

„IN THE BEST OF SPIRITS“

Leica has a new CEO. Dr Andreas Kaufmann, owner of Leica Camera AG, has been running the ship over the past few weeks. Former captain Steven K. Lee was – ever so politely – asked to walk the plank. We wanted to know how such a mutiny had erupted, and what course Leica is plotting for the uncharted waters ahead.

BY HOLGER SPARR AND FRANK P. LOHSTÖTER

“The supervisory board of Leica Camera AG today removed Steven K. Lee as member and chairman of the board of management of Leica Camera AG with immediate effect.” This was Leica’s official statement to the public on the 22nd of February. At the same time, Leica announced that Dr Andreas Kaufmann, whose ACM Project Development Ltd. holds 96.51 per cent of the Leica shares, would be taking over as company president.

This radical step, so soon before Photokina 2008, has come as a surprise to many. Kaufmann himself had asked Lee on board in 2006, around the time of that year’s Photokina; upon rescuing the crippled company, the former Best Buy manager was to expand the Leica brand and drive ahead the development of new products. Now he’s been fired without notice. We can only speculate as to why this happened – there must have been some serious internal conflict. However, the parties involved currently wish to keep shtum about the reasons precipitating the dismissal.

We’ve noticed that many Leica employees seem relieved about Lee’s departure. This points to major problems with personnel management under the aegis of Lee. Camera dealerships, for one, openly expressed their resentment: Martin Meister, the biggest Leica dealer



Dr. Andreas Kaufmann once brought Steven K. Lee on board; now he’s fired him. He is optimistic about setting the company on the right course

in Germany, wrote a newsletter in which he voiced his frustration with the disturbed relationship between Leica and its dealers, suppliers and, not least, customers. In recent times, the number of divergences with regard to product strategy and the prioritisation of target markets is said to have been on the increase. In our interview, Dr Kaufmann reassures us that product development is still on course, but it goes without saying

that the continued demoralisation of staff can’t have been helpful in achieving the company’s original goals. But the crisis is over, and the mood in Solms is evidently optimistic. The expectation of finalising new products for Photokina – and healing a few wounds in the process – is now within the realms of possibility.

Within the first few days of the new leadership, one product idea had already been changed. The M8 upgrade program, whose advance sales were scheduled to commence on the 1st of March, will appear in a different form to that initially announced. From August on, Leica Customer Service will offer to replace the display glass for 750 euros and change the shutter for 800. Both services are available for 1120 euros, and with either upgrade the M8 guarantee is extended by one year. The deciding factor in this change of strategy was that many customers were only interested in one of the modifications. This is now possible. Moreover, Leica’s perhaps overly enthusiastic new idea would have created an atmosphere among users of expecting something new every couple of months.

And yet Leica hasn’t entirely bidden farewell to the upgrade concept – there’s nothing wrong with offering a few improvements from time to

time, as long as they remain within the limits of what is feasible. But something as sophisticated as a full-format sensor is not to be expected in the model year of 2008.

Dr. Andreas Kaufmann takes over the company at a difficult time, but at least he no longer has to deal with the issue of the stock market. ACM Project Development Ltd., owning more than 95 per cent of shares, decided to cash-compensate – to ‘squeeze out’ – the remaining small shareholders last November. Now Kaufmann intends to steer the company away from the stock market and into calmer waters. Only a week into taking office as Leica CEO, we were invited for an interview.

LFI: Steven Lee was dropped suddenly, and relatively shortly before Photokina. What happened?

Kaufmann: I don’t wish to comment on that. It’s not my business to pick apart the past – I have to look into the future. It’s an exciting phase at Leica, and in all honesty, we’re not badly positioned. In the short period that I’ve chaired the board we’ve had numerous team meetings. Everyone’s motivated, and the atmosphere here at the company is great.

LFI: But is it fair to assume Leica is not yet where you would like it to be?

Kaufmann: On the contrary. We’ve landed more or less exactly where we intended to be. Ambitious projects will always experience backlashes – I’ve experienced the same thing in other industries, too. But I think now we will be able to meet the needs of customers and present them with something new and interesting.

LFI: If Lee had to go so shortly before Photokina, it must have been related to some problem with Leica’s flagship system, the M.

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Kaufmann: Not at all. You see, Leica holds consistency within the digital genre in very high esteem – even when development continues. I can easily use a digital M8 with an older M lens. Even professionals should find this interesting, because it gives them much

more investment security than with other camera systems. I deliberately used the conjunctive, since the market is simply steering toward SLR, high sensor resolution and so on. Does this mean better image quality? Who knows. I don’t think highly of the pixel war, but I do think highly of photographic quality.

LFI: Wouldn’t M customers be happy simply with a full-format sensor?

Kaufmann: I know exactly what you’re trying to get at, but I’m in no position to confirm or deny anything. We’ll announce our tradeshow activity shortly before Photokina. But like I said, in terms of the M8 and M system in general, Leica will continue to pursue its goal of consistency with ongoing optimisation – within the context of what is technically feasible. We have scores of individuals working hard on potential improvements and securing the future of the camera platform.

LFI: Aren’t we lacking a more affordable entry into the M system?

Kaufmann: Sure it’s lacking, for the time being. But don’t think I’m making any suggestions with regard to Photokina 2008. Our development capacities are limited. In an ideal world I’d obviously want to offer an entry M for 2000 euros or less. Unfortunately, I can’t just call our suppliers, gather suggestions and build

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a prototype. Our supplier industry barely exists in Europe anymore. It's an area of competence we have to rebuild.

LFI: Why have things fallen so quiet around the R system?

Kaufmann: The R is a beautiful camera, but today's market gives preference to other products. I can assure you that we have every intention of leaving a mark in the single lens reflex sector, but that's all I can say for now.

LFI: It's been a while since Leica introduced a new camera born from its cooperation with Panasonic. Are there problems with your relationship with the Japanese partner?

Kaufmann: Not at all. We have an exceptional relationship with Panasonic. We're honoured that such an ambitious and large corporation is willing to develop products with us, now and in future. There are some products we simply cannot build in Europe due to the demands of the market. We would love to produce a digital camera in Germany and sell it for 499 euros, but it can't work. It's a market sector that requires us to work with partners. And the products that have come out of our team efforts are beautiful. Of course, some will complain that the quality can't be compared with that of an M, but an M also sells for more than 4000 euros. You see, whenever I'm in a meeting with Panasonic and put an M lens in someone's hands, the response is always the same - 'We want to do that, too!' But one thing is for sure: if the Japanese built it the way Leica does, it would cost the same amount of money. In any case, we cooperate in specific sectors of the market, and this partnership is perfectly healthy.

LFI: If you think back to the goals you'd developed with Mr Lee in 2006, which of them have you achieved?

Kaufmann: Leica Camera AG has recognised that it has to build up tremendous competences in the area

of international sourcing - a profound realisation. We have also recognised that, in the area of product innovation, there are certain things we have to do differently - another profound realisation. You see, our company has been positively influenced by the American 'can do' philosophy. We can now tackle certain things we previously thought impossible. There's also been friction, otherwise we wouldn't have let Lee go, but regardless of what may have happened, good things have come out of it.

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LFI: Do you regret having made Steven Lee CEO?

Kaufmann: I never judge my decision in that way. We always make mistakes when we make decisions, but sometimes there's no way around them. If it appears to be running off in the wrong direction you simply have to correct it. And, of course, you will have learned something new. There's been a lot of movement within the company, and a lot of it is thanks to Steven Lee. As to whether we made the right choice in replacing him... I have no idea, but a choice had to be made. I hope it was the right one.

LFI: And there is really no connection between Lee's redundancy and product development?

Kaufmann: None whatsoever. We're thankful for Mr Lee's input. We were

faced with different problems which - rest assured - became so pressing that the board of directors had to act. You see, I never saw myself sitting here in this office. But my family had to look at our relationship with this company. We decided there was only one solution. That's why I'm here, working hard to make myself redundant!

LFI: Do you consider yourself an interim CEO?

Kaufmann: Well, I didn't really want the position. When you're forced to decide under such short notice, an interim management is of course a serious option. We've done it before. There are many things I would expect for our employees, but not this - not again. I fought with myself for a long time over this decision. My sense of responsibility towards the staff and company made me see no other way than to accept the situation. It's not so much about the next Photokina as the time afterwards and the future of the cameras - how they'll look in the year 2015. It becomes easier for a company when the decision-making processes are shorter. I'm not just a stopgap, but I'm also not intending to cling to this position for the next five to ten years. I have no idea if I'm the better manager. I know I can contribute some good input, but I'm not convinced that I know everything - my colleagues are far too good for me to think that. Together with the teams, the board of directors and the management layers, we will create a concise company structure, redefine the projects, prune off some of the wild growth and then march forward. And, hopefully, all in the best of spirits.