



# Racing AHEAD



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At a time when much of the luxury automotive industry is still finding first gear, Valmet Automotive has had exceptional growth over the past few years.

Images courtesy of Valmet Automotive

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- Ilpo Korhonen

In 2008, Ilpo Korhonen was appointed President of Valmet Automotive. Previously having held executive positions in the company, Ilpo knew how the organisation worked and what was needed to give it new life. He started as president with a new board that brought in fresh ideas. “We brought in a couple of seasoned executives, Dr Schoepf from Daimler, and Mr Kalbfell from BMW. One had experience with product development and production, and the other with marketing sites,” Ilpo says.

“We spent lots of time in the beginning of my CEO career on the strategy work together with the board of directors. We decided that we needed to change our core competency profile, to turn it around so we were not just known as a manufacturing partner.”

The board decided to focus on two key areas: becoming a service provider as well as a manufacturing partner, and strengthening the company’s engineering capabilities. “One of the key themes for our strategy was that we needed to

turn into a service provider for the automotive industry. And we needed to improve our service offering. We needed to get closer to the customers. And closer means in order to understand the real customer needs. And this is what we worked on and then we made decisions so that we had targets.

“We set targets, we decided where we needed to be in 2015 and what kind of road map we needed to follow in order to get there. One area we wanted to strengthen in particular was engineering. We already had at that time good capabilities in manufacturing and manufacturing engineering, in the field of production processes including supplier and project management. However, our capabilities in the field of product development were limited.

“We started to scale up that area and then we also selected electric vehicles as one development area. There was a lot of hype around electric vehicles already at that time, so we evaluated the situation and we clearly saw that it would continue to grow and that there will be more and more

electric vehicles on the market in the future.”

This new strategic focus has paid off for Valmet Automotive. On statistics alone, the company has grown exponentially in Finland. Production paces have increased, it almost doubled the size of its workforce from 850 employees to 1,700, and volumes increased from 7,600 units in 2013 to 45,000 units in 2014. “We have doubled our manpower in production, so we have been able to recruit around 800 people last year. But that required a lot of effort in the qualifying of the personnel and improving the process of qualifying staff,” Ilpo says.

This makes Valmet Automotive one of the top recruiters in its native Finland and has given the company a good mix of employees for the future. “We have lots of qualified personnel and we have a lot of experience in manufacturing. We have people who have been working with Valmet Automotive for up to 40 years and then we have well-educated younger generation employees. So that’s a good mixture.” >

# Our Net Works

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After a record increase in production volumes in 2014, Ilpo says Valmet Automotive is looking to continue achieving record numbers in 2015 and beyond. “Our plans are to stay on the sustainable production level, but to produce more than what we were last year. However, this is subject to the projects we can acquire in the next three years. We are currently in discussions with several customers about future production projects.”

The increase in production also speaks to the quality of Valmet Automotive’s products and how satisfied its customer base is. Its client reference list in car manufacturing and roof business reads like a who’s who of luxury brands: Mercedes-Benz, BMW, Porsche, Saab, Bentley, Mini, and Fisker—among others. Valmet Automotive values these relationships, and Ilpo says he treats them as partners rather than just customers. An important part of these partnerships, according to Ilpo, is open communication.

“We believe, and I especially believe, in partnership. So when we make strategic supplier selections we don’t want to make selections in a way that we are changing partners every year. We build on long-term success, and that requires lots of discussions in the beginning. You cannot take it for granted that your partner understands your needs,” Ilpo says.

“You need to review the performance of the suppliers and your partners on a regular basis. You need to set targets and you need to review them. It’s a development road map. You need to work closely together, and that is the difference between a supplier and a partner.”

Setting targets, having clear communication, and ensuring both sides benefit from the partnership is key to successful relationships with customers. “I believe that it needs to be win-win and both sides need to benefit. When we are working towards the same target, this is where we have clear benefits with our partners,” Ilpo says.



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Another factor that Ilpo believes sets Valmet Automotive apart is its ability to react quickly to customer requests. “We are a small organisation, we are fairly lean, and we are agile. This means we are able to scale our services depending on what the customer needs, and we have been able to provide the same level of service to smaller volume customers and for the higher volume demand customers. So we have flexible processes in that respect.

“One of the core competences of our company is project management and ecosystem network management. And by ecosystem management I mean all the stakeholders, like our engineering partners, turnkey-system suppliers, and other service providers that are providing us with maintenance and IT services. Because of this we are able to make customer-tailored solutions depending on the size of the project. If it’s a bigger project then we can use our network; if it’s a smaller project then we can do it in house.”

Another success Ilpo has overseen for Valmet Automotive is the acquisition of convertible roof business Karmann in 2010. “We knew that we were not able to grow enough generically and at

that time 99.9 per cent of our employees were working in Finland. Then we acquired the roof systems business Karmann.”

Before purchasing Karmann, the Valmet Automotive board had been looking where they could invest to strengthen their core business. “We were screening other companies and focusing on engineering but then this opportunity came along. So we evaluated the company and decided to acquire it. And that improved our customer base substantially.”

This increase in customer base meant that although Valmet Automotive was initially in contact with these companies to supply convertible roof technology, it could build on these relationships and strengthen the other areas of the business. “We had daily contact with all those customers, and even though it was for a different field of business, mainly focusing on roof systems and convertibles, these contacts then developed further,” Ilpo says.

Other than the purchase of the roof business, Ilpo says the other breakthrough for Valmet Automotive was the focus on electric vehicles. “We are one of the first companies of pioneers in >



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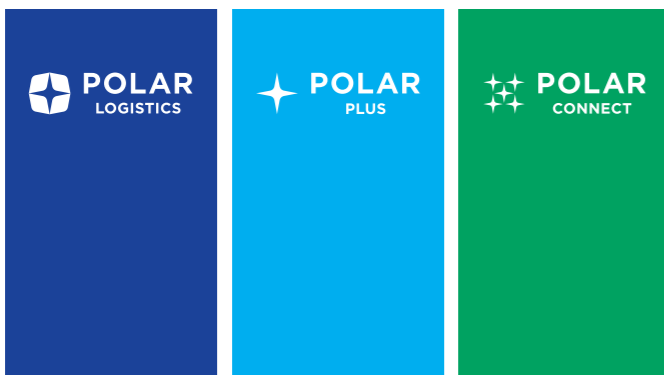
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that field to start to manufacture electric vehicles. We knew that those early projects might not be a big business for us; however, it was a start that gave us a lot of experience in EV manufacturing.

“We signed the agreement with Fisker but unfortunately there were some hiccups in the process due to various reasons. However, with Fisker we gained experience of aluminum bodies, batteries, hybrid technology and EV manufacturing processes. In brief, we have collected immense learning about electric vehicles.”

One aspect of the company Ilpo has focused on since becoming CEO is his staff. He brought in new blood to the executive team, and is extremely happy with the results. “They are bringing different kinds of insights to my team with their leadership skills. The leading of that whole operation requires a different angle

and there we have been spending also a lot of time with the management teams, looking at what needs to be changed, so we have a slightly different organisation structure.”

Ilpo and his team have also been working with their supervisors and managers in the manufacturing plants to ensure that the processes are in place so that the changes they have implemented run smoothly. “We need to improve our reaction times and they need to be quicker.

“It just needs to be made swiftly in order to minimise damages and to secure customer satisfaction in changing situations. We’ve been leading the qualifying of the supervisors and reviewing all responsibility charts so our teams always know who is in charge of what. Our processes are agile. We respond to customers’ needs, so this must be a recurrent set-up.

“Our network needs to be fine-tuned to our needs, as in Finland we have the handicap in logistical distances. In Finland, this is even more crucial than in operations that are located in Central Europe. We need to have excellent partners in the transportation network. Currently we have a lead partner, which is DSV.”

Together with partners DSV, Polar, and Finnlines, Valmet Automotive has created a scheduling and logistics services system, which enables fast adaptation according to customer needs and changes in the value chain using state-of-the-art ICT systems for orchestrating its global network of partners. The companies have formed a combined road and train transport concept using Travemünde, Germany, as the main departure port for material deliveries with three times per week ferry connection to Uusikaupunki, Finland, and back. Valmet Automotive also has a direct ferry line twice a week from Uusikaupunki to Bremerhaven, Germany, using multipurpose vessels with a capacity of more than 1,000 cars.

In the short term, Ilpo says there is still a lot of work to do to ensure Valmet Automotive continues to grow and the company runs smoothly. “We need to stabilise the supply-chain management processes, because in terms of ordering the material from suppliers, we are in charge of that transportation chain. We’ve reached the planned capacity so now our next steps will be to stabilise these processes. We need to focus on quality assurance; we need to mitigate all the possible risks relating to key cuts on the delivery chain. That’s one focus area.

“The second focus area is process stabilisation. Lots of the production is highly automated, and it runs in three shifts. So we need to make sure that all the maintenance work is done exactly the same way every shift. There is a lot of stabilisation work and standardisation work to be done. So technical availability, making sure that we are able to deliver without disturbances, is very important.” ●