



# **Move or Stay and Improve**

**Björn Olanders**

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# Indien ska lyfta lönsamheten i IBS

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”En besparing på 50 procent är möjlig”

# Nu flyttar också de små företagen ut

Billigare produktion lockar i lågkostnadsländerna

## ”Lägre än halva priset utomlands”

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Ett annat företag som flyttat ut delar av sin verksamhet utomlands det senaste året är Centurion, som

Även utvecklingen flyttar till Kina

Många företag i Gävleborg beredda att flytta tillverkning utomlands

## Småländskt företag följer efter kunderna till Kina

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LANDET RUNT

Företag: Exirgruppen

## Ams-chefen oroad över utflyttningen

**Di** Erik Wahlin



2 000 jobb har redan flyttat

LÄNSTEKNIKCENTRUM

Sju av tio företag känner hot från låglöneländer

Sju av tio industriföretag i varit viktigt att investera bebo...

JANNE JOHANSSON

JP 12/11-04

6 NYHETER

## ”Sverige förlorar indirekt en mängd jobb vid flytt”

Det hävdar Svenskt Näringsliv i ny rapport: ”Svårt att mäta exakt hur många”

**ALMI**  
FÖRETAGSPARTNER

# THE OBJECTIVES

- Identify how to retain more companies in Sweden and act on the solutions found
- Assist our client firms with:
  - qualitative and efficient analysis support
  - good action alternatives
  - updated data for decision making and relevant contacts/support
- Use our competence better within the organisation and cooperate between the different ALMI-branches in a more efficient way
- Explain which effects different political decisions have on Swedish companies

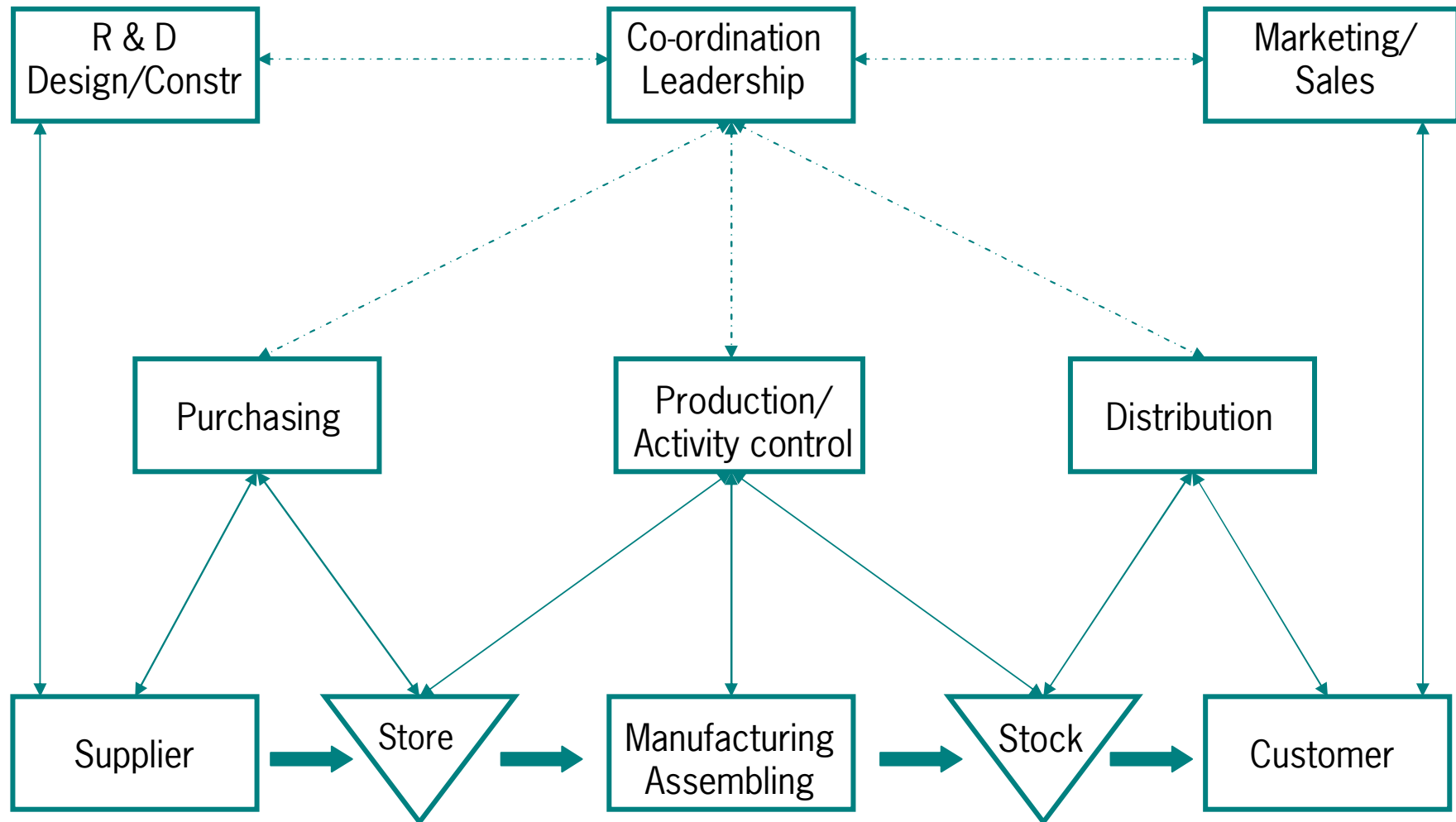
## The Three Step Model of ALMI

**Description of Present  
Situation/Analysis**

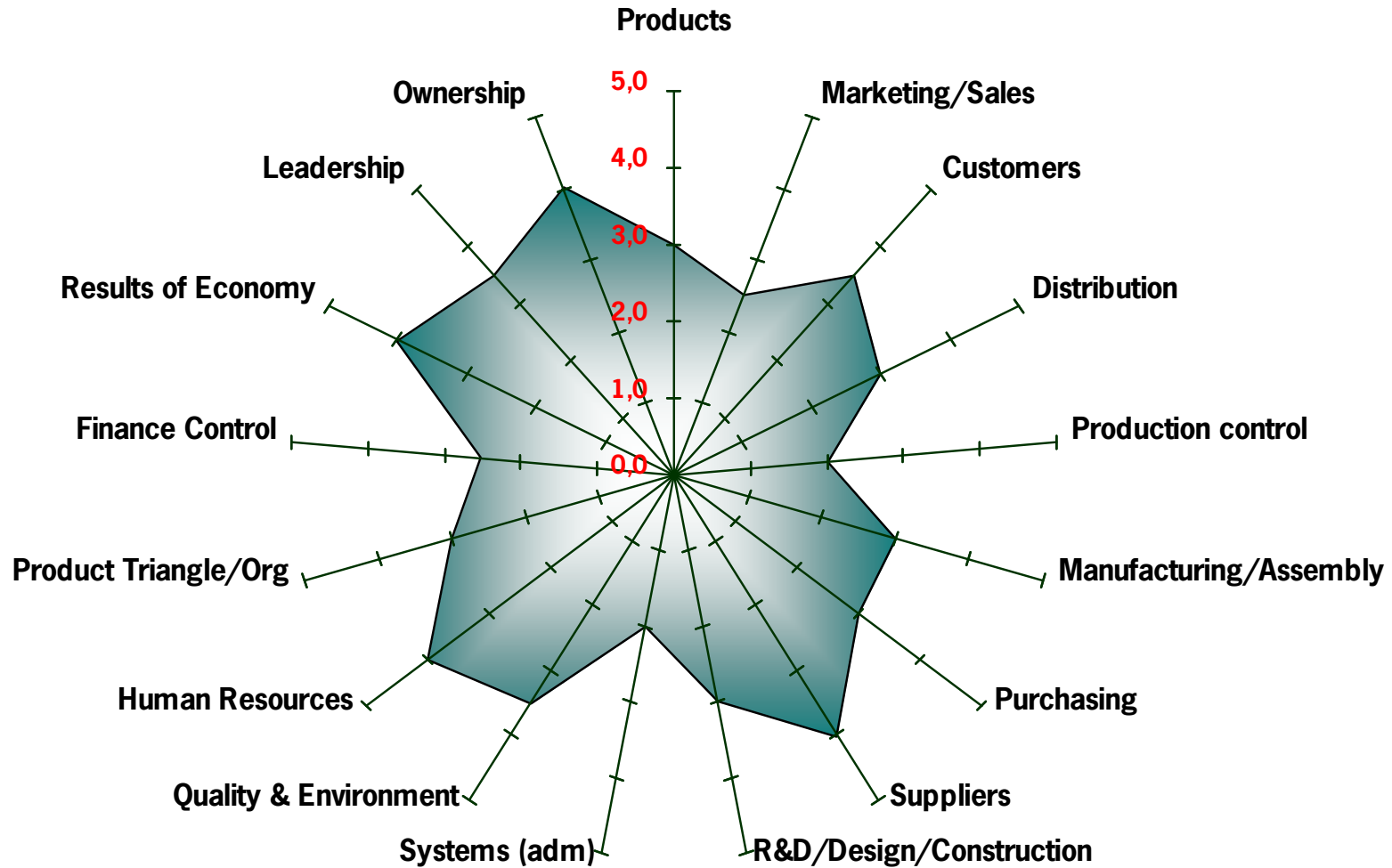
**Find areas for improvements  
Use of simulation models**

**Provide action alternatives  
including calculations**

## Present analysis , Structure of the company

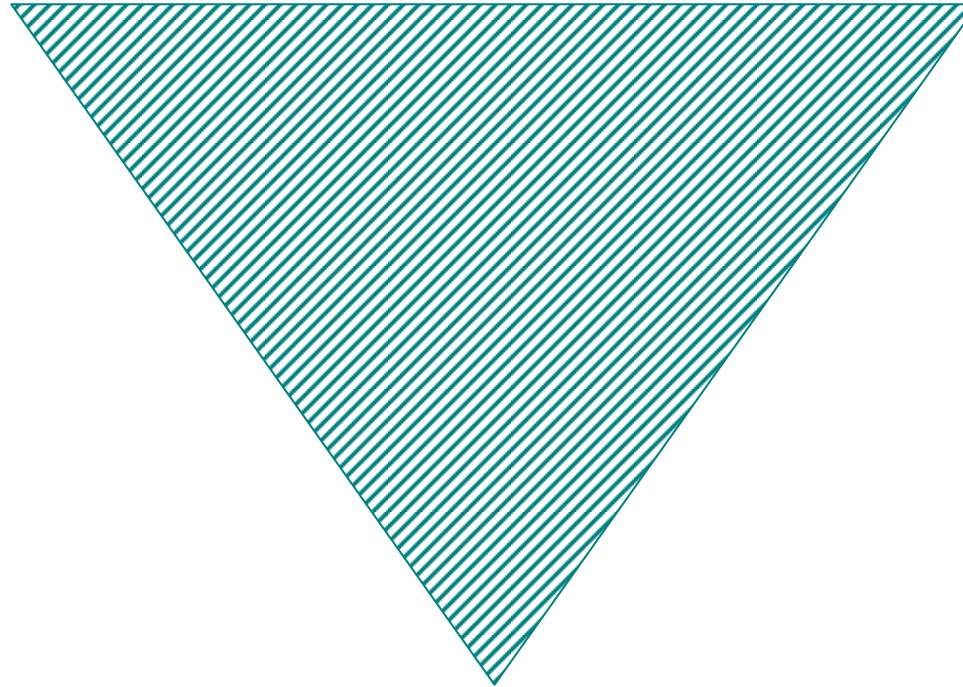


# EXAMPLE COMPANY C<sub>0</sub>



# THE PRODUCT TRIANGLE

R&D/Design  
Construction



Marketing/  
Sales

Production/  
Manufacturing

# STAY – MOVE – CALCULATION (index)

Europe

Costs effected in the Income Statement	Sweden		Compared Country				
	Present sit	After change	Latvia	Poland	Slovakia	Hungary	Romania
<b>1. Personnel/Staff Costs</b>							
- Salary level (Blue collars or similar)	100		36	27	18	18	15
- Salary level (Civil servant/white collars)	100		39	35	32	31	19
- Social costs, white collars	38,19%		24,09%	17,5-20,4%	35,2%	33,5%	27,5%
- Social costs, blue collars	38,88%		24,09%	17,5-20,4%	35,2%	33,5%	27,5%
- Educations	100		20	30	30	15-20	50-100
- Other (perks, bonus, extra salary, benefits)	100		20	100	40	25	70-200
<b>2. Operative/Running Costs</b>							
- Energy							
*Electricity	100		110	89	130	140-170	52-93
*Oil	100		83	35	30	79	92-104
*Diesel	100		91	88	112	75-110	112
*Natural Gas (delivered in pipelines)	100		43	47	55-80	55	38-40
*Brown coal (lignite)	100		24	19	22	13	57
- Tools	100		75-100	100	100-130	80-100	50-120
- Consumption material/Necessities	100		75-100	100	100-130	85-100	50-120
- Internal transports/material handling	100		40-45	40-45	30-40	35	20-60
<b>3. Material Costs</b>							
- Direct material/Raw material	100		80-100	70-100	70-110	80-100	80-110
- Material costs/Expences of raw material	100		60-65	40-45	30-50	40	20
<b>4. Capital/Finance Costs</b>							
- Cost of premises (workshops)	100		70-110	40-100	50-100	60-110	45-110
- Rents & Leasing (machines & IT-equipment)	100		80-100	80-100	70	85-100	80-120
- Interest rates (calculated)	8,5%		8-12%	8,5%	9,0%	6,0-9,0%	10,0%
- Depreciation (level of investment costs)	100		75-100	100	80-100	100	80-100
<b>5. Taxes/Fees</b>							
- Environmental fees/taxes	0-0,25% of sales		0	0	0	0	2-3% of sales
- Corporate income tax	28%		15%	19%	19%	16+4%	16%
<b>Costs outside the Income Statement</b>							
- VAT (Value Added Tax)	25%		18%	22%	19%	20%	19%
- Toll expences	0		0	0	0	0	0



# STAY – MOVE – CALCULATION (index)

"BRIC"

Costs effected in the Income Statement	Sweden		Compared Country				
	Present sit	After change	Brazil	Russia	India	East China	South China
<b>1. Personell/Staff Costs</b>							
- Salary level (Blue collars or similar)	100		20	7-20	3-7	10	6
- Salary level (Civil servant/white collars)	100		21	12-18	11	14	19
- Social costs, white collars	38,19%		35,8%	Regressive 26%	0%	38-45%	39,35%
- Social costs, blue collars	38,88%		35,8%	Regressive 26%	0%	38-45%	39,35%
- Educations	100		15-20	5	5	20-60	20-60
- Other (perks, bonus, extra salary, benefits)	100		105-115	20	15-90	9-100	35-100
<b>2. Operative/Running Costs</b>							
- Energy							
*Electricity	100		92	73	105	105	70-105
*Oil	100		41	25	73	49	50
*Diesel	100		55	49	60	53	53
*Natural Gas (delivered in pipelines)	100		59	10	65	41-62	51
*Brown coal (lignite)	100		73	19-25	72	54-64	67
- Tools	100		80-100	80-120	40-100	60-80	60-80
- Consumption material/Necessities	100		70-100	70-120	40-100	50-80	50-80
- Internal transports material handling	100		20-25	25	5-10	10-30	10-30
<b>3. Material Costs</b>							
- Direct material/Raw material	100		70-100	80-100	75-100	60-120	60-120
- Material costs/Expences of raw material	100		20-30	10-20	5-15	8-30	8-30
<b>4. Capital/Finance Costs</b>							
- Cost of premises (workshops)	100		25-70	25-100	10-70	35-90	30-70
- Rents & Leasing (machines & IT-equipment)	100		–	–	–	–	–
- Interest rates (calculated)	8,5%		19-40%	13,5%	13-20%	7-8%	7-8%
- Depreciation (level of investment costs)	100		80-100	100	50-100	50-110	50-110
<b>5. Taxes/Fees</b>							
- Environmental fees/taxes	0-0,25% of sales		0	0	0	0	0
- Corporate income tax	28%		24-34%	24%	30-40%	18-33%	18-33%
<b>Costs outside the Income Statement</b>							
- VAT (Value Added Tax)	25%		18%	18%	4%	17%	17%
- Toll expences	0		0-20% by art code	0-20% by art code	0-20% by art code	0-20% by art code	0-20% by art code

# PRODUCTION COST PER UNIT

Europe

## 5 real cases (index)

Branch of business	Sweden	Latvia	Poland	Slovakia	Hungary	Romania
1. Furnish joinery workshop	100	78	72	74	74	75
2. Special machine workshop	100	53	47	44	44	43
3. Joinery shop for buildings	100	66	58	58	59	57
4. Metal Industry for buildings	100	75	70	73	72	75
5. Metal Subcontractor	100	77	73	74	73	73

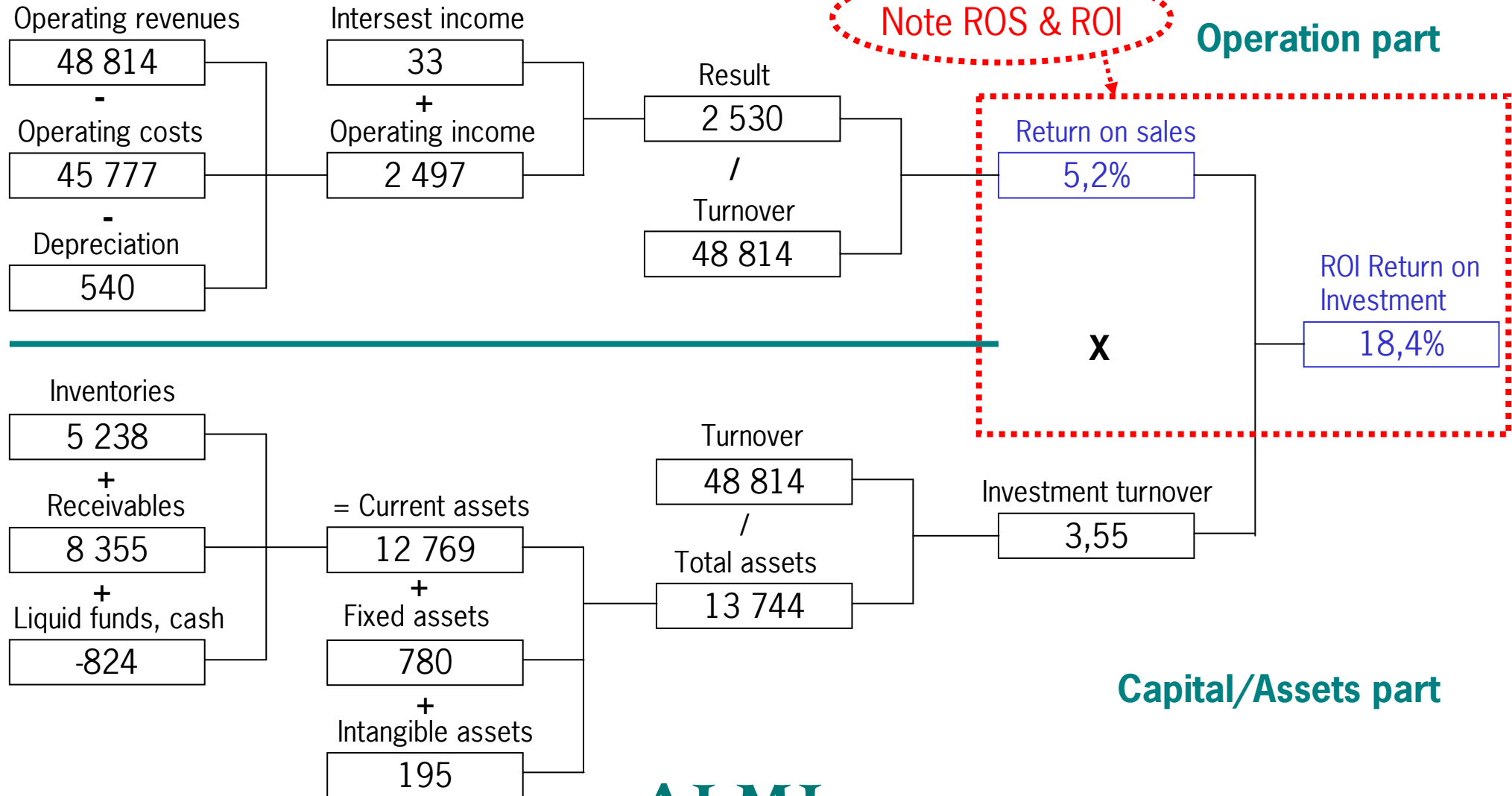
# PRODUCTION COST PER UNIT

"BRIC"

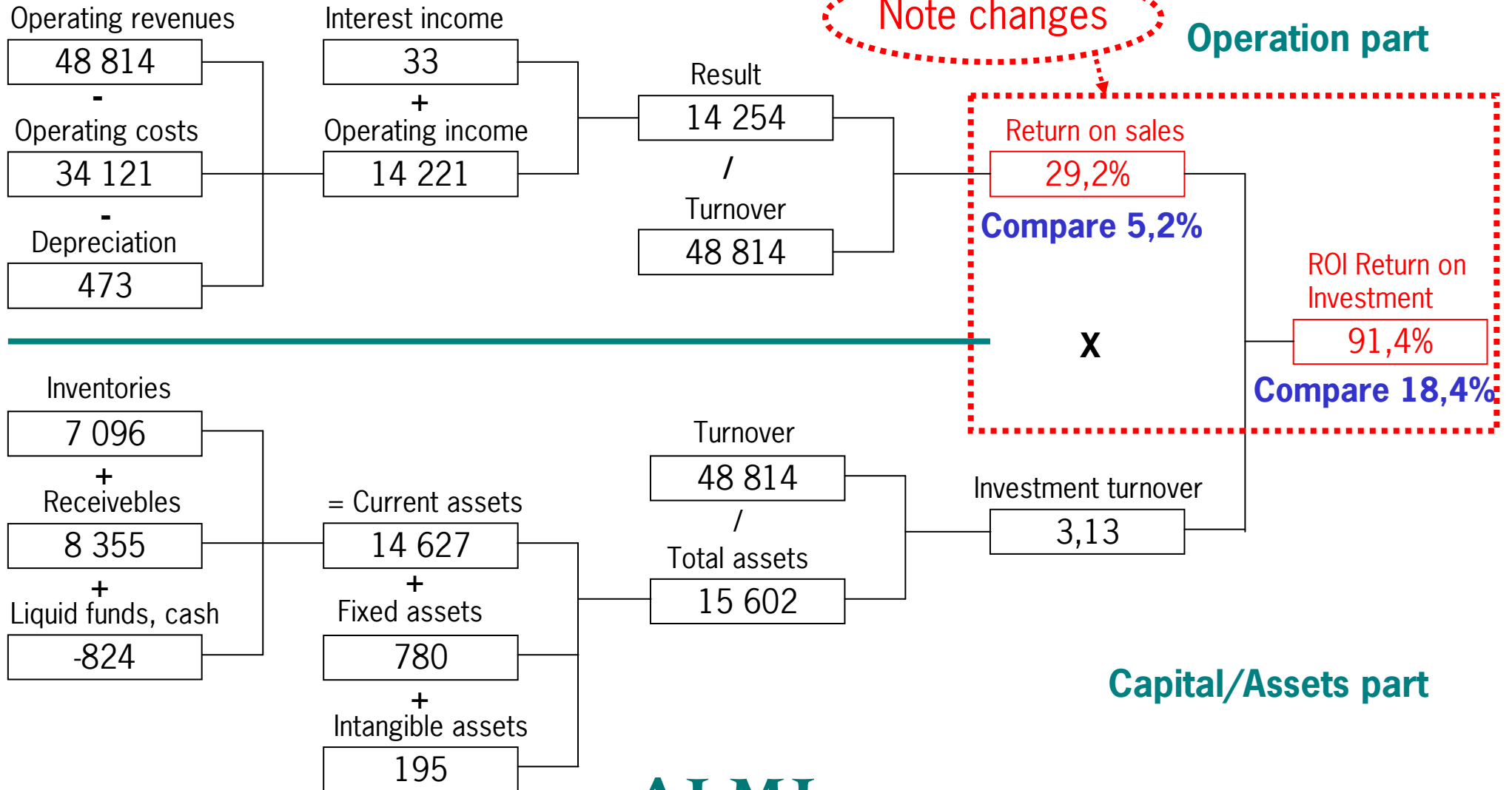
## 5 real cases (index)

Branch of business	Sweden	Brazil	Russia	India	E China	S China
1. Furnish joinery workshop	100	71	70	66	69	69
2. Special machine workshop	100	45	39	33	38	35
3. Joinery shop for buildings	100	55	52	46	51	49
4. Metal Industry for buildings	100	69	69	65	69	68
5. Metal Subcontractor	100	73	71	67	69	68

# Du Pont Chart Present Situation



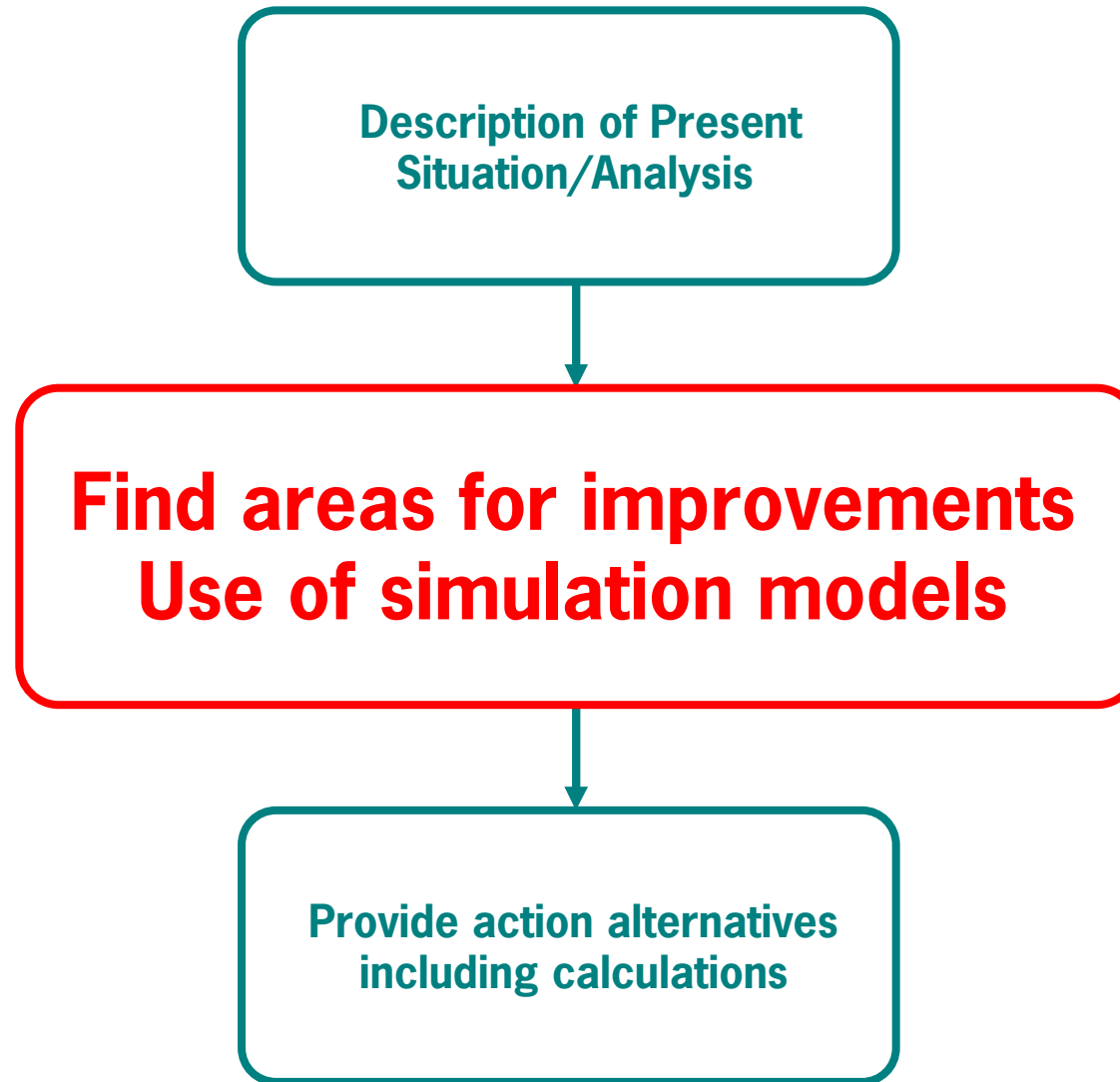
## Du Pont Chart Latvia (complete move)



# SIMULATIONS (COMPLETE MOVE)

Country	Return on sales	Return on investments
<u>Sweden</u>	<u>5%</u>	<u>18%</u>
Latvia	29%	91%
Poland	33%	107%
Slovakia	31%	98%
Hungary	31%	98%
Romania	29%	89%
Brazil	36%	100%
Russia	35%	95%
India	39%	107%
East China	35%	95%
South China	35%	96%

## The Three Step Model of ALMI



# ALMI Working steps

## Step 1 & 2 Analysis/Present situation & Simulations

### **Facilities:**

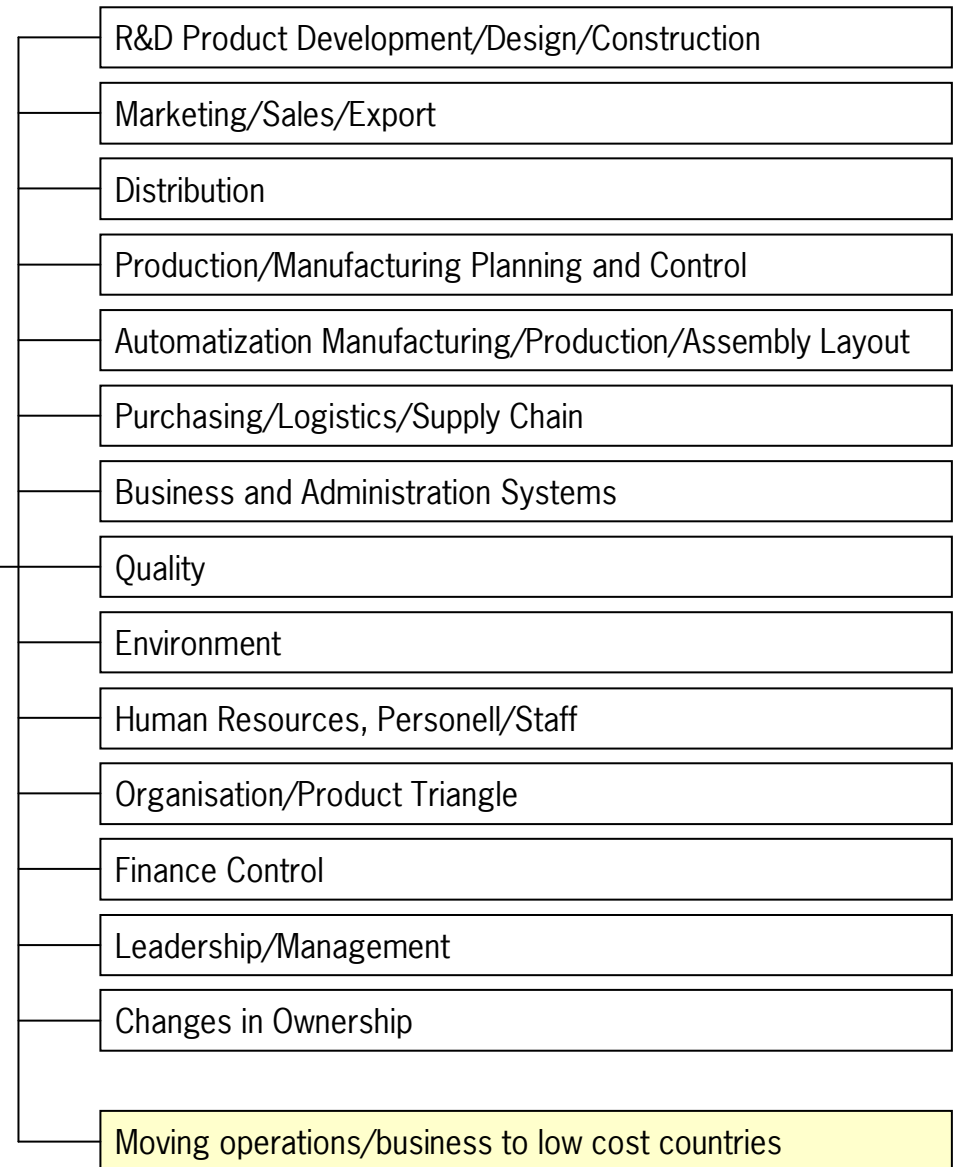
### **Stay-Move-Toolbar:**

- Analysis of Company Structure
- Questionsguide
- Spider Diagram
- Stay-Move Calculation Model
- Product Triangle
- TTM
- Clockspeed etc..

### **ALMI offers:**

- Process Leadership
- Analysis
- Acting plans with 3-5 activity alternatives

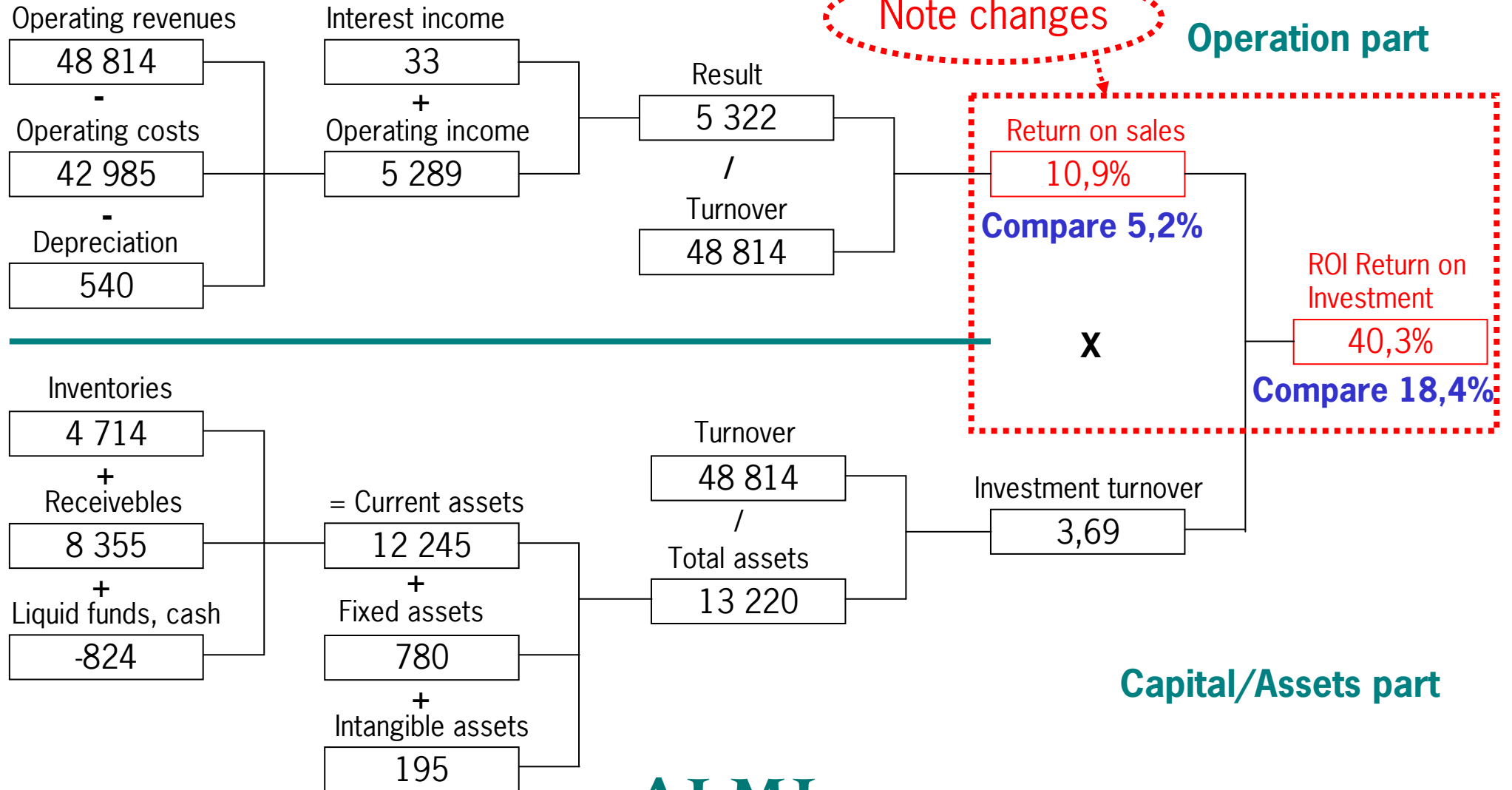
## Step 3, Activity Plans A combination of acts/ Areas of improvements





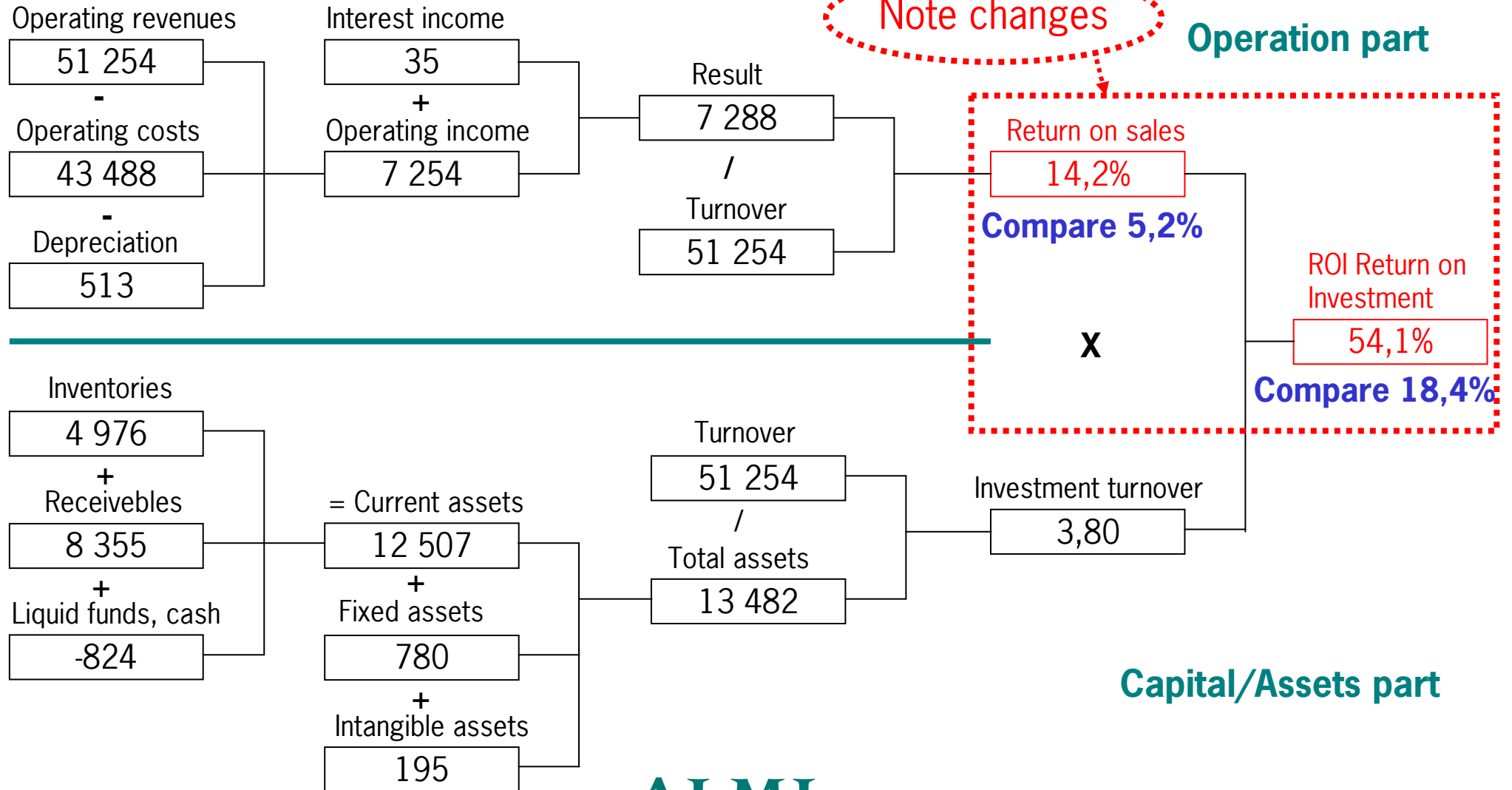
# Du Pont Chart Sweden after change

(if price reduces -10% on direct material)

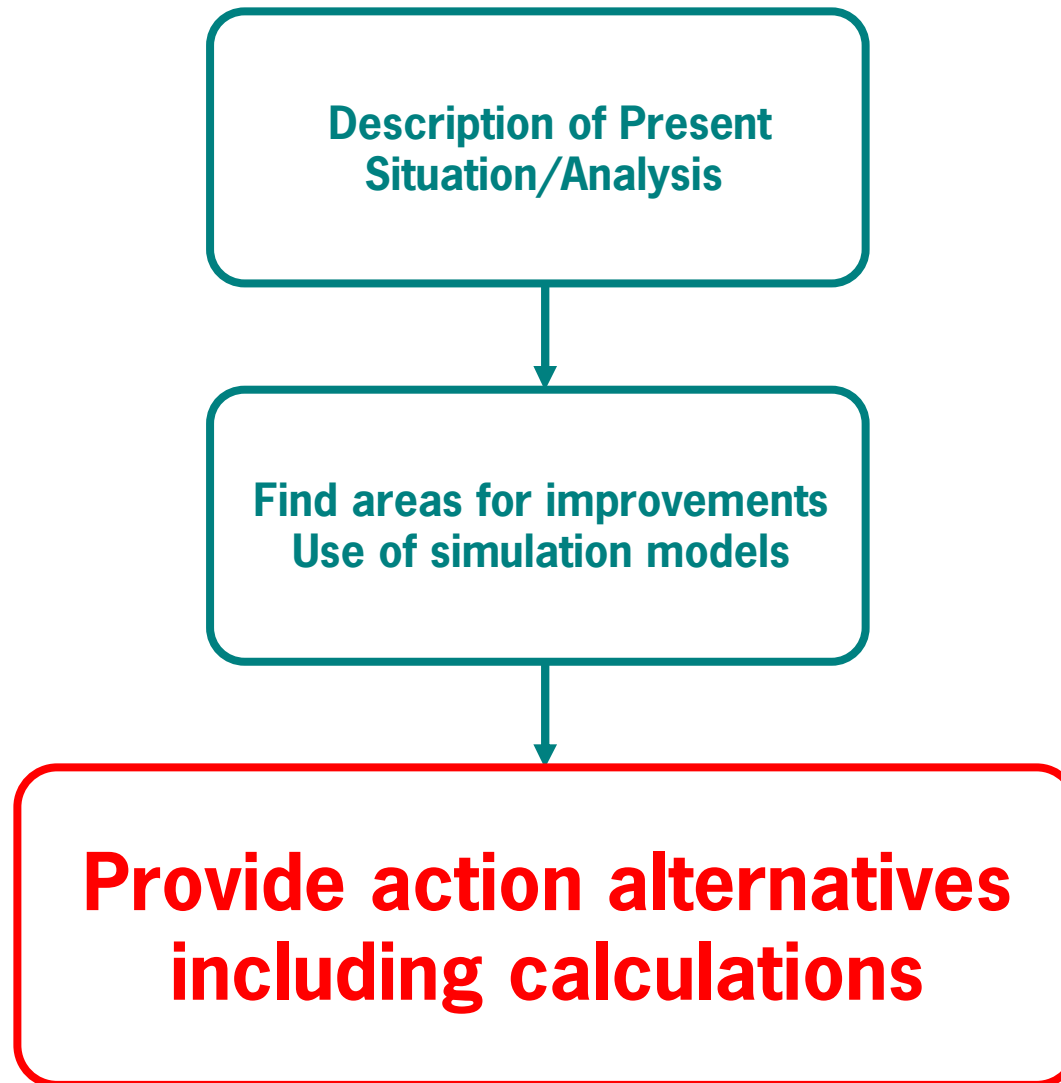


# Du Pont Chart Sweden after change

(all revenues and costs improved by 5%, "constant improvements")



## The Three Step Model of ALMI



# ACTIVITY PLAN (example, maximum 3-5 main activities)

## 1. Steps for Increasing Productivity

- Make shorter set up & lead times (SMED)
- Make better flow charts/layout - automatization
- Make better working routines/instructions

## 2. Suppliers

- Improve co-operations with the suppliers
- Search for alternative suppliers
- Make Buy/Manufacturing - Analysis
- Serch for suppliers abroad ?

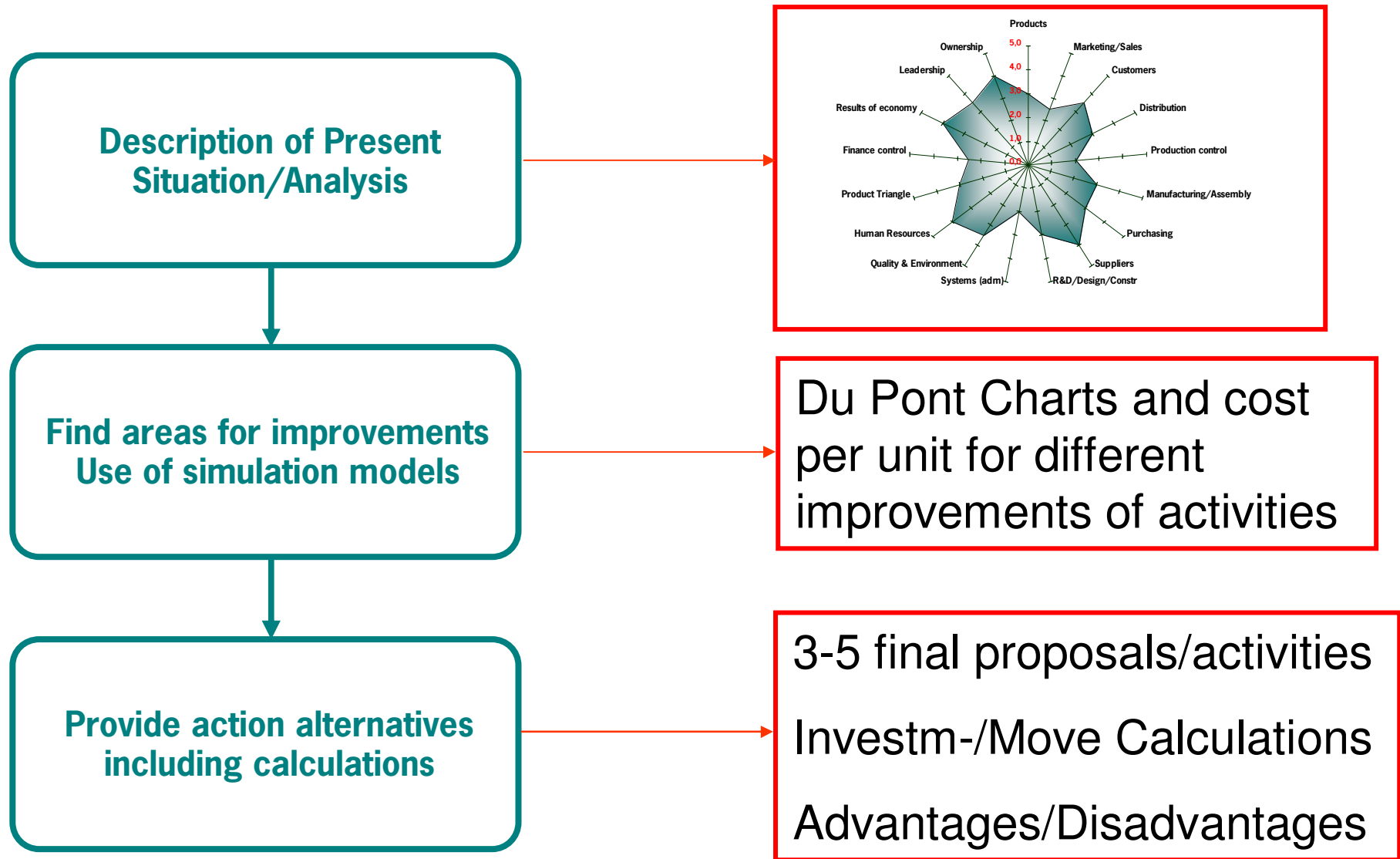
## 3. Product Development

- Modularise construction / reuse solutions
- Adjustment of products to manufacturing
- Adjust the products to the market/customers need

## 4. Marketing

- Make a business plan including export opportunities

# The final delivery to the company



**When the basic data for decision is ready:**

**The Company makes the decision for realizing the proposed activity plan or the moving alternative**

# CURRENT SITUATION

- 55 ALMI-consultants educated in the method
- The model has been used at 104 companies
  - 92 companies chose to stay in Sweden
  - 12 companies chose to move all or parts of their operations abroad

# IMPORTANT CONCLUSIONS

- Do not make decisions in moving or outsourcing activities only based on emotions
- Accomplish a correct analysis of the present situation and alternative activity plans
- Accomplish methodical profit-, investment-, and Stay-Move-Calculations and comparisons





**Thank you for listening!**

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**Prague 2009.05.14**