

Fortaco – Trust in Tomorrow - Making Tomorrow Safer and Better as a Strategic Partner to the Off-Highway Equipment and Marine Industries



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Interview conducted by:
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CEOCFO: *Mr. Hellberg, what is the Fortaco Group?*

Mr. Hellberg: Fortaco Group is a company that was established 10 years ago, and we specialize in the off-highway equipment and marine industries. Today, we are offering technology, we are offering cabins, we are offering steel fabrications, and we are offering assembly work for our customers.

CEOCFO: *What do you understand at Fortaco about the industry, about creating the products you do, that perhaps less knowledgeable companies do not recognize?*

Mr. Hellberg: An example that I normally use is that everyone or very many people know what an excavator is. You see it daily on the streets. What Fortaco is offering them is, first of all, the cabin where we operate, the seats, and operate the machine. Therefore, we do the full design and full assembly of this kind of cabin. Secondly, on such a machine, you have many steel fabricated parts. You have the booms, you have the chassis, and frames and so on, and that is exactly what we offer. Then you have to assemble the machine. You can build modules out of it, which we offer, or we build complete machines on behalf of the customers.

In addition to that, we are then intensively working on designing the different components. We are designing the cabins; we are designing the steel fabricated components, but also importantly, we are now focusing on zero-emission solutions. That means fossil-free steel-based. That means that we are now aggressively introducing assembly of

“Fortaco is a customer and people oriented in a decentralized team structure. The Fortaco team interacts continuously with our customers and business partners to provide the highest quality and delivery as promised. Fortaco believes in Trust in Tomorrow.” Lars Hellberg

battery packs on behalf of the customers, as well as charging stations. This means we are part of the future electrification of highway equipment.

CEOCFO: *What are some of the challenges in building batteries? What have you found as you have delved into that arena?*

Mr. Hellberg: The challenges today are related to that of the off-highway equipment industry, which is different compared to that of the automotive and partly the truck industries. The size of a battery pack can be up to 5 tons weight. That means that they are quite specialized in the design and size and so forth. Secondly, today it is still in the kind of prototyping phase for many of the customers in the off-highway equipment industry, although we all know that there are, like in the Amazon warehouses, forklifts, which for ages have been electrified. However, they are in a smaller size, and we are talking about container trucks, we are talking about mining trucks, and the large equipment, and here it is still in a kind of prototype phase since the supply chain is not developed to match the serial manufacturing standards. That is why we see many opportunities to enter this phase now, and actually become a provider of these kinds of technologies.

CEOCFO: *Why the choice to do that, rather than just purchase batteries?*

Mr. Hellberg: As said, today, if you look into the battery manufacturers, which of course are large global corporations, they are primarily focusing on these high serial volumes, which of course are the automotive industries, and also coming up with truck industries. However, for this off-highway, which is extremely advanced and has huge requirements, we talk about low volume industries. We talk about that a special machine could be produced annually, and either 100 units or a few thousands, while the car industry is 1000 units per hour or a day.

CEOCFO: *Therefore, you see it as an opportunity, which makes sense!*

Mr. Hellberg: We absolutely see it as an opportunity. This is also part of Fortaco's journey now. As I said, we started the company 10 years ago. Together, we launched a couple of companies in Europe. We have built a very solid base. Today, we see ourselves as the leader in the industry for cabins, as well as steel fabricated components. Today, we have 13 factories, and we are now aggressively building capabilities in India, to build cabins for the India market.

Most importantly, we are now aggressively planning to enter the US market. We want to start operations in the US, equal to what we offer today in Europe for our global customers.

CEOCFO: *Why is this the time to enter the US market?*

Mr. Hellberg: We all know that the world, if we go a number of years back, was very much for globalization, which means that somewhere in the world you manufacture components, machines, OEMs have assembly shops and so forth. However, the world has changed more into regionalization today, and we see this strategy becoming more and more alive, which is what we hear from our customers. That is exactly why many customers today see the need to be highly professional in Europe and equally to also start many operations like in the US. That is why we

want to follow our customers; we want to provide the same values for them.

CEOCFO: *Are there differences on what people look for, particularly in cabin design, in different countries or different areas of the world, or are people pretty much looking for the same thing no matter where they are located?*

Mr. Hellberg: I would say there are different requirements if you compare. In this case, I can compare them, of course, between Europe and the US, as well as India. There are, of course, different requirements here. I would say that perhaps, Europe, to a certain extent ask for more comfort of the drivers in the cabins, so very much for automations, very much for these high-tech joysticks and so on. If we turn into India, it is a market that is under development. It might be a little bit more cost focused from that point of view. We might use the technology that we are using today in Europe and are trying to develop into more advanced technologies today.

The US differs a little bit in what kind of captivate and what you talk about, but we see that perhaps there are certain segments in the US that are looking very much for this robustness, with the usage of the operators. Therefore, you cannot say that you make one design global. You have to listen to the customers in each region, and you have to adapt it accordingly.

CEOCFO: *Would you give us an example of newer technology, newer materials, newer methods, that you have developed or take advantage of, that perhaps your competitors do not?*

Mr. Hellberg: For one example, I would say that these kinds of machines very frequently have different kinds of booms. It could be a loader train for a truck, it could be a container truck lifting a container, it could be an excavator machine that has a boom. However, we have developed them, for example, as the future of designer booms, where we actually managed to reduce the weight of one specific boom. In this case, the original weight was 9 tons, and we made a new design, using the best technology today, and also materials, and with our new design the weight is 6 tons, so it is 40 percentage points less than weight.

Why is this important for the customer? Number one, if you have less weight on the boom you can load more when you are lifting a container or something, or you can actually reduce the size from a hydraulic component, and it also means that when you are electrifying a vehicle that you have less weight to carry. This means that you can have smaller batteries, or you can have a longer range of usage of a battery. Therefore, weight is becoming very important for this off-highway industry, as well as it has been for the automotive industry, and that is exactly why we have technologies today.

Everything that we have is unique today to offer it as a manufacturer of technology, as well as a manufacturer of parts and making the full assembly of it.

CEOCFO: *Are you finding it difficult to get qualified personnel in many of your locations? Certainly, in the US it has been a big problem for companies.*

Mr. Hellberg: I would say that people's availability and it starts with, of course, high-tech engineers. Of course, it goes very much into operations, or welders, operators, so yes, it is a constraint in the world. I would say that it is quite similar across the different countries. Today, we are in 10 different countries. However, we also see that it is actually extremely important that you can offer brand value. Therefore, we are working very hard to get a brand attractiveness for Fortaco as a brand.

We do it, of course, globally, but most importantly, we do it locally, where we are operating, to get people to observe and feel that hey, Fortaco is a great company to work with. We all know that conversation is one important part, but it is also how we work and live and create a kind of family feeling around the company, and that is what we do very much.

CEOCFO: *How so? Would you give us an example of what might be different for someone working at Fortaco?*

Mr. Hellberg: As said, we try to make sure that we have a nice working environment. The top priority for Fortaco, in all operations, is safety. We want all people at Fortaco to come to work in a safe way, and we want them to leave in a safe way. Therefore, we pay a lot of attention daily, every minute, every hour, to make sure that operations, whatever you do, have a safe baseline.

It also means that if we would have any kind of issues of safety, within a few hours it is directly reported to me, as CEO of the company, and we have done a very, very solid procedure of how we quickly recognize why did this happen, and with that knowledge, we spread it around across all units in Fortaco, to make sure that we can prevent similar events from happening, if this would happen.

Today, I would say that we are in a very fair and good position. We are not at zero level yet, but we are close to it, and we have worked very hard to reach that.

CEOCFO: *How do you handle some of the challenges of being CEO of an organization that has a wide geographic range? How do you keep track of what is going on?*

Mr. Hellberg: I would say that today Fortaco has a decentralized structure. That means that we have a very, very lean company. We do not even call where we run the company a headquarters. We call it group office, and we are very, very lean here. We only have the absolute necessary resources related to finance, which is, of course, legal, and we have it related to IT systems, and we also have it partly for sourcing, to make sure we that we can leverage towards business partnerships. Sales is based on key account management to ensure we manage our customers who interact and do business with two or more business sites with the best customer interactions. At the end, Brand Marketing & Communication and People & HR are part of the Group office as our most valuable assets. By having this decentralization and each business site or factory, the data that is reported to me and the Group Leadership

Team, means that I have a very open-minded and trustful relationship with all of the managing directors running the different business sites.

This also gives me a great opportunity to follow, in a very simple way, and make sure that the company is developing, and normally, I am very much disconnected from daily work, because they are responsible for driving each unit like their own company. However, if we have some issues, they have a trust to be very open minded, and we discuss it very quickly together, and then we give all the support needed from both sides, in order to overcome the issues. Therefore, my work is very much control or not control, to oversee that each unit has the resources, capabilities, and of course the traction to drive a business forward.

CEOCFO: *When you bring someone new onboard, do they understand your concern for your workers, that you really want them to have autonomy? Do people understand that initially, or are they sometimes surprised they are working in an organization that really cares?*

Mr. Hellberg: It is a very, very qualified question. Of course, it is very hard to measure it. In fact, we try to make sure that we have a reputation, very much locally of course, around the different operations that we have, to make sure that people would say "Hey, come to our company, it is a great company to work for," because that is the best way to recruit newcomers and so forth. Secondly, I would say that we have a very good onboarding program, where we take care of our people when they arrive to our company, and we introduce them and give them the right information, what is Fortaco, what are our values.

Talking about values, Fortaco values are respect, simplicity, and speed, which I think is quite easily understood. Then of course, we are running our internal surveys. We have been part of, and I think many people knows about McKinsey & Company being a very professional company, and they are running annual surveys of how do the people see the company values and how to work as a company, and so forth. I am very honored and pleased to see that we have come out from this kind of survey as one of the top-scoring companies, compared to all the companies McKinsey has been involved with. Therefore, I think this is giving us some trust that we are on the path here. However, it could always be better.

I would also like to say that we are working very closely with Toyota. We all know the famous book Toyota way, and we are working with the author of that book. We are working very closely with Toyota in the UK, so our team members are at Toyota in the UK to be educated, how to work with the people, how to get the people involved, how to get the people and our team members to make the development of our company. Next week, I think we will display a video, made together with Toyota and our collaboration of people development and people engagement.

CEOCFO: *Let us go back to the zero emission solutions. Why do you really think we can get there? What gives you the feeling or the knowledge that we can really get to a point where we do have zero emissions?*

Mr. Hellberg: That is also a very valid point. Of course, it will take time before we reach it. We all know that there is a strong development in the world related to fossil-free steel, and of course, these kinds of products contain a lot of steel. Therefore, if we manage to start to offer fossil-free steel in the future, that would be a great contribution to this zero emissions site.

Here, we have already produced components and products for our customers based on fossil-free, and we are, of course, waiting for the whole steel industry to turn around for more and more. We have the capability to design components based upon this, and we have the capability to manufacture and support. That is a big contribution. We have a good, important role to play.

CEOCFO: *There are lots of ideas and lots of companies to look consider. Why pay attention to Fortaco Group?*

Mr. Hellberg: Fortaco Group works in an industry segment, which has the name off-highway, which might not be fully recognized in the world, how critically important this industry is. That is because that is the bread and butter for our living today. We all know that we are buying consumer goods every day. We are buying for our living, we are buying for our households, and so on, and all of the kinds of things that we are buying are touched by off-highway industry machines and equipment. As I said in the beginning, the automotive industry is and has been the leader when it comes to the new way of working, and also to get new technology innovations.

Due to the fact that it has lower volume, this industry might have been a little bit behind strong developments. Fortaco sees the value, and today we are leading the transformation of the off-highway equipment industry to actually capture the latest technologies and so forth. Therefore, we see us as a kind of transformer into the future state of technologies and innovation for the off-highway equipment industry, similar to what the automotive industry has done.

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