Chapter X

Growth the KONE Way

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ABSTRACT

This chapter describes the private view of a long-serving KONE manager on how KONE Corporation has over 30 decades developed into one of the global leaders in its field. Perhaps the most important success factor is the consistent, integrated development and implementation of vision, strategy, business structure, processes, IT tools, and people skills and capabilities. The article ends with a short outline of a practical solution in one small area of the business, where the combination of all of the above has led to improved productivity, customer value and customer satisfaction.

KONE INTERNATIONALIZATION:
UNDERSTANDING ITS FUNDAMENTAL AND UNIQUE DRIVERS

KONE Corporation was founded in 1910, and the first elevator was delivered eight years later. The primary strategic objective, since the late 1960s, has been the creation of a multi-national elevator and escalator company via the acquisition of national elevator companies in various countries.

KONE is now the third largest elevator manufacturer in the world, behind the global competitors OTIS of the U.S. and Schindler of Switzerland. KONE trades slightly ahead of the German Thyssen Group and Japan’s Mitsubishi elevators. In the escalator business, KONE is the leading supplier in the world. The company
employs around 23,000 people worldwide; less than one in 10 is Finnish. KONE growth has been aggressive and somewhat atypical compared to other major Finnish international companies.

KONE’s road from small domestic operator to major international player has been based on building market share by acquisition, and maintaining it through technology leadership. Twice during this period the company absorbed non-profitable elevator operations larger than itself and turned them into profitable subsidiaries. The major acquisitions are shown in Table 1.

Table 1: Major Acquisitions by KONE Elevators

In 1968, KONE expanded from the Finnish domestic market into Scandinavia by acquiring the Swedish company, ASEA, so tripling elevator deliveries. The second significant acquisition was in 1975 when KONE acquired Westinghouse elevator and escalator businesses in Europe, again succeeding in more than doubling the sales.

The 1980s saw KONE’s breakthrough in North America, while in Europe expansion continued as leading Italian elevator companies, Sabiem and Fiam, joined the organization in 1985 and 1986 respectively. During 1987, joint-venture operations for elevator production started in Australia, India and Turkey.
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