



# Shipwreck

With electric drives for boats, Deutz wanted to set off into the future. The result: A lesson in mismanagement - including fights between works councils.

**J**udge Annette Gräfin zu Ortenburg is prepared for anything this morning. The witnesses have been summoned and have appeared.

Laptops are ready to play videos of the evidence. The judge has scheduled a whole day for this civil hearing in Room 111 of the Munich II Regional Court.

On the plaintiff's bench, along with his lawyer, is Rolf Huber (66), once a high-ranking Siemens manager and ex-board member of the Group Foundation. He represents a start-up called Asobo, which he runs together with other former managers of Dax corporations. Their goal: to equip fishing boats in East Africa with electric motors. The electric drives for them were to come from Torqeedo, a subsidiary of the engine manufacturer Deutz. But what looked like a textbook liaison of German industry is turning into a fiasco.

For some time now, motors have been breaking down in rows. So serious is the matter that Huber and his partners are now taking Torqeedo to court this September 27 after a cascade of escalations. For the company and its venerable parent company Deutz, a lot is at stake - Torqeedo is offering three lawyers at once to fend off the lawsuit.

The judge opens the hearing punctually at 9 a.m. and quickly gets to the essentials: "Defects in the engine are undisputed," she says. The reasons for this are still to be discussed. Anyone following the court proceedings, listening to company insiders, sifting through volumes of documents and talking to dealers throughout Europe, gets an idea of the dimensions of the case. One of the many incensed customers writes on a specially created website: "Wanted a Torqeedo got a Torpedo - how a German Industrial Company torpedoes your projects."

Low-emission and quiet: One of the first boats on Lake Victoria with an electric motor from Torqeedo sets sail from Mbita in Kenya in May 2021

What seems clear by now is: The small start-up Torqeedo, once bought by Deutz as a starting point for the E-transformation, threatens the green future of the traditional engine manufacturer. It forms the core of the Green division, in which the Cologne-based company (1.95 billion euros in sales; 4975 employees) bundles its few green activities. Just as motorization once began in 1864 with the invention of the Otto engine in the Cologne district of Deutz, so the electrification of commercial and agricultural machinery was to emanate from Torqeedo.

The figures, on the other hand, are a single casualty: Deutz now forecasts the adjusted earnings margin of the Green division at minus 30 to minus 40 percent - for the Group as a whole, it will be plus 5 percent. In the second quarter of 2023, Torqeedo's e-motor sales slumped by 43.6 percent compared to the same quarter last year.

Downward trend The fact that Deutz's green master plan has failed so far is not only due to partly inadequate new developments. It also has to do with a negligent corporate culture that has repeatedly allowed governance and performance failures in recent years. Managers who fail to recognize problems, an ex-manager who granted a business customer a private standstill loan, and hostile works councils who come to blows - all this is part of everyday life at Deutz. The new CEO Sebastian Schulte (44), previously CFO at Deutz and who came from the Thyssenkrupp marine division in 2021, now wants to get rid of the Torqeedo problem through a quick sale. Talks, for example with Japan's Suzuki, are making good progress, according to insiders.



It would be a decisive setback for the transformation - manager magazin traces how it could come to this. A report on the failed green transformation of one of Germany's oldest industrial companies.

Idea for Lake Starnberg

When Christoph Ballin (55), a manager at Gardena and a Lake Starnberg resident, notices that boats with combustion engines are increasingly undesirable on inland waterways, he and a colleague found a start-up for electric boat motors in 2005. This is indeed a gap in the market. They christen the company Torqeedo, which is supposed to stand for torque (torque) and speed (speed). Ballin himself took over the marketing. Even his critics don't doubt that he has an excellent grasp of this. He even cleverly makes associations with start-ups in Silicon Valley. To this day, the Torqeedo homepage is emblazoned with a wooden boat shed and the headline: "It's not unusual for a success story to begin in a garage. This is ours."

Ballin even doesn't shy away from comparisons with Tesla: "Sometimes parallels to Tesla are brought up. We can lay claim to being the pioneer and market

PR king: **Christoph Ballin** had the idea of developing electric motors for boats



He sued Torqeedo: Ex-Siemens manager and former Siemens Board member **Rolf Huber**

leader for electric mobility on water," he says in a 2017 interview with manager magazin. He estimates the growth potential of e-motors for boats to be similar to that of cars.

At first, everything goes well. Ballin designs standard motors for kayaks, tenders or sailboats that pass the practical test. Soon, the founders are drawn to higher boat classes with increasingly powerful engines.

This makes the start-up Torqeedo interesting for the Deutz Group. In 2017, then Deutz CEO Frank Hiller (57) is urgently looking for a new growth story for the diesel dinosaur. Hiller doesn't think twice; he sees an opportunity to transfer some of the e-know-how for boats to his Deutz engines as well. He acquires the start-up from Bavaria for just under 74 million euros and soon establishes the new "Green" segment in the Deutz Group. The combustion engines, on the other hand, will operate under the name "Classic" in the future.

The cooperation begins on a hopeful note. Almost every week, high-ranking Deutz managers meet with Ballin and his technical director Ralf Plieninger (54). In the beginning, the modern technology can actually be transferred to Deutz engines for small excavators, which are used in inner cities, for example. Nevertheless, the relationship between Ballin and Hiller became increasingly strained. The Torqeedo founder was always bubbling over with ideas, but put profitability in the background, says an insider. The company is posting losses, in some cases in the double-digit millions, on sales of around 50 million euros. Ballin is leaving the CEO post at Torqeedo to join the advisory board of the subsidiary for a year and a half. He himself says he decided to leave the company "for personal reasons." From then on, Torqeedo's management goes from strength to strength.

The Deutz board tries to get a grip on the problems with ever new heads. Ballin is succeeded by Michael Rummel (67), who is sent to represent Deutz. Rummel is followed from March to October 2022 by interim manager Alf-Joachim Harkort (64), a tough reorganizer who comes from automotive supplier Leoni and is described as a manager with a robust personality. Customers are getting nervous.

**Fishermen in distress** One major customer in particular is increasingly losing patience: Asobo, the start-up launched in 2019 and led by experienced Dax managers such as ex-Siemens foundation board member Huber. The gentlemen have a noble goal: They want to equip fishing boats on Lake Victoria in Kenya with Torqeedo e-motors in order to protect the environment and climate and improve the working conditions of fishermen. A project that, in addition to the German government, counts the Shell Foundation and Total Energies among its financial supporters. On Africa's largest inland lake and the third largest in the world, tens of thousands of fishermen live off their catches, which they haul in at night.

From 2025, thousands of Torqeedo e-motors will be used on the lake thanks to Asobo. That's the plan. Things went quite well at first, reports **Wolfgang Gregor** (69), one of the

founders and a former manager at Osram. The first tests with 17 Torqeedo motors from the somewhat older 4 series went perfectly. But by mid-August 2022, that's already over. 14 Torqeedo motors of the new "Cruise" series (3.0 and 6.0 kW) fail after a short time, Gregor recalls. Torqeedo's lawyers also admit that there was a gearbox fault in the first delivery of these motors.

However, they say that "only" 14 of a total of 21 motors delivered were involved. "It is shocking that a Deutz subsidiary sells boat engines that - as in the case of our fishermen on Lake Victoria - fail within a very short time and put people's lives in danger," laments Gregor, who repeatedly gets a picture of the situation on site during that time. The suspicion arises that Torqeedo has brought new engines onto the market without sufficient product testing. According to the report of Torqeedo's head of development, who was also at the lake, the older Cruise 4.0-kW series motors proved to be much more reliable than the 3.0- and 6.0-kW motors delivered most recently. Because Torqeedo drives failed, he reports there were nights with up to three rescues for fishermen in distress. After several months of back and forth, Asobo finally files a lawsuit. In part because, according to them, the project has virtually ground to a halt due to the frequent breakdowns.

Torqeedo's lawyers rely on a fundamental defense: The motors and systems were free of defects when the risk was transferred, and only improper use by the fishermen caused the problems, they say in their reply to the court. Gregor finds it shameful that Torqeedo wants to blame the fishermen, after all they had no problems with the engines of the first series. In the trial at the Munich Regional Court, the parties ultimately agree on a settlement. Mainly for pragmatic reasons: Sending an expert from Germany to Kenya alone would require a request for legal assistance and would take years, Judge Ortenburg had previously warned. This would not have helped either party. This way, however, at least the development aid project can be continued. With a different engine supplier. But Asobo is far from the only customer with failures.

**Rolf-Werner Boss** (55) also relies on a Torqeedo motor, basing his entire business model on it and, according to his own statements, closing the small Geneva IT company he once founded Kin S. A. Boss is having a trimaran with an electric motor named Noos built so that he can coach managers and market eco expertise on this ship. He plans to be ready to launch at the end of 2018, with the maiden voyage taking him from La Rochelle to Monaco. The Monaco Energy Boat Challenge is taking place there, a perfect marketing event for him. Especially since Prince Albert had announced his coming, he said. "But we never reached Monaco because the Torqeedo system was on strike on the coasts of Portugal, Spain and Ibiza," Boss says looking back. The final stop, he says, was Mallorca. The problems with the e-drive continue, and the delays quickly bring Boss to his financial limits.

The problems with the e-drive continue, and the delays quickly bring Boss to his financial limits. He contacts the then Torqeedo boss Ballin, who, to Boss' surprise, grants him two bridging loans totaling 70,000 euros. As a private citizen, mind you. In return, Boss must contractually agree to waive claims for damages in the future, even though the engine was not yet working at the time of the contract.



Calm: A sailing boat with a Torqeedo e-motor heads for its home harbour

Foto: PR



Helm sman: Deutz CEO Sebastian Schulte now wants to sell Torqeedo

A copy of the contract and the bank transfer documents are available to manager magazin. Ballin does not want to say anything about this because he is obliged to the other side of a corresponding contract not to comment on the contract and its background. Deutz says that after the contract was signed, the personal loan was reported to the Deutz compliance department. The department then ordered Ballin to immediately cease further personal support for the customer.

In the meantime, Boss has set up a website on the Internet where aggrieved Torqeedo customers can register to prepare a class action lawsuit. His boat, however, is still not running. There are many of these stories. Anyone who phones Torqeedo dealers in various countries hears a lot of resentment. The smaller electric motors run well, but the motors of the new 3.0 kW and 6.0 kW series are too delicate, they say. Even the lightest grounding would cause them to break down. Deutz does not want to comment on this. A high-ranking group manager speaks of "temporarily too much demand from customers". "Customer service is a disaster," says a dealer who does not want to be named because he fears that Torqeedo Service will otherwise leave him hanging even longer in the future when it comes to complaints. Many dealers have now discontinued Torqeedo motors, but: "That's like a car dealer discarding VW."

Foto: Stephan Pick

In addition, the problems do not affect all engine types by a long shot. A company event for dealers and contractual partners, the Electric Days, which was to take place in mid-October, was cancelled by Torqeedo at short notice. Deutz does not want to comment on the reasons. Torqeedo's lawyers put the customer complaint rate at 3.2 percent, which insiders believe is grossly understated. Nevertheless, who would board an airplane with a 3.2 percent probability of problems, up to and including in-flight turbine failure?

**Toilet brushes with company logo**

At Torqeedo in Weßling near Munich, the management changes once again in October 2022. After neither the Deutz technical director Markus Müller (43), who was also responsible for Torqeedo, nor the cost-cutting Harkort were able to get to grips with the problems, Deutz boss Schulte is now relying on Fabian Bez (43), son of former Aston Martin boss Ulrich Bez (79), as the new Torqeedo boss. Fabian Bez, who, according to insiders, spells out corporate design at Torqeedo down to orange toilet brushes with the company logo, was formerly in the service of convertible supplier Webasto. Although he is not from the industry, he has caught up with a few of his old Webasto colleagues who are also not from the industry. Apparently, this is not going down well. Company insiders report high fluctuation in the workforce, with some teams quitting almost completely. To this day, Torqeedo does not have a works council; the employees were not aware of this.

**Fight at the wedding**

The Torqeedo workforce can hardly expect any support from the works council of the parent company. They are struggling with their own problems. A few years after the departure of long-time Deutz works council head Werner Scherer in the summer of 2018, a power struggle between rival groups in the employee representation has openly erupted in Cologne. So openly, in fact, that the dispute has now even turned violent.

On May 6, 2023, the dispute escalated to such an extent that a high-ranking works council member allegedly beat a colleague to hospital at a wedding. This is the result of a works council report, which was published on Deutz's bulletin board and is available to manager magazin.

The author, Hans-Jörg Schaller (63), the current head of the works council and a member of the Deutz supervisory board, describes how he took the victim of the beating to the emergency room that same night. The report also mentions a broken finger, a bruised skull, back and hip, and a stitched wound. The Deutz board reacted with an appeal to all involved not to leave the factual level and reminded that the company's interest must always be in the foreground.

Problems with a green product of the future, the threat of legal proceedings, overburdened managers and hostile workforces. So there is a lot for Deutz boss Schulte to do. As proof of his stamina, he likes to cite the fact that he once won the world championship in the rowing eight. Within the company, this earned him his nickname: "WM 806," based on his license plate number: K - WM 806, i.e. Cologne - World Championship - Rowing 8s - in 06. Schulte obviously understands symbolism. He is now creating the post of Green CEO, albeit below the Deutz Board of Management. For the next three years, he has announced a round sum of 100 million euros for investments in green technologies and proclaimed that he will be "open to technology. The start-up-suitable "you" has also long since been introduced internally; wall posters with pictures of green grasses hang in a former Cologne factory hall ("Innovation Center") on the company premises.

Schulte will have a harder time with the figures, since the starting position is unmistakable: 97 percent of Deutz's sales to date come from diesel engines, and the meager "Green" division posted a loss of almost one euro for every euro of sales in the first half of 2023.

■ Kirsten Bialdiga