Realigned ABB Automation Structure Will Benefit Manufacturers in China

By Lorry Zhong

Summary

ABB has reorganized its automation divisions to align the company’s activities more closely with its customers. Effective Jan. 1, 2010, ABB realigned its automation business into three divisions – Discrete Automation and Motion (DM), Low Voltage Products (LP) and Process Automation (PA).

Ulrich Spiesshofer, who currently heads the DM division globally, addressed the ABB Automation World and Robotics Asian Partner Seminar, held in Shanghai, May 12-13, 2010. While in Shanghai, Mr. Spiesshofer shared the strategy of the DM business operation and his views on its impact on the local Chinese market with ARC.

ABB Builds DM Division for Expansion in Discrete Market

Spiesshofer, one of the primary architects of the business realignment, previously led several ABB strategic growth initiatives and has played a key role in managing the company’s efforts to optimize its global footprint.

Spiesshofer noted that the realigned automation structure strengthens the company’s market approach by grouping together businesses with similar customers, technologies, and service models. This will help ABB to develop solutions for customers and enable ABB to better grasp growth opportunities in service, expand its presence in the discrete market, and better respond to the increasing customer demand for solutions for improving their energy efficiency. These are all particularly relevant for the China market, where the market is ripe for services and manufacturers increasingly seek to adapt a more environmentally responsible and sustainable style of manufacturing.
ABB’s DM division combines five business units: Robotics, Low-Voltage Drives, Power Electronics and MV Drives, Low-Voltage Motors, and Machines. With many years of advanced application experience and a strong service framework, the new DM division improves ABB’s overall competitiveness in the discrete market. Spiesshofer also pointed out that ABB, already well respected as an international company, continues to become more globalized, but in a manner that acknowledges and supports local requirements for its customers. This includes mutual development efforts with customers.

**New DM Product Portfolio Generates Collaboration Effect**

ABB realigned its automation business based on the differentiation of technology, channel, and service. The Drives and Motion (DM) business centers on discrete control, drives and robotics technology, system integrator and OEM channels, customized solutions, and proactive services. The new DM product portfolio will create synergies intended to enhance growth opportunities in the discrete manufacturing market.

An integrated, solutions-oriented selling approach also means that ABB will have more chances to pull through products such as PLC and HMI and provide more opportunities for consultative services. This will improve the company’s ability to help customers in China and elsewhere improve their productivity, energy efficiency, and customer service…all important value propositions.

**Proactive, Customer-Oriented Service Increases Market Opportunities**

A proactive customer service model, in which technology suppliers anticipate (rather than react to) evolving customer requirements, can help customers and suppliers alike exploit emerging market opportunities effectively. This requires close cooperation between the technology supplier and its end user customers. Compared to reactive service, a proactive service model is more customer oriented. Proactive service requires that technology suppliers understand their customers’ applications, monitor their execution, and predict faulty points before a service request appears. Proactive service can help customers reduce downtime and maintenance costs to a significant degree. It also provides suppliers with new potential
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service sales opportunities such as audit, maintenance, spare parts, and system upgrades.

For example, the Guangzhou Paper Group, the largest pulp and paper manufacturer in southern China, serves as an industry model for energy efficiency. Through ABB’s systematic energy audit, part of a proactive service project, the two parties have identified 18 major energy-saving opportunities through field assessment of its energy efficiency practices. These have the potential to reduce costs by US $1.3 to $2.7 million per year.

ABB’s new proactive service model and proactive, customer-oriented service framework will help the company improve customer satisfaction and tap more service sales in the future in China and elsewhere.

Globalization, Localization, and Specialization in ABB’s Corporate Strategy

An increasing number of technology suppliers have expanded their global manufacturing capabilities in a move to reduce production and operations costs. However, not all have made full use of local resources and technology. In contrast, ABB sets up segment centers, research institutes, production bases, and business headquarters in local markets in a manner that takes best advantage of the specific characteristics of local resources and best serves both local and global customer requirements.

For example, ABB’s Global Robotics Business, headquartered in Shanghai’s Waigaoqiao Free Trade Zone, is well positioned to provide stronger support for rapid growth in the China manufacturing industry. Its current production capacity in China is more than 1,000 units annually. Local ABB competence centers support this manufacturing capability to enable the business unit to also develop and produce quality products for export markets.

Localization and specialization make it possible to produce products that are best suited to customer demand, shorten delivery cycles, and improve technical support and services. Using advanced technology and expertise, products developed for a specific local market can later be adapted to meet the specific requirements of other local markets around the world. In ARC’s view, a localized expert team with global vision is key to success in
the current discrete market, which demands more professional solutions and services.

**ABB’s Co-Development Culture Helps China Manufacturers Improve Competitiveness**

Nowadays, the subject of China comes up in virtually every discussion about global manufacturing. China has become one of the manufacturing hubs of the world and plays an important role. However, many Chinese manufacturers are still on a path to achieving world-class quality and competitiveness, and the “Made in China” label on products does not always hold the same appeal with global consumers as products manufactured in more established economies in North America, Europe, and Asia.

Spiesshofer said that, with its co-development-obsessed culture devoted to improving customers’ technology specialization and business globalization, he’s confident that ABB is well-positioned to help Chinese manufacturers on their journey to produce world-class products, and in so doing, increase the appeal of the “Made in China” label.

In ARC’s view, strategic co-development partnerships between supplier and customer provides a win-win situation, with the customer benefiting from supplier solutions and services to become more competitive and the supplier expanding its business. These strategic partnerships can provide long-term stability, and suppliers can benefit from increased growth opportunities from their customer’s market expansion.

As one example, Shanghai International Port (Group) Co., Ltd. has won gold prizes for its automated bulk-cargo uploading and unloading systems at the 108th Paris International Invention Exhibition last year. ABB China delivered these two award-winning systems, including a full range of electric drive and control systems and other key equipment, along with full design and development technical support. Both parties realized significant benefit as a result of this successful co-development effort.

**Conclusion**

ARC believes this realignment makes ABB’s structure simpler, more efficient, and more market oriented. It creates significant opportunities for ABB to grow its automation business in China and elsewhere with a unique offering. ABB has 30 local companies in China and invested an average of $100 million a year here over the past six years.
Global companies like ABB clearly contribute to the Chinese economy, particularly in high-tech industries. Chinese manufacturers will surely benefit from ABB’s realigned automation structure; new product portfolio; proactive customer service model; integrated strategy of globalization, localization, and specialization; and co-development culture. However, ABB and other global automation suppliers still face challenges when it comes to reducing complexity for end users; providing measurable solutions for improved energy efficiency; increasing market penetration for new products; establishing a professional solution sales team for packaged solution selling; and evaluating the effectiveness of service delivery mechanisms.

ARC looks forward to following ABB’s progress in these and other areas and to seeing the results of the company’s long-anticipated move to increase its presence in the discrete manufacturing market.

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