



Adidas Investors Push for External Chief to Replace Hainer

by Aaron Ricadela

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- ▶ Southeastern among shareholders calling for outsider
- ▶ "The old establishment has to go:" Union Investment's Speich



As Adidas AG's search for a new leader enters its eighth month, some investors say that only an outsider can provide the shakeup the sportswear maker needs to close its longstanding gap with Nike Inc.

An external successor to Chief Executive Officer Herbert Hainer would be best placed to help the German company catch up with its American rival, according to Southeastern Asset Management Inc. and Union Investment. Hainer, 61, has been at the helm since 2001, making him the longest-serving CEO in Germany's benchmark DAX Index.

"We clearly favor someone from the outside," said Ingo Speich, a fund manager at Union Investment in Frankfurt, which holds about 1 percent of Adidas. "We want a radical new start. The old establishment has to go."

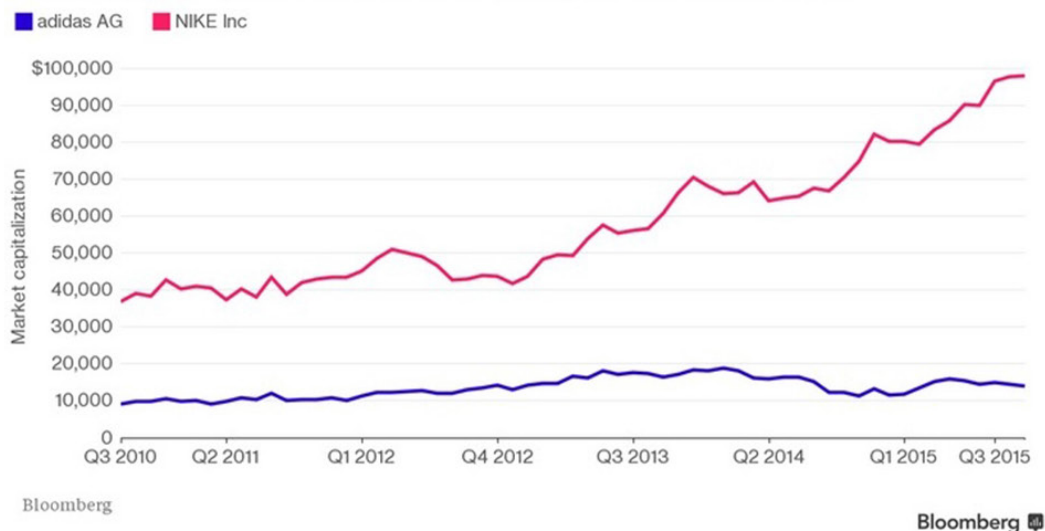
Germany's Manager Magazin reported Thursday that Henkel AG CEO Kasper Rorsted has spoken to Adidas about the role. The report sent shares of the sneaker maker up as much as 5.3 percent, the most in more than two years, and suggesting that other investors share the desire for a fresh face in charge.

Hainer's deputies share responsibility for the company's sliding market share in the U.S. and contribute to an internal corporate culture that's slow to make decisions, Speich said. Global brand head Eric Liedtke, a top candidate to succeed Hainer, should stay in his current job, said Scott Cobb, a senior analyst at Southeastern, which owns more than 3 percent of Adidas and has pushed for change at companies including Dell Inc.

“We think Adidas should also look at external candidates,” said Cobb. “It could be counterproductive to disrupt the momentum of senior managers such as Eric Liedtke.”

Breaking Away

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Adidas, which is also losing ground to newer competitors like Under Armour Inc., needs to get the search right. Profit fell 22 percent last year, as it lost 38 percent of its market value. The company, which traces its roots to the 1920s, is trying to stay relevant as Nike makes inroads in Europe while Adidas's U.S. business falters. Nike controls about 59 percent of the U.S. sport-shoe market, compared with 4.4 percent for Adidas, according to researcher NPD Group.

Adidas has already reached out to some outsiders. Former Luxottica Group SpA CEO Andrea Guerra was contacted this year about the Adidas job, according to two people with knowledge of the matter. Rorsted, the Danish CEO of Dial soap maker Henkel AG, has also been considered. Representatives for both men declined to comment.

“This is a long term process to ensure a smooth transition and find the best possible candidate,” Adidas spokesman Jan Runau said via e-mail. “The Supervisory Board is looking at both internal and external candidates.”

The Herzogenaurach, Germany-based sportswear maker said in February it hired recruiter Egon Zehnder to find a new CEO. Investors say they want a leader who can restore Adidas's sense of cool, make inroads into American pro and college sports and who understands consumer marketing.

Internal Candidates

Liedtke, who runs global branding for Adidas, and sales head Roland Auschel are the two internal candidates to succeed Hainer, whose contract runs through March 2017. American-born Liedtke, 49, has held several senior marketing posts at the company. He joined the executive board in 2014, one year after Auschel, a 52-year-old German, who's the main liaison to retailers like Foot Locker Inc.

"If you appoint an internal person you may be sending a message of continuity versus disruption," said Nick Harris, an executive recruiter at AvS - International Trusted Advisors in Geneva. "There's also a price to pay for that, particularly in a situation where a company needs to change."

Bringing in an outsider could hurt morale while the internal candidates might resign, said Harris, who left Egon Zehnder last year after a decade and has no direct knowledge of the Adidas search.

If Adidas appoints an external CEO, it would not be the first time. In 1993, Frenchman Robert Louis-Dreyfus left the helm of advertising agency Saatchi & Saatchi Plc to run Adidas, which was struggling at the time. Louis-Dreyfus parlayed shrewd marketing, cost-cutting and bold acquisitions to transform the shoemaker.

"External appointments by definition are riskier," said Harris. "However, successful external CEOs tend to drive more value over time."