

Ateliers Nord France (ANF)

By behaving fairly, the Canadian partner gained a large capital of goodwill.

Canadian operations ANF is part of the Bombardier group, which includes activities in railway equipment and airplane manufacturing.

French activities ANF is one of the three manufacturers in France of passenger rail wagons. The wagons of the Eurotunnel trains are in its order books. One-off projects make up 98% of its turnover.

In 1988 the industry went through a restructuring phase. It became obvious that to survive, ANF had to ally itself to a solid partner who would give the company financial backing as well as contribute to the operation. Moreover, its shareholder, the insurance group Axa, wished to concentrate on its core activities and divest from ANF. ANF's main competitor in France, Alsthom, had also sought to consolidate its position through partnership and had signed an agreement with General Electric Canada.

The Axa group sought a new partner for ANF and concluded that Bombardier would be the most suitable. Indeed, Bombardier was financially healthy and therefore could finance new developments. The two operations were also complementary and each party could bring valuable input to the alliance. Bombardier had sophisticated operational and financial control systems in the same industry in North America and ANF offered superior technological capabilities and a long presence on the French market. The latter was important in this business, which is heavily dependent on government contracts. Moreover, the proposed alliance provided economies of scale for both partners.

With a view to selling off ANF, a major rejuvenation program was undertaken. ANF made a large number of redundancies and renewed the management team, which had traditionally come from the same engineering school Polytechnique. Management was somewhat complacent as its clients in the French railway were old school mates. There was a belief that if ANF was losing money, the shareholder would always bail the company out and was somewhat obliged to do so given the strategic nature of the business: "*L'actionnaire fera son devoir.*" The culture was very product-driven, neglecting the financial and marketing aspects of the business. It would have been very difficult politically for a foreign owner to undertake such a radical program of redundancies and management change. The French state would have probably asked the new owner for guarantees regarding jobs. Even as a French company, ANF had to spend a lot of management time with the unions and the French government. Therefore, the *sale boulot* had to be done before selling the company.