**Corporate Governance at Johnson Controls: Strategic Merger or Tax Inversion?**

(Goranova and Rousev, 2016)

Alex Molinaroli (Exhibit 1) was preparing for yet another meeting of the board of directors of Johnson Controls**[[1]](#footnote-1)** (ticker symbol “JCI”). As a Chief Executive Officer (CEO), it was his job to convince the board that the proposed merger with Tyco International was the right move for the company, despite that some media reports proclaimed the proposed combination a “*sleazy, tax-avoiding*” deal[[2]](#endnote-1). Molinaroli was no stranger to negative publicity. His short tenure as CEO of Johnson Controls seems mired in scandals and controversy. In 2014, his affair with a management consultant triggered an investigation by the board of directors. The board found no conflict of interest and the company terminated the consulting firm. In 2015, the board of directors announced again its “*full support*” for the CEO, following reports about his ties to Joseph Zada[[3]](#endnote-2), a Ponzi schemer sentenced to 17 years in prison[[4]](#endnote-3). Molinaroli’s appointment as CEO should have been the culmination of his long and successful career at Johnson Controls; instead it has been “*remarkable – and remarkably unusual*”[[5]](#endnote-4).

***CASE QUESTIONS***

1. Would you advise JCI shareholders to approve the proposed merger of Johnson Controls and Tyco International? In your assessment of the merger, discuss its impact on JCI shareholders and stakeholders, such as employees, customers, and suppliers.
2. Corporate tax inversions have been on the rise and have stirred a heated debate among corporate executives, politicians, and academic scholars. Consider the role of the government as a stakeholder. What is your evaluation of the proposed combination as a tax inversion – is it an “*unpatriotic*” and “*sleazy*” deal or the legal exercise of the company’s rights to optimize its operational expenses, including tax liabilities? Explain.
3. Is Alex Molinaroli a good CEO? How should the board of directors evaluate the performance of the chief executive officer? Does corporate governance and pay-for-performance culture in JCI promote long-term and/or short-term performance?
4. Monitoring by the board of directors is a pivotal element of corporate governance. What is your evaluation of JCI board of directors? Would you consider it a well-functioning board? Explain.
5. Please complete the Debriefing Questionnaire at the end of the case. (*Optional:* Any feedback and suggestions for improvement would be greatly appreciated!)

**Johnson Controls**

Johnson Controls was founded in 1885 by Warren Johnson as Johnson Electric Service Company, to develop his patented electric tele-thermoscope - a device that controls building temperatures. The company changed its name to Johnson Service Company in 1902, and in 1908 it installed 1,200 thermostats in the first skyscraper - the Singer Sewing Machine’s New York City headquarters. In the beginning of the twentieth century JCI even produced the prototypes of several automobiles[[6]](#endnote-5). In 1940, the company became publicly traded, and after the 1968 acquisition of Penn Controls, the company changed its name to Johnson Controls in 1974.

Johnson Controls is Wisconsin’s largest company, the only Wisconsin’s company in the Fortune 100[[7]](#endnote-6), and one of the most iconic brands in Milwaukee[[8]](#endnote-7). From its beginnings in temperature control systems, the company has grown to be a global diversified technology and industrial leader - serving customers in more than 150 countries and generating more than $37 billion in sales. The company is the world's leading maker of car batteries and car seats, producing lead-acid and advanced batteries for automobiles, hybrid, and electric vehicles, as well as automotive seating and interior systems[[9]](#endnote-8). Its building efficiency business provides facilities management services and creates solutions to optimize energy and operational efficiencies of buildings around the world[[10]](#endnote-9). Johnson Controls generates 60% of its revenues outside of the United States; of its 130,000 employees, less than a third, 36,000, are based in the U.S., including 3,400 in the Milwaukee area[[11]](#endnote-10). As a business-to-business manufacturer JCI’s products often bear the names of others like Bosch, Sears, Optima, etc., but virtually everybody has sat in a Johnson Controls’ seat, been in a building run by its mechanicals, and owned or rode in a vehicle powered by one of its batteries[[12]](#endnote-11).

One of the 100 largest publicly-traded companies in the United States, Johnson Controls was ranked as #14 of the100 Best Corporate Citizens firms in 2015 by the Corporate Responsibility Magazine. Furthermore, the company was featured on the Ethisphere Institute’s list of the world’s most ethical companies for nine years in a row[[13]](#endnote-12), and has won awards for best practices in corporate governance and ethics[[14]](#endnote-13). Johnson Controls’ Ethics Policy from January 2014 includes a statement by Molinaroli. Ethics, states the CEO, “*is at the center of everything we do at Johnsons Controls*. *Acting with integrity allows us to attract and retain outstanding employees, maintain the Company’s ethical reputation and meet the high expectations of our customers, partners and communities. Our securely rooted ethical culture gives us a competitive advantage*.”

**Alex Molinaroli**

On July 24th, 2013, Alex Molinaroli, 53 was appointed Chief Executive Officer (CEO) of Johnson Controls - the ninth CEO in the company's 129-year history. The retiring CEO whom he succeeded, Stephen Roell, 63, stated: "*I'm very pleased that Alex will assume the leadership role in the company. He brings a wealth of experience and knowledge about our businesses and the industries we serve; so I'm confident that he and the team will continue to build Johnson Controls' global leadership positions.  Most importantly, I also know that Alex will sustain the unique culture of the company in terms of our actions, values, and commitment to our customers*." Alex Molinaroli had joined Johnson Controls straight out of college, back in 1983 upon his gradation with engineering degree from University of South Carolina – Columbia. His rise through the ranks, slow at first and accelerating later on, propelled him to a series of Vice President appointments from 1995 onwards (Exhibit 1). In 2007 he became President of the Power Solutions, after spending more than 20 years at the building efficiency business of Johnson Controls. He was appointed a Vice Chairman in January 2013, and just a few months later, a CEO of Johnson Controls. “*Our company’s standard for excellence and culture of integrity were built by great leaders who preceded me*,” he stated upon his appointment as CEO. “*Being selected to steward this organization is an honor and privilege that I take very seriously[[15]](#endnote-14)*.” According to the firm’s proxy statement, “*Mr. Molinaroli brings to the Board a broad strategic vision for Johnson Controls, which is valuable to developing and implementing Johnson Controls’ strategic growth initiatives*.”

Despite the impressive career that has propelled him to the C-suite, Molinaroli’s short tenure as CEO is mired in controversy. In 2014, less than a year after his appointment as a CEO, the news broke of an extramarital affair with Kristin Ihle, 45, a former professional runner with two world championships under her belt, who later completed doctoral studies in psychology at UWM. At the time of the affair, Ihle was a principal of Lichter & Ihle, a management consultant to Johnson Controls. The consulting firm had advised Johnson Controls on talent development and executive coaching for years. Both Molinaroli and Ihle were separated from their respective spouses, Molinaroli – from his wife of 28 years, Patsy Molinaroli, 59. The negative publicity surrounding the affair quickly mushroomed into a full-blown soap opera[[16]](#endnote-15). Shots fired by Patsy Molinaroli in her Brookfield home got her charged with disorderly conduct[[17]](#endnote-16). Ihle, in turn, petitioned the court for a restraining order against her. On June 23, Patsy Molinaroli filed for divorce. A month later, Ihle followed suit.

If affairs at the work place have toppled or contributed to the downfall of a number of prominent CEOs, such as those of Hewlett Packard Compaq, Best Buy Co, Lockheed Martin, and others[[18]](#endnote-17), Molinaroli had shown staying power. The board’s investigation revealed no conflict of interest, despite that the CEO had failed to disclose the affair to the board before it became public knowledge[[19]](#endnote-18). If the firm’s directors (Exhibit 2) were concerned with the company’s CEO being distracted or perceived as distracted by the affair with Ihle, a principal of executive consulting firm, which has provided long-term consulting and coaching services to Johnson Controls, they considered that firing the consultant and docking the CEO pay would be adequate measures. Lichter & Ihle said in a statement that the “*firm reached an amicable separation with Johnson Controls and considers the matter closed.*” The company was later renamed to Avant. Earlier, Brian Kesseler, president of the JCI’s power solutions business, has stated in a court testimonial: “*The Lichter & Ihle team is an extension of our executive management team. Over the years they have provided continuity and insight in the areas of leader and team development*.[[20]](#endnote-19)”

Johnson Controls’ board stood behind the CEO. JCI spokesman, Fraser Engerman stated: “*All allegations involving senior management are referred to the board and handled in accordance with the company’s ethics and integrity policies. The board reviewed the referenced relationship and determined that no conflicts of interest occurred. To avoid any perception or potential future conflicts, management elected to terminate the consulting firm. Mr. Molinaroli continues in his role with full support of the board, and the company considers this matter to be closed*.” At that time Johnson Controls’ stock has increased 6.3% during Molinaroli’s short tenure as a CEO, by contrast S&P500 has gained 15%[[21]](#endnote-20). As Molinaroli was executing his plan to curtail Johnson Controls’ reliance on the cyclical car industry, JCI, once the largest U.S. auto supplier, sold its electronics business to Visteon Corp. in July 2014.

The following year, in October 2015, a new scandal broke out. Journal Sentinel published an article that “*Johnson Controls CEO bankrolled defense of Ponzi schemer*”. Joseph Zada, 57 was convicted in September 2015 of 15 counts of fraud for running a $50 million Ponzi scheme over a 10-year span. Zada’s legal defense team referred to Molinaroli as Zada’s “*friend and benefactor*”[[22]](#endnote-21). Zada was allegedly introduced to Molinaroli by his stepson, who himself had pleaded guilty to the production of synthetic marihuana in Florida[[23]](#endnote-22).

Following the board investigation of Molinaroli’s financial ties with the Zada, Johnson Controls’ lead director, William Lacy, 69 announced the board’s full support for the CEO: “*The board is confident that Alex Molinaroli’s involvement in the Zada case is an unfortunate personal matter that has no relevance to Johnson Controls*,” Lacy said in the statement. “*Alex has the board’s full support as chairman and CEO. Under his leadership the company has delivered strong operating results while simultaneously undergoing a strategic transformation designed to drive future growth*.” A month earlier JCI announced the completion of the $1.5B sale of its Global Workplace Solutions business to the CBRE Group (NYSE: CBG).

**Strategic Merger or Tax Inversion?**

On January 25, 2016, less than three years after Molinaroli became CEO, Johnson Controls’ merger with Tyco International was announced. Tyco is one of the world’s largest fire protection and security company, employing 57,000 people across 50 countries. "*The combination of Tyco and Johnson Controls is a highly strategic, value-enhancing step that brings together the unique strengths of two great companies to deliver best-in-class building technologies and services to customers around the world*," said Tyco’s CEO George R. Oliver. "*The proposed combination of Johnson Controls and Tyco represents the next phase of our transformation to become a leading global multi-industrial company*," stated the CEO Alex Molinaroli[[24]](#endnote-23), a pronounced departure from the company’s “auto-centric” portfolio with leading building and energy storage businesses that he took over in 2013.

Earlier in January, Molinaroli has announced at the Rotary Club of Milwaukee that the company will shrink: “*We will not be a victim to an activist investor. We will be our own activist*.” JCI will downsize before a potential corporate raider gets the chance to dismantle it. According to Molinaroli, the stock markets perceived JCI to be an automotive, rather than an industrial company. This creates “*confusion in the market*,” as the risks of the cyclical automotive business are inferred on to the entire corporation; before the deal with Tyco is announced, JCI was trading at a three year low, despite rosy earnings projections[[25]](#endnote-24). While the company’s stock price has initially increased during Molinaroli’s tenure as a CEO, it has largely declined in 2015 prior to the announcement of the merger (Exhibit 3); furthermore revenues have not picked up (Exhibit 4), and the company has already shed eleven thousand jobs[[26]](#endnote-25).

Although the two firms will combine under the existing Tyco entity, the combined company will be called Johnson Controls plc. Johnson Controls’ shareholders would own about 56% of the combined entity, and Tyco’s shareholders the remaining 44%. At the time of the merger, Johnson Controls’ market valuation was $23 billion, whereas Tyco was valued at $13 billion. With the Adient spin-off separating the automotive seating business as a stand-alone company, the combination of JCI and Tyco, Johnson Controls plc, will have 117,000 employees[[27]](#endnote-26). The joint company will continue to be traded on NYSE under JCI. The firm’s global headquarters will be in Cork, Ireland, but the company will continue to conduct its North American operations from Milwaukee, WI.

Johnson Controls plc will have $32 billion in annual revenues (Exhibit 5), with the merger expected to generate opportunities for enhanced growth, as well as anticipated synergies of $500 million over three years and annual $150 million in tax savings[[28]](#endnote-27). Although the media looked at the deal as another corporate inversion, Molinaroli claimed that “*This merger is not motivated by taxes, as has been suggested, but rather an opportunity to combine two global leaders, which will lead to continued investments and expanded opportunities for our U.S. workforce*.” Questions about the tax-inversion embedded in the deal surfaced immediately. “*This inversion is greedy, unpatriotic, and maneuvers sleazily around new Treasury rules*” claimed Charles Tiefer[[29]](#endnote-28), finding the longstanding role of the company as a defense and civilian government contractor particularly troubling. “[*I]f you look at this deal, this is not about taxes*.” said Molinaroli on CNBC, “*but you would be foolish not to take advantage of the tax opportunity*. *With its world-class fire and security businesses, Tyco aligns with and enhances the Johnson Controls buildings platform and further positions all of our businesses for global growth*.[[30]](#endnote-29)”

If corporate tax inversions were once frowned upon, the trend may have reversed. Walgreens’ stock, for example, fell more than 14% when the company announced that it will not complete the planned inversion, backtracking following a public outcry against the inversion[[31]](#endnote-30). Since 1997 corporate tax inversions have sped up. More than 100 corporate inversions have been announced since, triggering a public debate whether additional regulation should try to constrain corporate tax inverters. Although in 2002 the Congress enacted new legislation to stop corporate inversions, in 2009 companies began to exploit exceptions in the new law, and the pace of inversions started to pick up again[[32]](#endnote-31).

One of the earliest corporate inversions was the 1997 Tyco International registration as a Bermuda company. Under the leadership of then CEO, Dennis Kozlowski, the company moved from its previous New Hampshire headquarters. Kozlowski soon gained notoriety, as his reputation morphed from controversial to infamous. He and his Chief Financial Officer (CFO), Mark Swartz, were convicted for fraud and embezzlement in 2005. The massive conglomerate amassed by the “deal-a-day Dennis“ was restructured by his successor Ed Breen, who was later appointed CEO of DuPont.

The stock market reaction to Johnson Controls merger announcement has been positive (Exhibit 3). Yet more recently concerns have surfaced that tax inversions prioritize and create value for foreign and tax-exempt investors, who along with the CEO disproportionately benefit, while imposing a tax cost and reducing the wealth of taxable shareholders[[33]](#endnote-32). Furthermore, tax savings are often surrounded by complexity and ambiguity, as exemplified by the recent ruling by the European Union that Apple should repay $14.5B in back taxes to Ireland[[34]](#endnote-33).

**Corporate Governance and Johnson Controls – Tyco Merger**

Risk Metrics, the leading provider of corporate governance services rates Johnson Controls’ governance high, with a QuickScore of 1, and sub-scores of Board, 2, Audit 2, Compensation 1, and Shareholder Rights 5[[35]](#endnote-34).

*Board of Directors*

The board of directors has a critical oversight role in corporate governance. Directors set the tone at the top, choose and monitor the CEO, establish succession plans, nominate new directors, and manage corporate crises. Johnson Controls’ board convened for six regular meetings during the year and 10 special meetings. Relative to S&P500 boards with 4.3 standing committees on average, the JCI board is organized in five committees: executive, audit, corporate governance, compensation, and finance committees (see also Exhibit 2). The audit committee held seven regular meetings during 2015, with all four members – independent and financially literate as defined by the NYSE listing standards. Richard Goodman served as the audit committee chair and financial expert. The corporate governance committee, chaired by Black, held five meetings to review the size and composition of the board, recommend new directors, and review the board corporate governance guidelines. The compensation committee met four times during 2015 to review and approve compensation of senior executives. All of its members are independent, non-employee directors and the committee is chaired by Vergnano. The finance committee, chaired by Joerres held four meetings to review the dividend policy and share repurchase program and review the major financial risk exposures and significant capital appropriations[[36]](#endnote-35). Finally, the executive committee, which is to exercise all the powers of the board when the board is not in session, had one meeting during the year. The executive committee is chaired by Molinaroli, with members: Black, Goodman, Joerres, Lacy, and Vergnano.

Directors sitting on JCI board bring to the table a variety of executive and legal experiences from companies such as UPS, Kohler, 3M, Boeing, DuPont, PepsiCo, MGIC Investment Corporation, and Mexichem. During Molinaroli’s term as a CEO, two retiring directors were replaced with Juan Pablo del Vale Perochena, Chairman of Mexichem and Raymond Conner, Vice Chairman of Boeing. None of the JCI directors owns more than 1% of the JCI outstanding stock, and as a group the directors own 122 thousand shares; an average of 15 thousand shares, ranging from zero (Perochena) to 53 thousands (Lacy). The average S&P500 director was paid $277,237 for his or her service, while Johnson Controls’ directors earned on average $258,155, of which 52% was paid as stock awards.

Like Johnson Controls, 52% of S&P500 firms have their CEO also serving as a Chairman of the board. Almost all, 98% of the S&P500 companies, also name a lead or presiding director. William Lacy, a Lead Independent Director of Johnson Controls since 2013, ceased to serve at the end of 2015 and Jeffrey Joerres, Executive Chairman of ManpowerGroup, was appointed as the Board’s Lead Director from 2016.

The only insider sitting on the board is the CEO Molinaroli. Like Johnson Controls, 60% of the S&P500 boards have only one insider – the CEO. Although independent directors are posited to provide objective and vigilant monitoring, fulfilling their fiduciary role as guardians of shareholders’ interests, recent academic research points that CEO-only board structures could lead to greater CEO entrenchment rather than increased shareholder value[[37]](#endnote-36).

The average S&P500 board has 10 directors - 84% independent, 80% male, and 76% Caucasian, with average age of 63 and tenure on the board of 8.5 years[[38]](#endnote-37). The average board typically meets 8 times during the year. Johnson Controls’ board is hardly atypical. Of its 10 directors, 90% are independent, 80% - male, with average age of 59 (ranging from 43 to 70) and tenure of 8.3 years on the board (ranging from 1 to 19). Following the merger with Tyco, the board of directors of the newly–merged firm will be composed of 11 directors: six from Johnson Controls (Abney, Black, Perochena, Joerres, Molinaroli, and Vergnano, Exhibit 2) and five directors from Tyco.

*Ownership and Large Shareholders*

Ownership in the U.S. has changed dramatically over the past several decades, with the consolidation of equity holdings into the hands of institutional investors, such as pension and mutual funds[[39]](#endnote-38). In 1950 institutional ownership accounted for less than 10% of outstanding equity. By contrast in 2015, 80% of the Johnson Controls shares were held by institutional investors, such as pension and mutual funds, insurance companies, banks, and endowments[[40]](#endnote-39). While institutional investors are expected to be more sophisticated and savvy than individual investors, concerns have surfaced that they may also promote corporate myopia, particularly with short-term transient investors encouraging actions that may compromise the value created for long-term, dedicated shareholders. Christensen & van Bever termed that phenomenon the ‘Capitalist’s Dilemma,’ or the paradox of investors rewarding short-term [[41]](#endnote-40)actions, but penalizing firms “*doing the right thing for long-term prosperity.*”

Large shareholders and blockholders (shareholders with at least 5% holdings), due to the magnitude of their equity stakes and the penalties associated with market exit, have vested interest to monitor corporate managers. By the virtue of their stake in the focal firm, such investors have greater incentives and means to pay attention to the focal firm strategies and actions in order to protect their interests and sizeable investment in the firm. According to JCI proxy statement, the company had two blockholders – Capital Research Global Investors, which held 59 million shares or 8.9% of the outstanding stock, and Vanguard with 34 million shares or 5.1%.

*Executive Compensation*

In addition to the oversight exercised by the firm’s Board of Directors and monitoring by its large shareholders, an important internal corporate governance mechanism is incentive compensation. Historically, the SEC has treated executive compensation as an “*ordinary business*” decision with power vested in the board of directors alone. In 1992, however, the SEC changed its interpretation to permit precatory shareholder resolutions on executive pay matters. Further regulatory changes geared toward aligning the interests of executives to those of shareholders include pay-for-performance deductibility, peer group comparisons, disclosure and accounting treatment to ensure that corporate shareholders are informed about the corporate pay practices for named executive officers (NEO), and shareholders have say on pay. “Say on pay” is enforced via the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act, 2010), which requires shareholder approval of compensation plans and golden parachutes, independence of compensation committee and advisers, enhanced disclosure relative to firm performance and employee pay, and clawback provisions for recouping pay in the event of accounting restatements[[42]](#endnote-41). These changes have promoted the growth of stock-based compensation, which can give executives ‘skin in the game’ and thus align their interests with the interests of the firm’s shareholders.

Johnson Controls received the highest governance score for Compensation by RiskMetrics, as the vast majority of executive compensation is tied to the firm’s performance (Exhibit 6). In 2015, Alex Molinaroli total compensation was $22 million, including $1.6M salary, $10.5M stock and option awards, $4.6M bonus, and $5M deferred and other compensation. For comparison, the median total compensation of S&P500 CEOs was $10.8 million according to Equilar, representing a 4.5% increase from the prior year[[43]](#endnote-42). Molinaroli’s compensation has increased 11%, and was two times higher than that of the next best paid named executive officer (NEO) and 555 times the average worker pay, according to AFL-CIO. The five NEOs held 2.5 million of JCI common stock or less than a 0.4% of the outstanding stock, with Alex Molinaroli holding 630 thousand shares.

According to Johnson Controls proxy statement “*Awarding stock options and restricted stock reflects our executive compensation philosophy and the principle of pay for performance. By awarding stock options and restricted stock, we link long-term incentives directly to our stock price. If our stock price decreases, so does the value of the executive officer’s compensation*.” As goals for the bonus payments, the board has selected the following performance metrics for 80% determination of the bonus - ROA (Return on Assets), ROS (Return on Sales) and year-over-year Segment income growth. The maximum goals for all three were exceeded in 2015. For its long-term incentive plan (LTIP), the company has selected the performance metric of ROIC (return on the invested capital) and year-over-year pre-tax earnings.

Although performance-based pay including stock-based compensation has become widely accepted and even expected by both shareholders and executives, concerns have surfaced that it may encourage gaming behavior, betting-the-farm type of oversized risks (Sanders & Hambrick, 2007), as well as short-term actions aimed to improving the stock price of the firm, such as replacing corporate investments with stock buybacks (Exhibit 7). Under Molinaroli’s leadership, for example, cash returned to shareholders has grown - $3B spent on stock buybacks and $1.7B on dividends during the three years, 2013-2015, before the merger with Tyco. During that same period, the company earned $4B in net income and spent $1.4B on research and development (R&D) and $3.7B on capital expenditures (Appendix 1-3).

As a part of the merger agreement, Molinaroli is eligible for $74 million in “Golden Parachute” payments and $20 million retention bonus[[44]](#endnote-43).

*Market for Corporate Control*

When internal governance mechanisms such as monitoring and incentive alignment fail, the market for corporate control can exercise a disciplinary role, by replacing and enhancing the company’s management. If the actions of corporate managers affect negatively the stock market valuation of the firm, the lower stock prices could render the company more attractive target to prospective acquirers. This governance mechanism thus embeds the change in control and the potential protection of shareholder interests as corporate managers compete for control over a limited number of firms. In reality, the market for corporate control constitutes a small portion of the mergers and acquisitions (M&A) market, which had a record year of deals reaching $3.8 trillion in 2015[[45]](#endnote-44). Mergers and acquisitions are normally approved by the respective board of directors of the involved companies and then subjected to shareholder approval. By contrast, the market for corporate control typically involves hostile takeovers. If the management and the board of directors of the targeted company oppose the deal, the acquiring firm could offer a takeover deal to the shareholders of the targeted firm directly.

Rather than a hostile takeover, JCI –Tyco deal is a friendly merger, and Johnson Controls paid 11% premium to Tyco’s owners[[46]](#endnote-45). Still, change in control is anticipated to pass to Tyco’s management. George Oliver, the Tyco Chairman will be the first outsider CEO for Johnson Controls. Oliver joined Tyco in 2006 as President of Tyco Safety Products, and became CEO of Tyco in 2012. Prior to joining Tyco, George Oliver has spent more than 20 years at General Electric (GE) in various leadership roles, including CEO of GE Water and Process Technologies and CEO of GE Engine Services.

Unlike Molinarloli who had worked for Johnson Controls for 30 years before succeeding Steve Roell in the position of a CEO back in 2013, Oliver would have been with the company for merely 18 months before taking the reins[[47]](#endnote-46). According to the merger agreement, Alex Molinaroli will continue to serve as CEO and Chairman of the combined entity for the first 18 months, and continue as Executive Chairman for another 12 months. On the other hand, Oliver, Tyco’s CEO, will serve as President and COO of Johnson Controls plc during the first 18 months after the merger, follow up as a CEO for the next 12 months, and finally assume both the position of Chairman of the Board and CEO[[48]](#endnote-47).

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Exhibit 1: Alex Molinaroli, CEO and Chairman of Johnson Controls



Education:

2003-2005 MBA, Business Administration and Management, Northwestern University – Kellogg School of Management

1978-1983 BS, Electrical and electronics engineering, University of South Carolina - Columbia

Johnson Controls:

1983-1995 Branch Manager, Controls Group

1995-1997 Vice President, Sales, Systems & Service, North America

1997-2001 Vice President, Sales, Controls Group

2001-2003 Vice President & General Manager, North America, Controls Group

2004-2007 Vice President, North America Systems & Middle East, Building Efficiency

2007-2013 President, Power Solutions

Jan 2013- Sep 2013 Vice Chairman

Oct 2013- Chairman & CEO

Others:

Board Member – United Way of Greater Milwaukee & Waukesha County, Greater Milwaukee Committee, MMAC

Donor – Meta House, Safe Babies Healthy Families, COA Youth & Family Centers.

Exhibit 2. JCI Board of Directors (\* continuing as director of Johnson Controls plc in addition to CEO/Chairman Molinaroli)



Exhibit 3. Johnson Controls Stock Price (Yahoo Finance, 2016)



Exhibit 4. Johnson Controls: Firm Size and Performance (Compustat)

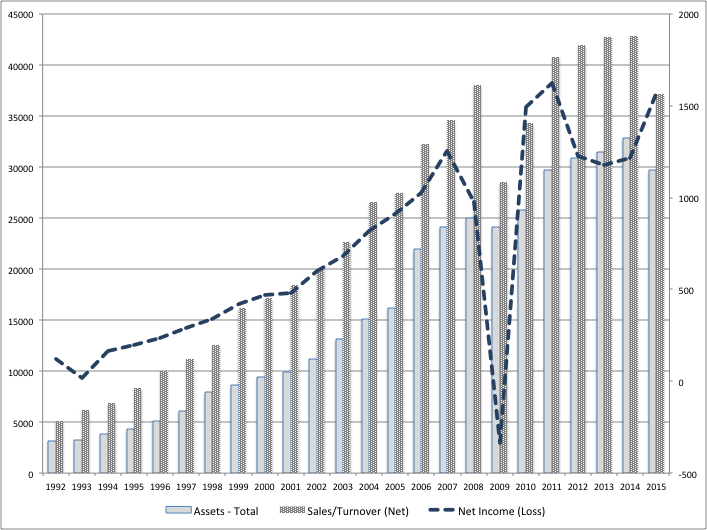


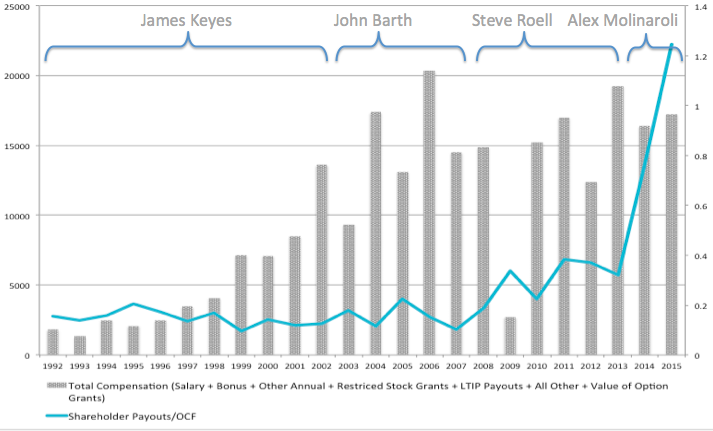
Exhibit 5. Johnson Controls – Tyco Merger: Portfolio of Products



Exhibit 6. Named Executive Officer (NEO) compensation (JCI, Def 14-a)



Exhibit 7. Johnson Controls: Executive Compensation, Dividends and Stock Buybacks as a Proportion of Operating Cash Flows (ExecuComp and Compustat)



Appendix 1. Consolidated Income Statement (JCI, 10-k)



Appendix 2. Consolidated Balance Sheet (JCI, 10-k)



Appendix 3. Consolidated Cash Flow Statement (JCI, 10-k)



Appendix 4. Income Statement by Geographic Region and Corporate Segments (JCI, 10-k)



1. This case has been written on the basis of published sources and archival datasets. The interpretation and perspectives presented in this case are not necessarily those of Johnson Controls or any of its employees. [↑](#footnote-ref-1)
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