

Restructuring Exide

By Charles W.L.Hill

I. Executive Summary

In March 1999, when faced with financial trouble, Exide Corporation decided to bring in Robert Lutz, a former Chrysler executive and an ex-Marine as the new CEO. Lutz immediately made a number of changes in Exide's business. He quickly pulled out of an unprofitable supply agreement with Sears, pushed the company to shift demand from low priced battery models to higher priced branded products, introduced new lead acid battery, settled legal suits and replaced the entire board of directors. He decreased the battery production capacity by closing plants and made a major acquisition of GNB Technologies. But the biggest change was restructuring the organization from geographic to global business unit structure.

II. Critical Issues and Alternatives

- Moving from geographical manufacturing to global business units: The existing structure of geographic manufacturing would require separate manufacturing facilities to be locally responsive for certain regions of the world, resulting duplication of manufacturing process and hence an increase in costs. Also in geographic structure model, separate geographic subsidiaries compete with each other. As an alternative, moving from a geographic structure to a global business unit structure, Exide was able to eliminate the duplication in the manufacturing process and to close ineffective and

unprofitable manufacturing locations (cost control). It also eliminated the internal competition between business units competing for business with the same customer.

Although Exide operates in the broad areas of industrial and automotive, its industrial customers include the manufacturers of fork lifts, golf carts, wheel chairs, electric floor cleaning equipment, manufacturers of telecommunications equipment, businesses that use standby batteries, and the users of lift-trucks. The automotive area includes automobile manufacturers and the huge aftermarket distributors like Wal-Mart and K-Mart. Exide's industrial environment can best be described as something between global and multidomestic. Since it deals with global brands like Ford and Mack it has to have a global strategy. However, the strategy must be more multidomestic when dealing with the European battery market. All these pressures of playing in a complex environment require Exide to become locally responsive.

- Retaining Bregman by offering him a position of authority and power: Lutz had great respect for Bregman and he wanted him to stay after acquisition by offering him a position of authority and power. However, the question remained whether Bregman's contributions to corporate would be enough to offset the negative perceptions through Lutz's mandate-like orders. Lutz's decisions of restructuring certainly created conflicts in the executive ranks, which might cause lower motivations and even resentments. And this move could cause major internal strife.