

PM 12011- e

Interview with KS

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This is an interview with me as the Putzmeister founder, made 18 February 2012, to comment and explain the “shake hands” of Putzmeister with his main competitor SANY in China. In this revised English issue I added for our PM - stakeholders some photos and various details which were discussed, but due to Newspaper space limitations left out by the reporter.

More photos and videos see [Palletransferks\china](#) and various PM's and SM' on this subject. – also visit <http://www.sanygroup.com> and <http://www.putzmeister.com> and Video https://www.youtube.com/watch?v=ZshhXO6RkIc&list=PLEz0bn0vzoLlzKXoA7fNs7o9sfwL4C_e6

Karl Schlecht

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“Nowadays China has realized a good communism”

(This is how the NTZ- Journalist titled his interview with the Putzmeister founder, Karl Schlecht, on the merger of “his” company with SANY)

This deal attracted nationwide interest. The globally renowned and healthy German concrete pump manufacturer Putzmeister joined his future with the Chinese Sany Group after the KS Foundations sold all Putzmeister shares to them. He spoke with the company founder, Karl Schlecht (79), about the background and his ideas which led to the decision, also about his personal experiences and opinion why China became recently such an economic power.

Mr Schlecht, you, as a down-to-earth Swabian entrepreneur have now given up your life’s work. In a daily newspaper you were quoted as having said: “I am extremely happy”. Is that true?

Yes I am but I have not given up my life’s work. I will always be emotionally associated with it. You should know that it was already over ten years ago when I gave the whole company shares away into a charitable foundation, the non-profit KSG. Putzmeister is my creation. But like in any good family, you have to leave your well educated children to go out on their own - they have to find and go their own way.



The sale of Putzmeister to a Chinese company is a novum. For the first time, a healthy and thriving German company was sold to China, not by necessity but by choice. What was the reason for this decision?

First of all, I will soon turn 80, and for good reason I never brought my children into the company. They are all provided for and are living their own lives.

In the past, I analyzed every five to seven years whether the foundation solution would be right for Putzmeister or if the foundation would be better off selling its shares. In the end I always decided against.

The last crisis has, however, taught us several lessons – above all, that we are not sufficiently diversified into non-construction fields. That means that we can not compensate for a decline in the German economy or the global building industry. Mistakes were made by management. Despite my warnings, we did not respond early enough to the signals received. Our sales fell from one billion Euros to 450 millions. Only because PM had a sound financial footing with a high equity capital, were we able to survive.

But I actually represent the foundation and have to ensure that its assets are cared for. Five years ago the foundation could have sold the company for one billion Euros. Two years ago for virtually zero. At this point it was about making sure that the foundation, which had to sustainably provide funds regularly for non-profit projects, should have investments with less volatility as now when invested only in PM.. The alternative was either to diversify more, that is to produce goods for other business fields - or to merge with a larger company and become part of their diversification. And so I made my decision in October of last year to find such a solution.

And you personally made the decision?

Initiative and starting the process was mine alone. Of course, I consulted the members of the curatorium prior to making the decision and involved trustfully the top management team. We enjoyed a very effective and cooperative process. Even our CEO Mr Scheuch contributed highly and in full trust for this in all respects positive merger process, which surprisingly ended with SANY.

Was the transaction mainly intended to protect the foundation's capital?

There are two aspects. Above all was to care for the well-being of the company. Putzmeister is still in a dangerous situation. After passing the crisis well the volatility has not changed for us. Because of the high government debt worldwide, the building crisis is continuing with only slight positive signals. Investments are being cut, and that means sluggish or vulnerable sales for us - as we have already most dramatically experienced. This means further that, should the Chinese economy start to decline and the Chinese have, in the meantime, learned how to make the machines as needed in western markets, we will be in dire straits. The clear course of action was to pre-empt such a risk: to strengthen Putzmeister in order to safeguard its long-term survival and find chances to grow again in our field. And that would only be possible if we allied ourselves with a strong bigger and wider diversified company – or with the strongest competitor in China to get 1+1= 3 and be undisputed world market leader with many additional future growth possibilities for Putzmeister.

The **second aspect was to care for the foundations**, because I am specially responsible for protecting KSG assets and continuity of sponsoring its social and scientific projects. Imagine what might have happened – in a new crisis we might again be down to nothing- the foundation's assets would then have been gone. So exiting the high volatility of sole PM ownership had to be changed.

Why was the decision made in favour of Sany, a Chinese company, which was meanwhile your biggest competitor?

At first my focus was on the company Atlas Copco (a Swedish diversified group for, industrial, building and mining equipment - comment by editor), with whom we had worked for many years and which would have been an ideal fit with good leadership and management. We, at Putzmeister, had always striven for such excellence in leadership and management but in my eyes had not been able to become so excellent.

We had entered into negotiations with AC, but looking for the best choice and following the foundation supervision we needed some alternatives. So we contracted the professional help of the globally active **Morgan Stanley Bank** for the search and transaction. The 27 January was fixed as the tender's deadline for offers. We had calculated that after deduction of all risks and bank debts, approximating 170 million Euros, finally about 100 to 120 € millions would be left for the foundation.

Then, on 9 January, a letter from Sany arrived with a fabulous offer of 525 million Euros. Minus liabilities, a sum of 350 million Euros would remain. We literally were baffled - and pleased.

The owner, Liang WenGen, had had us in his focus for several years since we sold our pumps in China since 1979, had a JV in Shenyang and started our 100 % owned and long years profitable plant in Shanghai 1995 .. He considered our company to be exemplary, but we had always remained reserved when confronted with his buying interest since 2007 but not accepted for the reasons I have already mentioned. Now he wanted to have a quick decision in respect to his local competitive ambitions and realizing that he needed PM to succeed outside China. Intelligent as he and his team are, it became clear that they could not succeed in local markets with just building a factory in Cologne, the US and Brasil.

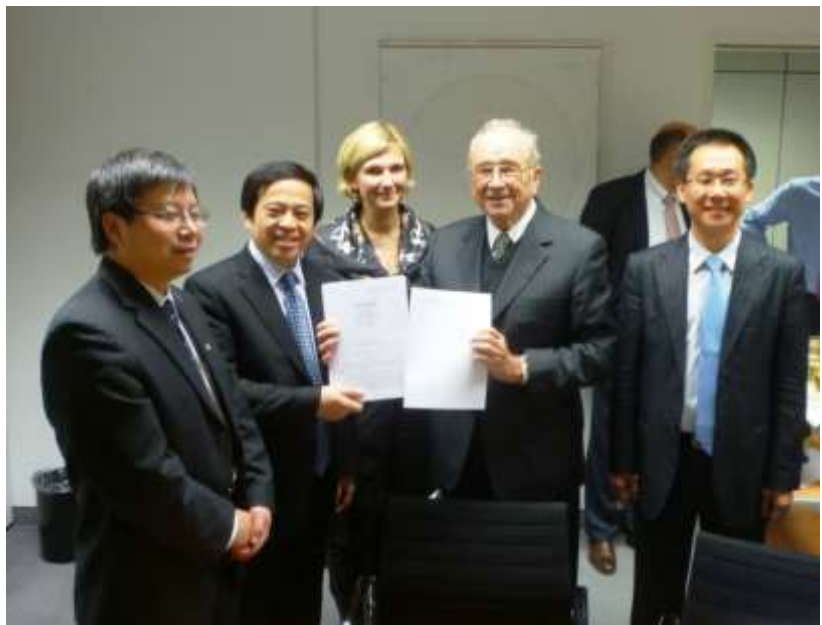
Prior to our personal meeting near Frankfurt I had made it a condition that all negotiations could only begin if our trust building Four-Question Probe was respected:

**"Is it true – am I honest?
Is it fair for all those involved?
Will it promote friendship and goodwill?
Will it serve the well-being of all those involved?"**

This test is contained in every one of our contracts as a preamble. This was accepted without question - *and* already proven with trust building elements in their written offer.

Most important for me: The **Sany catalogue of values**, with which I had been familiar for years, was virtually the same as ours. As we met in person the first time Liang Wen Gen and I hit it off together immediately. When he explained how they run the company, I could only remark that they are in many aspects actually the same and better in effective number manufacturing as compared to PM, and better as we are today after the crisis. Also when it comes to dealing with company members and their well being, training, personal development and success, there was substance for the further positive course of our meeting.

Just eight days later we **signed the merger contract**, in Frankfurt after



10 long- hours legal and formal negotiations, at five o'clock Saturday morning 21 January 2012.

The SANY Chairman LIANG WenGen even decided to forgo a due diligence review – this is highly unusual and was a sign of great trust – which had been a prerequisite on my part.

Originally, I had wanted to visit Sany before signing, but then I said: “Mr Liang, if you buy Putzmeister unseen, then, without me having visited Sany, I will extend you the same trust.”

Of course I knew, what other visitors had said about the many new fabulous Sany plants - that it was a great company. Excellently equipped with all the most modern machinery and highly automated. That was all I needed to know. And in China their pumps are number one.

By the way, to this very day, four weeks after the personal agreement, not one of the Chinese has yet seen nor came to our Aichtal premises.



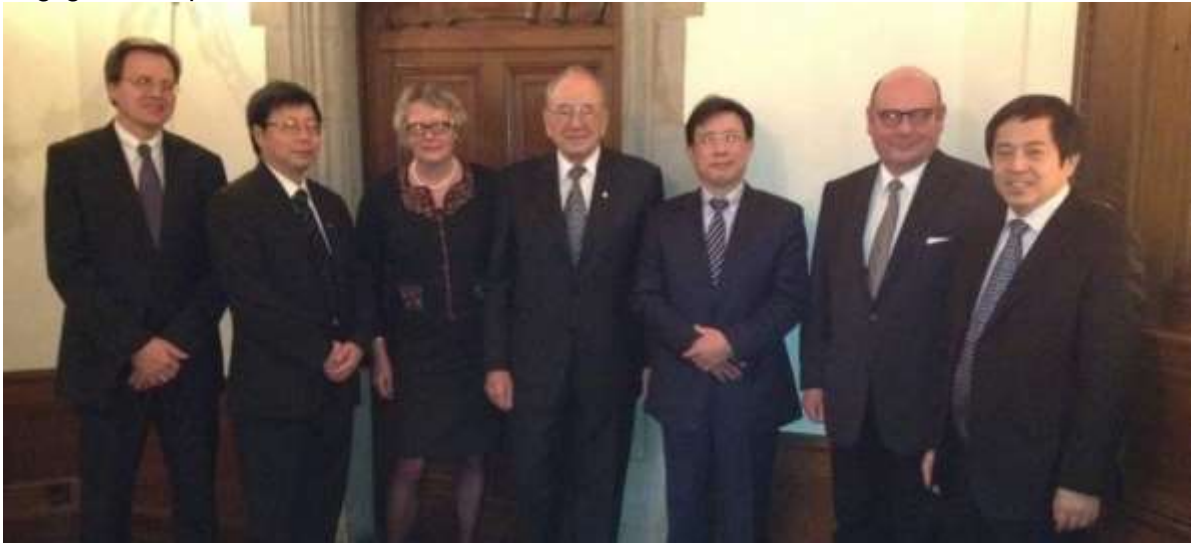
This is part of the Changsha Concrete pump assembly hall 18, highly and most modern mechanized; every hour one truck pump off the line - and rest areas with lakes, fountains and palm trees inside. Where else on the world can you find this?

China has the reputation for being primarily interested in Western technology. Are you not afraid that this could also be the case with Putzmeister – that sooner or later there might be a sell-off?

Sany does not need Putzmeister's technology. This is true. As the top technician I know this for a fact. Putzmeister has indeed launched recently some new machines, but, as a result of the crisis, the company is not as innovative as it used to be. The new machines have less weight with reduced cost. Twenty percent of the costs have been cut, with the help of consultants who were also very expensive. But if you can not make enough sales, this will not help much. The Chinese have, in some respects, already surpassed us

technologically and by far in rationalization and manufacturing. In the meantime, they have *not only much higher numbers, much lower cost, but meanwhile* also the **biggest concrete pump** in the world which reaches 86 meters high. I saw very good *research and test* centers with a great many engineers who are well *educated, open-minded, young and eager to learn prove their good future auspices.*

China is and will remain longtime gigantic market. Sany makes now about 6000 truck-mounted concrete pumps a year for China only; PM makes 800 worldwide – earlier 2500 in 2007. Every hour a truck-mounted concrete pump rolls off the line. In the past we were the leading company in China with our relatively big plant near Shanghai since 1995. Today SANY and others surpassed us there by far and our market share in China is down at negligible two percent.



The main negotiators N.Scheuch, X.Jiang, Dr.Neumann-Schaefer; K.Schlecht, W.Liang, Dr.Stahl, W.Xiang Highly engaged and trustful cooperation between KS and PM management was outstanding and also impressive for the Chinese side. This also lead to continuity in leading PM and N Scheuch become member in SANY Heavy Industries management board Changsha.

A few months ago China's Premier Wen called on his country to link the technological strength of German companies with the competitive advantages of the Chinese labour market. Might we soon be facing "Chinese working conditions" here in Germany?

Every country has its peculiarities. The Chinese, for example, work on Sundays. But not all of them. They have a shift system. Workers have one and a half days a week off. Excellence in performance and a strong willingness to learn are, in addition to hard work, crucial. And I have witnessed and admired such excellence there. If we do not make an extreme effort, we will fall further behind.

Sany CEO, Xiang Wenbo, says: "The Germans will have to get used to a new Chinese style".

In some respects YES. If you are not familiar with something and do not understand it, then you are afraid of it. Today people here know China almost exclusively from the adverse coverage in our media. We take note of their well and self-earned economic power, and we ask ourselves where this end will. So, of course, they are afraid. Is it because they fear harder work to compete in future? However we all buy and appreciate good and cheap Chinese electronic products.

Here many governments are virtually bankrupt or enormously indebted, and China has in the meantime, become the probably richest country in the world. What are the reasons? Better people or better government? I now wanted to find the answer there.

I also was scared and had deep concerns for our company longterm growth and future. And that was now my motive to undertake something. I experienced the people there as good and hard-working. In particular, the highly qualified management and good value based leadership in SANY. In this respect, we can certainly learn from well-run Chinese companies. In my opinion, they need not learn from us but we more from them.

Both companies have ideal synergetic changes for qualification and growth – both striving to be TOP in MIND of our customers. However SANY realized that we are better and have longer experience in global marketing and success with such our complex machines. We first developed foreign markets and then only built factories there for local production –also in China. But it was our fault not to remain competitive there. So – like the Austrian emperor – for me a marriage was the better way (*bella gerant alii, tu felix Ausrtia nube*)

Today we all live in a global world. This seems wonderful to me, and I see the Chinese as **neighbours and friends**, not as enemies, now even more. They, who are as we in PM once were, more eager to learn, truthful scientific investigating, more value-conscious and more hard-working than others – those people are my friends, Only in this way could we become master in the last decades of my active business years. It is the very old Chinese style since Confucius – which now revives under better leadership and global freedom.

Aren't we good and hard-working here in Germany? The German economy is internationally very successful.

We have to nurture and regain the virtues and motivations which made us great. We Germans, are certainly again the best in Europe. The others are all envious. Why are we relatively still the best here? Because we are better governed and make in many fields great efforts to succeed. But we have to be extremely careful to maintain this position when looking globally. The Chinese are hungry and eager to do everything better. Look at their Olympic games. Seen globally, they are our neighbours. And knowing more now from own experience I feel at home there. And now Putzmeister will enter into a good and like-minded family with such friends admiring us. PM can go the way that it was meant to go and, as my child, deserves to go. But we must prove to be as good by new every day and meet the Challenge...

What experiences have you made with the conditions in Chinese companies, and how have you acquired these insights?

I, of course, knew some things already. But now I have seen them myself, in the companies and the eyes of people there. You cannot imagine how modern the equipment in these plants is, fully rationalized, although the wages are still low compared to wages here. This is a result of the enormous competition among eachother which prevails in China. The second largest competitor, the semi state-owned enterprise Zoomlion located in the same city, which subsequently wanted to offer 600 million Euros for Putzmeister, is fighting like a lion for market leadership and bought our Italian competitor CIFA four years ago. If you can imagine what would have been in store for us without Sany and - as expected - Schwing taken over by the third big Chinese competitor XCMG, then we would have had to start being afraid – for good reasons.

For me the development of the Chinese industry is a miracle. How did it come about? I understand now that I have been there and seen it with my own eyes. The factories are the

most modern worldwide in our field. And as far as the corporate culture is concerned they are top. That is the most crucial factor. Among other things, there are in the concrete pump factory palms, lakes with spring fountains, rest areas for the workers – things that we can only dream of. And they have a human resource success program – we could take a leaf out of their book. Sany has been honoured for its excellent management and personnel development.

This raises the question of what we have to do here in order to stand up to this development and comply with their partly better effectivity and expectations. In answer to that, I can only say that we have to work more and a damn lot harder and adapt. I am now convinced that with such a partner we can withstand a possible crisis better and in customers view qualify our mastership as market leaders. Without such a partner- no way.

What kind of a person is Liang WenGen?

An extraordinarily open minded, intelligent, amiable, value-conscious, hard-working man who, like myself, came from a humble background and has worked his way up to where he is now. I can only take my hat off due to his high working ethos, diligence, straight forwardness, proven integrity, to his trustworthiness. Personal modesty proves itself when others report, that he repeatedly called me “his teacher”. He listens, is eager to learn, looks straight in your eyes and talks straight. Everything that he said and promised has been fulfilled.

So after having learned more I found him to be in full compliance with our PUTZMEISTER Motto

Enjoy to serve, to improve and to create values.

Liang WenGen is also a member of the communist party.

I am a communist, too, as I understand it. In fact I give most of what I gained in business back to society, engage myself with the well-being of humanity in business and welfare of our people and work hard every day. I have sympathies for the true communism, not to the false communism. Marx - not regarding his private faults - was right in his time. One should not distort his well meant teachings as it happened in the last 100 years. But same and even worse happened in Christianity and Islam to their founder's thoughts and lectures. The present government in China, in my opinion, meanwhile realizes more and more a good communism. Never in history had the Chinese people gained more welfare as in the last 30 years. Poverty, personal injustice in individual cases exists in the western world also – even more. And I share the recently issued opinion of our former Chancellor Helmut Schmidt, that we Germans should not even dare to teach them democracy and not be presumptuous.

Do you understand the anger of your employees who learned of the sale of the company from the media?

I am sorry that we did not have the possibility of holding a company meeting in order to inform them directly as soon as we were allowed. This I say in obligation and also in full respect and acknowledgement for what our worldwide company members achieved in the last 52 years for Putzmeister. But their reaction and anger proves also **a union enforced mistrust** to me, who over 52 years proved to best possible care for them.

I am indeed very disappointed on this. So like Jesus I said “*Oh lord forgive them – they do not know what they do*”

Everybody must however realize that in this extreme short and trust based merger process all had to be kept strictly very secret because Sany is a publicly owned company in China. So the small team had to strictly respect the so called insider legislation.

Originally, the announcement to our management, staff and public was to be made **after** the press conference in China programmed for Monday (30 January).

Then suddenly on three'o clock on Friday afternoon 27 January prior to that Monday our CEO got the instruction from China that we had to make the announcement earlier. As Friday afternoon all employees were already gone for the weekend it was not possible to have the company assembly as intended. This happened then as planned on Monday 30. January on proper announcement.

The unions, however, decided immediately on Saturday for their routine protest and obviously had time to cart busloads of strangers to Aichtal to protest early Monday morning before the management had the chance to explain things to our employees.

I personally had earlier informed the foreman of our works council immediately on Friday afternoon. For the sake of honesty, he should have mentioned that at the unreasonable demonstration on Monday morning. This all I must criticise as it seriously damaged our good public image. I also demotivates me in caring so hard for PUTZMEISTER's future well being.

350 million Euros will now be paid into your two foundations.

Correct. I myself will not be earning money from the transaction. This I don't want and I don't need to. 99% of the money goes into the charitable KSG foundation, into which I already donated a large part of my personal assets in addition to all PM shares donated there in 1998. This also may happen with that one percent which goes to the KSF family foundation, because a year ago, my wife and I decided, in principle, to donate all what I will earn in my life from now on. So in future the KSG will become one of the bigger German foundations investing annually ca. 10-15 M€ into educational, scientific and charitable projects. In the last 4 years PM did not pay dividends to KSG and in the years before only a legally enforced minimum of ca. 160T€ p.a. So it must be clear that foundation spending were never weakening Putzmeister – but helped improve its image and value.

A lot can be financed with the money. What plans do exist?

Up to now, we have had about twelve million Euros capital in the KSG foundation and have donated annually 700,000 to 900,000 Euros. Now we will be entering a new dimension which represents a new **entrepreneurial** responsibility. And that will be my new task in a larger team with life experienced personalities in the KSG Kuratorium.

What will we do with it? We will continue to pursue the **world ethics idea** in Professor Küng's Foundation World Ethics in Tübingen (SWT). I see that as a prerequisite to help selected qualitative young people to achieve excellence, reminding and building on good fundamental human principles and traditional ethical values. There are many receptive young people for this – we also have quite a few here at Putzmeister – and many more in China. There **Confucius** implanted them already 2500 years ago and they are now revived more and more in people's minds and hearts.

With a long-term annual donation of one million Euros per year I funded recently the now starting **Business World Ethics An- Institute at University Tübingen** (WET). It will be tripled or quadrupled next years when **proving leadership effectivity in business** - where the money comes from. (<http://www.weltethos.org>)

For this we plan to do the same in Beijing, together with Sany, by the way. The head of Sany will attend the World Ethos lecture in Tübingen on 18 April and promised a donation.

Giving example to others for contributing jointly to society makes me happy. This is a main element in SANY's value catalog, same as in ours.

In Filderstadt we plan to build a **music school** for the many enthusiastic young people. Music educates and enjoys. That young people do something out of their own accord in order to educate and motivate themselves, which we see as a most important good character forming element.

We will **award specific prizes in Putzmeister and SANY** and at the sponsored Universities – specially for excellence in mutual cultural integration along with the human responsibilities, which are on top of human rights. .

In Friedrichshafen at the renowned **Zeppelin University**, a course of studies in a new “Values Leadership Institute” will be started closing with the academic degree “**Master of Business Humanity**” – a course in which character-building values are lectured with specially selected and qualified students.

This I tried in vain ten years ago in Hohenheim as entrepreneurship qualification. That should become a new kind of effective human resources management which shall build personality and character for reaching excellence in life - and to learn how to strive for it. A good value orientation should result to love what one does. That is the true objective in personality development. **He who loves what he does has never worked** – an old Chinese proverb. Personally I am happy to experience this daily - and hope to motivate others for not to retire at the age of 60. We all must work more in future – not less- but different. This I enjoy daily with being soon 80 in October.

From all this I hope the future Putzmeister Family will also take advantage – direct or indirect - depending on their readiness to cooperate.

After the deal was closed, you were with your wife in China at Sany. What were your impressions?

The hospitality which I experienced in China is incredible. And I have the feeling it was genuine and earned by our 50 years evolved Putzmeister appreciation – not primarily earned by myself...

At the company meeting in China where the merger of Putzmeister with Sany was discussed – the room was jam-packed – a girl came up and wanted to ask a question. But she said to me: “I have to tell you that today is my birthday and for me it is the most wonderful birthday present to hear you speak.” A young Chinese woman said that. It was so heart-warming. We then sang *Happy Birthday* together.

And each questioner first thanked me for my speech before asking for details. This complies with what is printed on the last page of SANY’s handout- leaflet: **ALWAYS BE GRATEFUL.**

Such heart-warming things happened there. Intelligent questions from young people. For instance: Why did you decide for SANY? How will things go on? How will we work together? What is Putzmeister? What does the name Putzmeister mean? All of that was a wonderful example of open mindedness and trust extended beyond borders. Although we were competitors, one has to hold oneself and others in high regard. Now we have become friends because we have the same principles, values and goals. I hope all Putzmeister company members will soon feel the same – and learn, learn learn.



Will you still have an influence on the business at Putzmeister, as a consultant, for example, now that Liang WenGen has appointed you “Top Consultant to the Sany Group”?

I am not thinking about that at the moment. If I am asked, I will, of course, help. In the last two, three years I have hardly ever been asked for advice here. Now the head of Sany has appointed me “Chief Consultant to the Sany Group” and presented me with a document to that effect bound in velvet at the big conference.

I received a beautiful carved cedar wood **Confucius statue** and his 2500-year-old analects printed on silk paper from the municipality of the home town of Confucius. The golden rules of all subsequent religions were first “invented” as a worldly wisdom in China – not only gun powder and homemade “Maultaschen” (filled pasta cases) – of which I am particularly fond.



On Karl Schlecht

The 79-year-old Karl Schlecht founded the company, Putzmeister, in 1958 as KS Maschinenbau. Based on his diploma thesis he developed the first mortar machine. In 1962 the company was renamed Putzmeister Werk Maschinenfabrik. With its plastering machines, concrete and industrial pumps it achieved worldwide success. When he was 65, Schlecht retired from the operational management. In that year 1998 he moved the company assets to two foundations. The Karl Schlecht Family Foundation KSF held one percent of the company's shares but had 90 percent of the voting rights. Karl Schlecht is the sole head of this KSF. The non-profit foundation KSG, which holds 99 percent of the company's shares, finances inter alia two university chairs for wind energy and entrepreneurship. It is the main contributor to the World Ethos Foundation at University Tübingen, founded by Professor Hans Kueng. At the age of 75 Karl Schlecht also retired from the supervisory board of Putzmeister and in November 2011 he was honoured with the Diesel Medal for the most successful innovative achievement. . Now those 99% of the capital transfer resulting from the company merger with Sany will strengthen the charitable KSG foundation and by far extend its activities with projects furthering excellence in professional life. Further details see www.karl-schlecht.de

End of the interview.

KS Addition due to other press echoes:

?? Is it a sort of flattering when Liang WenGen tells me: “You are my teacher”?

When the superficial Spiegel journalist wrote this, I was again thinking about this question. Of course, it might look as flattering and not to be taken as honest and serious.

However! There is a big difference to this when in the first meeting with Morgan Stanley, our attorneys and Mr. Scheuch, Mr. **Liang WenGen** said that he regards Karl Schlecht as “my teacher”. I never had seen him then.

Saying this seriously to third people his statement is not flattering, but a sign of humility, open-mindedness and honesty.

And it is true that he learned a lot from us – not only in techniques but also in values, company culture and contributing to society as it is anchored in the SANY values catalogue since long.

We have to revise our attitude that the Chinese copy only. NO- they are learning from others and they honestly confess it – today in my eyes proving honesty as mentioned in the 4 Q probe.

This learning attitude is what I admire.

Actually 98 % of what I realized in life I learned from others and listening to customers, starting at school and during my Putzmeister-life. 2-3 % of own innovations, working harder as others and loving what I do were sufficient to gain mastership.

Having spent one week with SANY I got the feeling that Liang WenGen truly was expressing his real feelings when in the assembly of company members he again said “I am your student”. Sorry, but I do not remember that company managers in PM told me this in recent years.

So I had good reasons to feel especially welcome and cordially honoured when - for the future - he changed my “teacher role” in nominating me as **SANY Top Consultant**.

Here I will occasionally assist SANY as the new home of PM to care for its good future.

Wherever we arrived an honest and heart touching welcome was given for Putzmeister - which I represented as its founder. Everywhere we found most modern mechanized, clean and huge SANY plants

Karl Schlecht





KS- Speech at the big **press conference** 31- January in Changsha, praising the Putzmeister –SANY Family spirit and explaining that not himself only, but so many PM members contributed hard to make our company a challenge for SANY

Speaking in the SANY company assembly about the traditional Putzmeister culture which made us master in our markets; explaining my personal principles which I see close to the analects of Confucius, making me feel at home here as these are revived in good Chinese companies like SANY.



Honouring Putzmeister we got flowers wherever we arrived – here in Changsha, 2 flight hours south of Beijing with SANY Plane

Demonstration at the Buddhist **SHAOLIN** Temple to in future **fight for excellence** and against the evil and human stupidity only with spiritual and emotional weapons. This shall in our modern open world become more effective as old killing tools like those in its visitor's park. KS here symbolizes to help **cut antiquated** ideologies, customs and attitudes, and false opinions specially in the western world **about modern China - also in Germany**

