

Alstrom Corporation Case Study

Alstrom Corporation (The largest private company headquartered in Finland and the USA) builds pumps, boilers, recostisizers, etc for the paper mill industry. They reduced the time it took to develop a proposal from a cost of \$500,000 and several months, to weeks. They further developed seamless operations between multiple divisions and suppliers that resulted in construction costs being reduced by as much as 38% and eliminating last minute construction congestion. They partnered with suppliers and developed a competitive advantage and won business based on pure savings and productivity gains for the client. (here-to-fore unheard of in that industry)

Originally, when we examined the patterns of behavior that existed within Alstrom, there were walls between divisions, a silo mentality within each division and on going internal compatibility issues between the US and Finland. The industry was very cyclical and was also driven by legislation (environmental issues) Most jobs were won in the US and throughout Canada based on political connections. It was a very difficult competitive landscape in which to win contracts and then an almost impossible work environment (unions in plants and construction companies) to fulfill them on time. What worked in Finland did not work in the US and there was a constant battle across the ocean for scarce resources that created time delays, escalated costs and impacted the ability to be responsive to RFPs (request for proposals).

During the Strategic Leadership Conference, they designed strategies that would give them a competitive advantage. To execute these strategies would mean a complete restructuring of their organization between all US divisions, Finland, their suppliers, construction companies and prospective clients.

Trust, communications and sharing resources was the mission critical leverage point along with removing all walls and delays between engineering, sales and production. Total transparency was needed – even co-locating with suppliers and prospective clients – to execute each aspect of the organizational design. A **Design Team** made up of all the separate entities (each with their own past history of conflicts and distrust when working together that had resulted in several litigious situations being battled out real time) was formed along with **Change Teams** that carried out all initiatives. Trust, total accountability and performance compensation systems needed established instantaneously to collapse costs and cycle time and drive quality and service to world class standards.

As a result of implementing all of the Center's Processes, within six months from the Leadership Conference the pipeline was full of multiple proposals (that had been generated without any formal RFPs) and several projects had been given the go ahead.

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By partnering engineering with the construction company (also co-locating) entire manufacturing time periods and major construction delays, errors and final deadline congestion issues were eliminated. Early completion performance incentives were awarded along with saving the normal 20% fudge factor built in for unforeseen problems, change orders etc.

Team management and scorekeeping resulted in process improvement (minimum of 50% cycle time reduction). This freed up resources to work on process and product innovations and new marketing opportunities, thus opening up new markets.