

Words from the CEO

Strategy made personal

Let me start with a story.

The story of how a huge business, led by a successful CEO, almost ran into the ground.

The challenges facing the American department store chain JC Penney are similar to what many businesses are meeting today – digital disruptions, changing demographics and new consumer trends.

In 2011, JC Penney brought in the man who built the hugely successful chain of Apple's Mac stores, Ron Johnson, as the new CEO. He developed an innovative, brave and new strategy to take JC Penney into the modern world. It launched, but we will never know if it was a good strategy. There was very little alignment and motivation in the organization. The management ranks, the sales force and the majority of employees were not supporting the strategy. Execution failed. The business performance collapsed, as did the stock price. Ron Johnson was replaced after 18 months.

Vision and Reality

Often, we hear talk about visionary leadership – and how this is the key missing link.

Now, most businesses that we at BTS meet have compelling visions and strategies which hold great promises for its employees and shareholders.

However, we see quite a bit of not-so-great execution.

We see non-aligned managers and employees. We see people who do not believe in the company's strategy, or who do not fully understand what it means for them. We see organizations that do not have the necessary skills to tackle a changing market or a new strategy, and we see units of organizations striving in different directions.

Research confirms this picture. On average, only 5 percent of employees in a business have a good understanding of its strategy and what it means for them. Also, two thirds of change initiatives fail because of poor execution. In addition, 70 percent of fired CEO's are terminated not because they lacked vision, but because they failed to engage the organization in making out their strategies really happen.

Strategy. Executed.

It is more difficult to execute a strategy than to create it.

We have learned through the years that taking a business to the next level is all about people. It's about having the right people on the team, and having an aligned team working toward a shared goal with a shared strategy. It's also about mindset – a passionate drive to win – as well as capabilities – the right skills, tools, and resources.

At BTS, we apply an effective formula with our customers to drive excellent execution; E = AMC. We believe that Excellent Execution primarily is a function of an organization's Alignment, Mindset and Capabilities.

Whether in life or in business, a person's alignment, mindset and capabilities are derived from experiences, and BTS believes that strategically relevant, "designed experiences" are proven ways to shift mindset and build new beliefs and new capabilities.

We create powerful experiences which help leaders build the future of their business. And we make strategy personal.

"The BTS simulation was a Jet-Assisted Take-off for our New Strategy," beamed the CEO of a major US financial services company. Or, as the top team of one of the world's leading software houses told us, "We couldn't have done it without you... we significantly accelerated the execution of our # 1 priority."

A record year

In the record year 2015 our sales exceeded SEK 1 billion for the first time. Revenue growth during 2015 – adjusted for currency changes – was 15 percent.

During BTS's first ten years we grew to 76 MSEK (1996), in the next decade we reached 379 MSEK (2006), after which it took us nine years to grow to over SEK 1 billion.

One more record. During 2015 the result before tax increased 32% and it was the first year in which our earnings exceeded 100 MSEK.

All of BTS's units contributed to growth and increased earnings during this record year. We had strong growth in Other Markets, which grew 25 percent, and in North America with 19 percent. Our growth in Europe was 8 percent, and with a strong final quarter showing growth of 20 percent.

A strong market position

BTS's competitiveness is very good; we are submitting proposals for a growing number of major projects and the proportion of business we win is increasing.

When we research our clients to find out why they buy services from us; they point at our unique expertise, very high and consistent quality, global reach, focus on creating real results, our digital capabilities and our people and culture.

Our Vision and Growth

Our bold vision is to become "the global leader in turning strategy into action".

No company is currently holding this position; it is an empty space waiting to be filled. We believe that we have the capabilities to get there.

We are moving towards that vision through innovation, organic growth and acquisitions.

Acquisitions can help us to faster enter a new geographical market or strengthen an existing one; as well as add a key capability. For example, the acquisitions of Fenestra circa 18 months ago rapidly built an important capability within assessments. This has helped us to win more clients, and serve our clients better. We expect continuous acquisitions over the next years.

Investments and Innovation

The major investments in product development for digital solutions will continue in 2016 – with circa 3 MUSD in investments – and we expect good revenue growth within this area during the year.

We are also investing significantly in all our Practice Areas to develop and improve our offerings. For example, during 2015 we launched our new GREAT FRAMEWORK offering, which has been highly appreciated by existing clients and has brought us a significant number of new clients.

At the same time, we continue to invest to improve our systems and processes, through our Global Operations Development team.

Our solid financial position

BTS has a positive net cash position, and a solidity of 60 percent.

Outlook

BTS has for 20 years demonstrated a capability to grow, while maintaining good profit levels. Today, we are the world leader in our field, with substantial opportunities to continue our growth. The result before taxes for 2016 is expected to be better than last year.

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Henrik Ekelund

President & CEO of BTS Group AB