

France's licentiate case study

Business



Since 2008, its stock price has fallen 26 percent on the European stock exchange and is down 31 percent on the Newark Stock Exchange. That is better than some competitors, such as France's Licentiate (down 33 percent) and General Electric (down 69 percent), and worse than others, such as IBM (up 8 percent) and the Swiss/Swedish conglomerate ABA (down 15 percent). Hough Lecher's restructuring efforts have generated far less controversy than Killdeer's, that doesn't mean they went over well with all constituents.

Of the 2008 job cuts, Manner Encourager, regional director for a union representing many Siemens employees, said, "The planned cuts are incomprehensible nor acceptable for the R. .. Our.

S, and in this extent, completely exaggerated!" When asked by a reporter whether the cuts would be controversial, Loaches retorted, "I couldn't care less how it's portrayed." He paused a moment, then added, "Maybe that's the wrong term. I do care." Questions 1. What do Killdeer's efforts at Siemens tell you about the difficulties of restructuring organizations? ' lat, 2. ' Why do you think Lecher's restructuring decisions -*.

. Have generated less controversy than did Killdeer's?

Than to There is perhaps no tougher task for an executive fug former Siemens a European organization' restructure CEO Klaus Kilned. Companies in the world' Although the company has long been respected for its engineering prowess, it's also derided for its sluggishness and Liechtenstein structure' So when Clientele took over as Siemens, writ. 7 billion euros in revenue in 2008, some is one 427, 000 employees, and branches in 190

countries, of the largest electronics CEO, he sought to restructure the company along the lines of hatchback Welch did at General Electric' He has tried to make the structure less bureaucratic so decisions are made more quickly. He spun off underperforming businesses' And he amplified the company's structure' Killdeer's efforts drew angry protests from employee groups, with constant picket lines outside his corporate offices.

One of the Challenges of transforming European organizations is the customary active participation of employees in executive decisions. Half the seats on the Siemens board of directors are allocated to labor representatives. Not surprisingly, the labor groups did not react positively to Killdeer's GE-like restructuring efforts' In his efforts to speed those efforts, labor groups alleged, Killdeer secretly bankrolled a business- friendly workers' group to try to undermine Germany's main industrial union.

Due to this and other allegations, Killdeer was forced out in June 2007 and replaced by Peter Loaches. Loaches has found the same tensions between inertia and the need for restructuring. Only a month after becoming CEO, Loaches was faced with a decision whether to spin off the firm's underperforming 10 billion-Euro auto parts unit, DID.

He had to weigh the forces for stability, which want to protect worker interests, against U. S. -style pressures for financial performance. One of the possible buyers is a U. S. Company, TRW, the controlling interest of which is held by Blackstone.