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Boss Talk

For Siemens CEO, the Goal Is Game, Set and Match

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Heinrich von Pierer, the 60-year-old chief executive officer of Germany's **Siemens** AG, is so fierce on the tennis court that such prominent opponents as German Chancellor Gerhard Schroeder have given up trying to beat him.



One story goes like this: During a game of doubles, the trim Mr. von Pierer was teamed up with a portly partner against Mr. Schroeder and another player. Frustrated at having fallen behind, Mr. von Pierer yelled at his teammate: "You have to hate your opponent!" before instructing him to simply stand still in a corner. Then Mr. von Pierer dashed back and forth across the court in a one-man show to take the set.

The contrast with Mr. von Pierer's image as CEO of the sprawling Siemens conglomerate couldn't be greater.

A tiger on the tennis court, in managing the electronics and electrical-engineering giant he is a staunch defender of Germany's managerial model, which eschews autocracy in favor of consensus among bosses and workers. Analysts have criticized him for not being as tough as his U.S. counterpart, **General Electric** Co.'s Jack Welch, but Mr. von Pierer insists that in Germany, and Europe, brass-knuckle tactics won't get you far.

Indeed, Mr. von Pierer has something to show for his style. Although he has restructured the company during his eight years as CEO and shed more than 70,000 jobs from a German work force that now stands at around 180,000, the employees have never once launched a strike in protest. Siemens is to be listed on the New York Stock Exchange next month.

In a recent interview in Berlin, Mr. von Pierer talked about management, tennis and the German economic model. Here are some excerpts:

WSJ: What excites you about tennis?

von Pierer: First of all, every sport is about the fighting spirit, about winning as much as possible and to lose as seldom as possible. You have to learn how to win and lose. Yes, you even have to learn how to win, how not to become arrogant because concealed within each victory is the seed for the next defeat if you make a mistake. That's why one shouldn't get so terribly upset about losing, but rather shake it off and get back down to business.

In tennis, you are on your own and it's important to prepare yourself well. Perhaps I play well because I'm always well prepared. Secondly, you have to be able to judge your opponent. I can tell after warming up for a few minutes

where his weaknesses are, where his strengths are. And I know, of course, my own strengths and weaknesses and can adjust my game. And it's also about pursuing the right strategy. And in contrast to soccer, where you can be sure that it's over if five minutes before the end of the game you're behind 3-0, in tennis you still have a chance right up to the last ball. You have the chance to completely turn the game around.

WSJ: Deciding to take control of the game against Chancellor Schroeder also was a kind of management decision, no?

von Pierer: That was a crisis! And then I said, 'Stop being so friendly to your opponent. You have to hate your opponent for awhile!'

WSJ: What's the lesson for management?

von Pierer: You have to be a little aggressive sometimes and change your tactics. There's no point of playing the same ball over and over if you are literally running into a tennis wall. Then you have to say, 'Now is the time for change.'

WSJ: How would you compare your management philosophy for Siemens with that on the tennis court?

von Pierer: ... you can draw a lot of parallels. You have to demonstrate a certain mix of aggression and accommodation. In tennis, you'd say defensive. A sport can't only be made up of offense; you can do both and get to know your opponent better. And never underestimate him. That's something I learned in my days of playing tennis, that I've had to suffer bitter defeats because I underestimated my opponent. That doesn't happen to me anymore.

WSJ: If there's a benchmark manager in your industry, then it's Jack Welch. How do you feel about that?

von Pierer: No one should be the benchmark 100%. But I have to say that we have taken a lot from GE, from Jack Welch. And it wasn't so easy in a company like Siemens to tell people to look around and see what we can learn from others. One example is benchmarking. Today it's a part of our corporate culture.

Jack Welch visits every division twice a year and speaks to them for a whole day about management development. I do that, too. ... [in one area] we launched an initiative that goes beyond GE. I've never heard Jack Welch talk about innovation. We spend a lot more money for innovation, on research and development. And then globalization. The great advantage of an American company is the large domestic market. I'd like to tell you that our home market is Europe, but we know it's not that easy. There's a big difference if I have a big integrated U.S. market or a fragmented European market.

WSJ: But you also say that you can't become a 'Neutron Heinrich'?

von Pierer: No, we have to do everything in the context of our European culture. If I had the nickname 'Neutron Heinrich' ... You know how the name evolved? Go through the factory like a neutron bomb, the walls remain standing and the people are gone. Well, with that nickname I wouldn't get very far here. I talk to the people about shareholder value and tell the people how important it is.

WSJ: How has managing Siemens changed over the years?



Heinrich von Pierer

von Pierer: The pressure from the capital markets is enormous. My predecessor was a magnificent man, but I don't think he knew the share price every day. The first thing we talked about when I came in this morning was the share price. Now in all of the big factory halls the first thing you see on the way in is the share price. The biggest changes are the significant influence of the capital markets and speed of decision-making.

WSJ: What aspects of the American business model would you say aren't worth adopting?

von Pierer: The way one deals with people. One example is the German co-determination. Today I met with 30 representatives of works councils from all the operations in Berlin. In the Anglo-Saxon world that always sounds so nice. But today the discussion focused on large drives, which we are restructuring. That has massive consequences. The works-council representative came and said, 'We've taken a look at the master plan and we have suggestions from our plant, which is where our know-how lies, about where we could develop new business.' That's great. That's also part of co-determination, that the people come with their own suggestions. Whether it's feasible, I can't say now. You have to understand, you come into a German board meeting and there you have 10 capitalists and 10 labor representatives. That demands different behavior.

WSJ: What kind of behavior? What's different?

von Pierer: That you talk to the people; that you include them; that we make decisions dependent on a broader consensus.

WSJ: What's the significance of Siemens being listed on the New York Stock Exchange?

von Pierer: We'll probably get a few more American shareholders, though now 10% of our shareholders are American. And I expect that the issue 'acquisition currency' will play a role. But regardless of these things, I think that a global company like Siemens has to report its balance sheet according to U.S. GAAP [generally accepted accounting principles] because of investors who want us to be comparable with others. We have to accept that we have to do things the way they want. And that means that a company like Siemens, the most global in Germany if not the world, that we play according to the rules of the global market, that we list in the U.S.

In the U.S. I'm very happy with business volume. We're coming close to \$25 billion and more than 90,000 people. We are a real American company. The one thing that is different in America is that we're not profitable enough.

WSJ: Is it a problem to manage a global company like Siemens when the management board is primarily made up of Germans?

von Pierer: First of all you have to see the top Siemens 100. That consists of the management of the business divisions and the regional companies. And today, at this level, we have hardly any Germans. In the U.S. you'll find few Germans, nor in Spain, France or Latin America. There are locals everywhere. And these people play a significant role in our top leadership. We have sufficient global input in the company to assure that the German influence isn't overbearing.

WSJ: Two years ago, investors were calling for your head. What did that feel like?

von Pierer: Oh, it wasn't quite that bad. It was more like 'If things don't get better soon, then ...' And it was at a time when I could see clearly that we had a more positive perspective. What I advise people in a crisis situation: Stay cool; for God's sake don't get swept up by any kind of nervousness. And in such a situation clear leadership is required and we reacted accordingly; introduced our 10-point plan. [As in tennis,] sometimes you just have to show clear leadership.

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