# Volvo Group Comagazine 5.2015

#### **WORLD LEADERS**

WORKING WITH THE UN ON SUSTAINABLE TRANSPORT

#### **ROBOTS TAKE OVER**

HOW ROBOTIC DRIVERS ARE USED TO TEST-DRIVE TRUCKS

24/7

# SHOPPING

Creating new business opportunities



MAKING WAY FOR ONE VOLVO GROUP

Achievements through the transformation

#### It's all about the customer

EVERY COMPANY, LARGE and small alike, builds its value, profitability and reputation on the satisfaction of its customers. To put it another way, there is nothing more important than understanding, predicting and fulfilling customer needs. Companies that do this best really understand their customers' businesses. Perhaps also understand their customers' customers. Understand driving forces and everyday problems. I am convinced that achieving this calls for real relationships. Only then does truly in-depth insight become a reality. A company then must be good at making these customer needs visible and tangible at every link in the value chain. From research and development to purchasing, production, service, marketing and sales.

Every employee shares this responsibility, but it is the management that ensures that customer value is visible, tangible and the focal point of our efforts. There is only one yardstick for measuring the world leader in transport solutions. It is the company with the most satisfied customers – and that company is in right position to achieve good profitability.

To succeed, we must do two things.

We must work on continuous improvement in a structured manner and make it an important part of every employee's daily routine. All of us , no matter where we work, can contribute ideas and solutions that result in more effective work, smarter solutions and greater job satisfaction. Value to customers will be improved by cutting costs or speeding up access to products and service. If we also create a culture that means we come to work with the aim of stepping up our performance, day by day, week by week, we can lay the foundations of an improvement effort with enormous potential.

Secondly, we need to talk honestly and openly about

the things that are important. If there are

deviations, mistakes and problems, they need to be brought into the open and discussed in detail. This is the fastest way of finding solutions, generating improvement and increasing engagement. When we join forces to

create more satisfied customers, there will be unconditional openness. The overarching task of any leader is to give everyone the opportunity to do their work and solve problems along the way.



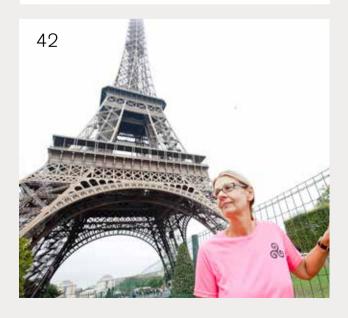




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#### **Volvo Group** magazine 5.2015

#### 14 It is all coming together

After three years of extensive changes and restructuring, the Volvo Group is now closer to its goal of being one organisation. We look back at what has been achieved.

#### Fast food - delivered on time

Polfärskt's promise to deliver fresh bread to shops anywhere in Sweden within three hours is great for consumers, but it also puts a lot of pressure on the company's fleet.

#### Change management

Behind the transformation of the Volvo Group, there are many individuals who have different roles in ensuring that changes are implemented. We meet three people who are working behind the scenes.

#### Riding China's e-commerce wave

More and more Chinese are ordering goods online, fuelling strong growth in logistics and delivery services. With an expanded service network, many operators are choosing Volvo trucks.

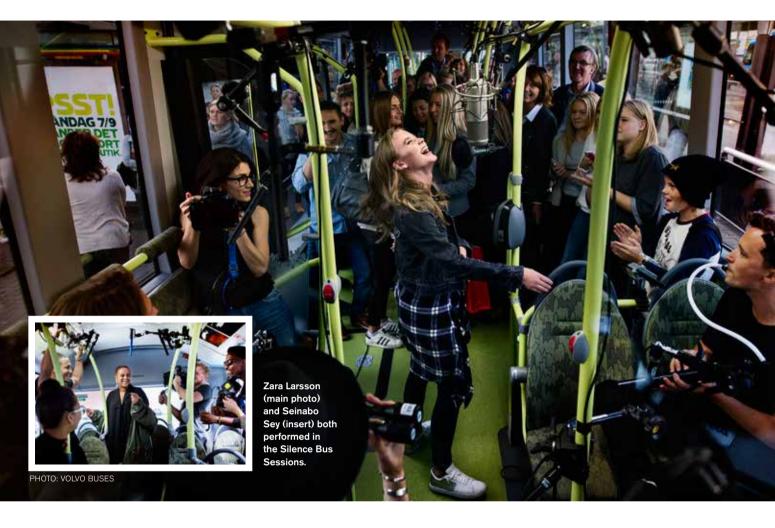
#### Looking ahead

Niklas Gustafsson, Volvo Group Chief Sustainability Officer, is playing a key role as the Group participates in a UN high-level advisory board on how to make transportation more sustainable.

#### **Embracing diversity**

Once again, the Volvo Group has recognised the Diversity & Inclusion Week with events and celebrations across the world.





#### TRAVELLING MUSIC

Concerts demonstrate quietness on electric buses

Unsuspecting passengers could hardly believe their eyes (or ears) when they boarded a bus in Gothenburg and stepped right into a concert featuring some of Sweden's hottest musicians.

THE SILENT BUS Sessions saw Zara Larsson and Seinabo Sey each perform unique impromptu versions of their songs on board an electric bus. The purpose of the campaign was to promote ElectriCity, the new electric bus route in Gothenburg featuring three completely electric buses and seven electric hybrid buses. By holding acoustic concerts

on board during normal operation in real traffic, the Silent Bus Sessions were the perfect demonstration of how quiet Volvo Buses' electric buses really are.

"It was a very special recording session, partly because of performing Better You for the first time and above all because of the unusual setting, where none of the

passengers knew what was going to happen," said Zara Larsson.

Seinabo Sey also performed two songs on the ElectriCity bus route, along with a choir discreetly hidden among the bus passengers. "I've wanted an opportunity to sing with my friends from the Tensta Gospel Choir for so long and it was fantastic that it finally happened. It

was a special day. The passengers had no idea what was going to happen and I was a bit nervous about how they would react," said Seinabo Sey.

Music videos of each session have been recorded and released on Volvo Buses' YouTube channel. At the time of writing, the videos had generated over 2.5 million views.



#### **IDEAS IMPROVING PROCESSES**

Through Volvo Production System and the Continuous Improvement initiative, the bus team at the Curitiba Cab & Vehicles Assembly plant in Brazil has contributed more than 2,000 ideas for improving production processes. By correctly calculating the cost benefit of an idea, the right decisions can be made. One example is the reduction of filling hoses used in the bus assembly line, where 28 metres of wasted hoses were generated daily in the assembly of ten chassis.

"Now, after adjustment with our supplier and the calculations made for this improvement project, the waste was eliminated," says Andrigo Gequelin, Production Technician on the bus line.



A Mack Pinnacle 70-inch high-rise sleeper and the restored 1974 Mack FS model, affectionately known as "Big Red", shared the spotlight at the premiere of Being Evel on Sunset Boulevard, Hollywood. The later model was the truck that Robert "Evel" Knievel chose as his show truck. Being Evel follows Knievel from his humble beginnings through his spectacular rise to fame as the most famous stuntman in the world. The film opened in select US cities on 21 August.

#### Glocal focus

STICK WITH THE story - that has been the quiding star in our communications over the past four years. The Volvo Group has undergone major changes. Part of that has been to create a completely new organisation - Group Trucks Operations. As I read the first interviews with GTO's Executive Vice President Mikael Bratt from spring 2012, the same message is being made in December 2015. It might seem a little repetitive for people sending out communications, but one should never underestimate the time it takes to really reach out all the way.

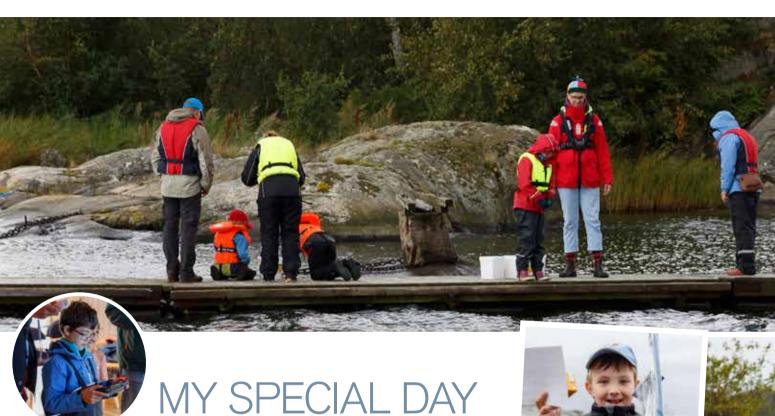
In such a large organisation as GTO, there are lots of layers to get through until we reach the individual employee. We are still working on that, but to succeed it was crucial to create a "glocal" communication organisation right from the start. We need not only to be global and form a common GTO with a clear link to the Group but also to create local ties. Twentyfive sites were chosen from the start where we chose full-time communicators and since then we have worked together as a team. But being "glocal" is a challenge on both sides. Over the year, the communicators working at the global department have been given the opportunity

to "shadow" plant managers in their day-to-day work, while the local communication managers have been shadowing GTO's executive management to get an understanding of both sides.

The challenge is to reach out all the way. To create an identity and sense of belonging in the organisation as a whole and link back to the local business, down to individual employee level.

LOTTA BÄVMAN DIRECTOR NEWSDESK GTO & EDITOR VOLVO





with Volvo Penta

VOLVO PENTA JOINED forces with the Swedish foundation My Special Day (Min Stora Dag), with 40 employees volunteering their time to help 15 children and their families enjoy a memorable day out in the Gothenburg archipelago. My Special Day's mission is to give children with a serious medical condition the chance to fulfil a wish and experience new activities. Volvo Penta's event included boat rides, crab fishing and a picnic lunch. "Working with an organisation like My Special Day is an important way for us to contribute as a company," says Pia Wallman, Volvo Penta's project leader for the event. "This initiative started several years ago based on an employee's idea and it is great to see how many employees have now embraced it."



Imagine a robot that quietly and discreetly enters your neighbourhood, collects your refuse bin and empties it into the refuse truck - without waking anyone and without heavy lifting for the driver. This is the purpose of ROAR, Robot-based Autonomous Refuse handling, a project aiming to develop tomorrow's smart transport solutions. The technology can be applied in many areas; refuse collection is just one example.

"We foresee a future with more automation," says Per-Lage Götvall, project leader for the Volvo Group. "This project provides a way to stretch the imagination and test new concepts to shape transport solutions for tomorrow."

The Volvo Group is collaborating with Chalmers University of Technology and Mälardalen University in Sweden, Penn State University in the United States, and the waste recycling company Renova.





The Volvo Group has donated 5 MSEK to UNHCR, the UN High Commissioner for Refugees. The donation will support the work of

providing refugees with emergency relief items such as shelter, food, water and medical care.



#### **GETTING A GRIP**

A new function for Volvo trucks, Tandem Axle Lift, makes it possible to disengage and raise the second drive axle, delivering better road grip and up to four per cent lower fuel consumption when the truck is driving without a load. The new function is designed for trucks that frequently interchange between heavy loads and empty return trips, for instance, when hauling timber or in construction and bulk cargo operations.

#### Lights on track

Last September, at the F1 Grand Prix Night Race in Singapore, Volvo Penta engines powered the race circuit's lights for the seventh time in eight seasons. The gruelling 309 km race took place at Singapore's Marina Bay with the competitors completing 61 laps of the

circuit, which has more corners than any other F1 track. Twenty-five powerful Volvo Penta TAD1641 GE engines were deployed at locations along the track and it has been widely claimed that, without such superb lighting, night racing would be impossible.

## $100\,$ msek



is the annual saving for a city with half a million inhabitants if its city buses run on electricity instead of diesel. Factors like noise, travel time, emissions, energy use and taxes are taken into consideration in the analysis by the Volvo Group and audit firm KPMG.



#### **ECO CLOTHING** THE PERFECT FIT



**VOLVO MERCHANDISE** develops, designs and manufactures products that embody the Group's different brands. For this year's collection, sustainability is at the forefront.

"The Volvo Group's core values have a central role in development," says Ulrika Thureson, Manager Purchase, Design & CSR Volvo Merchandise "In order to show our commitment, we now take a broader approach and are implementing a system where we grade all our products according to how sustainable they are."

The grades range from level one (minimum standard for meeting the Volvo Group's Corporate Social Responsibility requirements) up to level three. The 2015 collection includes four items with a level three: a jacket made from recycled polyester, a polo shirt, a t-shirt and a hoodie.

"The items in our collection are entirely unique in the market. The aim is to have all products reach the same high standards within five years," says Ulrika Thureson.

According to Anna Wendin, Manager Product Portfolio, Volvo Merchandise, a product must go through a number of global environmental certifications for it to reach level three.

"It is a comprehensive process where every step in a product's development - from the initial idea to

final delivery - is carefully assessed in order to obtain the highest levels of sustainability currently possible. Even social aspects, such as the pay and work conditions in the

"We are very proud that we can offer genuinely sustainable products."

factories, are considered."

"We are very proud that we can offer genuinely sustainable products and look forward to being able to develop the rest of our range to the same high standards."

# 40 vears

Congratulations to the New River Valley Plant in Virginia, USA, on turning 40 this year! An investment of \$38.1 million for plant upgrades and a new Customer Experience Center was announced when the truck assembly plant celebrated its anniversary at the end of September.



#### Electric ambassadors in Sweden

In a three-year project to raise awareness of electric vehicles, 20 Volvo C30 Electric cars have been provided to the Volvo Group as company cars. Overall, the 102 employees in Sweden have driven 800,000 km (or 20 times around the world) while producing zero emissions - a saving of 125 tonnes of CO<sub>o</sub> compared with conventional vehicles. The project has been run in collaboration with Volvo Cars.

"We have no doubt gained hundreds of new ambassadors with an increased understanding of electric vehicles in practice," says Rolf Willkrans, Director Environmental Affairs, Volvo Group.

#### **Open future**

Modern, open, flexible and designed around the activities we actually perform, every day. These are some of the key principles when shaping the office workplaces of the future. Volvo Group Future Workplace is a project aiming to transform the way the Volvo Group enters into a new lease agreement, renovates an existing office space or designs a completely new facility. One key principle is to encourage an "open door" environment.

"We need to create a workplace that encourages and enables innovation, cross-functional meetings and cocreation. And we need to create the most cost-efficient solutions for the Volvo Group," says Magnus Koch, SVP Volvo Group Real Estate.

#### 300,000

units have been produced by the Curitiba plant since 1979. The 300,000th vehicle, a Volvo FH540 truck, called for celebrations.

"An important milestone for the Brazilian manufacturing unit," says Jorge Marquesini, VP GTO Cab & Vehicle South America.



PHOTO: RENAULT TRUCKS

#### Rescue range

Renault Trucks presented its new range of rescue and fire-fighting vehicles at the National Convention last September. Amongst the features on display was a new chassis layout for fire-fighting trucks with significantly increased storage space for equipment. In France, Renault Trucks is the market leader in the rescue and fire-fighting segment with a 72.3 per cent market share.



## FRESH BREAD AT ALL TIMES

Three hours from order to delivery. Polfärskt's promise to its customers imposes huge demands on its fleet. In the Volvo Group, the company has found a partner that supplies a total solution, comprising modern trucks, adapted leasing agreements and speedy service. Not to mention complying with Polfärskt's ambitious environmental targets.

TEXT LINDA SWANBERG PHOTOS SÖREN HÅKANLIND

#### Lisa Johansson...

has been working as a retail distributor at Polfärskt since 2007. Every day, she starts her working day by loading her truck at Partihallarna in Gothenburg, the site of one of the company's 31 bread terminals.

#### "Morning! How are you?"

Lisa Johansson exchanges a few quick words with a colleague before opening the doors to her truck. It is just before 5am and the day's shift has recently begun. After a few trips to the large freezer unit inside the cold stores, she has filled her truck with cartons of bread and biscuits.

Lisa Johansson is one of 270 retail distributors who work for Polfärskt in Sweden. Every week, they work together to deliver bread and biscuits carrying six different brand names to 2,500 shops in different parts of Sweden.

"I have my own district that I'm responsible for. In the shops, I take care of customers, sales and campaigns. I take new orders, handle return goods,



date-stamp products and fill the shelves with the things that are missing," explains Lisa Johansson.

With its 24 distribution companies, Polfärskt is currently one of Sweden's largest bread distributors. What is more, sales are steadily increasing. Last year, the company had a turnover of SEK 1,511 million. The bread is frozen immediately after baking and the business philosophy is "to give shops throughout Sweden the opportunity to sell fresh bread at all times".

"We guarantee deliveries to shops within three hours. Jointly distributing different brands and having well-planned routes and a modern fleet of vehicles also enables us to do this is an environmentally smart way," says Hans Jacobson, Polfärskt's managing director. "My truck is incredibly important. It's my workplace and I spend a lot of time in it. I like driving my Volvo truck – it's always more enjoyable if the place you work in feels new and fresh."

LISA JOHANSSON, RETAIL DISTRIBUTOR, POLFÄRSKT

#### CLOSE PARTNERSHIP



Polfärskt has been a Volvo Group customer since 2006 and the majority of its current fleet of 280 trucks come from Volvo Trucks.

"In the Volvo Group, we have found a total deal with which we are extremely pleased. We aren't only looking for a good product, the soft values are also really important. Everything associated with the trucks has to function, not just the actual vehicles."

Right now, the companies are involved in an extremely close partnership. A couple of times a year, the logistics team at Polfärskt meets representatives from Volvo Trucks, Volvo Fleet Sales and VFS for a joint analysis of the need for new trucks, as well as financing and service agreements.

**THE MAJORITY OF** the company's distribution vehicles are financed via operational leasing, which includes service and repair agreements.

"After the staff, vehicles represent our largest cost. Operational leasing offers us effective cost control,



Hans Jacobson is managing director at Polfärskt. The company has been a Volvo Group customer for almost ten years. plus a good overview of the vehicle fleet, and we also avoid surprises. What's more, newer vehicles increase our delivery reliability," says Hans Jacobson.

Another decisive factor when it comes to Polfärskt's choice of Volvo trucks is its environmental targets and focus on issues related to sustainability.

"With our environmental targets, it's important for us to have a partner who is able and willing to remain at the cutting edge. By choosing leasing, we can always take advantage of the very latest technology. That's also important from a sustainability angle," explains Hans Jacobson.

Polfärskt is currently collaborating with the Volvo Group on a project which involves testing RME and HVO, renewable fuels that can be used in diesel engines, in a number of trucks.

"In the Volvo Group, we have found a total deal with which we are extremely pleased."

HANS JACOBSON, MANAGING DIRECTOR, POLFÄRSKT



"We know what Polfärskt needs and wants," says Per-Olof Olsson, Sales Manager at VFS Nordic.

However, Hans Jacobson's ambitions do not stop here.

"We are aiming to remove all carbon dioxide. The moment electric trucks that match our needs are available, we plan to be first in line to test them."

Per-Olof Olsson, Sales Manager at VFS Nordic, describes the customer relationship with Polfärskt

as an extremely close partnership.

"They encourage us to participate closely in the entire process, our communication is direct and the decision-making is swift. We know what Polfärskt needs and wants and we can therefore adapt our offers, so that we are involved in and influence what they buy," he says.

Every year, Polfärskt purchases an average of 25 new trucks from Volvo Trucks. With only a few exceptions, they are financed through operational leasing via VFS Nordic.

"For a company like Polfärskt, the most important thing is that the bread is delivered. They aren't really interested in owning their trucks."

According to Per-Olof Olsson, more and more companies are recognising the benefits of operational leasing. The trucks are not charged to the balance sheet. Instead, companies pay a monthly leasing fee which includes both service and repairs.

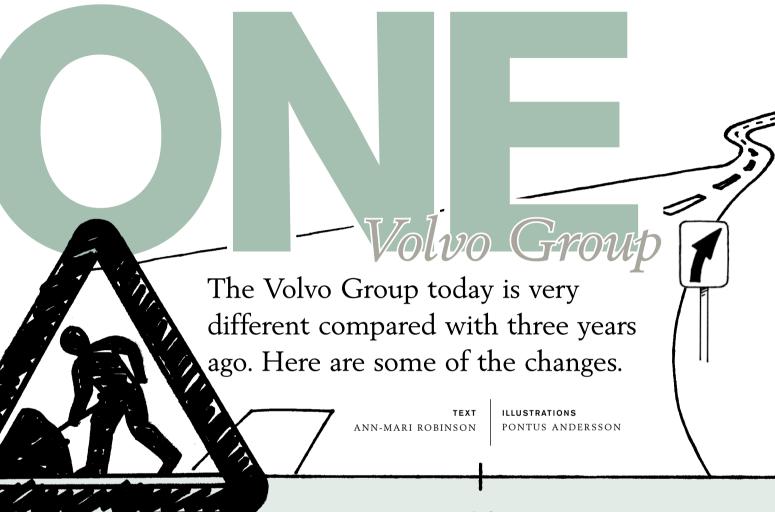
Offering operational leasing increases the potential to obtain customers who are loyal to the Volvo Group, while creating long-term partnerships.

"In a partnership with existing customers, feedback and effective service are absolutely vital. If we do a good job during the five years the customer leases from us, there is a greater chance that they will stay with us," says Per-Olof Olsson. 

Oliver The state of the state



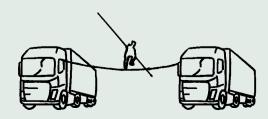
#### THE ROAD TOWARDS

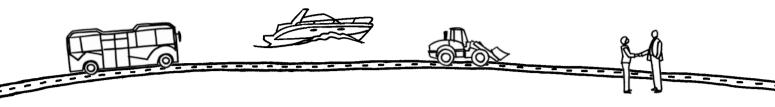


BECOMING ONE GROUP has been the key focus for the Volvo Group during 2012–2015. Large-scale activities have shaped the organisation to become more efficient and competitive. Cross-functional collaboration is high on the agenda and operations are leaner. When summing up some of the many pieces of the big puzzle in this *Volvo Group Magazine* Special, the transformation is like an evolution. The journey is on-going. In several areas of the Group, activities are still being implemented and organisations are still being shaped. However, after three transforming years, the Volvo Group is ready to enter 2016 stronger and more competitive. ●

#### 2012

- New strategy to improve profitability is announced. It includes 20 strategic objectives for Group Trucks in 2013–2105. Reduced costs for Research and Development, IT and sales are part of the scope, as are optimized brand assets with brand positioning and establishing commercial presence to support revenue growth in Asia-Pacific and Africa.
- One of the largest reorganisations in the Group's history is implemented. Truck operations, technology and sales are formed in divisions and three sales regions (TSM).
- New product launches included the new Volvo FH.
- > The divestment of Volvo Aero is completed.





#### Milestones for the Volvo Group Business Areas 2013-2015

#### **VOLVO BUSES**

- Positioning
   Electromobility and
   Citymobility as competitive
   edge
- ☐ Integration of Volvo Bus North America
- ▷ Improved understanding of the need for crossfunctional work

#### **VOLVO PENTA**

- Captured profitable growth opportunities in each segment and region
- Quality assured greatest product renewal and market launch ever
- ▷ Introduced new off-road (VE) engine range within the Industrial segment
- ➤ Launch of Marine Leisure product innovations, including Forward Drive (FWD) and new gasoline range

#### **VOLVO CE**

- Stopped design and production of Volvobranded backhoe loaders, graders and milling machines to address market conditions
- □ Acquisition of Terex
   Trucks
- Reduction of project lead time average from 34 months to 26.6 months
- 34 months to 26.6 month

  ☐ Increased export
  business for SDLG, from
  35 to 59 markets

#### VOLVO FINANCIAL SERVICES

- ▷ Integration in seven new markets
- ➢ Joins Volvo Group product companies in promoting Volvo Group total offer
- ▷ Integrated event participation and web presence with other Group areas
- SDLG Financial Services established

#### **GOVERNMENTAL SALES**

- Development from a French business towards a wider export strategy
- Coherent strategy in line with Volvo Group strategy

#### 2013

Description Agreement with Dongfeng Motor Group signed to acquire 45% of a new subsidiary. Dongfeng Commercial Vehicles, DFCV, is the outcome of years of preparation. Description Descri

#### 2014

- ▷ Efficiency programmes implemented across the Group. The overall target for the efficiency programmes was to reduce the structural cost level with 10 billion SEK.
- Strategic review of Corporate Process & IT is initiated to evaluate what is core and non-core in IT operations.
- ▷ Integration of sales and service network for trucks leads to improved service in North, Central and Eastern Europe. The number of service points increased by some 10% for Volvo Trucks and 30-40% for Renault Trucks.

#### 2015

- DFCV starts operating with a joint management team.
- Group Trucks Sales takes shape; one lean global headquarter and seven empowered sales regions with cross-functional regional teams
- A review of the Group's IT operations is completed and the search for an external partner for part of the IT business is initiated. The selected partner, HCL Technologies, is announced on 20 October.
- ▶ Improved profitability due to the combined effects of the 2013 product launches and cost reductions implemented in 2014.

Despite a dramatic downturn for construction equipment in



China and a recession in Brazil, the underlying operating margin has improved quarter by quarter; it was 6.1% for the first quarter of 2015 and 7.1% for the second quarter. The corresponding figures in 2014 were 3.9 and 4.5%.









Volvo Group Trucks' three Executive Vice Presidents have overseen a complete overhaul of each of their respective organisations, but, as each will emphasise, plenty of challenges still remain.

NIC TOWNSEND

PONTUS JOHANSSON & JONAS TOBIN

#### Joachim Rosenberg, GTS:

# Our GTS colleagues should be proud of what they achieved this year.

#### How is GTS different to the earlier sales organisations?

"There are some fundamental differences including the fact that we now have seven regions that are empowered to take most decisions. It is clearer 'who does what' in our setup. GTS headquarters is much leaner and serves only three primary purposes: to support, challenge and govern. We have moved from being global and single-branded to being regional and multi-branded."

#### Why has the transformation been necessary?

"The regions and the markets drive the business – so they need to be empowered to make decisions. In my view, decisions should always be taken as close to the customer as possible. When roles and responsibilities are clear, the frequency and quality of the decisions will increase. I believe this will make us an even more customer-oriented company, which will be necessary to succeed in the future. We also need to reduce our costs. If we compare ourselves with our competitors, there is nothing fundamentally wrong on the revenue side. The problem is that our costs are too high, and that is what we are addressing with this transformation."

#### What is the biggest challenge in creating GTS?

"The biggest challenge, and our biggest asset, is always people. As the saying goes "everyone wants to change the world, but no one wants to change

themselves" and the transformation is all about challenging ourselves to work in new and improved ways. I have the greatest respect for the size of the change we have undertaken and I cordially take my hat off to every single colleague who has been involved – the work they have done is simply outstanding."

#### How are colleagues adapting to the changes?

"I'm impressed and very pleased with the 'can do' attitude and the spirit while going through this transformation. Looking back, we have performed well in many aspects of the commercial side – to gain market share in selected areas, secure an attractive price

point for our products and create a balanced business model. However, in a highly competitive industry, there is still work to be done."

#### Has there been close collaboration with GTT and GTO?

"Absolutely! And we will continue to work together. A customer, in any given country, doesn't care – and shouldn't have to care too much – about what happens in other markets or how we organise internally. All they care about is how the Volvo Group value chain serves them and that value chain is a combination of GTS, GTT, GTO and other functions. We work together to meet customers' demands – we simply win and lose together."

#### Is the transformation now complete?

"Looking forward, changes might happen at a different magnitude and speed than the last four years, but there will always be changes. We will never be done, because it is an endless journey. However, now our energy and focus should be directed more towards the market and the customers." 

Output

Description:



MY VOLVO GROUP JOURNEY

"I started with the Volvo Group as VP for Powertrain in 2005. The company has certainly evolved substantially over the past decade, but we still have the same core values and the same passion and respect for the individual. The pride, engagement, knowledge and skill of our colleagues were high back then and they remain high now."



#### Mikael Bratt, GTO:

We have been doing something that has never been done before in the Volvo Group.

never been done before in the Volvo Group. But, while driving this huge transformation, we have also had to handle volume fluctuations. We have also seen the biggest product launches in the Volvo Group's history, including full new ranges for Volvo Trucks, Renault Trucks and UD Trucks. And we've had to do this while also pursuing very ambitious targets when it comes to improving efficiencies in our industrial set-up with a number of significant structural changes."

#### How well have employees adapted to these changes?

"I'm very pleased with all the efforts and hard work done by everyone. We have touched every site and we have also opened new operations. There have been tough decisions and we have seen a lot of changes to our way of working. But everyone has done a great job in adapting and introducing the changes respectfully to all involved."

#### How does GTO collaborate with GTT and GTS?

"It's very important that we have strong seamless collaboration with our colleagues both in the upstream and downstream processes at Group Trucks. GTT develops the products that we produce and GTS sells them in the markets."

#### Is the transformation now complete? What happens next?

"We are passing an important milestone. Until now, our focus has been on structural changes and this has laid the foundations for further improvements. Now we will focus on continuous day-to-day improvements.

"We should celebrate what has been achieved but also recognise that we are not done. In 2016, we will shift up a gear and continue our journey towards being a world-class industrial organisation." ●

#### How has GTO changed since 2012?

"GTO was a formation of nine different organisations including the global manufacturing for our four different brands, Powertrain Production, Logistics and Parts and, by 2014, the Purchasing organisation. It has all been melded together into a joint organisation with a common agenda and common objectives."

#### Why has the transformation been necessary?

"We needed to release the synergies that exist within the company. By being more efficient in our total end-to-end supply chain, GTO can do a lot to secure the competitiveness of the Volvo Group."

#### What have been the biggest challenges?

"We have actually been doing something that has

#### MY VOLVO GROUP JOURNEY

"I first started with Volvo in 1983 with a summer job working at our central warehouse in Gothenburg, where I was packaging parts and driving forklifts. Back then, Volvo had a very broad portfolio, including everything from food, tobacco, medicine, cars, trucks, you name it.

"A lot has changed since then. We divested Volvo Cars, expanded into commercial vehicles and now the transformation. But we've always had a lot of very dedicated and loyal colleagues, who want the company to be successful. That spirit has always been there."



#### Torbjörn Holmström, GTT:

### What we have achieved is phenomenal!"

#### How has GTT changed since 2012?

"GTT today is a complete technology organisation for the whole Volvo Group. We have much better co-operation and integration in the technology area, which is vital for project execution. We have also made changes to create a much tighter and more efficient organisation, including the implementation of the RnD30 programme for increased efficiency in our R&D operations."



#### How have employees dealt with the transformation?

"What we have achieved is phenomenal! The changes have been a strain on all employees. Yet we still created two new truck ranges and both won Truck of the Year awards."

#### Has improving efficiency compromised GTT's abilities?

"Absolutely not. When you create efficiencies, you free up resources that can then be put into developing technology. The implementation of the RnD30 way of working has led to lead time reduction and increased efficiency, so that we are not dragging away resources from product development."

#### To what extent have you worked with GTO and GTS?

"To a very high extent. The close co-operation between the Group Trucks divisions has not only been crucial during the transformation, but it remains just as important as we move forward."

#### What is the next step for GTT?

"It's time to start planning for the next decade's products. There are constantly more technology areas to master in order to stay competitive. From a strategic point of view, the organisation needs to make a number of critical choices regarding priorities. In addition, we need to continue securing lead time, quality and cost efficiency." •

#### Why has the transformation been necessary?

"For efficient project execution, you need all technology functions working together, because they are so interconnected. Otherwise, the final result will not be optimal. So, having all technology functions working together as one team is a huge strength."

#### Has it been difficult to manage the transformation while also managing new product launches?

"Of course, it has been a tough journey. Creating and delivering a new range for both Renault Trucks and Volvo Trucks was the biggest industrial project in the Volvo Group's history. We have responded in a fantastic way and have managed to make major organisational changes while also delivering on our day-to-day commitments."

MY VOLVO GROUP JOURNEY

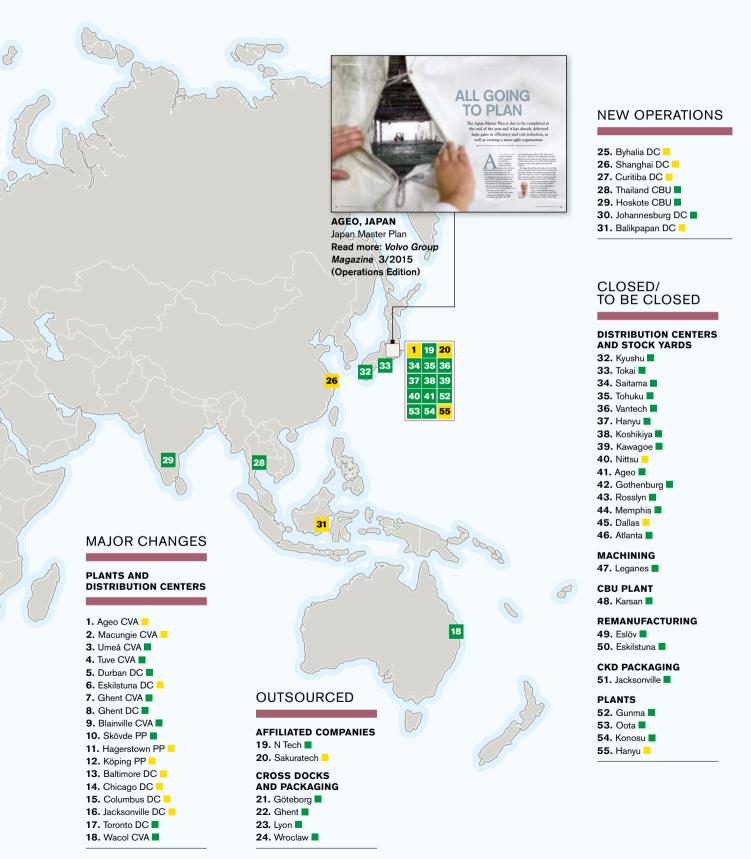
"I started with the Volvo Group on 6 August 1979, as a development engineer working on automatic manual transmissions, which would later develop into the AMT we have today. The Volvo Group was much smaller back then – now it is ten times bigger and a truly global organisation. But, despite the many changes the Volvo Group has undergone over the last decades, a key element is still there – the passion for developing new solutions and driving technology. After concluding the largest industrial project in the history of the Volvo Group – the renewal of the Volvo Trucks and Renault Trucks ranges – it is now time to prepare for my successor in order to secure continuity in the Volvo Group technology development."

Note: Torbjörn Holmström has announced his intention to step down as EVP for GTT. He will continue in the position until a successor is found and will then remain at the Volvo Group as a senior advisor for R&D.



Read more: Volvo Group Magazine 4/2015

(Operations Edition)





Large-scale transformations require a great deal of planning and confidentiality. Here, employees from Finance, Communication and HR talk about how to manage change.

TEXT ANN-MARI ROBINSON PHOTOS STEFAN EDETOFT

#### Andreas Gustafsson:

# "Better to be involved than to stand on the sidelines"

**WHEN ANDREAS GUSTAFSSON** left school, his aims were clearly defined. He was going to work with supplier relations in the automotive industry – which is precisely what he did.

After eight years working for Purchasing at Volvo Powertrain, he continued at IT and Trucks EMEA and is now responsible for reorganising the three former sales divisions to create Group Trucks Sales (GTS). This journey will end at the turn of the year.

what I am going to do when this assignment ends. So I have to accept the situation and simply believe that things will work out. Every change has felt like a logical step for the Group and, on a number of occasions, I have actually implemented rationalisations that have eliminated my own role. Having several purchasing organisations instead of one wasn't realistic. When I joined Trucks Sales & Marketing (TSM) EMEA, the level of maturity for working with a number of brands was low. We have now become used to thinking about multi-brands. The same thing applied to the three TSM divisions; when the decision to create GTS was announced, we were surprised, but the logic behind it felt correct.

I have a great deal of sympathy with the people who have been impacted by these changes. This was particularly noticeable when the three TSM divisions changed from 44 senior vice president (SVP) roles to 14 in the new GTS. The consequences at other levels within the organisation were similar.

"At the end of last year, I was asked if I wanted to run the project office for GTS. The decision to create GTS felt right for the Group, but I really had to think through the assignment in great detail before I accepted. What convinced me was my philosophy that it's better to be involved and attempt to influence things than to stand on the sidelines and

have views and opinions. Looking back, I'm pleased to have been involved in such a revolutionary project, even if it was difficult on many occasions. I have been responsible for organising six work streams and 11 implementation projects with a clear-cut deadline. I wasn't able to talk to my former colleagues about what I was doing, as the changes were influenced by confidentiality and labour legislation in a number of countries. We spent the whole spring working incredibly hard and we never compromised on our final objective, which means that we shall start 2016 with the right organisation and the right cost mass.

"AS AN INDIVIDUAL, I HAVE WORKED for the Volvo Group in two phases. Up to 2011, it was mostly a question of growth, but the past few years we have focused on efficiency. You can't make major changes and expect people to cheer, but you can attempt to implement changes in the best possible way. I believe in the Volvo Group as a profitable company and I think the decisions have been right, but managing changes can be difficult for the organisation. I actually think development is a better word than change. Everything develops with time, even companies." 
©



Andreas Gustafsson, Director Project Office, GTS Organizational Transition. The photo was taken when he was on paternity leave with his daughters Elly and Alice.

#### BECOMING ONE GROUP

#### Anna-Karin Plantin:

# "Streamlining affects everyone"

WHEN ANNA-KARIN PLANTIN started work as a Senior Communication Business Partner for Corporate Process & IT, on 1 October 2014, she had no idea of the many changes that lay ahead.

"I HAD PREVIOUSLY WORKED at the Volvo Group and when I returned after some six years it was striking how it had become a hungry, modern IT operation.

The publication of the report for the third quarter 2014 heralded the start of a strategic review of IT operations and a reorganisation in which Corporate Process & IT came under the umbrella of Finance. Shortly thereafter, Olle Högblom was appointed as the new SVP. So a lot happened in a short time.

Streamlining and scaling back instead of expanding affects everyone. The organisation was calling for information, but you can't provide information and be transparent in the same way as before in conjunction with business negotiations at Group level. This is something that has been difficult to understand for many people and the IT management has struggled with its complexity.

The next important date was the quarterly report at the end of April 2015. We had prepared the presentation material, but the messages weren't finalised. We knew that we were going to present the findings of the strategic review on the Friday, that the plan was for an external partner to take over parts of the operation. But Tuesday evening, after the stock market closed, Olle and I were told that the report



#### Thierry Fayette:

#### "The human side is important"

THIERRY FAYETTE HAS BEEN with the Volvo Group since 1999 and has a broad-based knowledge of Human Resources. Since 2011, he is the Vice President for HR Centre of Expertise (CoE) in France, heading a team of 11 HR experts.

"I HAVE BEEN WORKING with two major transformation programmes,

in 2014 it was the staff and support function efficiency programme, SEP14, and in 2015 it has been Group Trucks Sales. Both projects have impacted our organisation in France (as in many other countries where we have operations) and involved a great deal of coordination. We have been driving the programmes in a professional way,

with concern for our employees, and it has been a learning process for all involved – the company, the HR Centre of Expertise and the unions.

We have worked a lot with change management and communication, as everyone is affected when a company goes through a big change like this, not only employees that are leaving the company. It opens up questions among employees. So we mustn't forget to build engagement, motivation and confidence in the Volvo Group as a strong employer now and also in the future. The communication process is key; you can have all the tools in the world, but, if you don't have the communication, you won't succeed.



was going to be released already the next day, on the Wednesday. We didn't know why, only that we had the night to get ready.

**SO OUR ONLY OPTION** was to set to work. We outlined a plan of the people we would need to call early the next morning to help us. After all, we had a complete organisation to inform, starting with the managers

who would then inform their teams. The next morning at 7.20 am, the report was published, with the announcement that Martin Lundstedt had been appointed as the new Group CEO. We had to book rooms, send out invitations and organise the technology for all the meetings. We put the finishing touches to the presentation material with only minutes left. The information was presented throughout the day in an effective,

dignified manner. It was clear that we were part of an organisation that was able to deliver when it mattered."  $\odot$ 

Anna-Karin Plantin, Senior Communication Business Partner for Corporate Process & IT

PHOTO: DENIS CHAUSSENDE

Thierry Fayette, Vice President for HR Centre of Expertise (CoE), France

We have also supported managers through dedicated meetings.

All this has required a lot of time, dedication and energy to cope with the workload. At the same time, it has equipped us better to dealing with change. On a personal note, I have learnt a lot about my own behaviour when it comes to leadership, decision making and

negotiation skills. It is important to step back and stay professional at all times and deal with the human side of the impact of the change. In the end, the word change represents something positive to me. We need change to develop, but we also need stability to see that the change we have implemented is working."





rom midnight 11 November and all through the day, hundreds of millions of Chinese consumers logged on to one of the country's growing number of online retailers to take part in massive bargains. In 2014, some 340,000 sales transactions were completed on two of China's largest e-commerce sites – Tmall and Taobao – within the very first minute of China's biggest annual online shopping event. Tmall and Taobao are both owned by China's largest retailer, Alibaba. On that day alone, Alibaba reported more than US \$9 billion in sales.

Even with some segments of the economy sagging, China's retail sales have remained relatively strong. Earlier this year China's post office predicted a huge 50 per cent increase in packages sent on Singles Day in 2015.

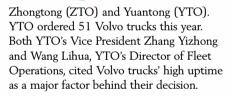
With its digitally savvy middle class, China's online retail has swelled in recent years, making it the world's largest e-commerce market and home to three of the world's ten largest e-commerce sites. The growing number of Chinese consumers ordering goods online from distant cities, to arrive at their doorstep or office the next day, has led to growing business opportunities for Volvo Trucks in China.

Through smart strategy, including a large timely expansion of its service network in China, Volvo Trucks has become number one among its European competitors in the express cargo segment. Singles Day has also now come to dominate Volvo Trucks' sales calendar in China.

"We see an increase in customer orders being placed mid-year to make sure that trucks arrive in time for November 11th," says Eric Labat, Vice President, Asia Oceania Sales, Hub China.

This year, large orders of Volvo trucks were placed by a number of leading Chinese logistics operators, including Yunda Express, "We rented an additional 1,000 vehicles and took on 10,000 extra people to meet demand."

LIU SHUHONG, GM OF THE FLEET
MANAGEMENT CENTRE AT YUNDA EXPRESS



FOR SHANGHAI-BASED Zhongtong Logistics (ZTO) which currently owns 199 Volvo trucks and has ordered 100 more, Singles Day is a day when all its vehicles drive at full capacity, transporting goods to distant destinations across China.

"We started preparing early and added trucks along key routes and manpower for each depot," says Tang Jianming, ZTO's Deputy Director of Fleet Management.

One of Volvo Trucks' newest customers in the segment is Yunda Express. Despite a staff of 80,000 employees and a fleet of 20,000 trucks, the company added additional resources to meet demand on the day.

"We rented an additional 1,000 vehicles and took on 10,000 extra people," says Liu Shuhong, General Manager at Yunda Express's Fleet Management Centre.

This year, the company added 50 bright yellow Volvo FM trucks to their fleet. The trucks arrived right on time for the big day.



# FACTORS HELPING VOLVO TRUCKS TO GAIN GROUND IN THE E-COMMERCE SEGMENT

Since taking off ten years ago, China has become the world's largest e-commerce market. Today, Volvo Trucks is number one in the logistic transportation segment among imported brands.

#### On time, every time

To meet customers' expectations that they will receive their goods the next day after an order, there is a growing market for reliable trucks with high uptime.

#### Large service network

Starting in 2009, Volvo Trucks has been reshaping and expanding its service network in China and now has a very extensive, high-quality service network covering the country.

#### China's long distances

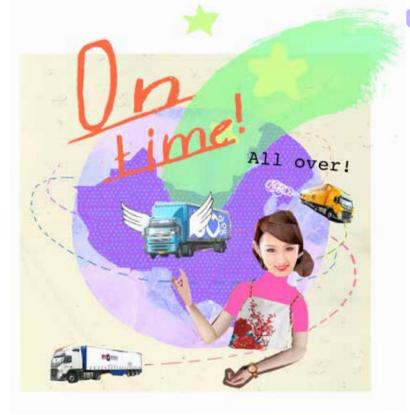
The long distances in China cities has allowed e-commerce to grow strongly there and it is especially on long trips that it becomes profitable to replace domestic vehicles with Volvo trucks.

#### **Presenting lifecycle costs**

To become even more efficient in its operations, Volvo Trucks has brought in specialists from the logistics sector who work directly with their customers' companies to look over their logistical operations and help them become as efficient and profitable as possible.

#### A very strong truck brand

Volvo Trucks, with its unique hard and soft product offering, is image leader in China. It has also established itself as a brand that provides customised service, cutting-edge technology and total transportation solutions.



"We see an increase in orders mid-year to make sure the trucks arrive in time for November 11th."

ERIC LABAT, VICE PRESIDENT, ASIA OCEANIA SALES, HUB CHINA



SINGLES DAY SYMBOLISED by the four ones in the date 11/11 is now the biggest day for online shopping in China.

Jack Ma, legendary founder of China's largest e-commerce company, turned the tongue-in-cheek holiday into a promotion campaign in 2009, to get single people to reward themselves with a gift. Since Alibaba co-opted it as a shopping holiday in 2009, it has become a hit. Other online retailers began cashing in, and Alibaba copyrighted the term "Double 11".

In part, the holiday's success has stemmed from the fact that the date is easy to remember and well placed in a consumer spending lull between National Day and Chinese New Year holiday in early spring.

E-commerce giant Alibaba has transformed the day into an internet happening. As consumers race to secure discounted products, Alibaba provides live updates of "transaction milestones" and a live sales figure on a giant screen at its premises in Hangzhou.

Since it started in 2009, year-on-year sales growth until 2014 averaged 640 per cent.



**RAKUTEN** 

<b>601,450,542</b>	<b>65,012,387</b>
Hangzhou	Tokyo
AMAZON	FLIPKART
<b>524,470,572</b>	<b>64,870,673</b>
Seattle	Bangalore
EBAY	ETSY
<b>267,904,800</b>	<b>44,289,271</b>
Bay Area	New York
ALIPAY	FIVERR
104,530,651	<b>53,670,235</b>
Hangzhou	New York

TAOBAO

**ALIBABA** SNAPDEAL 106,760,063 30,232,183 Hangzhou New Delhi

Do you want to be better at collaborating? Or have a less cluttered laundry room? Regardless of what it is, you can benefit from working with Continuous Improvement (CI).

TEXT MARIA SKÖLD PHOTOS ISTOCK

im Skrzecz has worked with continuous improvement concepts in different companies for 20 years and still thinks it is just as much fun. "It's exciting to make change! I've been doing this for two decades, but I still enjoy working with groups on creating a culture of continuous improvement," she says.

As Corporate Quality Manager at GTS in the USA, Kim Skrzecz has been involved in developing and delivering the Work Out Program, which targets Continuous Improvement efforts in an office environment. For Kim Skrzecz, it is very important to emphasise how useful this way of working can be for

> anyone, regardless of where in the organisation they work.

"Many people think of Continuous Improvement as something that mainly occurs in production. But it concerns us all and we all need to focus on how to get better and more efficient."

Put simply, the secret to

Kim Skrzecz

## Continuous Improvement for everyone

The idea of continuous improvement at work was first developed in Japan in the 1960's and later introduced in western companies.

Continuous Improvement is becoming more and more important within the Volvo Group. Until now, many different systems have been used, of which OD and VPS may be the two most well known.

Now, a new VPS system has been developed, to enable the Volvo Group to grasp the full potential of working with continuous improvement. The new system is not a revolution but an evolution of previous systems. It is designed to be flexible, which allows it to be adapted to any kind of work environment and, of course, VPS itself must also be continuously improved.

By adding specific tools and methods, it will be possible to cover specific needs in areas like sales, product development and administration to name just a few.

#### Inspiring things about CI

#### according to Kim Skrzecz

- ✓ It's great for teamwork
- Strengthens commitment and motivation, you feel appreciated
- Personal development, you get new tools for both work and play
- ✓ Increased customer focus and a stronger sense of purpose
- It feels good to work more efficiently and with an increased quality focus.

## Common questions

#### 1. "IS CI ONLY FOR ASSEMBLY WORKERS?"

No, continuous improvement is just as relevant in an office.

#### 2. "IS CI A FIXED SET OF TOOLS?"

No, it's a mindset that can be applied anywhere.

#### 3. "IS THE POINT OF THIS JUST TO DOWNSIZE?"

On the contrary, CI is a mindset to improve quality and become more efficient in order to gain market share.



Christ De Baere

improving is to keep your eyes open and constantly re-evaluate. Am I doing the right thing? Is this the most efficient way? Have things changed so that my old way of doing this has become obsolete? This thinking can be applied everywhere. At the Volvo Group, this is done through VPS (Volvo Production System), which could and

should be used throughout the organisation.

In the Work Out Program, Kim Skrzecz and her colleagues train and coach groups of GTS, GTT and GTO employees who collaborate in their daily work, but who may not work at the same location. The groups get to develop an action plan on how to work with continuous improvement and, once the plan has sponsorship approval, they begin the work of implementation.

"One of the most exciting things about this programme is the way it has improved teamwork and understanding of each other's roles. Since the groups have this ownership and responsibility, they are very engaged and work closer together," says Kim Skrzecz.

Participants also comment that this has created a common vision with an increased feeling of purpose and personal development. As a Certified Quality Manager and Auditor with long experience, Kim Skrzecz is convinced that the need for a culture of continuous improvement will be increasingly critical for all companies that want to keep up with the competition.

THE VOLVO GROUP is now stepping up its efforts to work with Continuous Improvement in a more standardised way throughout the organisation.

In order for this to succeed, it is important to do away with misconceptions about what CI really means, says Christ De Baere, Senior Vice President VPS.

"This way of working brings great benefits, regardless of where you work. I've actually started to apply CI to anything I do, even in my private life. It's a great tool not only for re-organising the garage, the kitchen or the laundry room, but also for leadership and setting goals. Once you start thinking about how things can be improved, it's a bit addictive. But it's not a bad habit to have," says Christ De Baere.  $\odot$ 

To get more information on how to work with Continuous improvement, please look for 'Easy to improve' under Communities on Violin.

# INTERVIEW 32 VOLVO GROUP MAGAZINE 5.2015

How can we make future transport more sustainable? The Volvo Group has been asked by the United Nations to help find an answer to this question. Chief Sustainability Officer, Niklas Gustafsson, explains why this is so important.

TEXT MARIA SKÖLD PHOTOS CHRISTER EHRLING

his year, the climate, urbanisation, population growth and other major challenges have found their way to the top of the international agenda. The Volvo Group is working intensively to come up with solutions. Among other things, this is taking place within the framework of the high-level advisory panel, which has been tasked by the UN to advise on future transport.

When the panel was set up in August 2014, the Volvo Group was made co-chairman, together with Carolina Tohá,

mayor of Chile's capital city, Santiago. They are working on behalf of the UN Secretary-General, Ban Ki-moon, and will present their final report next year at a large international conference. "This shared chairmanship demonstrates that industry and politics have to work together to resolve the major challenges of the future. We are extremely proud that the Volvo Group will be contributing the industrial perspective," says the Volvo Group's Chief Sustainability Officer, Niklas

Together with the Group's president, Martin Lundstedt (and prior to that Olof Persson), he is taking part in the panel's work on behalf of the Volvo Group. However, working on sustainability issues and future challenges is nothing new for Niklas Gustafsson.

#### **NIKLAS GUSTAFSSON**

- Dern in: Skövde, Sweden, grew up in Varnhem. He has spent periods living outside Sweden.
- Family: wife and two daughters, aged 15 and 19
- Lives in: Floda, outside Gothenburg
- Career: joined Volvo Cars in 1987 as an electronic engineer. He has worked in research and development relating to alternative fuels and electrification, but also in communication, government relations, public affairs and environmental issues. He moved to AB Volvo in 2008 and became Chief Sustainability Officer in 2014.

# "THERE IS NO ONE-SIZE-FITS-ALL SOLUTION AND NO ONE STAKEHOLDER WHO CAN SOLVE EVERYTHING ON THEIR OWN. COLLABORATION IS VITAL."

#### The Volvo Group wants to be a world leader when it comes to sustainable transport. Why is this?

"It's a purely business-related competitive aim, that isn't limited to being a responsible employer and citizen. Our interest in sustainability isn't a fad or hype; it's something the human race has to accept, if we are to survive as a species. Within trade and industry, it's essential to assume a leading role and drive change. We are already doing this and that's why we have been given this assignment by the UN."

#### How can the Group contribute?

"The Volvo Group has a long history when it comes to the environment and safety, we can provide technical knowledge and expertise. From a global

perspective, we can see the difficulties that exist in relation to the world's infrastructure.

"Companies, along with their suppliers and customers have tools to change society which are not always available to politicians. The UN has also noted that the private sector needs to be engaged if we are to reach the 17 Sustainable Development Goals. Partly because the investments needed are so substantial but also because much knowledge lies in the private sector. For example, to eradicate poverty we need to create jobs, long-term employment is created in sustainable companies."



The Volvo Group will be contributing to the realisation of the Sustainable Development Goals that were adopted by the international community in September 2015.

#### Are you optimistic about the future?

"Yes, I am. First and foremost I am a technology optimist. There are exciting developments within technical solutions when it comes to moving goods and people in a sustainable way. The technical revolution currently taking place specifically addresses the sustainability challenges facing society, such as air quality, climate change and congestion in megacities. Ten years ago, we were talking about

biofuel; this has now been joined by electrification, which has reached market acceptance with impressive speed. In Europe, we are now only selling city buses that are more or less electrified. Biofuel is also going to be part of the solution, primarily in long-distance traffic with heavy-duty trucks.

"When we look ahead, we are also anticipating major developments in terms of digitalisation and automation, which are closely related to sustainable solutions which will have an enormous impact and offer a lot of opportunities within technology, business models and services. The Volvo Group has been part of these developments from the very start."

#### Ten years from now, what do you think will have happened?

"The world's largest cities will either have taken the step towards sustainable transport systems or they will be experiencing major social and environmental problems. Transport between cities will also change.

"We are already seeing that sustainability has become a key competitive factor for the world's large cities. People are choosing where they want to live based on the environment a city has to offer. Many cities have set specific targets that they will reach within this 10-year period. The quality of life will be impacted by congestion, air quality, noise and, not least, the time it takes to get from A to B. This is not limited to city planning and rural development, we will also see new solutions for intra-city and long-distance transportation."

#### What effect will this have on the Volvo Group?

"There is no one-size-fits-all solution and no single stakeholder can solve everything. Collaboration is vital. That's why it's important to find the right collaborative partners – cities, universities, authorities, civil society, innovative suppliers and so on. The UN advisory panel is another example.

"To be attractive as a partner, you need to be at the technological cutting edge and to act with credibility and an open mind towards the complete solution, including every mode of transport. The Volvo Group has a powerful competitive advantage, as we have chosen such a long-term approach to our work on sustainability. Environmental care became one of our core values in 1972, while safety has been one since the company was set up. We have worked with cities for many years to find sustainable solutions. Now that we can offer electric buses, for example, with advanced high-speed charging stations and indoor bus stops, this creates a totally new potential for urban >

# 5 important trends affecting future transport

Climate change
The solutions: fuel-efficient vehicles, electrification, smart urban planning, energy-efficient production.
The Volvo Group was the first heavy-duty vehicle manufacturer with a carbon-neutral plant.

Traffic safety
The solutions: to fight the rise in accidents, continuous development of both active and passive safety is needed. The Volvo Group also works with traffic safety education, e.g. for drivers and in schools.

3 Urbanisation
The solutions: transport systems must operate efficiently and ecologically in the new megacities. (In India alone, the number of people expected to move from the country to the city in the next 15 years is the equivalent of the USA's entire population.) Buses and trucks are key to safe and resilient cities.

The solutions: de-couple economic growth from environmental degradation by introducing ground-breaking technology. The pioneering electric buses in the ElectriCity project in Gothenburg, Sweden, is a good example.

The solutions: sustainable transport solutions create employment and give people access to a wider labour market. Furthermore, it's important that goods can be transported.

"What makes me most proud is to hear colleagues' true commitment to sustainable development, throughout our global presence," says Niklas Gustafsson.





planning. However, we need to improve our ability to explain the value of these new solutions to our stakeholders."

#### In which way?

Niklas Gustafsson.

"In the UN panel, and elsewhere, we have underlined the importance of calculating social investment in a more inclusive and comprehensive way. These calculations have to include both the costs, such as the environmental load, and the benefits in the form of reduced noise, improved air quality and fewer days on sick leave for the population. It is possible to calculate these savings this generates and make rational investments using society's limited resources."

#### Which role should politicians play?

"At the local level, it's largely a question of investing in sustainable transport solutions, such as public transport. At regional and national levels, legislation and incentive systems are needed to make things happen. This can also include research environments and demonstration arenas, such as the ElectriCity electric bus project in Gothenburg.

"At an international level, it's also a question of finding policies that steer societies' economic growth in a sustainable way. This calls for "paying" for carbon dioxide, in the form of a tax or a trading system. What's more, the current subsidies for fossil fuels make it difficult to develop profitable alternatives, so the competition can in a way be seen as distorted.

"Politicians do play a key role from local to international level. However, one interesting trend in how society is approaching sustainable development is that the private sector will play a role which will be on par with politicians."

#### How has the view on sustainability changed with time?

"The most interesting trend over the past 10 years is that sustainability has become part of companies' business plans. Nowadays, customers, employees, business partners, investors and other stakeholders are asking questions about sustainability, sometimes out of pure interest, sometimes to secure long-term value. Companies need to show that they are, for example, actively working to combat corruption and that they are in control of operations at every level. More and more customers are developing their business based on their role in a sustainable logistics system."

#### How do companies work on issues related to sustainability when they have many different brands?

"The Volvo Group must always behave responsibly and be part of the solution and that needs to be the case for every product brand. It goes without saying that we need technical solutions tailored for different markets and different customer segments. When it comes to our premium segment, our ambition is to be the world leaders by having the most advanced active safety systems. At the same time, we want to have the most effective solutions in all segments, in order to drive developments in the whole transport industry. To really influence sustainable transport solutions, we need to play a role in all segments, from value to premium. The world's transport systems will never be sustainable unless someone takes the lead and this is what the Volvo Group is striving to do."

#### What makes a sustainable employer?

"It's a question of being an attractive employer in both the short and the long term. Employees expect us to be a responsible company, which also contributes to societal development. The battle for skills and expertise is becoming increasingly fierce and one unique selling point to young people today is to show genuine engagement in the sustainability challenge. That's fortunate, as sustainability is currently an integral part of everything we do. We are never going to lean back in comfort on this."

## In good company

The Volvo Group is among the top 300 companies included in the world's most influential sustainability ranking, the Dow Jones Sustainability World Index (DJSI). numerous sustainability metrics.

# VOLVO GROUP **FORUM**

is an annual meeting of leading sustainability experts. This year's event took place in November, ahead of the Paris summit on climate change.

## **DEVELOPING NEW TALENT**

The Volvo Group is a forerunner when it comes to training and life-long learning. The apprenticeships and training programmes for service technicians in Ethiopia, Morocco and Zambia have received much recognition.

## PANDA PARTNER

The Volvo Group has just committed to a new period with the WWF Climate Savers programme, which requires very strict emissions targets. Yet, the Volvo Group has managed to exceed its target by 33%, resulting in a 40 million ton reduction in CO2.

NUMBER OF FULL-ELECTRIC **BUSES THAT THE JOINT VENTURE** 

SUNWIN BUS HAS SOLD IN CHINA.



By putting robots behind the wheel at AstaZero test site in Sweden, a GTT team is increasing the accuracy, efficiency and complexity during tests of its active safety system.

TEXT LINA TÖRNQUIST PHOTOS PONTUS JOHANSSON





### Vivetha Natterjee:

"Isn't it rewarding that you can create complex, multi-vehicle scenarios in the virtual world on your computer and then see them become reality? Since we are able to remove human error, the accuracy and efficiency of tests are even better. It's also a big thrill to be working on something that few other vehicle manufacturers are doing. I love it."

LIVE TEST OF Volvo Trucks' active safety systems requires an awful lot of planning. The position, speed and trajectory of the vehicle must be just right for a

successful result. But this can be difficult to achieve, especially when a moving truck needs to be synchronised with a moving target vehicle such as a balloon car.

Robots are now helping to make this process easier and more reliable. A team at GTT has been



Vivetha Natterjee

developing a method to set up tests of active safety systems in a virtual environment and then carry them out using robotic controllers to steer, accelerate and brake the truck.

"With some expert test drivers, we can say 'drive 10 cm to the left' and, although perhaps a few drivers can achieve that, there are usually some inconsistencies," says Vivetha Natterjee, Development Engineer, Vehicle Dynamics & Active Safety at GTT. "The robot is much more accurate. It can perform a test over and over again and we can adjust a specific drive path with centimetre precision."

SINCE THE ROBOT-CONTROLLED tests on the track are carried out with exacting precision, the new system is better at determining the effect of each specific adjustment to a test.

"This new method allows us to get even more precise feedback, which is key to developing better and more complex active safety systems," says Robert Laxing, Research Test Leader, Connected Vehicle & Infrastructure.

By refining test data through virtual

"We are one of the first truck makers working with automated testing in this way."

ANNA WRIGE BERLING, PROJECT LEADER









In order to further develop active safety systems, complex traffic scenarios are created on the test track.

simulations the team also hopes fewer tests need to be performed in the verification and validation phases during the development of new active safety functions.

"Since many test results can be verified in a virtual set-up, we avoid redundant tests on the track. Instead, our physical tests focus on situations where the direction or position of the crash target make it difficult to accurately predict the result," says Robert Laxing.

As a next step in the project, the team is working closely with suppliers to develop a robot-driven test platform that is robust enough to allow a truck to drive over it.



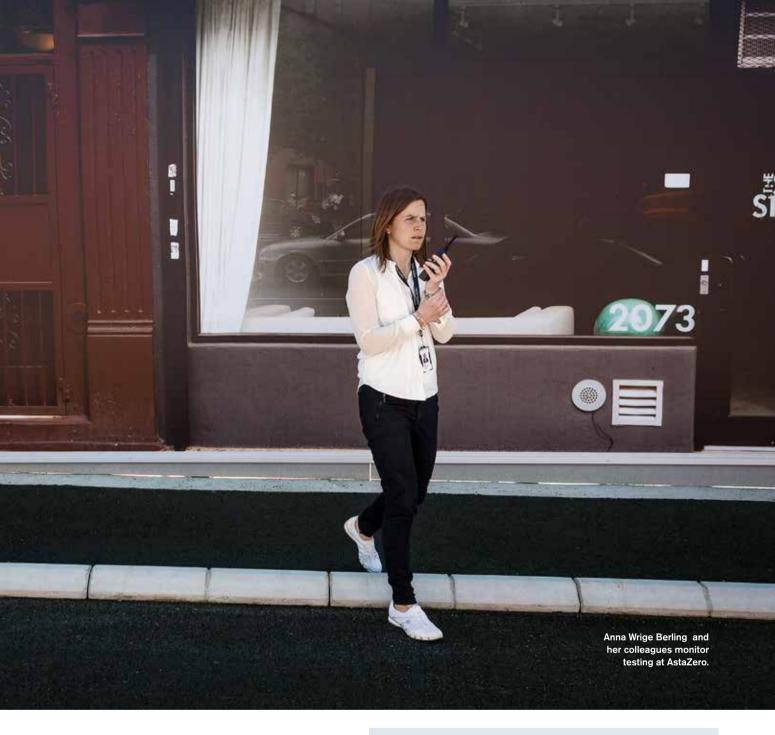
Robert Laxing

TODAY'S PLATFORMS are developed for cars and are not strong enough to take the eight-tonne axle weight of a truck.

"We are one of the first truck manufacturers working with automated testing in this way – which is why the

hardware side hasn't quite caught up," says Anna Wrige Berling, Project Leader and Safety Coordinator, Vehicle Dynamics & Active Safety.

The project's next challenge is expanding tests to include more complex traffic scenarios that include



vulnerable road users such as cyclists and pedestrians.

#### THE A-TEAM PROJECT

➤ The work of testing active safety systems with robotically-driven trucks started as part of Next Generation Testing Methods, research effort which included several industry stakeholders.

 Since late 2014, the research has been developed in the A-TEAM project, a joint research project with Volvo Cars, Autoliv and AstaZero among others. Watch a test on the Trucks' Anatomy web-series, featured on Volvo Trucks' YouTube channel.

## SOME KEY ADVANTAGES OF ROBOT-ENABLED TESTING

- Repeatability the same test can be repeated accurately and human error is eliminated. By eliminating human error, it is also easier to determine the effect of any adjustment in the test or the system.

virtual simulator, the team expect it will be able to reduce the need to perform redundant physical tests while making the actual expensive physical tests more productive.



PHOTO: TALOS BUCCELATI



PHOTO: KAREL HOLVOET

#### BELGIUM

Alyssa Chinitor, Deborah Dejonghe, Nikita Maloney, Anja De Vleesschauwer and Ahsley Monday all work at the Distribution Center in Ghent. Women still make up only 23 per cent of the work force here, but the number is increasing.



PHOTO: STEVEN LEFEBVRE

#### SWEDEN

Laurent Chardon shows what Diversity and Inclusion means to him. The photo is part of an exhibition in Gothenburg, based on input from the Logistic Services Operations EMEA management team.



MEXICO

Dolls from different nations were on display at Volvo Buses in Mexico.

## Diverse methods a common goal

The Diversity & Inclusion Week is a great opportunity to celebrate what it is that makes the Volvo Group so special. Here are some examples from around the globe.



#### FRANCE

In France, a pink race kicked off the global Volvo Group Diversity & Inclusion week, which was celebrated in September. Twenty women from Governmental Sales joined 40,000 other women runners in the "la Parisienne" race in Paris to support breast cancer research.

Christine Perrot-Belkalem from Governmental Sales represented the Renault Trucks Defense team. "Right from the start, a strong sense of diversity prevailed within our team of women running in a very festive and joyful atmosphere," she says. "This occasion gave us the opportunity to create or strengthen our team spirit, to learn

more about us as coming from various horizons, being of different background and origins. At the end of the day, this event definitely served our purpose to show our commitment to diversity and inclusion."

The Governmental Sales President, Emmanuel Levacher, was also present in Paris to support "his team". "Diversity and inclusion have been high on our agenda since a couple of years. It makes a strong impact on creating awareness among the workforce, leading people to bridge the gaps between their differences and respecting diversity instead of seeing it as a drawback," he says.



QUESTIONS TO ERIC WAY, DIRECTOR OF DIVERSITY & INCLUSION

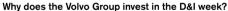
Why are diversity and inclusion important?

"It's about enabling everyone to contribute to their full potential. It is fairly easy to see that the more we are a diverse group of people, reflecting the world's diversity, the more easily we will be able to understand the needs of our diverse base of customers across the globe."

#### How can this give the Volvo Group a competitive advantage?

"We know that diverse

organisations which welcome differences or are "inclusive," have a number of competitive advantages: they can attract the best person for the job. When people feel strong engagement with a company, it means they are willing to give their full energy. We become more innovative - studies show that creative problem-solving improves with diverse and inclusive groups. A diverse organisation has the background necessary to understand a diverse customer base and a work force skilled in inclusion has the openness needed to seek to understand customer needs."



"By designating one week as D&I Week, we create an opportunity to concentrate communications and awareness actions, giving the topic 'critical mass' airtime and increased 'mindshare' among our employees. This year, we focused on how developing diversity and inclusion adds value to our business and helps us better serve our customers."





PHOTO: JOE SOLER

#### USA

In Greensboro staff shared a floating breakfast and gathered for photos. Here: Carlene Caldwell, Patricia Baker, Stacy Ruter, Tangil Smith, Leslie Moffitt and Karmen Meeks.



PHOTO: SR SURYAKIRAN

#### INDIA

In Bangalore employees gathered under the motto "Unity in Diversity". The handprints symbolise a willingness to bring in more diversity and to be inclusive.



# E-TRUCKS TO GO

Almost anything can be bought online – even heavy-duty trucks. A world-first initiative from Renault Trucks has made this possible.

TEXT NIC TOWNSEND PHOTOS RENAULT TRUCKS

OG ON, PLACE an order and within weeks a truck is delivered to your door, ready to go. It sounds too simple for a purchase as large and as important as a truck, but, for many businesses, which know what they want and need it quickly, Renault Trucks' E-Commerce could be the perfect way to do business.

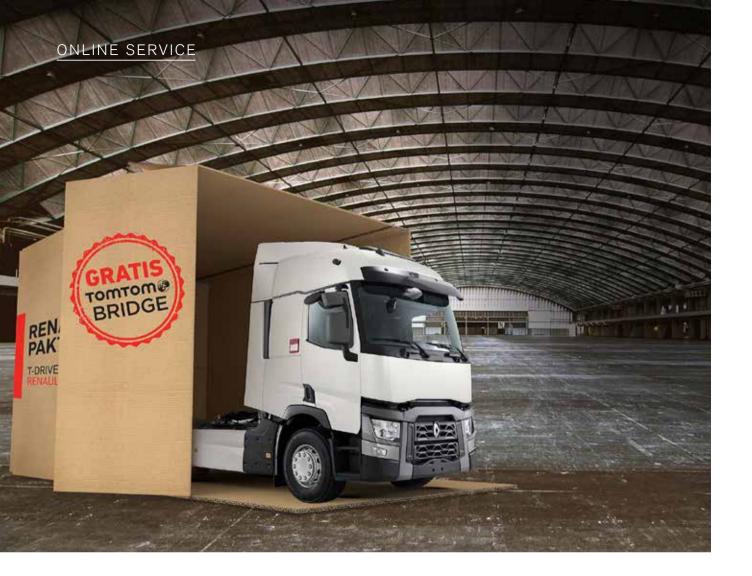
THE NEW ONLINE SERVICE was launched in the Netherlands last September and allows customers to purchase the Renault Trucks T-Drive – a model that represents around 50 per cent of Renault Trucks' current order intake – in one standard package at a set price. The package includes a 36 month/120,000 km operational lease, as well as the state-of-the-art tablet Tom Tom Bridge Connected Europe Truck. By offering only one model with standard specification, Renault Truck E-Commerce can also guarantee fast and direct delivery within four weeks.

"This is a fast, easy and transparent process for

the customer," says Charles Engelaar, project owner, Renault Trucks E-Commerce. "There is no need for long discussions with sales representatives, or negotiations over price. Just one click and you have a great offer."

BY ESTABLISHING A NEW sales channel, it is hoped that e-commerce can help Renault Trucks reach its





ambitious targets to increase the market share in the Netherlands. The concept of e-commerce also supports the brand's image and business model.

"Renault Trucks promises to deliver fixed cost of ownership," adds Charles Engelaar. "Our products offer efficiency, productivity and value for money. We also offer services that are efficient and cost effective, and Renault Trucks E-Commerce is a perfect example."

#### SO IS THIS THE FUTURE OF TRUCK SALES? Are

dealerships a thing of the past? "I think we will see over time a shift towards online sales, and by being the first to offer such a service, we've shown that we're ready for the future," explains Charles Engelaar. "But it won't replace dealerships, as they continue to perform the same service role. E-commerce is a good complement to our business and a good solution for simple, straight-forward orders."

In the meantime, the impact in the Netherlands will no doubt be watched carefully by other markets and other Volvo Group truck brands, and if it proves successful, the concept has the potential to quickly spread. 

•



"By being the first to offer such a service, we've shown that we're ready for the future."

CHARLES ENGELAAR

#### RENAULT TRUCKS E-COMMERCE

- WHAT'S ON OFFER?
- Renault Trucks
- T-drive 11 litre 4×2
- ≥ 36 month/120,000 operational lease including insurance
- Delivery promise of four weeks
- Europe Truck

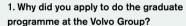


# INSIGHTS UNDERSTANDING THE WORLD AROUND US

### **QUESTIONS TO TIMOTHY** CAHILL

PROJECT BUYER, **PURCHASING & SUPPLIER** MANAGEMENT, VOLVO CE, SHIPPENSBURG, USA

After completing his master's degree in China, Timothy Cahill joined the Volvo Group's International Graduate Programme.



"I knew I wanted to do a management programme and I wanted to try working in a bigger company. I liked the fact that there is such a wide range of different business areas within the Volvo Group and the potential to try different things."

#### 2. What have you been doing the past year?

"I've spent the past year working on different cost-reduction projects across the paver platform at Volvo CE in Shippensburg. That has involved everything from negotiating pricing, to collaborating with engineers as they redesign parts, to finding new and better suppliers. I was also part of a global project for Volvo Group Venture Capital. We investigated the European heavy-duty truck market for service providers that could be potential investment targets. For that, I worked as part of a global team of six trainees located in different countries with different backgrounds - from IT and engineering to business."

#### 3. What have you learned?

"For my global project, working across so many cultures and time zones has been a learning

experience. We really had a fantastic team - everyone was willing to teach and willing to listen and help each other out. It's also been a learning experience to adapt to the larger corporate environment. Stakeholders often want different things, so it's important to be very flexible and ask questions."

#### 4. What do you think the Volvo Group gains from this type of programme?

"If a programme like this is managed well, you attract young people who are willing to learn and take on global assignments. By adding a young people with leadership qualities you can energise people and projects around the company."

#### 5. What's next?

"My plan is to stay within the Volvo Group. The graduate programme has just finished, but I am focusing on completing the Volvo CE cost-project in Shippensburg. After that, I'm keeping my options open. But I like to try new things, so I'm looking for challenging opportunities and would love to try working in another market."

LINA TÖRNQUIST



purchasing at a US automotive supplier and completing his master's Timothy Cahill has spent the past year at Volvo CE in Shippensburg.

PHOTO: SÖREN HÅKANLIND

## TRAINEESHIP PROVIDED INSIGHT INTO FUTURE OCCUPATION

Emma Carlsson wanted to study engineering, but she could not decide which area to select. During her traineeship at CPAC Systems, she was given a push in the right direction. She is currently studying design engineering at Chalmers University of Technology in Gothenburg, Sweden.

CPAC Systems, a wholly owned subsidiary of the Volvo Group, develops technical solutions for the automotive industry. During the autumn of 2014, Emma Carlsson was one of a total of three paid trainees at the company's head office in Mölndal, outside Gothenburg. She had come directly from the technology programme in secondary school.

"Engineering is a really broad subject, but I now know that design and construction is the area I want to pursue in the future," she says.

Following her introduction, Emma Carlsson was tasked with building what is known as a black box - in other words, a simplified version for test rigs of the freshwater and fuel-tank sensors that are installed in boats. It was a question of sketching a model, incorporating the specification of requirements and finding suitable materials and components to work with. A really challenging assignment, but, in the end, it paid a double dividend.

"To begin with, I had absolutely no idea what to do, but my supervisor made it very clear that we were going to take things step by step and, first and foremost, that it was allright to fail. That gave me the self-confidence to continue," she explains.

Her work resulted in no fewer than seven black

boxes, which are now being used on the test rigs. Emma Carlsson was also offered a job paid by the hour when her traineeship ended. During the past year, she has independently developed a truck robot for testing and developing future products.

Emma Carlsson is keen to encourage other people who are interested in becoming engineers to apply for traineeships at the Volvo Group.

"If money is the most important thing, it may not pay as much as working in a food store or a bar, but you really learn something here - even the kind of thing you perhaps never considered to begin with, such as documentation, different personality types and how to create working teams that function well together. I have also made some invaluable contacts for the future," she says.

Emma Carlsson, who also makes jewellery in her leisure time, is unable to say whether she will return to the Volvo Group when she graduates. She is, however, totally convinced that she wants to continue working

"I want to have fun at work and feel that I'm good at what I do. That's exactly how I feel about working at CPAC Systems."

JOSEFINE JACOBSSON





# Good relations paid off

PATIENCE HAS PAID OFF for Volvo CE's Swiss dealer, Robert Aebi AG - after 20 years of trying, it finally convinced contractor Ziegler AG to buy not just one of its machines but replace its entire fleet of 30 wheel loaders with Volvo.

Having first made contact in 1993, the dealer's head of Swiss sales, Roger Schenk, built on the two decades of good relations and this was richly rewarded when Ziegler decided to replace its entire fleet - a deal valued at more than two million Swiss francs.

"Zeigler was compelled to replace its ageing fleet of 1990s-era Caterpillar wheel loaders, owing to new Swiss legislation. This was a great opportunity for us," says Roger Schenk.

Ziegler AG is a family-owned general contractor that was founded in 1945.

"We considered a number of manufacturers

before deciding, but only Volvo CE ticked all the boxes and was able to deliver compliant wheel loaders in time for the law," says son of the founder and current Ziegler CEO, Markus Ziegler.

AS PART OF THE SALES PROCESS, Ziegler visited the Volvo CE wheel loader plant in Arvika, Sweden. There, Ziegler management was shown prototypes of the new wheel loaders and this was





#### HELENA BERLIN

## "Integration starts with you"

NE DAY WHILE CYCLING TO WORK I was thinking about the city where I live and work; it had become such a segregated place where homogeneous groups of people socialise with each other but very rarely mix unless made to do so. I thought about my colleague who had had her car set on fire some days ago, a common problem within the less fortunate areas of the city. "I'd like to do something to bring people together! But what and how?" I asked myself. Remembering a colleague who had been a mentor for people learning Swedish, I asked if we could start such a project again.

I believe one significant key to integration is language. When we speak and understand the language, the culture and the society in which we live become more accessible. From this standpoint, we worked with the internal anchoring process. The layout of the integration project was simply for a number of Volvo Group employees to meet (during work hours) with a non-Swedish resident two hours a month to talk Swedish. We got support from SVP HR in GTO and the adult educational association providing "Swedish For Immigrants" training courses was thrilled. Just by talking about this in the cafeterias, we soon had drafted the ten people we needed to start a pilot project in GTO.

WE MET OUR MENTEES for the first time at the end of August. I am now the mentor of Muna, a woman who came to Gothenburg two years ago from Eritrea, via Egypt, Dubai and Saudi. She has an academic

degree in Finance, is fluent in Tigre, Arabic and English and not at all bad in Swedish. She wears a hijab because of her religious background and she is in fact the only one of my

acquaintances that does. It is exciting to coach her in the language of her new home country and for us to get to know one another as people of this city.

This GTO integration project falls under something called CSV (Creating Shared Value), which is a component of the Volvo Group's CSR commitments, aiming to contribute positively

to the society in which we are present, in our field of expertise, at the same time as creating value for the Group. What will your project be?

#### Helena Berlin

Org Development & Workforce planning manager GTO EMEA, Sweden

**EASIER TO WORK** AT VOLVO GROUP

# NEWYOLN

EXPLORE NEW WAYS TO NAVIGATE

THE TIME HAS COME TO LEAVE THE OLD VIOLIN BEHIND. NO MORE DUPLICATES OR PARALLEL UNIVERSES.

NOW WE HEAD INTO THE NEW REINFORCED VIOLIN. A PLACE WHERE WE ARE ONE AND OUR INFORMATION ALIGNS WITH THAT.

JOIN THE INCREDIBLE VOYAGE
INTO THE NEW WORLD OF VIOLIN!

