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Siemens chief bullish in spite of bribery scandal

By Richard Milne in Munich

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Klaus Kleinfeld, chief executive of [Siemens](#), says he sympathises with the Queen Elizabeth II's complaint at Christmas in 1992 of having suffered an *annus horribilis*.

Fighting to save his reputation – and that of Europe's largest engineering group – amid a €420m (\$553m) bribery scandal, Mr Kleinfeld has already had to undergo the indignity of giving up a 30 per cent pay rise and becoming perhaps the most unpopular manager in Germany after a former division became insolvent.

A €20bn joint venture in telecommunications equipment with Nokia has been postponed for up to three months. There has also been talk of bans on Siemens conducting business in certain countries affected by the bribery scandal.

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But in an interview over lunch at the German group's Munich headquarters Mr Kleinfeld strikes a bullish note, *annus horribilis* or not.

"We have managed to add €12bn to our top line – that is the size of a medium-sized Dax [the German blue-chip index] company."

The chief executive shows boyish enthusiasm as he discusses rises in profitability and the advantages of being a conglomerate.

Mr Kleinfeld is adamant that the Nokia deal will go ahead – almost certainly without financial penalties for Siemens.

But there is little doubt that he is taxed by the bribery scandal and the bashing Siemens' reputation has received as a result.

Mr Kleinfeld says he is determined not only that the truth comes out about what happened but that "five years down the road I want people to say that Siemens [sets] an example for a transparent

company”.

Many outside experts, lawyers of suspects in the scandal and even some Siemens managers argue that the group’s culture has at least tolerated bribery, if not encouraged it.

Mr Kleinfeld feels that the hiring of an external law firm, Debevoise & Plimpton; outside auditors, Deloitte; and an anti-corruption expert, Watergate investigator Michael Herschman, show how serious the company is about addressing its problems.

Mr Kleinfeld was briefly responsible in 2004 for the telecoms division where the slush funds for the alleged bribery originated. The chief executive says he was so busy working on the restructuring of the division that he barely had any time for anything else. Shortly after the restructuring ended, he was named chief executive of the whole group.

But the suspect payments continued. Mr Kleinfeld says he learned about one suspect account in Switzerland at the end of January as part of Siemens’ own investigations. When his offices were raided in mid-November he presumed it was an extension of that probe.

He says that, prior to prosecutors’ investigations, he did not know of the alleged connection and scale of the various bribery schemes. Prosecutors say Mr Kleinfeld and Siemens are witnesses and not suspects in their investigation.

The chief executive talked to the US Securities and Exchange Commission and Department of Justice after the raids and in four subsequent conversations has sought approval for each of Siemens’ clean-up efforts.

He says the alleged bribery was not a normal business practice, as lawyers for the suspects have argued, but a criminal enterprise. “You need three signatures to interfere with the SAP [payment bookings] system – and it is possible if, as it looks like here, they all work together.”

Mr Kleinfeld underlines that with an average of 9m financial payments a day, oversight of all of them is difficult.

The idea that to win contracts in some countries, bribes are necessary is swiftly rebuffed. “Particularly when we have transactions in these countries we were clear that the business management had to be more careful [with regard] to the[se] topics [bribery],” he says.

Mr Kleinfeld also defends Heinrich von Pierer, his predecessor as chief executive and the company’s current chairman, from critics who say he should accept responsibility for the scandal and resign.

In a comment that underlines his unapologetically capitalist nature, which has often rubbed up the German public the wrong way, Mr Kleinfeld says: “This is not a political organisation. We have to run a company here in the best way possible and not be deflected.”

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