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Q&A: Bo Andersson Joined GAZ to Flee Detroit Stardom

By Anatoly Medetsky

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Andersson is most proud of creating a high level of engagement with his factory workers and management team.

Bo Andersson had to cross an ocean to make a career change and flee his fame as the man in charge of an annual $105 billion purchasing budget at General Motors in Detroit.

"Having been something of a rock star in the U.S., wherever I went in Detroit people talked to me about purchase orders," said Andersson, 57.

"So I said to myself that if I were to restart, I would like to restart in Europe. And then I asked myself what the most challenging place in Europe was. It was Russia."

Ending up at Oleg Deripaska's automotive company GAZ in 2009, during the worst of the recent global economic debacles, he had to deal with issues that included not only debts and making layoffs, but also the need to renovate toilets, showers, cafeterias and locker

rooms, he recollected.

Bo Andersson

Education

Bo Andersson graduated from Armed Forces Staff and War College and Karlberg Military Academy in Sweden. He holds a bachelor's degree in business administration from Stockholm University and completed the senior management program at Harvard University in 1999.

Work experience

2009-present — GAZ Group, Nizhny Novgorod, president and CEO
2007-09 — GM Group, Detroit, vice president of global purchasing and supply chain
2001-07 — GM, vice president of worldwide purchasing
1999-2001 — GM, executive in charge for worldwide purchasing for North America
1997-99 — GM, vice president of purchasing for Europe
1993-97 — GM, executive director of the worldwide purchasing at electrical commodity group; executive director for the chemical commodity group
1987-93 — Saab, subsidiary of GM; manager and vice president for purchasing

Favorite book: "Being There" (1970) by Jerzy Kosinski
Reading now: "Dossier: The Secret History of Armand Hammer" (1990) by Edward Jay Epstein
Movie pick: "The Deer Hunter" (1978), directed by Michael Cimino, "Titanic" (1953), directed by Jean Negulesco, and "Wedding Crashers" (2005), directed by David Dobkin
Favorite restaurant: Tiffany's in Nizhny Novgorod
Weekend getaway destination: St. Petersburg; Italy's Adriatic coast

"I liked the complexity," he said in an interview while being chauffeured between appointments. "I made two hand-written notes for Deripaska about the situation analysis and the opportunities — what to focus on."

Andersson still keeps the notes where, he said, 90 percent of his predictions turned out to be right.

Andersson focused on the company's best sellers, such as the cheap and ubiquitous GAZelle light truck, to steer the company back to profitability. GAZ plans to start producing a newer model later this year to keep foreign competition at bay.

During a recent tour of the plant by reporters, Andersson also pointed to a bus that ferried reporters about the town, saying proudly that the GAZ Group-made vehicle was the only model in the world that costs $30,000 and seats 26 people.

His policy, which included cutting costs and demanding better quality from suppliers, netted GAZ $274 million last year, the best profit since 2007. The economic crisis sent the company into a tailspin in 2008.

In a hard-won victory, Andersson shepherded through a decision to discontinue the company's last passenger-car model, the costly Volga Siber, in November 2010. On the surface, it looked like an easy decision because the model didn't post spectacular sales, but it was also about convincing staff to find the nerve to put an end to the famous Volga brand.

Instead, in an effort to pay off debt, Anderson steered GAZ to win deals to assemble more commercially successful cars for Volkswagen Group, General Motors and Mercedes-Benz.

Acting as a contract manufacturer for Volkswagen Group, GAZ launched volume assembly of the Skoda Yeti compact utility vehicle from complete-knock-down kits last month. Since November 2011, it has been assembling the Yeti from semi-knock-down kits.

One of Andersson's biggest problems at GAZ is maintenance of old buildings, most of which have not seen an upgrade since the plant went into operation in 1932. Some still have dirt floors. Before then-Prime Minister Vladimir Putin came to the city in November last year — stopping by the plant to make a speech -- "we bought all the white paint in town" to spruce up the premises, Andersson said.

This interview has been edited for length and clarity.

Q: Why did you come to Russia?

A: I had a very prominent job in Detroit in the United States for 15 years. For 10 years of that time, I was in charge of GM global purchasing and supply chain, spending more than $105 billion per year.

I decided I wanted to do something else. To restart in a new role in a country where you are known as Mr. Purchasing would be difficult. Having been something of a rock star in the U.S., wherever I went in Detroit people talked to me about purchase orders. So I said to myself that if I were to restart, I would like to restart in Europe. And then I asked myself what the most

challenging place in Europe was. It was Russia.

I was asked if I was interested in taking this job.

In February 2009, I took a two-day vacation and I went to Russia and met in Moscow head of Basic Element Oleg Deripaska who was determined to pull GAZ out of a crisis and to significantly upgrade its technologies. Then, I flew out to Nizhny Novgorod to meet people at the plant. I met a dealer, I went to some of the automotive component locations, I went to the actual plant, I went to the LCV division and to the now-closed Volga Siber division and I got an impression and decided I would take this job.

I liked the complexity. I made two hand-written notes for Deripaska about the situation analysis and the opportunities — what to focus on. Ninety percent of that turned out to be right. I still keep them. The only one that didn't work out was expecting a weaker ruble. That would have helped us with the competition from Europe.

We had a lot of inventory, worked just three days per week and laid off a lot of people. We didn't have money. We paid the interest on the loans, salary to workers but not always to management. We created a plan. We ran to the dealers and asked for pre-payment. We asked how we could make the 2010 portfolio plan more attractive. In the spring of 2010, things started to move again.

Q: Did you learn something new while working to resolve these issues?

A: In having worked as a purchasing executive at GM, I had daily problems. To give you the scope of my former job, I was responsible for 39,000 vehicles being shipped every day from the plants to the dealers. We were responsible for 190,000 car parts coming in to more than 125 assembly plants. We had a lot of people and we had a lot of information systems, but we might have one big problem per day. An earthquake in Japan could be one, another could be the Rita and Katrina storms in the U.S. I was used to a situation when something happens and I need to do something. But I am also used to having a lot of people around me, so I can ask them. Here things happened all at once and I learned to tackle them alone.

What I like about Russia is the practice of written orders that works very well. It's a practice we don't really have in the rest of the world. People here expect a written order and I use that a lot. It took a while to learn that just telling people didn't work that well. When I put it in writing, it worked better. It took, maybe, a month.

Q: What do you consider as your greatest achievement at GAZ?

A: What I feel best about is we created a high level of engagement for a lot of people. That is something that is very hard to measure. I feel it when I go to the plant.

I tell people that I do four things every day. I give people hope: When we shut down Siber we were not sure we would get Volkswagen. I said, "We will get Volkswagen." If I were to die today, I'd say that I gave people purpose in life.

I give direction, but I don't tell people what to do. I say what I expect.

I allocate resources. I made sure we finished with the plant's facade. The company was in a crisis, we didn't have money. Some people said I focused on the wrong thing. I said, "It's important because it's our reputation. First thing you see is an incomplete facade."

And I follow up on things.

Q: How would you compare GAZ with global automotive groups?

A: What I like about GAZ is that we have a strong Russian history. If you take my experience at GM, is GM an American company? Is GM a European company? Is it an Asian company? Is it a Russian company? GM is like a mix of different cultures. Ford is a mix of cultures.

Here, we have a strong identity. We also have a very loyal customer base. Our history and our heritage help us to know where we are coming from. We know what we stand for.

Volkswagen is similar. It's a German company, there's no question about that. Their history says it's a German company that is product-based and with highly engineered products.

I am amazed when I look at the vehicles GAZ was able to make in the 1940s and 1950s. We couldn't make vehicles like that in Europe at that time. Volvo couldn't make them, Saab couldn't make them, Audi couldn't make them, Mercedes couldn't make them. The excellence level here early on was very high.

What I miss is GM's global scope. At my GM job, I was responsible for 7,000 people in 47 countries. I talked with China, Korea, Brazil, Mexico. Here, I feel like I am in a large country, but I am in a small country. Everything I think about is Russia.

Q: Which of your life experiences have influenced you the most?

A: I was very active as a child. When I was too active, my parents gave me to a friend of theirs, an old lady. I had to stay with her for two or three weeks to calm down. She gave me a lot of responsibilities, and she said, "You can do it." I was 6-8 years old, she was about 85. She told me to go out and buy stuff, take out the dog, prepare dinner — all types of grown-up tasks.

In my adult life, my best general was my mother. She always said, "You can do it. I will support you in doing it." She was a very strong lady. My father was a businessman. He was rather unhappy that I was a military officer for 10 years. When I finally moved to a business career, he was very happy. Being a senior officer for five years, I liked having a lot of responsibility at a young age. If you didn't take good care of the soldiers, in a socialist country like Sweden you were in trouble.

I like to learn. I am afraid of nothing. I read a lot. I like Russia. I like Russia's rich history. It's fascinating to read about.

Q: Who or what inspires you?

A: I had the fortune of having a dinner with Henry Kissinger once. Six years ago. That was fascinating. He must have been 84-85 at that time. Extremely sharp. I remember one of his statements. If Europe doesn't get its act together it will have a second thirty-year war, but now it will be different.

And I made a mistake because I think I am good at history, especially Swedish history, but he was better. We discussed when Bernadotte came to Sweden as a king and I said it was 1809, and he said, "No, it was 1804." I SMS'ed my office and they said, "Yes, he was right." When I came home I checked the Internet and found out something I didn't know: He was a teacher of war history at Harvard for 10 years.

The meeting with Kissinger was during the 100th anniversary of Bosch in the US. He was a guest of honor and I was a guest of honor. We were seated next to each other and had a conversation for two hours. He made a big impression on me. First, he was very humble. Second, he had a lot of experience. Third, he still had a lot of energy and he wanted to change. His passion was that we need to continue to change, we need to continue to improve.

Q: What advice would you give to a foreigner who wants to start a business or expand in Russia?

A: First be very clear on what products and services are needed in Russia and what is required to be successful.

Then decide whether you want a partner or want to go it alone. In the Russia I know, I would start by myself. It's harder but it's clearer.

I would say hire the best Russian people you can get and don't bring in too many foreigners.

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