

NAME AND SURNAME

Carlos Poñe

COMPANY NAME

ABB Holdings (Pty) Ltd

BUSINESS TITLE

Chief executive officer

JOB DESCRIPTION

Runs group operations in South Africa and 15 other countries in sub-Saharan Africa

AGE

49

YEARS OF EXPERIENCE

18

ACADEMIC QUALIFICATIONS

M.Sc (Mechanical Engineering) from the University of Mozambique and B.Sc (Hons) in operational management, University of Pretoria

FIRST JOB

High school teacher lecturing maths, to help pay for his studies

BEST MANAGEMENT DECISION

Acquiring Reyroll Switchgear and Power Engineers four years ago, a business that has generated 25% growth a year since then

WORST MANAGEMENT DECISION

An acquisition of a business that came with an unfathomable business plan

TOUGHEST DECISION

Facilitating the departure of an old school friend

TIME-OUT ACTIVITIES

Even when on one of his frequent overseas trips, Poñe makes sure he's back by the weekend to spend time with his family

FAVOURITE TOY

His classic Porsche

FAMILY SITUATION

Married for 26 years, with two sons

RETIREMENT DESTINATION

Ballito, or any place along the North Coast of KwaZulu-Natal



Open, inclusive and participative

 EAMONN RYAN

MANAGEMENT STYLE AND QUALITIES

As a South African, CEO Carlos Poñe is the first indigenous head of ABB South Africa. He has invested his considerable energy in picking and mentoring an executive team that he rates as one of the best in the industry.

The team has been stable since inception in 1998, expanding its leadership capability and experience every year, and

providing the strategic vision the company needs in its highly competitive market.

Human resources manager Rene de Klerk is responsible for implementing a formal performance management system in the company and putting structures in place for succession planning and employment equity.

Financial director Jose da Matta has implemented tight controls and improved cash-flow management in line with the growth in the company.

Derek Jones, manager of Powertech, the medium-voltage switchgear business, was instrumental in the acquisition and

DOWN THE LINE

Carlos Poñe and his team take a top-down approach to company vision and strategy, and a bottom-up approach to operational decisions – a formula that has turned out to be remarkably successful. *From left to right:*

COMPANY PROFILE

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5 Eglin Street
Sunninghill 2157

POSTAL ADDRESS

Private Bag X37
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TYPE OF BUSINESS

Power and automation technology

COMPETITIVE BUSINESS ENVIRONMENT

ABB has succeeded in its objective of becoming first or second in each of its markets – a remarkable achievement for a company that was a relatively minor player when it entered the local market in 1992 after economic sanctions were lifted against South Africa.

ABB employs more than 2 000 people in power transmission and distribution, automation, low-voltage products, and service. It is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact.

Despite a comparatively short 12-year history in its present form, it has experienced a fifteen-fold increase in revenues, an eight-fold increase in South Africans employed and an equally strong improvement in productivity.

'The company's growth has matched its success in differentiating itself from the competition by establishing close relations with customers, building a strong brand and concentrating on the quality of its products,' says Poñe.

integration of highly successful Reyroll Switchgear and Power Engineers, which expanded the business threefold to more than R300 million a year.

Per Wanland, manager of the low-voltage product business, was responsible for expanding this business by focusing on the customer, segmentation, production quality and branding.

Since his appointment in 1998, Poñe and his executive team have developed a management culture that devolves the decision-making process to line management as far as possible. 'Our success formula is to use a top-down approach as far as the company vision and strategy are concerned, and a bottom-up approach as far as operational decisions are concerned,' explains Poñe.

Once a manager is appointed and mentored for a while, they are left to get on with it.

'This policy of empowerment has filtered down from the executive layer to general management,' says Poñe. 'I used to visit each sub-Saharan country where we have companies six or seven times a year, but each manager is now fully and transparently accountable for his business to the extent that one visit a year suffices.'

'We have a multicultural, sustainable approach which is replicable anywhere in the world.'

Remote supervision is facilitated by systems that include the annual budget process, a monthly report-back on performance and each manager being measured against key performance indicators.

Meanwhile, Poñe has developed an intuitive sense of any developing problem areas, and usually pre-empts them.

Poñe has an open style of management, which is inclusive and participative, but he does not hesitate to take tough decisions when they need to be made.

In both South Africa and sub-Saharan Africa, its major competitors are Siemens, Alstom, Schneider from Europe; General Electric, Honeywell and Rockwell from the US; and Mitsubishi, Yokogawa and LG from Asia.

The strong rand has attracted other competitors from China, India and South America.

Most of ABB's markets are mature, making it all the more remarkable that it has managed to increase its market share so dramatically.

The US\$45 billion 1988 merger of Asea and Brown Boveri, which established ABB globally, was the largest single corporate merger ever undertaken at that time, and a forerunner to the cross-border mega-mergers that now dominate the corporate landscapes of Europe and North America.

ABB has been involved in an ongoing transformation exercise ever since that merger. Over the past five years it has divested from power generation and transportation and has focused on lighter, knowledge-based activities.

Its multinational network is key to ABB's competitive advantage. 'In our industry globally, research and development into new products is crucial. This has become an issue of survival for some local companies that cannot tap into new products and technologies. Our international network provides us with new products and new concepts in management free of charge, as well as a dynamic network of more than

The executive team may be stable and experienced, but the second tier is young and new. All have been appointed from within, and each one is being groomed for future leadership positions within the company.

One of the accomplishments of the company is that each person in the top three management tiers has a succession plan in place, with someone being mentored as a replacement. Six years ago, Poñe had not even identified a successor for himself.

REASONS FOR EXCELLENCE

The international company was plunged into a crisis two years ago when its share price plummeted on the Zurich, Stockholm, Frankfurt and New York stock exchanges, because investors had lost confidence in the company. What prompted this was the high level of debt the company accumulated following a long period of corporate expansion. The company was highly leveraged at an inopportune time, as the world economy began contracting during 2001 and thereafter. At the same time, asbestos claims totalling some US\$1 billion were lodged against its US subsidiary, Combustion Engineering (CE). Subsequently, a proposed settlement, involving CE, which made industrial boilers insulated with asbestos widely used for fireproofing and insulation until the 1970s, has been approved by a US court. An appeal period is before the US Court of Appeal. ABB remains confident that the settlement plan will be approved.

To prevent the crisis from spreading to the South African operation, Poñe calmed local stakeholders by personally visiting each of the company's clients and reassuring all staff.

Poñe was able to deal with the issue effectively because the strong executive team structure leaves him free to look after global issues and strategy, and has enabled him to evolve into a problem-solving tactician.

As a result of his actions, ABB South Africa's growth has continued unabated, with revenue more than doubling during

100 countries into which we can export,' says Poñe.

This technological edge and global network has resulted in ABB winning significant tenders for major projects in southern Africa and further afield.

ABB's current focus is on industrial automation, involving processes, communication, monitoring and control functions, and the South African business has focused on the metals, pulp and paper, and the oil, gas and petroleum sectors.

As a manufacturer of electrical equipment, ABB has increasingly focused on exports. Their contribution to revenue expanded to 28% two years ago, but with the strength of the rand the proportion of exports has dropped back to 10%.

LOCAL AND INTERNATIONAL CHALLENGES

Internationally, ABB has surmounted its financial difficulties, restructured its balance sheet and emerged as strong as ever.

It is now focusing on two core divisions: automation and power technologies. But the challenge is to keep up with technology and retain talent, as well as to manage the fluctuations of the rand while finding the right balance between imports and local added value.

The reality for export-focused businesses like ABB is that for 20 years they have benefited from

the past five years, from R1 billion in 1998 to R2,2 billion in 2003 and profitability increasing sevenfold.

'Off the same cost base, we doubled production. We made a strategic decision to become the number one or two company in each of those parts of our business we see as offering the most growth potential.'

LOOKING FORWARD

ABB's success comes from doing the basics right. Poñe describes the three guiding principles of the company as responsibility, respect and determination.

These may sound like buzzwords that populate many company mission statements, but in fact they permeate the organisation, he says.

'Each manager and employee lives by these principles. Everyone has some responsibility within their own space, has respect for one another and the determination to carry on. 'Whatever we do builds on our core strengths.'

Poñe says ABB is renowned for its technology and has a great tradition of innovation. To meet customer needs, the company has developed a pioneering spirit and produced a number of products that are 'world firsts'.

ABB spends about 8% of its total revenue on research and development – a percentage that matches the proportion of revenues spent by pharmaceutical and information technology companies.

'Another core strength is our global network: we are at home anywhere in the world. We have a multicultural, sustainable approach which is replicable anywhere.'

All South African companies face the challenge of accommodating broad-based black economic empowerment (BEE), and in this regard ABB has out-scored its multinational rivals.

It is one of the few multinationals that has sold a direct stake to a black empowerment partner: it sold 20% of the local holding company to Wiphold, a financial services company owned and run by black women.

a depreciating rand and are now having to face up to running their business in a leaner, more efficient manner. This is only possible in an environment where the exchange rate is at least stable.

ABB South Africa has been rewarded for its success, with some of its global research and development (R&D) being conducted in this country for the first time.

But this brings added pressure: 'We need to sustain the volumes at their current levels, because if we don't have enough business locally, this R&D will go elsewhere in the ABB global network,' says Poñe.

Possibly the greatest challenge facing not just ABB but the entire engineering profession is how to address the question of employment equity. Companies such as ABB have to identify talent early and guide people through high school and university to ensure that they have the requisite skills to be engineers. The company is taking active steps to drive its employment equity targets.

Says Poñe: 'Top black engineers today are a valuable commodity and there are firms that desperately need them and are prepared to pay an exceptional premium for them. We can do more to create a pool of black engineers that can be drawn into management within the next few years. It's a crucial issue for us.'

In another social investment project ABB funds Lungisa, a project that trains unemployed and disabled people by giving them the technical and business training they need to open their own businesses for simple repairs of household appliances.