



AN INTERVIEW WITH UWE T. SCHMIDT, MEMBER OF THE MANAGEMENT BOARD OF MF AND CEO OF MF INCORPORATED

## “Bigger is better”

Uwe T. Schmidt is not only a business leader but also a visionary. He has been the CEO of MAN Ferrostaal Incorporated in the US and MAN Ferrostaal in Canada since 2001. Since 1995, Mr. Schmidt has maintained commercial relationships with MAN Ferrostaal as a supplier, customer and strategic alliance partner. The North American market has enormous potential – even outside of the steel industry – and his objective is to transform MAN from a relatively unknown company to a highly-recognized brand in all of its core markets.

**What was the situation at MAN Ferrostaal Incorporated when you started here five years ago?**

When I came to MAN Ferrostaal Incorporated, the company had just achieved a milestone with record North American sales of 585 million USD. My objective was to expand the steel business and increase our sales to over a billion dollars. Since the company is called MAN Ferrostaal Incorporated, with a brief to represent all group activities and product lines, not just steel trading, we set out to accomplish that task. We have put measures in place over the last few years to achieve our goal, and we reached our one billion dollar sales target in North America in less than three years.

**This means that MAN Ferrostaal will now have a new strategic direction in the USA. What are your plans here?**

We want to grow MAN Ferrostaal in North America based on the same principles as the MAN Ferrostaal corporate office in Essen. We will set up two divisions, along with corresponding business units, then establish and utilize the same organizational structures, processes and systems. In short, we will transfer the organizational structure and values of MAN Ferrostaal to North America.

**That will certainly be a long process. Are there any actual non-steel activities already taking place?**

We are in the process of establishing a significant foothold in three industries: renewables, automotive and defence. I see great potential in all of these areas. For instance, no country is hungrier for energy than the US, and no country is as dependent on it. This will not change in the short term. That means there will be a demand for renewables, such as bio fuels, bioethanol, solar and diesel power plants. MAN Ferrostaal and its partners can offer a whole platform of solutions in this field. Since the US automotive industry finds itself in the middle of a crisis, there is a huge demand for sequencing, kitting, and pre-assembly. Also, America spends more money on defence than any other country, so I see huge market opportunities for our group in this area as well.

**The US is certainly an interesting market for many companies and, unlike many of our core markets, it is not in the early stages of development. Why do you think that we have a chance there?**

The common denominator is the same here as in all of our other markets: a focus on specific needs within niche markets. We have excellent core skills and can call on a network of partners who are technological leaders. We also have good contacts in the North American financial world and with political decision-makers. In addition, the North American MAN House will consolidate the

Group's core skills, expertise and products under one roof. This close collaboration within our companies offers enormous potential that can be exploited.

**Before we talk about the MAN House North America... do you already have actual operational contracts or is this still at the theoretical stage?** We are at the beginning of this process and have a long road ahead of us. I am sure that we will have to do a great deal of work to bring all members of our staff on board, while still accomplishing our normal project work, if we want to generate new business in North America.

**“We have to build a strong, shared, highly-recognized brand.”**

At the moment we are working on a number of exceptionally promising projects in all three core areas, and we are placing particular emphasis on our collaboration with Renk, a top-quality manufacturer of specialty gears, propulsion technology components and test systems. Partnering with Renk, we are in the process of placing orders for gears and drive systems, totalling 380 million USD, to the US Navy and Coast Guard over the next few years. In the energy sector, we are working on a number of promising projects focusing specifically on biodiesel and bioethanol. Indeed, our pipeline is full, with projects worth more than 650 million USD under negotiation. This means that we have to establish financing systems and methods with our colleagues in Essen so we can make these projects a reality.

At the same time, we are formulating our automotive strategy, which I believe shows great promise. The tremendous losses incurred by the automotive industry in the US clearly illustrate the need for better systems and processes. Furthermore, some of these companies, such as Ford and GM, have been some of our best customers in the European automotive sector for many years. Many of their managers who are now working in the US have come from Europe, or have been working in Europe for some time. We will provide these North American companies with tailored services that will promote their competitiveness in the same way as we have already accomplished in Europe.

**And in the steel sector? What are your plans there?**

We have set up a new company, Ferrostaal Metals Group Incorporated, to meet the changing needs in the steel sector. It will be managed from the US and operate across the globe. This 2 billion-dollar company is currently achieving earnings before interest and tax (EBIT) of 40 million USD. Our objective is to lead the industry consolidation, targeting companies, such as MAN Ferrostaal, who no longer view steel trading, distribution and marketing as their core business. In doing so, our aim is to create one of the leading independent steel marketing and supply chain management groups in the world. The fact that we are independent is a very important factor here. Although we will have a minority interest in this company, our profit share will be larger than it is today as the overall company reaches our medium-term sales target of five billion USD.

**And so there is going to be a MAN House North America. We know about the MAN Ferrostaal strategy for internationalisation, but why do you think that it is necessary in North America?**

For the US market, it is absolutely essential. Up to now, we have never had a truly unified front or common purpose. Each of our subgroups in the US, considered individually, is relatively small. When we join forces, that new entity will be stronger than the sum of its parts. As a result, the MAN House will create a stronger brand and be a more powerful force in our marketplace. This is especially true in the North American market, where bigger is definitely considered to be better. We have to build a strong and common brand under one corporate umbrella. And most of all, we want our most valuable and treasured resource, our employees, to take great pride in their work as part of the MAN House.

In order to be a true global player, MAN must be a real force in the single largest market in the world, the US. Furthermore: about 50 percent of all MAN shares are held by British and American investors and the majority of these are North American. Strong branding and success in North America will help us to keep our share price high.

**“We are looking for the win-win situation, in which we will share rapidly emerging savings and profits.”**

**How are you going to convince the other subgroups of this joint approach?**

We intend to clearly demonstrate the advantages. Concentrating our activities will create synergies and cost savings, such as the need for only one finance and personnel department, shared office space, and so forth. If we maximize our resources and eliminate redundancies, we will automatically come closer together and jointly identify new opportunities as a unit. In terms of size, critical mass is also important when dealing with customers, suppliers, banks and other partners. Ultimately, it's the success of our consolidated market approach that will persuade our shareholders, suppliers, employees and customers. We are looking for the win-win situation, in which we will share rapidly emerging savings and profits.

**What role will MAN Ferrostaal play in all of this?**

MAN Ferrostaal has excellent contacts in North America and can provide inroads for the subgroups. Our business is becoming increasingly project-driven across the globe, and this is also the case in America. We would like to make our skills and expertise in project development and management available to the other subgroups. Although MAN Ferrostaal has the global lead, we envision a team approach with our North American colleagues in which we provide industrial services as a partner with subgroups. We do not seek to take over their core businesses, but look to work with them to generate new incremental activities. One example of this is MAN Diesel. We don't want to sell engines for MAN Diesel – our colleagues at MAN Diesel can do that much better than we can. However, we would like to develop co-generation energy opportunities in partnership with MAN Diesel. To make this work, it is advantageous to offer customers a complete turnkey solution. This is where our project development and management skills become vitally important. There is a similar situation with MAN TURBO, with discussions already taking place on a local level in the US. Our goal is to make MAN a highly-recognized brand in North America. In the long term, we have to achieve as strong a position as other German companies. This can be achieved once the MAN subgroups unite under one roof. ■