

OnLine Case 14.2

Pilkington

St Helens based Pilkington is a renowned innovator in the glass industry. In the 1950s it invented float glass, which has now become a standard process in the industry worldwide. The idea is to float sheets of glass on molten tin to smooth the surfaces, and this is far more efficient than polishing and grinding. The company opted to license its technology to other manufacturers around the world and critics would accuse it of 'sitting back and enjoying its stream of royalties'. However the company has also (since) invented fire resistant glass, complex shapes for windscreens and self-cleaning glass (which absorbs ultra-violet light which in turn breaks down dirt).

The issue is that company profitability has failed to reflect its world leadership in glass technology. In the 1980s the company was somewhat fortunate to fight off a hostile take-over bid from the acquisitive conglomerate, BTR. Pilkington also struggled to integrate two businesses it acquired – Flachglas (Germany) and Libbey-Owens-Ford (US).

A new CEO was recruited in 1997. Paolo Scaroni set out to reduce costs (especially targeting overheads) and rationalized operations. He was determined to break down the 'family traditions', which he blamed for holding back the business. For most of its 175-year history a Pilkington family member had led the company. Scaroni's changes brought about renewed prosperity.

Scaroni chose to move on in 2002 and he was replaced by Stuart Chambers, an internal promotion. Chambers had a marketing background and he was determined that the culture must not be allowed to 'slip back into the old ways'. Managers were given clear objectives, as well as the freedom and authority to take decisions. He was also demanding about performance against objectives. He argued that the strategy and style must work together – perhaps implying entrepreneurial management to exploit the technological innovation.

Question Whilst licensing is clearly an excellent way to exercise technology leadership in a global industry, can it work in conjunction with an entrepreneurial management style?