

Keys to Intelligent Industry

with Caroline Segerstéen Runervik
and Fredrik Gunnarsson

EP08

Driving innovation as CTO,
with Annika Ölme, SKF Group



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[Guest] **Annika Ölme**

We tend to look more and more short term on things, but some things related to technology really takes longer. So, to keep this future oriented but present acting view in your head, you have to carry as the CTO the notion of long-term competitive advantage and success of the company.

[music]

00:00:25 [Host] **Caroline Segerstéen Runervik**

Welcome to our next episode of our podcast Keys to Intelligent Industry and Fredrik, do you recognize one thing we are meeting again on a Friday? You know, having the opportunity to talk to great industry leaders, talk about the intersection between engineering and digitalization, for us, learning more about what we call is the intelligent industry. That's a real luxury, isn't it? How are you today?

[Host] **Fredrik Gunnarsson**

Yeah, I'm fine. Yeah. And it's it truly a privilege to have those record, those sessions, and especially on Fridays with the Friday feeling and we're actually sitting in a sunny Gothenburg again, so that's great to be back on the west coast.

[Host] **Caroline Segerstéen Runervik**

And today you and I will have the pleasure to meet a leader that is passionate about technology. An engineer that today is CTO of a global Swedish manufacturing company passionate about technology, leadership and sustainability so welcome, Annika Ölme.

[Guest] **Annika Ölme**

Thank you. Very happy to be here.

[Host] **Caroline Segerstéen Runervik**

So, Annika, you are today CTO at SKF, and you have had numerous roles. Of course, being an Engineer, you work with product development. You've been CEO, CTO in a number of companies. So, do you want to share a bit your career, but also maybe why did you take these steps you did during your career?

[Guest] **Annika Ölme**

In my professional career, I've always been standing on three pillars, you can say, and the first one is technology. I just thrive on innovation, technology and new products. New technologies that can help the world that is just super interesting and very exciting. So, that's one of my pillars. And the second pillar for me is about business. It's about creating value for customers; it's really connecting technology and business together and the third pillar for me is actually people and leadership. Because innovation, technology, nothing happens if you don't have the right people, the right culture, you know, freedom to innovate. So psychological safety and leadership and really people is my third pillar. So, I've been going back and forth in in large corporations, but also some startups and smaller company. But also, they're moving between business roles and technology leadership roles. My belief is that you really need to know about technology if you are a leader in a technical company and you really need to know about business. If you are a technology leader. So, it all comes together.

[Host] **Caroline Segerstéen Runervik**

And I could really see when we've been discussing that you love to be in the intersection of business and technology. And making you know that that collaboration thrive, you've also have a lot of passion for sustainability, but it's something that we will come back to later in the podcast.

So, coming back to your role and being a CTO and constantly working a cross lot of different parts of the organization thinking about innovation. How do you move always ahead of technology or being on top of technology? How do you secure that you are on top of what's happening in the technology field? How do you bring that into your daily life and get energy from your organization and knowledge from your organization into your role?

[Guest] **Annika Ölme**

I'm humble in that because I realize that I cannot know everything myself, but I'm also very curious, so I like to talk to people to learn about new things. We have been starting to really go on the journey of using Copilot. That's a very, you know, a tool that everybody can use in the company. Just trying to experiment and to work with that myself, but really, I also I tend to have a lot of interesting conversations with people within the SKF, but also with a lot of people outside of SKF talking to startups, talking to peers in other companies or just kind of reading about things. So, it's for me a joy to do that because I am a curious person. So, I guess that that helps and also make my job more fun.

[Host] **Caroline Segerstéen Runervik**

And what you also told us is that AI is the topic in the family every day when you have dinner together.



[Guest] **Annika Ölme**

Yeah, that's right. My husband Anders Ölme, he actually works at NVIDIA. So, we have a lot of conversations and I'm lucky to have this wealth of knowledge about AI at the dinner table every night. So, that's actually very interesting.

[Host] **Caroline Segerstéen Runervik**

Very interesting topic also to come back to.

Looking then at SKF been around since 1907, actually got global very early, and then been around for 100 years constantly being on top of the innovation. Maybe you elaborate a bit more on SKF industries and your operations as such.

[Guest] **Annika Ölme**

So, I think many people, you know, SKF in the capacity of bearings, rolling bearings, ball bearings and so on. So basically, what we do is we make sure that everything rotates and in industries across the world things rotate. We have everything from windmills to gearboxes to cars and trucks, different types of manufacturing processes like pulp and paper and metals industry, and a lot of these areas are actually also driving for sustainability.

Now look and forward. So, we are present in about 40 different industries. We have a diverse set of global customers, and we are actually acting in 130 countries across the world and in SKF, we also have since a very long time quite a large digital product family that looks at predictive maintenance that looks at really bringing the knowledge. Through sensors about what happens in the gearbox, what happens in the windmill and actually being able because of the knowledge we have about the rotating part, the bearing, we can predict the future. We can tell our customers you know your gearbox is gonna fail in nine months. So, you better do something in eight months. So, and that's also where data and AI comes into the picture. Being able to predict the future of anything that rotates, so that's a fairly strong statement.

[Host] **Caroline Segerstéen Runervik**

So, data and AI has really enabled SKF to become much more predictable in a way. And what I also see, of course it is about friction. But SKF is about less friction.

[Guest] **Annika Ölme**

Absolutely. We know that if we reduce friction in our products, our customers will be able to be more sustainable. We have sustainability targets to do our customers and actually we know that about 20% of the world's energy is actually used to fight friction and we are a big part of that, so we feel a responsibility here in the world.

[Host] **Fredrik Gunnarsson**

Given the fact that you're 100 plus all the company and you being kind of the innovative leader for all these years being the CTO responsible for innovation, what's the advantage or even the sort of disadvantages maybe, having 100 plus old company to work with in that role?

[Guest] **Annika Ölme**

I would say that the advantage is of course that we have a strong presence in a lot of key markets where we also innovate. So, innovation for us is not something that happens in Gothenburg only – it's very global. And last about 1 1/2 years ago, we celebrated 100 years in India, and they see us in India as part of building that country. So that gives us a lot of strength and from innovation perspective that allows us to also tap into the India innovative platforms and so on so that that helps us a lot in technology and innovation. It also helps us because we then are very close to all the different customer groups across the world, and we can work with them. Technology and business goes together, right? So, if you're close to your customers everywhere, you will be better at innovating as well. So, I think it really helps us. It also of course means that we are an old industrial Swedish company, which is sometimes is set in our ways. We also have some legacy when it comes to digital solutions for example, so that can sometimes of course be a challenge for us as well.

[transition sound]

00:08:14 [Host] **Caroline Segerstéen Runervik**

When we look at SKF today. SKF is present across the globe, as you said, in 130 countries and it's extremely important as we spoke about to be close to your clients across the different industries. So, do you want to elaborate a bit on how you are impacted by what's happening on a global scale, how is it impacting SKF? But also, maybe how it's impacting your role?

[Guest] **Annika Ölme**

Globalization was the word 10 years ago. Every we were talking about countries disappearing and globalization being the name of the game. And in the last 10 years, things have happened. We see a different situation now. We see trade barriers or threat of trade barriers coming up, we can see supply chains being more difficult to maintain and really keep effective across the world. The climate change, the sustainability part of it with affecting transport



and so on. So that means also that we have built this into strategy that we launched in 2021. The intelligent and clean strategy, which is really built on a couple of pillars and one, is really about intelligent and sustainable solutions, right? To really have those products to the market. But another one is around regionalization. So, in our industrial business, we have created four very strong business areas based on regions and we want to really have the full P&L responsibility, the full value chain close to the customers in those regions for the reason of being customer focused, but also to be resilient if things happen to the global supply chains. If we see trade barriers, we want to as a company be very resilient to that and that is part of why we put this strategy in place.

[music]

00:09:58 [Host] **Fredrik Gunnarsson**

You have faced a lot to understand close to the customer and have a customer centric innovation. How do you work practically with your customer to co-innovate to co-create with them?

[Guest] **Annika Ölme**

We're staying very close and my people who were predominantly working on research, technology development, product development, engineering, testing and so on. They are constantly in contact with the design engineers at our customers. So, we are always working very closely with them, and I would like to give an example where we have now in the past year or so, we have worked very closely with the Japanese customer of ours in the machine tool industry to really put in smart sensor solutions that they will build into their bearings, into their machine tools. To really understand how they can leverage and change the speed and the load into their process in their machine tool application for their customers. So, we have worked together with them in this development project where we have supply, we supply the rotating part, we supply the new sensor technology and they put that into their process and they make their machine better, as a result of that. So that's just one example of how we work, and we have what we call application specific offers, customer specific offers everything starts there.

[Host] **Fredrik Gunnarsson**

It doesn't become too fragmented then. Or do you get too many variances to manage or how?

[Guest] **Annika Ölme**

That that's a risk, of course, you're right. What we're trying to do is we're saying if we do an application specific offer that's probably valid in many other industries, many other applications. So, we try to manage that very clearly on which are global offers which are new product offers that that span across the industries. So, to managing to manage our products in a in a good way through product management, it's absolutely crucial.

[Host] **Fredrik Gunnarsson**

It seems like you're working actively with the synergies and cross offerings.

[Guest] **Annika Ölme**

Absolutely. We have three dimensions. We have the product dimension; we have the industry and customer dimensions. So different needs from different customer groups. And then the regional kind of geographic dimension. And running SKF successfully means that you have to manage those three perspectives. If we do that well, then we will succeed.

[Host] **Caroline Segerstéen Runervik**

And what I understood was that the industry dimension was critical. I mean, the global perspective is of course important, but it's you see across the industries, that's where you find the synergies, right?

[Guest] **Annika Ölme**

Absolutely.

[Host] **Fredrik Gunnarsson**

I believe you've had a new Technology Strategy which you've also touched upon before with the number of focus areas. Can you elaborate on what the focuses are in your Technology Strategy?

[Guest] **Annika Ölme**

We are a technology-based company. We are constantly in need of renewing our core products. A bearing doesn't look the same as it did 10 years ago. And also, to find new products and new areas and intelligence solutions and sustainable solutions, new products and to do that, we need to keep on top of the technology game. We have to know what's out there. We have to bring in technologies in and we have to be best at a certain amount of technologies that is core to us. And to do that, we have for two things in place. First of all, our Technology Strategy and the Technology Strategy is based on five different areas. So, the five areas span across areas like metallic materials or materials technology into manufacturing technology into excellence in product development technique. And then also software and digital insights and AI, but also predictability and algorithms. So those are the five areas where we believe that we have to be the best. We also understand that we cannot always be the best ourselves. So, we have a very clear strategy on when should we know about more or when should we partner



or work with startups or academia. We believe also that there's gonna be more technologies to come in the next 10 years, 20 years. So, we also keep a technology radar where we look outside and say this is interesting quantum. That's interesting. Let's keep an eye on that. Let's see it's not in our strategy yet, but we have it on our radar. So, then you can kind of see when things make it into the Technology Strategy from the radar.

[Host] **Fredrik Gunnarsson**

Tough areas to be leaders in, I mean the material part like you say, the model predictability algorithms when you define a focus area in your Technology Strategy, how do you practically invest to be, what you say the leader of?

[Guest] **Annika Ölme**

Yeah. So, we define per area, very clear strategy, a very clear plan. What should we do, not what should we do for the next 10 years, but putting at stake in the ground. This is what we want to be in 10 years, but this is what we do this quarter this year, so it's this sense of being future oriented but present acting and really understand what is it that we do now and our strategies usually consist of building competence in some cases building capability in terms of laboratory equipment or certain kind of investments that we need to make and of course, then making sure that this competence is spread across the organization, so spreading that competence across to where it's needed and working very closely with, with partners and customers in already in those early kind of phases.

[Host] **Caroline Segerstéen Runervik**

So, looking at that, have you seen that you're actually then investment in this have actually increased over the last couple of years when we see now the sort of exponential acceleration based on the you talked about quantum. We talked about data AI, have your investment both in money and time actually increase then?

[Guest] **Annika Ölme**

I would say that in some of our core areas where we have been acting for a long time like steel materials and things like this where we are maintaining quite a high level of investment. But in areas like software and digital insights and AI, we have increased our investment over the past 10 years definitely. So, it's a little bit different across the technologies, but that that means that we have we have shifted, we have broadened our focus and invest more in those areas that are new.

[Host] **Caroline Segerstéen Runervik**

And one thing that you mentioned was the partnerships. So, the ecosystem becomes of course more and more pivotal and important for all of us. So, when you look at the ecosystem you have around you, what's your sort of tactics and maybe also elaborate a bit more, you are part of a CTO network which I understand is one of the ways for you to invest and learn, but also secure that your partner play becomes even stronger.

[Guest] **Annika Ölme**

Hmm, now and here I would like to mention. First of all, the importance of also daring to talk to smaller startup companies and we do that in various different ways. So, we are part of the Combinant foundry. Combinant is a collection many of the companies are Nordic based and Wallenberg owned, but not all. And through the compliant networking compliant foundry, there we actually have a structured process where we define a problem, we get startups or other companies that could help us to solve this problem and we work with that. So that's one way we do that. We actually do the same in China and India as well through other ways of doing that in those geographies. So that's one way we also work quite closely to academia through research with universities and so on and of course we have from an M&A perspective also bought a number of companies, smaller companies that we incorporate either to strengthen our existing products or actually to create new product areas. And the CTO network, you mentioned that and I'm the share person of this fantastic CTO network that is that is hosted by the royal academy of Engineering Sciences, or IVA. And we are, I believe today 17 CTOS in this round table and really able to speak on very open terms to each other about challenges being a CTO and we actually can leverage each other's competence and have very open conversations about challenges, potential solutions or failures that we don't want anyone else to repeat.

[Host] **Caroline Segerstéen Runervik**

And in a way, then looking at these really large global Swedish industry companies also making Sweden stronger. What's your view then on how well Sweden is picking up or continuously trying to be in lead? The constant debate is that Sweden is lagging behind, that we are not investing enough in the digitalization and not only when it comes to the industry place, but also when it comes to the public agencies etc. So, I would say we have also responsibility then coming from the industry to further accelerate Sweden's acceleration on digitalization, what's your sort of opinion and view on that?

[Guest] **Annika Ölme**

I believe that Europe is lagging a little bit behind. You can look at the [not clear] Report, which is very interesting and highlighting this, first of all, I do believe that we have to invest more because innovation and technology is the only way to stay competitive. We should also be proud in Sweden. We have actually a good track record. We are excellent at innovation because we are a collaborative country. We are really good at integrating complex



systems. We are really good at engineering. We are really good at actually creating startups, creating new companies. But there is a problem. The problem is that many of the things that we create are sold and actually the benefit of actually getting this to a big export industry does not benefit then Europe or Sweden because it's bought by other interests in the world, and we've seen so many examples of that.

[transition sound]

00:19:29 [Host] **Fredrik Gunnarsson**

In the recent article, you mentioned that you are there especially two mega trends impacting the business as you see it. One is the digital and AI on one hand and sustainability on the other hand. If we start with the digital and AI, how does that play a role for you in your either in your products or your or you're as a company?

[Guest] **Annika Ölme**

It plays a big role in expanding and we all know about the effect of AI and the effect of generative AI and how that has put it's in a totally different context and also the computing power growing in the world, so enabling so much more things to be able to happen for us we have we have really seen three areas where this impacts SKF and the first one is in our products. I talked about this predictive maintenance; you know using data to predict the future and so on. Of course, AI is a very strong part of that, and it has been for us for a while, but the possibilities are much larger now. So, we can do more, and generative AI is actually allowing us to have a different conversation through AI with our customers.

So, we just released an engine on SKF.com that allows anyone and our customers to interact with all technical data that we have, and you can just ask like a ChatGPT interface. You can ask any question, and it will draw into that data and give you an answer so that's good for our customers and of course it's efficient for us as well so.

[Host] **Fredrik Gunnarsson**

Yeah. No, I would imagine, yeah. And if we look at the engineering profession and the cycle, there's a lot of expectations and also a lot of benefits coming now, for example, with the generative design where you are able to much faster generate and simulate the performance of the product make customized or customer specific version of a solution. An offering or accelerate the handover between manufacturing engineering. Can you elaborate on what impact it has on the core engineering process, the R&D engineering process?

[Guest] **Annika Ölme**

Yeah, it has a big impact on my organization just in terms of efficiency in terms of actually I would like to lift up the people's perspective here as well because that will allow our brilliant engineers to spend time where their brain is needed and everything else, we can automate, so that's great news for everyone, right? We can be more efficient, and we can have more fun at work. Everyone can have more fun at work and really do exciting things. And when it comes to the testing, of course, we can definitely, if you looked at testing time, some of the tests we do last for six months, you know it's really critical that you don't have any disturbances during that time. Of course we can. We can bring that time to a much I would say 50% is a would be a low number. In that case it's, probably we can improve it even more.

[Host] **Caroline Segerstéen Runervik**

So, it's again, proving that it's not taking away the jobs, it's making us possible to focus on other parts of the chain.

[Guest] **Annika Ölme**

Absolutely.

00:22:19 [Host] **Caroline Segerstéen Runervik**

You've already done a lot when it comes to this, right? How do you how do you get the ideas from your organization bottom up in terms of the efficiency in terms of evaluating the power of the AI Gen. AI, et cetera? How do you create that culture?

[Guest] **Annika Ölme**

And the organization. Is based on the fact that you have a culture with psychological safety, diversity, inclusion that you have trust in the organization and that you kind of give accountability, but also freedom to people to act on their own very deliberately. I'm driving this through my organization because if we are going to have innovation, if we're going to have new ideas coming that might disrupt even things that we do today. You need to feel safe. A lot of the data that we see out there shows that diverse teams do better. It's not only gender diversity, it's other parts of, of course, being diverse teams, but every data point you can find is showing that diverse teams are more innovative, they make more money, they have better results. So, we're actually working very clearly also on being diversity and every manager that reports somewhere in my organization has a target on gender diversity that is part of their personal targets because we know that that makes our business and our innovation better. So why would we not measure that for each and every manager? So that is what we do.

[Host] **Caroline Segerstéen Runervik**



Really, really important. I could not agree more. So, coming back a bit to SKF and your offering, so we talked a lot about products, but of course what you actually also do is looking at how do you can sell bearings as a service and we see this across the industries and of course this is enabled by the AI technology, machine learning, etc. What is your take on the service business and is it actually taking off as expected?

[Guest] **Annika Ölme**

First of all, I think that service is very exciting. It is growing much more than the rest of our business. So just looking at it from a business perspective, it is a key growth area for us. We have been acting in sort of its through predictive maintenance condition monitoring for more than 20 years and we acquired a number of companies over this period of time and built a lot of strength internally as well. So service is very important. It's already a big part of our business. And we have also been experimenting on different types of bearing as a service or up time-based contracts and things like this. The interesting thing is that in Latin America, we have been doing this for more than 15-20 years. I remember visiting a paper mill probably 12 years ago in Latin America and we were actually running the whole paper machine. And if the paper machine had more than a certain amount of uptime. We got paid more. And really, our products was just something that we were using to keep this uptime in this paper mill. And it's fascinating to walk into this because you're part of the customer operation, you're not a supplier somewhere else. You are running their operation.

[Host] **Caroline Segerstéen Runervik**

You become really business relevant, right?

[Guest] **Annika Ölme**

Exactly. And you're in the partnership with your customer. What we do see though, when we were actually really driving this hard some 5-6 years ago, you know around rotation as a service and so on. What we did notice though, that I think many companies going into such models have noticed is that not every customer is ready for that. You have to combine a product offer with that kind of an offer and in some areas where the operation is so critical it works, but in some other areas it doesn't work. So, what we have realized is that we cannot really have as a strategy that that's the only thing we do. We have to have a diverse strategy that really relates to the different industries where we act and the different situations that our customers are in. So, we learned a lot from that journey and I think many others have as well.

[Host] **Caroline Segerstéen Runervik**

And of course it puts completely different demands on your organization. I mean, it's something very different to sell a service than a product, right?

[Guest] **Annika Ölme**

Very different, very different and but it also builds this crucial, especially in the aftermarket entanglement and closeness to the customer and a common path on how you work together with your customers. So very important for us and growing.

[Host] **Fredrik Gunnarsson**

You mentioned before the sensor sort of a powered solutions where you have the data I you can predict. Can you elaborate more on how that solution? This is designed and built up. What? What do you? What is needed to deliver that to the customer?

[Guest] **Annika Ölme**

And I think the underlying critical question here is why would SKF be good at or competitive in sensors? I mean that's not our core. And I would argue that the reason why we are relevant is because anything that rotates depends on the bearing in the bearing you have two metallic surfaces with lubrication in between and it's when that fails that your application will fail. And if you can predict that you can actually pick up sensor signals when that starts to happen and predict when that will happen. So, there's no other company other than SKF and bearing companies that can actually predict that future. So, the sensor itself, that's not the critical part, it's how you actually interpret the signal coming from that sensor and make that into a prediction of the future. Other companies cannot do that, so that's why we are relevant in that context and that's important. So that means that we can buy sensors from the outside. That's OK. But we are the only ones who can actually make that into actionable data. So that is why we are interested in this because we want to make sure that we secure rotation. And we do that through digital means, and we do that through physical means, you know, so it's all part of that same package around rotation actually.

[Host] **Fredrik Gunnarsson**

Which means that you have a fairly sophisticated digital and software solution as well in your in your product portfolio. As I mentioned before, how do you combine the digital software R&D product development process with the more hardware oriented product development process, a lot of traditional hardware companies also now combining and sort of really hardware, software, joint offer, have a lot of sort of discussions how to combine those two R&D and engineering processes. What's your trick there?



[Guest] **Annika Ölme**

Yeah, I would say that is a true challenge. It is, you're absolutely right. And I've seen it both at [not clear] and at Saab, doing an agile transformation journey and now the same thing in SFF. So, it's interesting to see it from the perspective of three different companies. There is always tension in the change or transformation like that in software. You have a different paradigm software. When you develop software, you're never done because you have to maintain your software. You have to release new software every week, every month, preferably every day. And many industrial companies are used to doing product launches once per month or once per year or once per two years or once per five years, much longer time periods. And when you've developed a product, it's kind of ready and when you use, when you talk about hardware. So, you need to be able to use agile methodologies but realize that still you have to deliver hardware as well and I think it's doable, but it does create a lot of tension between those two perspectives. Timing that you have to release every week versus every five years. And also, the fact that you have software you can change software and test it every day that is very much harder to do with a physical product. So, my recommendation is don't think that everything is like software and don't think that everything is like hardware. You need to think and combine and be agile with both. You know you need to look at the combination and really don't think that you can save the world with doing only like software. Also, for hardware it needs to be a combined effort, a hybrid, and it's very much possible but and also the other thing I would like to say about that is that this cannot be something you only do in the development organization. This is very much how you work with your customers. This is very much how you plan your projects, how you talk to your board, how you talk. I mean, it's very much broader than only in, in the technical organization.

[Host] **Caroline Segerstéen Runervik**

It's interesting you say that because I was going to ask as then being a CTO, being part of the management team of the company. So, what are your recommendations to other leaders taking on maybe this role?

[Guest] **Annika Ölme**

As a CTO, you have to stay close to what's happening with your customers. You have to stay close to what your salespeople are doing, what your marketing people are doing, what why are we innovating? Why are we creating new products and what is the value it is supposed to create? The other thing is that normally in a fast moving and faster moving world we tend to look more and more short term on things, but some things related to technology really takes longer. So, to keep this future oriented but present acting view in your head you have to carry as the CTO the notion of long-term competitive advantage and success of the company. Not only thinking about what are we going to do next quarter, what do we say in the next quarter report? But what is the long-term game here? If you lose that long-term gain, you will not be successful 5 or 10 years from now and you cannot afford that to happen. So, my tip is to stand up and fight for that.

[Host] **Caroline Segerstéen Runervik**

Hmm. And never forget to have a helicopter view.

[Guest] **Annika Ölme**

Exactly, exactly.

[music]

00:31:45 [Host] **Fredrik Gunnarsson**

You have a very clear and ambitious sustainability strategy and agenda which is coming back to the second mega trend we mentioned before, you have set some targets which is necessary by 2030 in scope 1 and 2. And then by 2050, it's zero in the whole value chain Scope 3. So, do you want to elaborate more on those targets and the sustainability strategy?

[Guest] **Annika Ölme**

So, when it comes to scope one and two, we believe that we are fairly ambitious with having a net zero in 2030 and that's not a small undertaking. So, we have actually set aside a lot of money to do this because it's about transforming our operations, it's about making sure we have renewable energy, it's making sure that our heat treatment furnaces are not running on gas, but rather on electricity. For example, I mean, these are some major things we're doing. And actually, across the world and in Europe, we see also that a lot of our offices are actually heated with gas. So, there's a lot of transformations we need to do. So, we set aside a green bond and a fund. Of three billion sek, we've used up the 1st and now we have a second one, same size. So, we are spending actually 3 billion sek to do this. So, it's not something we take lightly, it's not something we do only on PowerPoint. This is really money that we are investing to really shift this. So, we are actually more than 60% on our way to reach that target. So, we're really happy about that. Can I say something also about the long-term targets because that has to do with lot with technology and innovation. If you look at scope three, that means that our products have to be sustainable, but also that they have to be able to use them sustainably further in the value chain. And our suppliers have to be sustainable and that means something which is a much greater challenge. Actually, I would say steel, 90% of all the material we buy is steel, so green steel and near green steel and net zero steel near 0 Steel is crucial for us to drive. I was at the Climate Week New York some months ago, really advocating for this. We are investing



together with suppliers on making trials. This summer, I held the first hydrogen directly reduced iron made bearing in my hand in the world. You know, this is the first one made with this type of iron. Really, really cool. And that's another example where we will not be able to reach our target ourselves. We have to work with our customers. They have to demand this green steel pay for it actually. And if you look at the steelmakers, they have to make some major investments, and here even governments need to play a part actually. So, this is a big deal. And we are really, really advocating. And I am really, really advocating for this on the global stage because this is one of the big ones for the world when it comes to sustainability.

[Host] **Fredrik Gunnarsson**

What is the key success factors? given the current economic downturn, what do you think needs to happen for the for us, you are so active in this deal.

[Guest] **Annika Ölme**

Legislation like CBAM, for example, where it costs to spend CO2, you could say that helps and stable legislations and efforts from governments and so on because then you can see the long-term economic effects for the customers. The other one is technology. We need to have both technologies. For recycle steel, but also for iron ore-based steel that that also becomes net zero and those technologies needs to scale and evolve. And then it's the investments that need to be done in the steel making part of the of the value chain unless the steel plants actually transform, we will not transform.

[Host] **Caroline Segerstéen Runervik**

Then your firm believe is that actually the government also need to make some major contributions. Correct?

[Guest] **Annika Ölme**

I think so. It's about being predictable. It's about putting incentives in place to go green and it's about holding on to them and not changing too often because these kinds of industrial investments that are need that's a long-term investment.

[Host] **Caroline Segerstéen Runervik**

Absolutely. And you're also making some investment in companies, which definitely for sure have a very important sustainability impact. So, in 2019, you acquired Reconcile oil, Sweden and company enabling recycling of lubricants and Capgemini has every year technology award sustainability. The award and they actually got the award 2 years back. Maybe you want to tell a bit about this company and what is so fascinating about the company.

[Guest] **Annika Ölme**

I think this is a great example of using technology and going actually also creating new business and that is fascinating of course, because you're helping the world, its sustainability is really at the core here, but you're also making business and money from it so. That's fascinating, I think. And under really a fueling growth in a sustainable way and basically what they had was a unique filter technology where you can actually filter oils, lubricants and make them as new. You could say what that could mean is that no factory or operation that uses any kind of mineral oil would ever have to buy. Your oil again, theoretically you could use your oil forever.

[music]

00:36:56 [Guest] **Annika Ölme**

We sorted out to say that we are creating a sustainability strategy for SKF, but we no longer do that because we're saying that sustainability is closely embedded in our corporate strategy and in all the levels below. So that means that we no longer need a specific sustainability strategy because our sustainability targets everything that we do, all of our ambitions around intelligent and clean products, it's embedded in our corporate strategies and our business areas strategies, and I think it's a matter of maturity, we are now moving forward and if you take the example of my area, the R&D area, we have a score sustainability score. So, we actually all of our projects, we grade them on how sustainable, high, medium, low and we have a target of how many percent of our projects should have a high or medium score. We're also really working on circular design of products. We're working on sustainable design, sustainable materials. We're researching green steel and sustainable lubricants, for example, and so on. So, it goes through the whole chain and it's embedded and I think that is really where it should be.

[Host] **Caroline Segerstéen Runervik**

So, we talked about your acquiring companies, but you actually also currently just announced that you're going to do a carve out of your automotive industry. So, being then a CTO, how does this impact your role and how then? Are you working in this strategy?

[Guest] **Annika Ölme**

What we are doing is that we are doing a demerger where we're taking out the industrial part of our business and making that into one company and we're taking the automotive part of our business that caters to the automotive industry and making that into a part of and as you might know, it's about 27% of our turnover is coming from the automotive side just size wise. So, it's two sizable companies here that we are creating and the whole thing for us



is to create 2 extremely successful and strong companies and they will both be listed on the Stock Exchange. So that is our target and creating two really successful companies means that you have to have two successful companies from a technology and R&D perspective as well.

[Host] **Caroline Segerstéen Runervik**

How do you do that?

[Guest] **Annika Ölme**

We have a strong base research and technology. We have product development where we make new products and both companies need to be equipped with this moving forward and we will collaborate also in the future, but it will be through two separate companies in the middle of 2026. So really strengthening and making sure that we have a sound technology base that we have a competitive situation from a technology and innovation perspective for both companies and that means that we are creating two R&D organizations at this moment in time, which is very exciting and I have to say from my perspective, it is a pleasure to be a part of this very interesting, challenging, fantastic project of doing this. But it's not easy. I have to admit that. But it's a privilege to be able to be a part of it.

[transition sound]

00:39:53 [Host] **Fredrik Gunnarsson**

We talked a bit about circularity and what I also found fascinating is that you cannot only predict the performance of the bearings and when it's needed, sort of maintenance, but it can also then if you can predict it, repair it and even re-manufacturing it off the actual bearing itself.

[Guest] **Annika Ölme**

We see great opportunities moving forward and actually remanufacturing and recycling much bigger part of the products that we sell to our customers. We are already doing remanufacturing today. We have been doing it for a number of years where you take bearings that have been used, that are at the end of their life, let's say, and you bring them back. And then depending on the state that they are in, you either just polish or you put on a new layer of metal or there are different ways to do this. Or you exchange the rolling elements and then you send it out to the market. Again, this is great of course from a sustainability perspective, it's good business. The customers get their products faster, so there's only good things about this and the latest technology developments that we see impacting this heavily is actually additive manufacturing. We have been doing a lot now and also have some products out in the market that are using laser cladding technology to really layer the bearings and that presents so many possibilities and the preliminary tests we see are absolutely fantastic results. So, this is exciting because this will be able to accelerate the circularity trend and the circularity movement of really bringing back in these products.

[Host] **Caroline Segerstéen Runervik**

Coming back to then different markets and coming back to partners, you mentioned that you actually work close to the startup community across different geographies. You actually mentioned China, you mentioned India, any reflections from you when you look at India, China?

[Guest] **Annika Ölme**

No, I see. I mean, India has been emerging as a very strong partner and for us in SKF and also outside companies when it comes to digitalization and AI topics, definitely there's a very strong drive. And also, if I look at what's going on in my organization, which is then located partly in India and China and of course in Europe and Americas as well. I can see this fantastic tellural aspect of people. You know they're trying things; they're moving fast. You know, if I put a task to my China or India teams, they deliver fast and sometimes they make mistakes and they pivot, you know? But they are really it's such a drive and creating and trying and doing new things and that that's a fantastic power to harness. So, I think we are really leveraging on the fact that we are developing in all the geographies, not only because our customer are there, but also because the mindsets are slightly different, you're good and you're good at different things in different places. You can leverage the culture and the people in that particular location. That's definitely true for AI as well.

[Host] **Caroline Segerstéen Runervik**

And coming back to the diversity topic here, it's really proven that having this very, very multicultural group actually benefits your business. Result in the end I want you to take the opportunity to ask you what? does, intelligent industry means to you.

[Guest] **Annika Ölme**

That's a very good question. It's a broad question now intelligent industry. So, if you just refer to the word intelligent, I think it means a couple of different things for me. First of all, it means how can we really bring in the data and AI topics intelligent in terms of being data-driven and automate things and actually accelerate from that perspective but intelligent for me it also means from a sustainability perspective that we make intelligent solutions that are also the more efficient and actually drive. For a better tomorrow, I mean, that's what our



purpose tells us in SKF is that together we reimagine rotation for a better tomorrow. So intelligent industry is also about creating that better tomorrow.

[transition sound]

00:43:47 [Host] **Fredrik Gunnarsson**

We talked about a number of mega trends with your focus on digital solutions. AI empowered both internally and towards your products moving to bearing as a service. What do you see being the most important skills you need to where you need to accelerate the three to four years ahead? And how do you work with that?

[Guest] **Annika Ölme**

The obvious area is of course really leveraging and building more competence in the AI area, both building own competence, but maybe also partnering in that with others as well. But we do need a certain element of AI competence, and we recently launched a PhD in the AI area, for example, and we can see how that now goes from being a tool we use to actually being something we do research on. So that's one area. I believe also that if you look at the developments in in materials and sustainable materials, that is another one. Green Steel is one part of it, the green lubricants and really kind of sustainable material. There we are also collaborating with the Wallenberg Institute wise that is focusing on research on sustainable materials.

[Host] **Caroline Segerstéen Runervik**

Coming back to the intelligent industry topic, where will we then be? If we take a little bit long term perspective, where will we then be if we just say in 10 years' time?

[Guest] **Annika Ölme**

in 10 years' time we will be halfway into a future which looks something like this: So we have more flexible manufacturing fertile facilities in more places in the world that actually have a big percentage of what comes into these factories is actually coming out from the market, recycled, remanufactured and that means that our production lines are flexible, it can, they can make new things or they can actually remanufacture all kinds of sizes and shapes and forms, so more flexible manufacturing with much more influence of additive manufacturing technologies and much more data-driven and intelligent from that perspective.

00:45:45 [Host] **Caroline Segerstéen Runervik**

Thank you, Annika, for a very interesting discussion. I think it's clear to everyone you're passionate about actually the intersection between business and technology. Really passionate about leadership and sustainability. And I think you gave us some really good insights in what the CTO role is, but also the fact that we're where intelligent industry will take us. Thank you, Annika.

[Guest] **Annika Ölme**

Thank you.

[Host] **Fredrik Gunnarsson**

Thank you.

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