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# The Path to Development

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Oy W. Rosenlew Ab  
Svenska Rosenlew Ab

## **Developing the Combine Harvester Plant in Sweden**



Kari Tuominen

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Svenska Rosenlew Ltd**

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**Kari Tuominen**  
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## Introduction

The case presented here represents a radical restructuring within one industry.

*Volvo* had decided to concentrate on construction equipment within heavy machinery and give up other industrial machinery.

*Electrolux* (Aktiv) was interested in exchanging its combine harvester factory in Sweden for Rosenlew's household appliances factory in Pori, Finland.

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*Rosenlew* had made the decision to become a leading manufacturer of small and medium size harvesters and acquired Electrolux owned combine harvester business in Sweden, Aktiv Fisher.

The target was to develop the Swedish unit, Svenska Rosenlew Ltd, to a level of equality with the Finnish unit. Due to the remarkably high labour costs the efficiency targets were to be set much higher than in the Finnish unit. The development time set as a target was 2 to 3 years, starting from the acquisition.

"We learned the JIT production principles and production control systems from the Japanese.

We visited a manufacturer of electric motors in a neighbouring town and followed their production control trials.

We went to Finland and learned about quality and work measurement systems at the Finnish combine harvester factory.

We changed our pay system radically on the basis of five model companies we had visited.

We learned from an airline company how to give everyone more responsibilities and authorities, and involved everyone in the comprehensive change process.

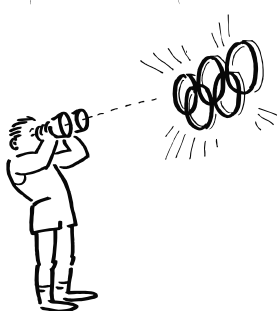
From an aircraft manufacturer we learned the best financial training and information systems."

Kari Tuominen

## Kari's Story

### Development target

Kari had been in charge of production and product development at the Group's household appliances factory, and was also responsible for a development project in which both products and production were totally overhauled. The factory was sold to Electrolux and in exchange, the Group acquired a combine harvester factory in Sweden. Kari's manager gave him one night to decide with his family whether to remain as local managing director for Electrolux in Finland or to move to Sweden and take responsibility for major changes in the combine harvester factory.



"I was only asked whether I wanted to move with my family to Sweden to develop the combine harvester factory. I had to make the decision without any more detailed information. All I understood was that I had to make the acquired company profitable by doing something like we had done in the household appliances factory in Finland."

The targets became clearer as Kari found out more about the project: "I will be moving to Sweden with my family, taking responsibility for planning and executing the factory's change process and I will have it done in three and a half years."

### The benefits of the target

Kari knew that the exchange of the two factories was the first significant step towards sectoral rationalisation in Scandinavia. He believed that the Group's management and owners were behind the deal. The swap was considered to be very important for the Group's vision of becoming one of the world's leading manufacturers of small and medium sized combine harvesters.



"I also believed it was of personal importance to the Group's management (even though I knew there were some who had opposed the deal, which also cause me some problems).

As soon as they moved to Sweden, Kari realised how important the combine harvester factory was for the locality, which had 1400 inhabitants, 300 of them working at the factory. “The local newspaper was like a works news sheet,” Kari remembers.

“I remember the first time I arrived at the factory. It was winter and the temperature well below zero. There was an empty house outside the factory gate, and someone had painted ‘Ghost Town’ on it in big letters. The people there were afraid we would come, close down the factory and move production elsewhere.”

### Setting a detailed development target

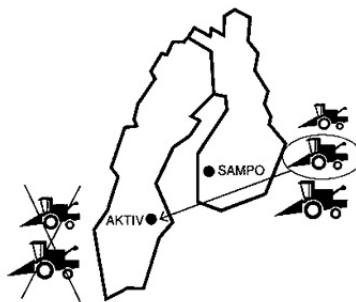
Kari's first visit to Sweden had shown him what a sad state the factory was in. “A gratifyingly sad state – even a worse man than me couldn't fail,” he commented, somewhat sardonically.

Kari's tasks were to wind down the product line manufactured by the factory, replace it with a Finnish product, and agree on a suitable division of labour with the Finnish factory.

He was also assigned the task of developing the manufacturing methods so that unit costs

would not be higher than in Finland. This in spite of the fact that wage costs were 25 % higher than in Finland and production volume significantly lower. “This meant that we had to be able to manufacture the same volume in four days as the Finnish factory does in five days.”

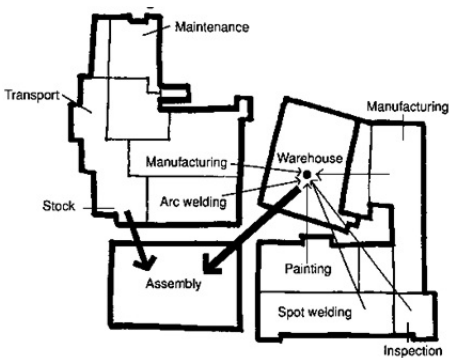
Kari's personal target was to learn Swedish and to gain an understanding of Swedish corporate culture and the Swedish way of life in general. He also wanted to learn about the sector's collective agreement and Swedish co-determination legislation, which differed considerably from the Finnish law. “The most urgent task was to get to know the people working in the company, those working immediately under him, key members of personnel and in fact the whole team,” Kari remembers.



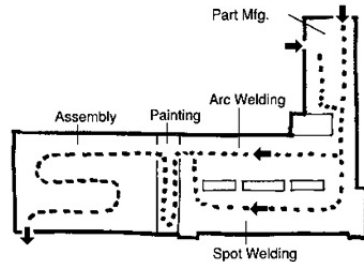
## Learning from other people's experiences and successes

Kalle (a workmate who had carried through the last big change project with Kari) was in Japan and saw factories there that manufactured small runs to customer specifications with had very fast throughput times. "He came to Sweden and got me interested. We set the changes in motion at the Swedish factory following the Japanese model. True, we were not certain about what we were doing, as JIT (Just in Time), as the Japanese production principles were called, was completely unknown in Scandinavia at the time.

**The old plant**



**The new plant**



Fortunately we had the good sense to learn about the systems from those who knew them better. We learned the JIT production principles and production control systems from the Japanese. We visited a manufacturer of electric motors in a neighbouring town and followed their production control trials. We went to Finland and learned about quality and work measurement systems at the Finnish combine harvester factory. We changed our pay system radically on the basis of five model companies we had visited. We learned from an airline company how to give everyone more responsibilities and authorities, and involved everyone in the comprehensive change process. From an aircraft manufacturer we learned the best financial training and information systems.

“In actual fact what we did was benchmarking. Of course, I only realised it later because the whole concept didn't even exist at the time.

### Limitations

By far Kari's most serious limitation was his inadequate knowledge of Swedish. “I understood perhaps a third of what people said to me, and I could only say a tenth of what I wanted to say. Because I was used to being able to talk things through, I felt really inadequate.”



At first everything took him three times longer than it would have otherwise. Before every meeting of the management team he wrote down the matters to be presented in Finnish, translated them into Swedish and practised saying them in Swedish. “I had the patience because it was improving my language ability – one of the reasons for moving.”

In Finland Kari had learned to found his arguments well and debate them. “That's not the way to sell ideas,” Kari now realised. “In Sweden I realised that I could get my ideas over better almost unintentionally. I understood that I had to listen carefully and didn't have time to think up a ready answer. My active vocabulary was still very small, and I was not able to found my opinions very well. I became an expert at negotiation. Unfortunately that skill deteriorated as I learned the language better.”

The company's chief shop steward understood the urgency of change and Kari's language problem. They agreed that during busy times they would not appeal to the texts of the collective agreement or the Swedish co-determination legislation, but decisions would be made case by case. (After one and a half years, the shop steward said to Kari: “Now you know enough Swedish we can get those agreements out again.”)

They also agreed that the chief shop steward would write all the minutes of meetings. “As the minutes I wrote had often led to criticism in Finland, that problem was solved, too.”

The Swedish co-determination law required extensive worker participation. “At first it seemed restrictive but in the end I realised it was more of an advantage than a disadvantage.”

They always argued that it couldn't be done that way in Sweden. "I soon learned to classify these claims into three groups: cultural features that simply had to be adjusted to, matters that were just examples of poor corporate culture and had to be changed, and cultural features that could bring benefits."

### **Additional resources**

Kari found out all the Finnish companies that had bought companies in Sweden, in order to learn from them, to avoid making the same mistakes and to assess what resources he would need for the Swedish project.



Kari had no experience of the technology, machines, equipment and investments involved in this project. He knew he would have to rely on Kalle for these.

The whole work measurement and pay system of the Swedish factory would have to be overhauled. This would require a lot of discussion with the workers. Kari didn't believe he could manage this at first. Peter would be a suitable consultant for the job as he was bilingual in Finnish and Swedish, besides which he knew the corresponding systems of the Finnish factory.

Kari proposed that he should go to the acquired factory a month or two before the change of ownership. He would be sure to gain valuable information on local matters from his predecessor.

An experienced financial manager would be retiring from the Swedish company when the ownership changed. "It was worth keeping in touch with him. He was pleased when I asked his opinions and advice."

As the purpose of the deal was to move production of one product from Finland to Sweden, he would also need the support of product experts.

"Would it be possible to get someone to take the job of controller in Sweden for a couple of years? Put the word around – someone might be interested."

One advantage of the Swedish law on co-determination is that it has taught people not only to negotiate but also to cooperate. It wasn't

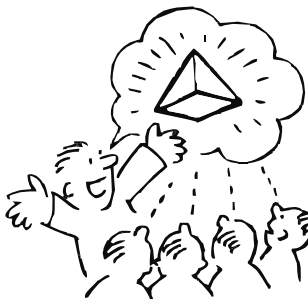
only a way of keeping people up to date on what was going on, but it encouraged workers to use their skills in matters that were not necessarily part of their main jobs.

One shop steward had been trained in method design and he was a big help in the development work. The chief shop steward spent some of his time looking after personnel matters that traditionally belong to the owner. The factory gave the workers premises for the local motorcycle club and in return they offered the company their services some weekends to collect funds for the club.

*"I create a network of contacts where everyone trusts one another."*

### **Making targets public**

Kari talked about the Swedish project with Kalle right from the beginning and throughout the whole project. These discussions brought up new ideas and reinforced their enthusiasm for the project and the promises they had made each other.



Kari told the management about his plans, too, but they didn't express an opinion one way or the other. "The problem was that various people in the management differed very strongly on the whole Swedish project, and it was a long time before I was given permission to go there. In fact I had to tell them myself in the end that it was high time for me to go (a month before the change of ownership)."

When Kari arrived in Sweden, he was very soon able to tell the whole personnel that the Group would invest in the company and develop it. This dispelled the fears people had that the factory would be closed down.

The whole personnel were involved in planning and implementing the change, training was organised for everyone and joint project teams were formed.

Kari and Kalle talked personally with people about the project and its targets and how it was progressing. Everyone knew exactly what was being done and why.

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