

# *GIM INTERNATIONAL INTERVIEWS HANS HESS, EXITING CEO, LEICA GEOSYSTEMS*

## Enormously Exciting Future in Geomatics

Autumn 2005 brings at least two major changes to Leica Geosystems. The company has been taken over; in mid-October Sweden-based Hexagon formally took ownership. In addition, Hans Hess has left his post as CEO of Leica Geosystems, succeeded as of November 1st by Hexagon CEO Ola Rollén. We interviewed Hans Hess at Intergeo 2005.

### **Leica Takeover**

On 27th October 2005 Leica Geosystems announced that following the takeover by Hexagon the Board had appointed Ola Rollén, CEO of Hexagon, as president of Leica Geosystems with effect from 1st November 2005. The current Board of Directors will step down at a specially scheduled Extraordinary General Meeting on 18th November 2005, when Hexagon will appoint its own representatives to the Board of Directors. Mario Fontana, Chairman of the Board of Leica Geosystems said: "The Board of Directors and Corporate Management would like to thank Hans Hess for his untiring commitment to the company. The tremendous technical and social skills, integrity and straightforwardness, energy and drive that he has demonstrated time and again, particularly over the last few, intense months in the context of the takeover, have been invaluable."

Although Hexagon and Danaher are companies not operating in the field of geomatics they are eager to take over a geomatics firm like Leica. Why this interest from outside the geomatics industry?

The geomatics industry is a very dynamic one, and many companies are eager to become part of this business. Both Danaher and Hexagon recognised that to become a big player in the geomatics industry on its own resources would be virtually impossible. So the only way was by buying an established leader in that industry. Also, from a financial performance point of view Leica Geosystems is a most attractive company: total sales of Leica Geosystems are about 600 million, and the total value of the company is around one billion Euros.

What is the background to Hexagon, and what are its main products?

Besides a metrology division, Hexagon has two more divisions involved in polymers and engineering. Its ultimate aim is to become the world leader in producing solutions for measuring all types of objects, from very small, in the nano-segment, to medium-size industrial objects like cars or turbines, to very large objects like houses, countries, or the world. This measurement business is expected to become their core business. With the acquisition of Leica Geosystems, their Macro-Measurement Division, and by strengthening their Metrology business, their Micro-Measurement Division, Hexagon has made visible steps and strong progress in this direction. And they plan to continue to make additional investments and acquisition to strengthen these businesses. So for Leica Geosystems, Hexagon offers additional opportunities and it enables us to play an even bigger role in our industry.

What type of synergy do you expect between the metrology division of Hexagon and Leica Geosystems?

Hexagon is particularly involved in the high-precision measurement for quality control of small industrial objects. There are a lot of synergies between Leica's metrology division and that of Hexagon. In metrology one uses to some degree similar technologies to those used in geomatics. Hexagon also wants to introduce contact-less measurement technologies into metrology. The company is interested in broadening its scope of measurement technologies for many applications. This is an area within which they expect to leverage synergies.

You supported and supervised the public entry of Leica Geosystems onto the Swiss Stock Exchange in 2000. How are the shareholders viewing the combination of Leica and Hexagon?

The vast majority of Leica shareholders like the combination: more than 95% of our shares have already been sold to Hexagon. Also Hexagon's shareholders seem to like the idea, as Hexagon's share price is also going up. Obviously many people want to buy shares because the combination of the two companies is an interesting idea, creating a win-win situation. The Leica shareholders should be very happy, as Hexagon has made a very significant offer: it will pay more than one billion Euros for Leica Geosystems. They would not make that sort of investment unless they were convinced that it would be a success.

Sometimes the integration of two companies after a take-over is not as smooth as had been expected because of differences in culture. How do you see this in terms of Leica Geosystems and Hexagon?

We were very mindful of these cultural questions, and therefore we discussed three different models of integration. The first model involves two companies operating very independently: no integration, no absorption. The second model is a loose coupling. The third model involves full integration, only possible when two cultures are very aligned, when people are keen to co-operate rather than to fight. The second model is probably the likely outcome. Further, the good news is that Hexagon has never been a competitor to us, so we have no objections and bad feelings against each other. This scenario is more likely to occur when, for example, a European geomatics company merges with an American geomatics company. But we serve very different parts of the market, so the areas in which we could benefit from each other are most of all in technology. Our customers should therefore not be worried about possible differences that might have a negative influence on the services they receive from us. I think excitement would be a more appropriate response, because the combination gives a whole pallet of new opportunities. What is more, a company with deep pockets and one that is willing to invest in future developments is entering the geomatics market. In addition Leica Geosystems will keep its company name and logo. So for customers this combination should make Leica Geosystems an even more exciting company.

Any company has divisions some of which lay the golden eggs and others that bring in little or no profit but are necessary for strategic reasons. After a take-over it can happen that the latter are abandoned. Have you too discussed this issue?

Anybody who is in business wants to make profit at the end of the day. But Hexagon very well understands that some high-potential technologies are still in the development stage, such as three-dimensional laser scanning; they need at least another five years before market penetration levels make of it a profitable business. Hexagon is very attracted by the potential of this technology and wants to continue to invest in it. Thus the company accepts that this part of the business will require some continued investment. Hexagon very well understands that, within the portfolio of a business like ours, some parts are at a matured and thus profitable stage while others are in their infancy; but they see great opportunities, particularly for 3D laser-scanning and for some of the software.

Looking back over your long career with Leica, beginning in 1989, the last nearly ten years as CEO, what do you consider to be your main achievements, successes of which you are proud?

Maybe you should ask our customers this...! But, from an insider perspective, we have moved from being a hardware-centric, surveyor-oriented company to becoming a more solution and customer-oriented company with broader scope. When I joined the company we approached our customers by presenting them with our new creative ideas, our innovations, and saying, "Here it is." Today it is different. Today we go out with an open mind for the problems faced by the customers, asking ourselves how we can help them to use our technologies to find a solution. So current technology developments come much more from customer input than from our own innovations. I think this a significant change that we have been able to accomplish. The second significant change is that when I started we had fundamentally only total stations. Today we have a variety of products in our basket, hardware and software. First we added GPS in 1994; then we added image-processing software with Erdas, and then digital photogrammetry, airborne sensing, 3D laser scanning, special mining solutions, a lot more software and many more products and services. The third major change is that when I came to Leica Geosystems our customers were mainly surveyors. Today the many people using our products come from a variety of backgrounds in the spatial information industry.

Does that mean that your customer-base is changing?

Our customer base is extending, rather than changing. The classical surveyor is still a very important customer. But in addition we do have customers who we did not have, say, ten years ago, such as architects, engineering companies, steering-machine constructors, and so on. This development will go on; I am sure that new disciplines will come to apply our technology, and our traditional customers will find new applications. Take, as an example, heritage studies: a lot of laser scanning and other surveying techniques are currently involved in documenting all these historic sites. Obviously, our company has also followed major industry trends. We made the move from analogue to digital, a huge change that is not yet fully completed. We are only at the beginning of the transformation from 2D to 3D. The possibilities of data fusion have also induced a major change: when facing a measuring problem one no longer has to solve it either along the surveying, the photogrammetric, or whatever other measuring line; one approaches the problem along an integrated line. Dissemination of spatial information over the internet was not possible ten years ago. So we have followed and interpreted some of the trends followed by industry in order to arrive where we are now. I am really proud to have been part of this. Are we where we want to be yet? No, I don't think so; we need to keep on moving on to meet the changing needs of our customers.

How do you see your own future, and that of geomatics?

I have not given much thought to my own future after my life as CEO of Leica Geosystems. I will certainly remain associated with the geomatics industry, because it is very interesting and has a bright future. Sometimes I hear our customers say, "Well, the surveying profession is dying and there is no future for us". However, I believe that surveyors face an enormously exciting future. Totally new players are coming into this industry, like Google-earth and Oracle, bringing new opportunities and prospects. I would like to say to our customers: Open your eyes! You are in a very exciting business environment. You may not be doing the same land-surveying work as you did for the past twenty years. But the need for geo-information is tremendous, and growing; geo-information has to be more up to date, more 3D, more accessible over the internet, and so on. There are not many industries that offer so many exciting prospects. The US Department of Labour has recently named the three most attractive areas of the future: nano-technology, biotechnology and geo-technology. I wish our customers could see and explore this tremendous opportunity, and contribute with open eyes to solving the growing need for geo-information.