
The Path to Development

Rauma-Repola Group
Forest Machine Group (FMG)

Developing the Forest Machine Group

Kari Tuominen

**Rauma-Repola Group
Forest Machine Group (FMG)**

Developing the Forest Machine Group



Kari Tuominen
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Forest Machine Group:

- Metsäkoneryhmän kehittäminen
- Developing the Forest Machine Group
- Utveckling av Forest Machine Group Del 1
- Utveckling av Forest Machine Group Del 2
- Developing and Implementing the Strategy of FMG
- Acquiring and Benchmarking Timberjack Canada

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KARI TUOMINEN
DIRECTOR
MANAGEMENT DEVELOPMENT
INDUSTRIAL ENGINEERING

RAUMA-REPOLA OY, ENGINEERING DIVISION
ANTINKATU 2, P O BOX 51 SF-28101 PORI, FINLAND
TEL + 358 39 823 004, TELEFAX + 358 39 410 447

1.

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Introduction

The following presentation concerns a pre-study carried out on Rauma-Repola Oy's Forest Machine Group. The presentation covers

- the points of departure for the pre-study
- how it was carried out
- some proposals for the future development of the FMG.

As the title indicates one of the main thrusts of this report is an attempt to motivate FMG to take up the challenge of becoming a World Class Manufacturer, the leader in the branch.

The presentation is not a comprehensive and detailed report on the pre-study but represents an attempt to underline the methodology and concept which lay behind the pre-study.

It is our hope that the proposals put forward will assist greatly in implementation and that the materials will prove useful in further similar projects.

Project group

Kari Tuominen
Matti Kaarnametsä
Jorma Eschner
Kalle Välimaa

August 18, 1989 Kari Tuominen

1.1

Organizing for worldwide advantage

This report on the results of a pre-study carried out on FMG. It describes how FMG should move away from strictly national organization to a transnational structure in order to fully exploit its total strength in the arena of worldwide competition.

In addition to the above structural reorganization, this Case describes how FMG should streamline its product family and production and reorganize R&D in order to attain efficiency which will in turn make of it the profitability leader in the field.

I hope that this Case will provide you with some ideas when you are developing your own business.

The Case applies many modern organizational and production philosophies and can be used as a text-book for these subjects.

1.2 FMG 1988

FMG, a part of Rauma-Repola Oy, develops, manufactures and markets forwarders and timber harvesters for forest harvesting at a rate of 700 units per annum and has a turnover of 900 MFIM per year.

FMG has been brought by Rauma Repola to its present dimensions by a process of several acquisitions in the early 1980's.

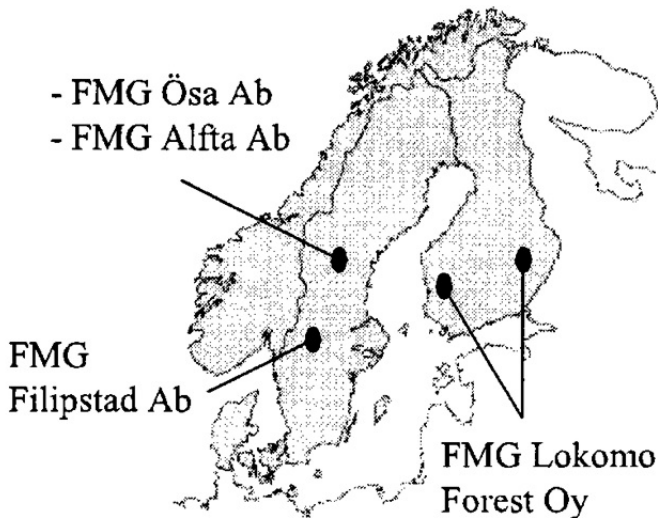
There are production plants in 5 locations in Sweden, Finland and France in the form of six, more or less, independent companies. The headquarters and major operational center of FMG is situated in Alfta in Sweden.

Despite some changes in FMG, the group has not undergone the organizational restructuring which normally occurs after an acquisition in areas like product mix, or division of responsibility for marketing, R&D and production.

The main motivation for the pre-study stems from the fact that the group suffers badly from numerous overlaps in product range and operations and can consequently not adequately exploit its combined strengths.

FMG: Overlaps Weaken Strength

Sales	900 MFIM
Volume	700 Units
Employees	1154



1.3

Development Objectives of the Top Management

The objectives of the pre-study were defined by Martti Unkuri, President of the Engineering Division and Ove Eriksson, President of FMG.

Martti Unkuri emphasized preparation for the inevitable tougher competition by means of an increase in internal efficiency. By being the best in the field, one is in the strongest position to combat any increase in market competition.

FMG cannot effectively extend its international operations before it totally masters its existing operations.

Ove Eriksson emphasized that one must see FMG as a single entity in order to utilize the strengths within the group as a whole, when restructuring. He also stressed the need for investment plans and a rapid reduction in production costs.

Ove Eriksson also emphasized that FMG has started renewing its product range to create a unified product family. To bring this to completion it is necessary to create a new production strategy for FMG.

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The Organising for Worldwide Advantage

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