

Hon Hai's Gou plans cuts to streamline Sharp after takeover

June 22 2016, by Michelle Yun



Terry Gou of the Hon Hai group talks about plans for Sharp, in Tucheng in New Taipei City on June 22, 2016

Taiwan's tech giant Hon Hai said Wednesday it would close some overseas operations of ailing Japanese electronics maker Sharp after buying the struggling firm in March, with founder Terry Gou suggesting possible job losses.

Hon Hai—also known as Foxconn—is the world's biggest electronics supplier, with Apple a key customer for smartphone components.

It will officially take over Sharp next month, completing the first foreign buyout of a major Japanese electronics firm.

Despite being a well-known brand of household appliances, Sharp has struggled in recent years with huge losses and debts—it suffered a \$2.3 billion net loss in 2015.

Hon Hai's \$3.5 billion bailout bought a 66 percent controlling stake.

Billionaire Gou, one of Taiwan's richest men, has often courted controversy, with a reputation as a demanding and harsh boss.

He told shareholders Wednesday he would introduce cost-cutting measures and streamline staffing.

Sharp's operations abroad would be one of the first areas targeted, he said.

"We will close all of the inappropriate, high-cost joint ventures," he said at the company's annual general meeting in New Taipei City.

Sharp's "old way of doing business" must also change, Gou added, including the practice of awarding contracts to companies owned by its former employees.

Individual staff assessment, on top of team performance, would also be introduced.

"We should let go those who should go," Gou said.

Japanese media have said Sharp is mulling job cuts totalling 15 percent of its domestic workforce, but the firm has denied the reports.

Sharp has valuable technologies and Hon Hai's investment is part of its strategy to move away from being simply a contract manufacturer, Gou said.

The Taiwanese firm saw sales slip in the fourth quarter last year, coinciding with a slowdown at Apple. The US tech giant could see its first sales decline ever for the iPhone this year.

However, while it is expanding investments globally, Gou said Hon Hai would not turn its back on the China market.

Taiwan's new Beijing-sceptic government is advocating a move away from over-dependence on China by building economic ties with Southeast Asian countries.

"We have no reason to give up a market...that shares the same cultural genes, living habits as us," Gou said.

Taiwan is self-ruled since the two sides split after a civil war in 1949, but China still sees it as part of its territory.

Relations have cooled dramatically since new president Tsai Ing-wen took power in May.

On a personal note, Gou paid tribute to his 91-year-old mother, who accompanied him to Japan in April when he sealed the deal with Sharp.

He revealed that she is a tech-savvy nonagenarian—she takes photos with her iPhone and is learning to use instant messenger service Line.

Gou famously started his business in 1974 making television parts with a loan from his mother.

"Without the Tw\$100,000 (\$3,105) she lent me, there wouldn't be Hon Hai today," he said.

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