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## **FROM BOSCH SUBSIDIARY TO MIDDLE MARKET COMPANY : HOW BOSCH REXROTH FLUIDTECH BECAME AVENTICS**

by

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### **Overview**

The Compagnie parisienne d'outillage à air comprimé (CPOAC) was established in Paris in 1947 and a factory was built in the Haute-Savoie *département* in 1961. It was bought by Bosch in 1984 and became known as Bosch Rexroth Fluidtech in 2003. The company designs and produces pneumatic valves, pneumatic and hydraulic cylinders, as well as providing solutions for customers in three key areas ; the food-processing industry, the automotive industry and heavy industry. In 2011, Bosch decided that this activity was no longer strategic and decided to sell the company. The subsidiary's management started the complex job of 'extracting' this company from a Group whose activities were very closely intertwined. Above all, they had to put the past behind them and think of a new direction for their company apart from Bosch. In order to compensate for the loss of certain functions which had previously been provided by the Bosch Group, the new company, Aventics, created partnerships with other firms in its geographical area who were part of the Mont-Blanc Industries competitiveness cluster and whose president is also Étienne Piot.

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## TALK : Étienne Piot

I graduated in business from the Rouen École supérieure de commerce business school. I started my career in marketing, firstly in a company which built concrete pumps, then at Jeumont Schneider in the telecommunications department. When this branch was sold to Bosch, I joined the Bosch Group.

I then moved from marketing to management control which was more in line with my initial training. I was the very first non-German manager in charge of management control in the diesel injection division in Germany. Later on, I was part of the general management board for Group management control which was also in charge of mergers and acquisitions.

Bosch then sent me to France to manage a subsidiary in Bonneville in the Haute-Savoie *département* which manufactured pneumatic products and components. This position was initially supposed to last four years, but it was extended several times, and I have now been in this job for eighteen years.

### History

In 1947, at a time when the Group was in the throes of reconstruction, the Compagnie générale d'électricité and the Empain-Schneider Group together created the Compagnie parisienne d'outillage à air comprimé (CPOAC). In the early days, the site was in Bezons in the Val d'Oise *département*, but soon the company found that there was not enough space in these premises. The company, benefitting from General de Gaulle's grand decentralisation programme launched at the beginning of the 1960s, decided to move to a 4,000 square metre factory in Bonneville, which enabled the company to get closer to the traditional geographical area for metal cutting and the suppliers it needed.

When Mitterrand came to power in 1981, he started a nationalisation programme which targeted one of the two shareholders of the company, the Compagnie générale d'électricité (which today is called Alcatel-Lucent). This company was concentrating on its electricity and telecommunications activities and, as a result, there was not really a place in this new strategy for the CPOAC. At the time, CPOAC's other shareholder, Empain-Schneider, was preoccupied with the bankruptcy of another company which it owned, Creusot-Loire. Consequently, the CPOAC was put up for sale and Bosch bought it in 1984. Whereas the CPOAC was originally an all-round company whose turnover was mainly generated in France, Bosch made it into a specialised company capable of conducting business on a global scale.

In 2001, when the Mannesmann Group started breaking up, Bosch bought the company Mannesmann Rexroth and merged it with its own automation activities under the name Bosch Rexroth Fluidtech.

In 2011, having tried in vain to bolster the pneumatic activity through external growth, the Bosch Group announced that this activity was no longer strategic and that it intended to sell it off. Bosch signed a preliminary sales agreement in October 2013 with the German/Scandinavian investment fund, Triton. On January 31st, 2013 at midnight, Bosch Rexroth Fluidtech formally became the property of Triton and a few months later was called Aventics.

### A time to grieve

In July 2011, when I heard about Bosch's decision to sell Bosch Rexroth Fluidtech, at first I could not believe it. I had worked for Bosch for more than twenty-five years and I respected the company greatly. In just a few months, I went through the various stages of grief described by the psychiatrist Elisabeth Kübler-Ross which include shock, denial, anger, depression, sadness, acceptance, forgiveness, the search for meaning, renewal, and restored serenity.

In the end, I was convinced that there was a future for pneumatic technology ; that this future would undoubtedly be better without the Bosch Group as an independent unit, and that the only way to preserve the jobs of the employees in Bonneville would be for me to stay in charge.

### **Undoing the puzzle**

Removing the pneumatic activity from the Bosch Group and outsourcing it presented challenging technical difficulties.

The Group's activities, which were organised in order to use all possible synergies, are closely interwoven. Sales activities, for example, are organised by country, and the pneumatic activity did not have a specific sales network. We had to 'extract' the sales staff who were in charge of pneumatic materials of each of the sales companies in the different countries where Bosch was present. The same was true for the purchasing and IT activities. Sorting all of this out in an extremely detailed manner took a great deal of time.

### **Managing the unknown**

The greatest difficulty was managing the changes and the transition because no-one knew in advance where we were heading. Today it is easy to go back over what took place, but at that time we did not know what was going to happen.

My main preoccupation was how to motivate the teams and, using a maritime analogy, to avoid the boat pitching and throwing people overboard despite the fact that I too was trying to find my way. I had to listen to employees' doubts and inspire them with confidence.

The first stage involved shaping my own convictions. Once I had done this, I made it my job to share my vision with the other members of the company.

To do this, I communicated in an intense, proactive and transparent way with the members of the management board, the staff representatives and the employees. Over two years during numerous meetings which were sometimes very long, I explained to them where we were in the process, and what was going to take place. Often, I only had partial information and I could not answer all their questions. Sometimes I told them that I did not know, but in my opinion this was what was going to happen. I thought it was better to make personal remarks rather than to say nothing at all. I tried to be as honest and sincere as I could.

Another important element was the fact that, from the very beginning, I said that I was going to remain in my present position, and that even though I liked working for Bosch, if the company was going to leave the Bosch Group then I would stay with my employees. I could not imagine jumping ship when the situation started to get difficult.

The trust we had managed to create played a major role in the success of the transition. All of the subjects we had discussed with the management board, such as reintegrating the sales managers in charge of pneumatic products, were favourably received by the trade unions. Between July 2011 and today, there was no social movement nor a strike. The current staff turnover is 0.8 % which is very small in a geographical area as industrialised as ours.

The last stage consisted of choosing a new name for the company. We could not use the Bosch name any more, and we were only allowed to use the Rexroth name for more than one year after we had left the Group. We started thinking about it last Spring. In the end, the name 'Aventics' was chosen.

At the present time, the Aventics Group includes five industrial subsidiaries located in Germany, Hungary, the United States, China and France, and sells its products in forty countries. The Aventics Group employs a total of 2,100 people and has a turnover of 400 million Euros. The company's headquarters are in Hanover, Germany. Aventics is

managed by a board of directors consisting of three people : a managing director (who is also the sales and marketing manager) ; an R&D (research and development) director ; and a financial director.

### **Aventics France**

The French subsidiary employs 370 people and has a turnover of 70 million Euros. It has four premises : the industrial site in Bonneville and three sales establishments.

#### *Three large markets*

The component products manufactured on the Bonneville site weigh between 0.01 grams and more than 100 kilograms, with series ranging from 1 to 300,000 copies. These products are destined for three large markets : the food-processing industry (with components used in bottling machines) ; the railway industry ; and heavy industry, in particular aluminium production which requires special pneumatic cylinders.

#### *Priority for R&D*

The current tendency in the pneumatic sector is for increasingly advanced miniaturisation, and products which consume less energy, are less costly, work faster, are more resistant and include mechanical, electronic and IT possibilities. The dimensions of components means that sizes can be reduced, that products can be manufactured with machines which themselves are smaller, and that one can use these components in moving parts in motion, such as robot arms. Integrated electronics make it possible to communicate with these components via the new Ethernet protocols and to configure them on line.

All our components are designed at Bonneville. We invest 8 % of our turnover in R&D where 13 % of our staff work. We have just launched a new generation of valves which are 45 % more compact than the average valves which can be found on the world market, and 65 % more economical in terms of energy. The casts of our valves are made from injected plastic using a technology in which we have become experts.

#### *A training centre*

On our Bonneville site we have created a training centre for our technologies (power technologies and their pneumatic and hydraulic applications) and for 'Lean manufacturing' and 'Lean management' which are methods which we have been using in the company for about ten years. Prior to 2004, our machines were grouped according to their technology (milling and lathing, etc.) or by their usage. We have reorganised them according to five value product streams which begin with raw materials or components and end at the final control stage. All of these streams are dependent on customer orders.

#### *The B-to-B-to-C*

We have devised a corporate vision entitled 'Ambition 2020' which aims to strengthen our customer relations by taking into account not only our clients' expectations but also those of the clients of our clients, in other words progressing from B-to-B to B-to-B-to-C. Instead of merely concentrating on the requirements of a client who manufactures bottling machines, for example, we are focussing on the needs of the user of these machines.

### **The Mont-Blanc Industries competitiveness cluster**

Aventics France is part of the Fédération des Industries Mécaniques through its link with the professional trade union, Artema. It has partnerships with the University of Savoie and the Annecy-Chambéry Polytech engineering school. It is also a member of the Mont-Blanc Industries competitiveness cluster which I helped to start and of which I have been the president since 2009.

### *A cluster made up of SMEs and very small businesses*

The Mont-Blanc Industries competitiveness cluster has more than 310 members, 59 % of which are very small businesses, 32 % SMEs and 9 % large companies. In total, the companies in the cluster employ 25,000 people and have a combined turnover of 5 billion Euros, approximately 60 % of which is generated abroad.

### *Six areas of organisational innovation*

The six areas of organisational innovation of the cluster include group performance, industrial performance, human resources, economic intelligence, the socio-economic environment and international performance. These six areas cover one hundred and ten activities or projects. In terms of economic intelligence, for example, we have set up a monitoring system, and we offer our members a general subscription as well as specialised additional support depending on their specific requirements and activities.

### *Organisational innovation of companies*

In the beginning, the competitiveness clusters concentrated on technological innovation. In Mont-Blanc Industries, we encourage innovation in all areas and notably in company organisation which is particularly important for SMEs and very small businesses.

For example, we have created a consortium of companies in order to pool the services which an SME with fifty employees generally cannot afford, in particular the management of human resources, quality control, purchasing, methods, and so on. We have also put together three groups of companies who want to develop joint commercial and marketing strategies ; one is in the aeronautical industry, another in the car industry, and the last one in the medical sector. The car group company is in the process of setting up several metal cutting companies in North America. Four companies in the aeronautical group, whose turnovers range from 3 to 10 million Euros, have decided to create an Economic Interest Grouping in order to have a greater presence in the market for clients such as Airbus and Zodiac. This approach has been successful : a group of fifteen Zodiac buyers came to meet them recently.

### *Creation of an investment fund*

With help from local banks (including the Crédit Agricole des Savoie and the Banque Populaire), the cluster accumulated an investment fund worth 30 million Euros which was named Arve Industries Capital. The aim is to finance the development of companies through internal or external growth in order to make it easier for SMEs and middle market companies to emerge and develop and be successful.

### *The 'Mont-Blanc Excellence Industries' label*

Finally, we created the 'Mont-Blanc Excellence Industries' label with two aims in mind.

The first aim is the continued improvement of companies in the cluster. The label organises 360-degree feedback audits, carried out by professionals, which focus on company strategy, industrial policy, sales policy, and so on. At the end of the audit, a plan of action is agreed upon by the company and the competitiveness cluster ; this is intended to last two years which is the length of the validity of the Mont-Blanc Excellence Industries label. We strongly believe in this approach which firmly encourages companies to build a strategy based on a robust assessment.

The second aim of the label is to enhance the reputation and promotion of companies in the region in order to encourage potential clients to choose them. To this day, 33 companies have been given a label, and there are 39 more which are in the process of being granted a label.

## *The positive effects of the cluster*

Directors of SMEs and very small businesses tend to be very individualistic. One of the positive effects of the competitiveness cluster is to teach them to work together. Fifteen years ago, metal-cutting operators did not talk to each other and even avoided each other. They even used binoculars to check how many lorries were entering and leaving their rivals' premises. Since the cluster was created, they have got used to meeting and getting to know each other. They have started to understand that their neighbour is not necessarily their most dangerous rival and that it is possible to work together.

The 2008-2009 economic crisis also played an important role in this change. Companies literally saw the floor give way under their feet. My company lost 45 % of its turnover and others lost 50 or 60 %. This brought a number of company managers together. Of course, nothing is straightforward, but they realise that companies which group together often manage to emerge as leaders in their sector.

## **DISCUSSION**

### **What are the results ?**

**Question :** *What has been the result of this operation for your company ?*

**Étienne Piot :** Aventics has not yet completed its first full financial year, but the turnover is increasing compared to 2013. The company has also become more profitable, partly because we have got rid of a certain number of constraints and tasks which were more or less voluntary imposed on us by the Group...

**Q. :** *What about Bosch ? Is the Group satisfied with this operation or does it regret it ?*

**É. P. :** I hope that it regrets it but I really do not know.

**Guy Maugis** (president of Bosch France) : *It is a bit too early to say. When a group sells its subsidiary which is losing money, the effect is immediate. This is not the case here where Bosch's pneumatic activity was at break-even point.*

*Bosch took a strategic decision based on the conviction that pneumatic orders would dry up over the next ten years, and that they would be replaced by electric orders. Not everyone agrees with this analysis. If pneumatics perform as predicted and manage to reduce the response time with lower costs and an efficient control centre, then we will be able to say that Bosch was wrong. But we will only know this with the passage of time.*

*Having said that, some people already think that it is a shame that Bosch took this decision despite the fact that for some years the Group had equipped itself with the entire range of automation solutions. Today, when Bosch offers clients a solution, its sales and marketing staff have to direct their customers to products manufactured by other companies.*

### **A new corporate culture ?**

**Q. :** *Do you want to preserve the Bosch culture or create a completely new culture ?*

**É. P. :** I was completely happy with the Bosch culture and so I am trying to keep it alive. During the economic crisis in 2008, I particularly appreciated management's decision to keep the company's *savoir faire* and thereby not make any redundancies. We have applied this policy to the situation at Bonneville, and instead of making employees partially unemployed, we have designed a very detailed training programme so that they can sit the professional qualification for the metallurgy examination (*Certificat de qualification paritaire de la métallurgie*). For some people, it was the first degree they had ever obtained.

**Q. :** *Is the Bosch culture compatible with the direction which your new shareholder wants to take ?*

**É. P. :** For the time being, I cannot see any major problem.

**Q. :** *Do you conduct your relationships with staff representatives in the same way as you did at Bosch ?*

**É. P. :** We are in France and we apply the French model, not the German model of joint management. Having said that, we should put the clichés into perspective. We have not had a single strike here, whereas in the company's headquarters in Hanover, there have been several walk-outs with protests in the factory courtyard.

### **Communication with the employees**

**Q. :** *If there were ever any intention to sell a business, company executives are bound by the Hamon Law to warn their employees about this so that they can potentially buy the company. Most people are very much against this new law. Your experience suggests that we have everything to gain by informing the employees very early on about what is happening.*

**É. P. :** I agree with you. People are generally much more intelligent than one thinks and also able to understand situations. Furthermore, we are all citizens, and we all have the right to vote, which gives us the right to demand the same amount of information. Of course, at some very precise moments, for example during negotiations, one cannot say everything one wants to say. But, generally speaking, when there is a difference in the amount of information given that a show of force appears and one encounters the worst obstacles.

**G. M. :** *In Germany, staff representatives have to be notified fifteen days after a board decision and this may have repercussions on the organisation of the company. When Bosch's board discussed the future of their pneumatic activity, it was envisaged either to strengthen this division or to sell it. The board presented this alternative and expressed its concern to the trade unions, which immediately made the employees extremely worried.*

**Q. :** *It is much worse when the company's rivals disclose this sort of information !*

**Q. :** *The fact that you were all 'in the same boat' with your employees often creates a strong feeling of solidarity.*

**É. P. :** Not necessarily. One can also become fearful and adopt an attitude of 'every man for himself'. The role of the manager is very important in creating an atmosphere of trust and giving out good vibes. It takes time and may be quite repetitive. Often, at the end of meetings, the employees have said to me 'there was nothing new in anything you said !' I explained that things were following their course, and that it was true that there was nothing new. However, these meetings were very important because they demonstrated that there were no 'surprises' and this helped to reassure the employees.

### **Ambition and autonomy**

**Q. :** *I am surprised by your talk which was so optimistic and calm. You did not complain about the 35-hour-week, or the government, or the economic crisis, or Chinese competition. It's hard to believe !*

**É. P. :** In Bosch culture, each subsidiary has to fight to ensure its credibility, and the French subsidiaries more so than others. It is not always easy to 'sell' France, in particular over the past ten years. The cost of labour, the difference in price and our country's image do not encourage people to invest here. This is why I push my teams in Aventics (as I did when I was at Bosch) to come up constantly with ideas, both to justify our position and to bring new ideas to the entire group. We should not always be waiting for things to happen, but rather

adopt a proactive attitude and be capable of thinking for ourselves. This has already encouraged us to devise our strategy entitled 'Ambition 2020', and to try to share it with the Triton Group.

**Q. :** *So you have a certain degree of autonomy in Aventics ?*

**É. P. :** There are two forms of autonomy : one is given and one is taken...

### **Local roots**

**Q. :** *The Mont-Blanc Industries cluster has a responsibility to serve the area in which it is located. However, your company is a subsidiary of a global group. What do people think about your involvement in the cluster ?*

**É. P. :** During my first few years at Bonneville, I was not interested in the area in which we were located. I concentrated on my work and I did not try to build any sort of network. I did it gradually, and today I am pleased with the result. When the company left the Bosch Group we lost a number of functions which had been provided by the Group and which Aventics could not supply in the same way. We are going to have to try to compensate for this by starting partnerships with local companies.

When we were with Bosch, for example, we benefitted from cross-audits about quality. A person in charge of quality from another Bosch factory would come to assess our factory and vice versa. We are in the process of implementing the same sort of system with local companies.

**Q. :** *What does the Aventics management think of your personal involvement as president of the cluster ?*

**G. M. :** *As long as the subsidiary's results are good, what its manager does is his own business...*

**Q. :** *Do the German companies do the same thing ?*

**É. P. :** In Germany, the companies are two to three times larger than those in France, and their structures are more top-heavy.

**Q. :** *If the company were to be bought by another large group, would you continue to maintain your local network ?*

**É. P. :** It all depends on the buyer.

### **Competition**

**Q. :** *Who are your competitors and how did they react when you were sold off from the Bosch Group ?*

**É. P. :** The world leader in pneumatics is SMC, a Japanese company. The number two is Festo, a German company. Then there is Parker and Norgren. We are fifth or sixth. All our competitors have followed our progress closely, and have been more than happy to say to our clients 'Don't buy from them : they are going to go out of business soon.' We suffered a number of verbal attacks and lost some market share.

### **The future**

**Q. :** *Could one of your competitors try to buy Aventics in a few years' time ?*

**É. P. :** A consolidation would be conceivable, certainly not with the world leader or the number two because of competition rules, but perhaps with another company.



**Q. :** *For how long has the Triton fund decided to invest in your company ?*

**É. P. :** Five to seven years. At the end of this time, we ought to envisage either selling or floating the company on the stock market. In the meantime, Triton's aim is perfectly aligned with ours : to develop our activity and give it as much value as possible when the time comes for us to make a decision in five to seven years' time.

Presentation of the speaker :

Étienne Piot : graduated from the Sup de Co Rouen business school. He is president of Aventics SAS. He was director of controlling of the diesel division of the Bosch Group, and then director of controlling of the entire Group. He is also the president of the Mont-Blanc Industries competitiveness cluster.

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