

stances. The shop union was not particularly known for its willingness to co-operate. Factions within the union were more concerned with creating opposition to the management than with co-operation. As we have seen, there were indeed reasons why Jøtul in particular had become a hotbed for such tendencies. Nevertheless, the radicalisation created unnecessarily harsh opposition, which later contributed to weakening the employees' position in the fight over public opinion. Many recalled the illegal Jøtul strike of 1976, which engendered antipathy far beyond non-socialist circles. This may have contributed to making the shutdown decision less onerous to Norcem management.

#### **In like a lion...**

"Norway alone does not represent a sufficient market for our current operational structure. As a result, we must count on the export markets to a greater degree than heretofore."<sup>343</sup>

This assessment was made at a board meeting in the spring of 1983. Once the DISA machinery had been installed and put into regular service at Kråkerøy in 1981, Jøtul had substantially greater capacity than before. However, this capacity was being only partially utilised, mainly because demand in most of the export markets was still weak. On the other hand, there was not much more room for Jøtul to expand in the Norwegian market. With a market share of between 70 and 75 per cent, gaining additional share would be disproportionately costly. In addition, the Norwegian market for stoves and fireplaces had shrunk during the early 1980s. As a result, the company had to turn its attention abroad.

But the need to create a heavier production load was not the only factor which led to the company turning its attention to the world market. As noted above, Norcem had the clear aim of committing to a greater degree of internationalisation in all of the group's businesses. However, in Jøtul's case this objective had so far not been manifested in any specific internationalisation strategy. Within Norcem it was believed that Jøtul's sales activities to date had been characterised by overly cautious and defensive behaviour.

Furthermore, the efforts undertaken on the product development front were mismatched with the challenges the company faced internationally. The market for Jøtul's primary products, free-standing stoves, was on the wane in Western Europe and the United States. The greatest potential resided in the market for built-in solutions, but Jøtul's investment in this area was very limited. Product development had declined overall since 1980. Jøtul launched an average of 2.4 new products per year during the latter half of the 1970s, as opposed to just one product a year from 1982 to 1984.<sup>344</sup> This was a trend that contradicted the market's demand for a broader product line. Product lifetimes were also continuously tending to become shorter. The days when the same model could be sold for ten or twenty years were definitely past. In other words, it was absolutely crucial to increase developmental efforts.<sup>345</sup>

Norcem management's ambitions for Jøtul were ratcheted up several more notches over the course of 1983–84. A few steps had already been taken to ensure more aggressive leadership. The leadership change in 1982 must be viewed in this light. Norcem's management considered Rolf Sjøel to be a bit too conservative, particularly when it came to the company's international commitments.<sup>346</sup> The new man in the executive chair, Bjørn Sellæg, was considerably more aggressive. Sellæg also came

***Kjell Kran was the leader of Norcem's building materials division, and in this position he had many dealings with Jøtul. He was also vice chairman of the board from 1977 to 1986.***



***In 1982 Bjørn Sælleg took over as CEO after Rolf Sjøel. Sellæg had worked at Norcem and was part of the growth-expansive and export-oriented environment there. He brought the "Norcem spirit" with him to Jøtul, and he was the one who led the company into the international market.***



# 1984 – NYTT REKORDÅR FOR JØTUL!

## 1985 – NY REKORD FOR JØTUL?

1984 ble både omsetningsmessig og fortjenestemessig et rekordår for Jøtul. Omsetningen endte på 300 mill. kr. og fortjenesten på ca. 28 mill. kr. For 1985 sier budsjettene at omsetningen skal øke til 360 mill. kr. og at fortjenesten bør øke tilsvarende. Tar man med de nye dattersekskapene vil nettoomsetningen i 1985 på konsernbasis passere 450 mill. kr.

Det viktigste som skjedde for Jøtul i 1984 var oppkjøpet fra Electrolux av den belgiske produsent av kull- og gassoverer Nestor-Martin i Brussel. Fra 1. januar ble heretter bedriften Jøtul-Martin S.A. og regner med å selge ca. 35.000 enheter det første året.

Dette oppkjøp har skaffe Jøtul tilleggsmarkedssegmenter først og fremst i Belgia, Frankrike og USA, men betyr også at nye muligheter åpnes på andre internasjonale markeder. I denne forbindelse spiller selvstige Jøtul-Martin kompanier på kull- og gassoverer en stor rolle. Jøtul overtar også Nestor-Martin dattersekskaper i Frankrike og USA.

Nå Jøtul i tillegg har kjøpt 30 % av aksjene hos vår tyske importør Heringshaus Vertriebsgesellschaft mbH, som kjøpt våre to franko aksjer for 100 %, nå man har lov til å si at 1984 har vært et



usædvanlig aktivt og internasjonalt år for bedriften.

Nå står vi foran en like aktiv periode med å innpasse de nye bedriftene i Jøtuls totalorganisasjon og sørge for å legge forholdene til rette for en hurtig og effektiv utnyttelse av de muligheter som de forutsette oppkjøp åpner for Jøtul og våre forhandlere.

Særlig vil vi selvstøtt fortsett være

åpne for nye internasjonale muligheter som måtte by seg i fremtiden.

Det er bli den ledende Jøtulbedriftsleder i den vestlige verden et en spennende utfordring som vi er overbevist om også vil kreve de norske ansatte til gode – i form av økt kompetanse, nye produkter og økte lønninger.

Vi har all grunn til å ønske leverende et godt og frugtbart år i 1985!

*The world seen from the administration building at Jøtul. Exports were soaring and would grow even larger. From the internal newsletter Jøtulposten.*

from Norcem, and was thus well acquainted with the group's strategies and visions. The move meant that it would no longer be necessary for Norcem management to push Jøtul out into the big wide world.

A number of factors contributed to these heightened aspirations. The restructuring undertaken in 1981–82 had substantially improved the company's operational efficiency. Moreover, the knowledge that the company possessed one of the world's biggest and most modern stove foundries no doubt imparted a good deal of confidence. In addition, the market showed signs of new growth over the course of 1983. The number of units sold increased 20 per cent compared to 1982. Demand increased so significantly toward the end of the year that the company began running the DISA machinery on three shifts.

The management issued its strategy plan for 1985–88 in the spring of 1984. The plan confirmed the international aspirations in earnest. The plan stated that Jøtul's goal was to become "the biggest stove and fireplace supplier in the world".<sup>347</sup> However, this expansion was not to be achieved by further increasing the company's domestic production capacity, but rather by expanding financially in the most important export markets. First and foremost, the company would actively acquire importers and production companies. The company would thus commit to both vertical and horizontal integration.

The basic ideas underlying Jøtul's new strategy of growth and internationalisation came from the parent company. Control of activities in the export market through direct ownership at the importer and production level represented a principle long adhered to at Norcem. In 1983 Heiberg pointed out in a presentation that market information was the most important factor in the decision-making basis for a company seeking to establish itself internationally. Understanding the local market's evolution and competitive situation in terms of both products and manufacturers was of absolutely crucial importance to the success of such a process. Heiberg believed that this was the best way to secure ownership control at the sales and distribution levels, along with establishing the company's own production units in each individual location, if necessary. This was the approach used by Norcem, and it constituted one of the key factors in the group's success in the international cement market.<sup>348</sup>

Now Jøtul was to take this same approach. The company first moved to secure greater influence at the importer level in its key markets. This was considered to be absolutely vital if the company's new goals were to be achieved. Experience had shown that Jøtul's influence over marketing efforts was extremely limited in those countries where sales were made via independent importers and agents who themselves bore the risk and took the responsibility for the level of investment. It is true that the company had become more heavily involved in international marketing, but it was still the importers who determined the scope and choice of the marketing tools used. However, the importers' efforts in these areas were seldom on a par with the huge resources invested by Jøtul in product development and production. Furthermore, the importers often lacked expertise in the areas which Jøtul emphasised.<sup>349</sup> "The key to success lies in understanding the market's needs, and in coordinating and prioritising all the company's resources toward the same goals. In many markets, this will entail a greater investment and commitment than many importers are willing to make," as it



# CHANGING MARKET ENVIRONMENT - JØTULS STRATEGY

- by Bjørn Sellæg, President.

Declining markets for most traditional stove-and fireplace products have created overcapacity and also financial problems for most manufacturers world wide.

Fortunately this downgoing trend is now stagnating in most markets, but sales volume has already been severely reduced and major structural changes will continue within the stove and fireplace community.

Numbers of manufacturers will be heavily reduced. Through mergers and acquisitions across the national borders our business will be more international and international manufacturers/suppliers will strengthen their positions in most markets.

Product life cycles will be much shorter than today and pressure on - as well as expenses of - R & D will increase and contribute to the trend towards fewer and more dominating manufacturers.

More and more sales volume will be marketed through highly qualified retailers which will be reluctant any longer to stock No. 3 and 4 brands in respective product segments. They will concentrate their business to a limited number of full services suppliers. The ties between retailer and manufacturer will be strengthened in areas of communication, training and local marketing.

**Jøtuls strategy** in order to meet these expected changes in the market environment is:

- Capitalize on Jøtul's size and financial strength to improve market position
- Maintain high profit level
- Maintain market share in Norway
- Give priority to international growth
- Establish No. 1 or No. 2 position world wide for selected product segments and selected markets
- Gain market positions and production facilities through mergers and acquisitions
- Maintain high foundry utilization in Norway
- Increase trading of complimentary products.

This is a growth strategy. Jøtul will over the next coming years give priority to an even closer cooperation with our national importers and to international mergers and acquisitions that will strengthen our market position and add products to our present assortment in key markets.

We are very pleased this spring already to have established a joint venture company with Mr. Caspar Beringhaus in Germany.

We at Jøtul strongly believe that the stove-and fireplace business has a bright future. Our challenge is to fully capitalize on the human knowledge and financial strength within our world wide organization - to establish Jøtul as the leading manufacturer in our industry.



*Bjørn Sellæg*



*No one should doubt that Jøtul was an expanding and market-oriented company. From Jøtul News, the internal newsletter for employees abroad.*

was stated in 1985.<sup>350</sup> Acquisition was the correct path toward ensuring such co-ordination of resource utilisation between production and sales.

One step had already been partially taken in this direction. As noted above, back in 1980 Jøtul had dropped its importer in the United States and established a separate subsidiary, Jøtul Inc. That same year, Norcem sales companies were established in Sweden and Great Britain, in other words, Norcem AB and Norcem UK. The original intent was for these companies to sell many of the group's building products, but ultimately they became dedicated retailers of Jøtul products, and were officially converted into subsidiaries in 1984. That same year the management at Jøtul began to actively acquire



*Marketing material developed for the French market.*

**Poêle JØTUL N° 121**

Capacité : 600 000 m<sup>3</sup>, Puissance : 10 000 W.

Le 121 est une version la plus performante des poêles JØTUL. En utilisant l'énergie thermique produite par la combustion des bois, il permet de chauffer une pièce de 100 m<sup>2</sup> en moyenne. Il est équipé d'un système de ventilation qui permet de récupérer la chaleur des gazs de combustion et de la réinjecter dans la pièce. Il est également équipé d'un système de ventilation qui permet de récupérer la chaleur des gazs de combustion et de la réinjecter dans la pièce.

**Récupérateur en fonte pour JØTUL N° 121**

Après l'acquisition de l'énergie thermique des gazs de combustion, le récupérateur en fonte permet de réinjecter la chaleur dans la pièce. Il est équipé d'un système de ventilation qui permet de récupérer la chaleur des gazs de combustion et de la réinjecter dans la pièce.

**SPÉCIFICATIONS :**  
 Poids : 50 kg  
 Hauteur : 600 mm, large 220 mm, à 220 mm  
 Puissance : 4 000 W, il est 121 total : 27 000 W.

a number of import companies in the most important markets. The first addition was German Jøtul importer Berninghaus Vertriebsgesellschaft, in which Jøtul bought a 50 per cent ownership stake. At roughly the same time, Jøtul initiated negotiations with the French Jøtul importer, Obexo S.A., concerning an acquisition, which took place early in 1985. Lastly, another Jøtul importer in France, Pattinson Frère, was acquired.

Jøtul simultaneously began planning acquisitions of manufacturing companies. The company began putting out feelers in some European countries in the spring of 1984, which eventually led to negotiations with Electrolux Martin S.A. in Belgium regarding the acquisition of that group's stove and fireplace division. Martin was a fairly major stove manufacturer by European standards, with an annual turnover of roughly 100 million kroner. Jøtul wanted to acquire 100 per cent of the shares in the company, and the parties reached agreement early in 1985.

In 1985 Jøtul also began to look into a domestic stove manufacturer – Trolla Works [Trolla Brug] outside Trondheim. Trolla was the only remaining Norwegian stove maker other than Jøtul and Ulefos, and the company had annual production totalling some 15,000 units. The firm was owned by Ila and Lilleby Smelteries. Negotiations regarding a purchase began in the autumn of 1985. Jøtul was initially willing to pay 42 million kroner for the company. However, a more detailed assessment indicated that its actual value was much lower, and Jøtul offered 28 million. After additional negotiations, the parties agreed to a price of 12 million kroner in the summer of 1986.<sup>351</sup> The formal assumption of ownership occurred in August of that same year.

The motives underlying the two purchases were quite different. The acquisition of Martin was predicated mainly on a desire for greater product diversification. As we have seen, the market for stoves and fireplaces was changing during the early 1980s, with increasing demand for product choice and new model solutions. From that standpoint, the Belgium company was a perfect fit. Martin had specialised in a growing product area, but one in which Jøtul had absolutely no expertise, namely gas- and coal-fired units. The managing director noted in connection with the planned acquisition that "it is important to be able to cover the entire product range. This also applies to the coal and gas energy segments, which we believe will show positive growth."<sup>352</sup> In addition, the acquisition would have industrial synergies. Martin possessed technical know-how which Jøtul lacked; among other things, the company was known as a "power centre" in the development of sheet steel products. But major benefits were also anticipated in other areas as a result of the mutual exchange of technological know-how. Lastly, there would be synergies at the import level. Martin had its own sales company in France, Nestor Martin, which could be consolidated with Jøtul's other import companies in France, Obexo S.A. and Pattinson Frère, thereby streamlining the sales functions in France as well.

The Trolla acquisition was based on quite different motives. It was unlikely there would be any major technological synergies, since Trolla was not a very modern foundry. Neither could the acquisition have been motivated by a desire for product diversification. Trolla produced mainly quite traditional free-standing wood stoves, not all that different from those being made by Jøtul in that category, so that could not have been the basis for the acquisition. In fact the acquisition was based primarily on the opportunities that could be realised on the sales side. Annexing Trolla meant that Trolla products could be funnelled through Jøtul's import and retail channels, thereby ensuring that they would be



***In 1985 Gunnar Narvesen became sales director of Jøtul Industries. Narvesen had been employed by Jøtul since the early 1960s.***

sold much more efficiently than had previously been the case. There were also financial motives involved. The management indicated that an acquisition would be "based on a solid safety net as a result of the intrinsic values which exist in the company".<sup>353</sup> It was estimated that annexing Trolle would contribute to increasing the group's profits by 3.2 million kroner. Lastly, there was the desire in this case to gain control over a potential competitor. Trolle had begun to "disturb Jøtul internationally", as it was put. Trolle had found a market in parts of Germany, where Jøtul also sought to be involved.<sup>354</sup>

New acquisition plans streamed in over the ensuing period. In the autumn of 1986 the management presented a comprehensive plan listing potential candidates for acquisition.<sup>355</sup> In Europe these consisted mainly of manufacturers in the fireplace and gas sectors, with companies being evaluated in Great Britain, Germany, France and Spain. Acquisitions in the United States also began to come under consideration. Here the management was interested mainly in companies which operated within the so-called "zero clearance" concept, in other words, units that would be installed without a fire-wall. A few direct contacts had already been made with companies in this category. Among those contacted was Majestic, which was one of the biggest stove manufacturers in the United States, and indeed significantly larger than Jøtul.

The board discussed the acquisition plan in November 1986.<sup>356</sup> Criticism was levelled at the fact that so many of the acquisition candidates were small. There was also some disagreement regarding where to focus the main effort: the United States, Europe, or both. The board was however fully behind the acquisition strategy as a concept, and management was given the green light to proceed with its plans.

Jøtul was well on its way toward achieving its chief objective by the end of 1986. As a result of its completed and planned acquisitions, Jøtul was becoming the biggest player in the international stove and fireplace market. Strong positions were secured on the importer side in the key export markets. Furthermore, several manufacturers were also acquired, and more acquisitions were waiting in the wings.

The expansion gave rise to extremely ambitious financial targets. In 1984 Jøtul and its subsidiaries posted turnover of 300 million kroner. The board set the turnover target for 1985 at 500 million kroner, and in the autumn of 1985 management presented a proposed long-term budget for the period from 1986 to 1988 in which a goal was set to achieve annual turnover of one billion kroner before the end of the budget period. Profit expectations were also high. The company posted net earnings of 30 million kroner in 1987, and 100 million kroner in 1988.<sup>357</sup>

In response to the growth of the organisation, Jøtul became a group in 1985. A parent company, Jøtul Industries, was established which would be responsible for co-ordinating marketing activities and finances within the various parts of the group. Bjørn Sellæg was engaged as the managing director of the parent company. However, he left after a short time to become group manager at Norcem, and Stein Skråning became the new managing director. The chief financial officer and head of marketing were Tor O. Andersen and Gunnar Narvesen, both from Jøtul. A management team of about 10 people was formed under the management of Jøtul Industries.

Almost all the production and sales units were organised as separate subsidiaries. This was also true of the production unit in Norway, the real "Jøtul". Here former operations manager Kjell Næsje became the new managing director. Ten other subsidiaries were also added, of which only the German importer, Berninghaus, was not wholly owned by Jøtul Industries. Both Norwegian and "native" executives were hired to manage the foreign subsidiaries. For example, Jøtul Martin acquired a Norwegian executive, Tore Sjursen, while the managers in most of the import companies were hired locally. Jøtul Ltd accounted for nearly 50 per cent of the group's turnover. Martin in Belgium, or "Jøtul Martin" as it was called, was the next largest company, accounting for 14 per cent of turnover. Once it was set up, Jøtul Industries had just under 1,000 employees, some 320 of whom were employed abroad.

It was believed that the transition to a group conformation was necessary in order to meet the challenges that the business would face in the years ahead. Growth and the increasing diversity of operations and companies were imposing entirely new demands on the organisation, and these would only intensify in the years to come. The acquisitions which Jøtul had made thus far were, as we have seen, viewed as just the beginning; the aspirations in terms of future growth were considerably more ambitious.

### **... and out like a lamb**

In late November 1987, Jøtul Industries held a board meeting at Aker Norcem's offices in Aker Brygge. Norcem had merged with the Aker Group just one month previously, and Jøtul Industries had been incorporated into the big new industrial conglomerate as an independent subsidiary. Aker Norcem's stylish and modern new offices certainly provided a pleasant setting for the meeting, but they did little to elevate the mood around the table. Jøtul Industries was limping toward a financial crisis, and that was the topic which performed dominated the nearly five-hour meeting.

A great deal had happened over the course of the preceding year. Jøtul Industries had budgeted net earnings of 42 million kroner for 1986. The actual figure was about 10 million kroner lower, a substantial negative deviation, but not ominous when viewed in isolation. However, 1987 looked as though it was going to be a catastrophic year. At the meeting the board members discussed a forecast annual result for the current year which pointed to a preliminary loss of 54 million kroner. This represented a deviation of over 90 million kroner from the budget. The loss was so great that the shareholders' equity had to be considered as already lost. However, when the actual results for 1987 were presented in February 1988, it turned out that the situation was even worse than had previously been assumed. The company had posted a staggering loss of 104 million kroner.

The crisis triggered an immediate effort to turn the company around.<sup>358</sup> Aker Norcem stepped in with a group contribution of 54 million kroner to enable the company to continue operations. A comprehensive action plan was simultaneously implemented to cut costs. The goal of the plan was to achieve breakeven in terms of net income by the end of 1988. Indirectly this was a requirement set by Aker Norcem, who emphasised in connection with the group contribution that Jøtul would have to be standing on "its own financial feet" in 1988. In other words, the company could not count on additional outside assistance. However, this goal was hardly considered to be a realistic one. In any

event, a "worst case" scenario was also worked out in which the company would operate at a loss of 45 million kroner.

All the subsidiaries were subjected to a critical review over the course of 1988. The target was to cut costs by well over 50 million kroner. No company escaped the knife. Trolle, which had posted poor results, was shut down immediately. The shutdown of one of the companies in France (the Roustan Group) was also considered. Expense levels were to be cut in all the subsidiaries, with the largest quantitative cuts occurring at Jøtul Martin in Belgium, and at the foundry in Fredrikstad.

The goal of a balanced budget in 1988 was not achieved. Net income totalled –25 million kroner which, with additional corresponding extraordinary expenses, yielded an actual loss of 50 million kroner. The restructuring process then took a new direction, in that changes in the actual ownership structure also began to be considered. Early in 1989 the import and retail units in France were combined into a single company. A corresponding consolidation occurred in Germany. Companies posting poor results were put up for sale, including Jøtul UK (Great Britain). A number of companies that were doing fairly well were also put up for sale, including Jøtul Inc. (USA).<sup>359</sup> However, it was no easy task to sell these companies, good or bad. For instance, Jøtul Inc. attracted no interested buyers, despite a sound equity situation and acceptable profitability. The alternative in most cases was to remain in operation at a minimum of risk, which entailed mainly keeping inventory and administration to a minimum.

Of the production units, Jøtul Martin in Belgium faced the biggest problems. The company was operating at a substantial loss, and a shutdown was viewed as a very real option. However, this company delayed a long time before an ultimate solution was determined. This came in September 1990, when the company was sold to the Belgian firm S.A.E.T.L. for one Belgian cent! The sale entailed a loss of 77.5 million kroner for Jøtul. Losses incurred from sales, shutdowns and write-downs of other companies added another 21.5 million. The combined "restructuring costs" thus totalled nearly 100 million kroner in 1990 alone. By early 1991 all that was left was the production operation in Fredrikstad, and a few import companies that were operating on a shoestring.

### **What had happened?**

The crisis was caused to some extent by external circumstances. In 1985–86 an economic recession began to make its presence felt in Europe and the United States. It affected Jøtul as well, in part because the downturn resulted in a strong decline in construction activity in both Norway and the most important export markets. By early 1986 Jøtul was already seeing a substantial drop in demand in both Norway and its two most important export markets, the United States and Germany. By the summer of 1986, turnover in the United States was less than 50 per cent of the budgeted figure. This negative trend continued throughout the first half of 1987.

The market collapse naturally had a major impact on profitability. However, this was not the most important cause of the crisis. There were two other factors in particular that played major roles. One was related to the way in which the company dealt with the market collapse, while the other had to do with the actual basis for the expansion during the preceding period.



***Einar Gerhardsen, "the father of the country", on a visit to the plant. He has just concluded his speech about the importance of the industry today (the 1980s) and in the 1930s. He is being thanked by club chairman Martin Lekøen.***

# Siste ovn fra Jøtul i Oslo

Enda et trist kapittel i Oslo-industriens historie ble skrevet i går da den siste ovnen ble pakket ned fra samlebandet på tradisjonsrike Jøtul. Bedriften flytter produksjonen til Fredrikstad og over 200 arbeidsplasser forsvinner fra Oslo.

NINA SANDÅS

Nå er det et faktum, konstaterte klubbformann Svein Torp da det siste produktet fra Jøtul-Oslo, en brunemaljert Majolica-ovn nr 3, var ferdigmontert. Han og tidligere klubbformann Tejinder Singh Chahal har kjempet innbitt mot nedleggelsen som ble vedtatt i fjor sommer, lagt fram alternative planer for ledelsen. Men det hjalp ikke.

## For tidlig

— Vi visste i 1982, da produksjonen ble flyttet fra Enebakkveien hit til Hetsfyr, at bedriften hadde kontrakt på lokalene til 1990 og kunne regne med forlengelse. Nå legger man ned i hvert fall ett år før, sier Torp.

## Mislykket

Årsaken mener han står å finne i bedriftens mislykkede oppkjøp av konkurranter både i Norge og utenlands i de siste årene. Klubben har vært mot oppkjøpene. Av et titall bedrifter som Jøtul har oversatt gjenstår i dag bare to, tre. Torp mener dette har påført Jøtul tap, som nå må kompenseres med å samle all produksjonen i Norge til ett sted — Fredrikstad. I går ble det stille på monteringsavdelingen. I slutten av juni forsvinner også emaljering- og boreavdelingene fra Oslo.

## Forbitret

Klubbformannen er forbitret på Oslo-politikerens unntakethet i forhold til industriarbeidsplassene i hovedstaden. — For ti år siden ble det vedtatt en plan for Oslo-industrien, en plan som ikke er satt i kraft enda og nå legges det fram en ny næringsplan. I denne perioden er tusenvis av industriarbeidsplasser blitt borte og Oslo overleve ikke uten industri. Jeg kan vedde på at også Kværner er over og ut om tre år, sier han.

## Trist

— Dette er en trist dag. Det er så en får tårer i øyene. Jøtul har eksistert i Oslo siden 1853 og produsert ovner siden 1870-tal-



SISTE DAGEN: Rolf Brække (t.v.) og Sigurd Bråthen har arbeidet henholdsvis 25 og 30 år på Jøtul Oslo. I går var siste dagen ved samlebandet der det er blitt produsert omlag 80.000 ovner (Foto: Gustav P. Jensen)

let. Da Noreem overtok som nye eiere i 1978 ble det sagt at Jøtul og Jøtul og skal ikke flyttes fra Oslo. Nå er det slutt på den saken, sier Rolf Hansen. Han er pensjonert Jøtul-arbeider siden ti år tilbake, men har holdt kontakten med tidligere arbeidsskammerer. I går stakk han innom for å overvære den vedmodige stunden.

## Nødvendig

120 personer i produksjonsavdelingen og like mange i administrasjon- og markedsavdelingene vil bli berørt av flyttingen til Fredrikstad. Der vil produksjonen bli ytterligere automatisert og ca 15 arbeidsplasser forsvinner. Til sammen 21 fra Jøtul-Oslo blir med på flyttingsses-

son som utvekslere, andre som dagpendlere, opplyser personalsjef Nils Berstad.

— Alle beklager nedleggingsvedtaket, men det var tyngende nødvendig. Å samle all produksjon til Fredrikstad betyr 28 millioner kroner i reduserte kostnader årlig. Bedriften skal overleve, understreker Berstad.

The last Jøtul jobs in the capital are lost. In 1989 the assembly, enamelling, and drilling departments, as well as administration, were moved to Kråkerøy Works. Facsimile from Arbeiderbladet [Workers News], 27 April 1989.

Jøtul had continued to expand through acquisitions even after the market collapse began to make its presence known. However, this did not occur because the company was unaware of the downturn, or failed to take it seriously. The board and management were expressing strong concerns over the situation as early as the summer of 1986, and developments in the market were monitored closely after that point. However, the company at the same time opted to continue pursuing its growth strategy because of an underlying perception that it would be possible partially to counteract the consequences of the reversal through acquisitions. In December 1986 the management reported that "acquisitions of new companies can make it possible to achieve more positive results for the Jøtul Group. Acquisitions which will generate earnings in the short term will consequently be given priority."<sup>360</sup> The board backed this approach, and gave the green light for further acquisitions.

As a result, corporate acquisitions continued throughout 1987, even as the market continued to decline. Another French Jøtul importer, Roustan Paros, and a German tile stove manufacturer and distributor, Esch, were acquired during the spring of that year, among other acquisitions. Additional acquisitions were in the works during the late summer. It was autumn of that same year before the company finally applied the brakes. The word went out in September to shelve all acquisition projects immediately. This happened after the board had learned of the results for the first six months, which revealed a loss of over 10 million kroner.

The weak results for the first half of 1987 were related in part to the last few acquisitions. They did not generate the positive impact anticipated. At the same time, it was becoming increasingly clear that the problems went considerably deeper. When the search for measures to improve the situation commenced in earnest toward the end of 1987, it was apparent that the problems were attributable mainly to internal factors within the organisation.

First of all, Jøtul had not managed to adapt its organisation on a pace with its growth. There was found to be a serious lack of co-ordination and communication between the parent company and its subsidiaries abroad. Indeed, these problems had been pointed out earlier. As early as the start of 1986 the group management had complained of problems in achieving the necessary oversight and administrative control over the foreign units. For instance, the group management had to deal with incidental, unreliable and late information from the subsidiaries. However, there were two sides to the coin. The subsidiaries often complained of a lack of co-ordination, guidelines and information from the leadership in Norway as well.<sup>361</sup>

Nevertheless, specific measures to deal with these problems did not arrive until the crisis became a reality. At year-end 1987, the management formulated a new organisational model at the behest of the board. This model was to take into account the necessity of "getting the group to function as a unit".<sup>362</sup> The most significant change in the new model was that the managements of Jøtul Ltd and Jøtul Industries were consolidated to form a single joint operational management team. This was a consequence of the recognition that the marketing, production and financial expertise in fact resided in Jøtul Ltd, the "real" Jøtul. These assets had not benefited the entire organisation because the company had been organised as a separate subsidiary, with the group-level responsibilities being transferred to Jøtul Industries. The problems were exacerbated because the parent company was not

given the staffing resources necessary to handle those tasks. This problem was now to be resolved by incorporating Jøtul Ltd's expertise and resources into the group management.

However, the effects of the restructuring were limited. First, they came too late. Second, it emerged that some of the companies which had been acquired were not as solvent as they may have first appeared. This was mainly because of poor advance work on Jøtul's part. Companies had been acquired without proper study or analysis, performed by people who did not necessarily have the necessary qualifications to handle such tasks. Among other factors, a lack of insight into and understanding of local business cultures resulted in companies being assessed neither accurately nor in sufficient depth beforehand. Indeed, it was not always considered necessary to undertake such evaluations. Certain executives at Jøtul Industries held the belief that it was not even necessary to visit candidates for acquisition, and that it was sufficient to let their market values determine whether or not they should be acquired.<sup>363</sup> As a result, several companies were acquired which were not worth the price paid for them. In a few cases they were worth absolutely nothing, but rather were pure swindles, as was the case with Roustan Paros in France.<sup>364</sup>



***In 1987 Arnt Brodtkorb took over as CEO of Jøtul. He inherited the unpleasant task of downsizing the company after the buyout frenzy in the late 1980s.***

The lack of understanding of the challenges posed by cultural differences also became a major problem when the time came to consolidate these companies within the group. In most cases the new companies continued to be run by their previous employees, but no groundwork was laid for essential communication with the parent company. On the one hand, the local management often continued to follow established patterns, and was often unwilling to comply with guidelines handed down from the top. On the other hand, the subsidiaries were not monitored in an adequate way from the parent company in Norway. One problem was that there was no consistent group strategy for market communication. For instance, an enquiry conducted at Jøtul Martin in Belgium found that no uniform guidelines for market communication had been provided by the parent company. Even such basics as standardised advertising materials were lacking.<sup>365</sup>

These were the actual problems that arose. How was it possible for these trends to continue for so long before the company finally put on the brakes?

In hindsight, Gerhard Heiberg believes that the crisis was attributable to Norcem's merger with Aker Industries in the autumn of 1987. After the merger, the group management turned its attention towards new areas of investment, mainly oil, gas and related businesses, while companies on the periphery, such as Jøtul, were forced into the background. Jøtul thus failed to receive the attention that the company needed from the ownership, and lost the oversight which it required.<sup>366</sup>

There is certainly some merit to this explanation. Both Heiberg and deputy chairman Kjell Kran left the board of Jøtul Industries during this period. On the other hand, it is difficult to believe that this is the entire explanation. First, there were obvious signs of problems at Jøtul long before the merger between Norcem and Aker took place. For instance, we have seen that management problems were already in evidence by early 1986. Second, it is difficult to believe that a lack of interest on the part of the group management of Aker Norcem per se would have provoked such dramatic consequences for Jøtul. There must have been other underlying factors as well.

The crisis is presumably attributable mainly to the large gulf that existed between Norcem management's ambitions for Jøtul and Jøtul's ability to live up to those ambitions. The international expansion was driven largely by Norcem management. As we have seen, one of Norcem's goals was that all the companies within its group would have an international orientation. But the question was whether all of these companies were in an equally favourable position to succeed internationally. It is true that Jøtul had been involved in the international market for several years when the expansion began during the mid-1980s, but the company's sales had occurred via independent and largely self-sufficient importers throughout. For this reason, the company had amassed little of its own knowledge or experience concerning how the international markets functioned. The organisation thus lacked the resources and knowledge needed to be able to cope with a rapid and comprehensive internationalisation process.

One might expect that Norcem management would be particularly attentive to such deficiencies. The group had solid and extensive experience with internationalisation processes. In the cement industry, Norcem had succeeded with most of its foreign ventures. As we have seen, this success was attributable in part to the fact that the group had taken care to fully familiarise itself with the composition and character of each local market before establishing its companies. Thorough preparation based on knowledge and local insight had thus been a key factor. This knowledge and experience should have been applied actively in conjunction with internationalisation in other industries. As we have seen, Norcem management had, for example, stressed that the group's expertise and experience in this area should have been consciously applied in internationalising Jøtul.<sup>367</sup>

However, events confirm that this did not happen. Norcem's recipe was not followed during Jøtul's growth period in the mid-1980s. This was due in part to the fact that Jøtul had no experience or knowledge in this area, and in part to a lack of any particular emphasis on these basic principles. In many cases it may appear that the primary focus was on making acquisitions, rather than on what was being acquired, or where. This practice was endorsed by the ownership, or at least allowed to continue unchecked. It is probably true that Norcem management lost interest in Jøtul after the merger with Aker, but the "culture of internationalisation" which characterised Jøtul during these years, and which was the direct cause of the crisis, was promoted in large part by the ownership. The foundation of the crisis had been laid long before Norcem merged with Aker.

Jøtul was thus teetering on the edge of bankruptcy by the early 1990s. The most important thing was to save the company from going under, and then it would gradually have to be built back up. We will take a closer look at this process in the next chapter.