journey of integration for around three years and we're about halfway there. We are looking good with strong results. We are working more and more as an integrated entity. We have definitely taken all of our



production and created a network of production units that can balance load and competence and skills and use best practice and benchmarking. We have done something similar in many of our central processes. We are starting to implement more benchmarking and best practices in the local side of the organisation.

It's a modern expansion journey. If we do it well, then we'll become far better than our peers. That's a bit boring to talk about—it's much more fun to talk about creating a European powerhouse with 6,200 people that are the best in class and can be proud of that. We're the market leader in our main markets in Europe. We're the best, and our people are so proud of that. •

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