

## Success Stories: Ideas for Potential Players

MF Manufacturing



Sales / Services

### HAWE Daido Hydraulics Co., Ltd.

**Building on over 30 years of Japanese-German cooperation**



*The headquarters of HAWE Hydraulik SE in Germany.*

HAWE Hydraulik SE was founded in Germany in 1949 to make hydraulics for forklift trucks. In 2009 the company celebrates its 60th anniversary. World-wide, HAWE products are used in almost all areas of industry, from machine tools to cranes to shipbuilding. HAWE hydraulics are made with the highest quality steel, and can operate with zero leaks under the highest pressures. One example of HAWE's domination of many industrial niches is its 80% world share of concrete pumps.

In 1977 the company entered the Japan market in partnership with Nagoya-based Daido Machinery, part

of the industry-leading Daido Steel Group, and until recently the sole distributor for HAWE products in Japan. In September 2007 the two companies set up a joint-owned subsidiary, HAWE Daido Hydraulics Co., Ltd.

#### The Supertanker and the Speedboat

HAWE's international expansion only began in earnest in 1995, since when the company has opened nearly one foreign subsidiary a year. Today the company has 13 foreign subsidiaries and 60% of its turnover is from outside Germany. Japan was not an immediate priority for a subsidiary due to HAWE's existing successful partnership with Daido Machinery, but several years ago HAWE began investigating the possibility of a joint-owned subsidiary with Daido Machinery.

HAWE identified strong reasons to expand their presence in Japan, including: the high quality of Japanese machinery and equipment, Japan's large hydraulics market, and the fact that many Japanese multinationals make their decisions in Japan rather than at local subsidiaries. A strong presence in Japan was essential to their global business.

Another key advantage of a small joint-owned subsidiary was flexibility and speed. Today, HAWE Daido Hydraulics has 32 employees, compared to several thousand for their long-term partner. "Daido Steel Group is like a supertanker, and we are like a fast boat," said HAWE Daido Hydraulics President Stefan Schmid.

- 1977 HAWE Hydraulik invite Daido Machinery to become their sole distributor in Japan.
- 2007 Joint-owned subsidiary HAWE Daido Co., Ltd. is set up in the central Japan city of Nagoya in cooperation with Daido Machinery.
- 2012 It is planned that HAWE Daido Co., Ltd. will become a fully-owned subsidiary of HAWE Hydraulik.



*President Stefan Schmid.*



HAWE's compact hydraulic power units are used in many applications, including wind turbines.

### Overcoming Differences and Capitalizing on Commonality

HAWE chose Nagoya as the location for the new company not only due to their long-standing links with Daido Machinery, but also for the high concentration of heavy industry and machine tooling manufacturers in the area. While setting up HAWE Daido Hydraulics, President Stefan Schmid spent three months working from the JETRO Invest Japan Business Support Centers (IBSC) in Tokyo and Nagoya. JETRO introduced business advisers and real estate agents, as well as helping open bank accounts and look for staff. Language help was invaluable as relatively few people speak English in the Nagoya area compared to Tokyo.

Schmid encountered other noticeable differences between Japanese and German business culture, particularly in Nagoya, a region of Japan with more traditional attitudes to business than, say, Tokyo. Schmid found the promotion by age system still strong there; some at Daido Machinery were bemused to find a 44-year-old at the helm of the new company. But he also found that similarities and commonalities well outweighed any differences. Schmid comments that their Japanese partners are very good at processes of all kinds, a perfect complement to German engineering. And one thing that both cultures share, says Schmid, is "a love of craftsmanship." In fact, the area of Nagoya

is famous for what is termed *monozukuri* (skilled manufacturing) in Japan.

### Opportunities in Renewable Energy

HAWE Daido Hydraulics has set ambitious targets for their new business, although they have not been immune to the global downturn and revised down their business targets for 2009. It aims to triple their sales from 1.3 billion yen to 3 billion yen by 2012 when the company will become a fully owned subsidiary of HAWE Hydraulik. Another key target is to bring their share of Japan's estimated 1,300 million euro machine tooling and construction machine markets closer to their worldwide share.

HAWE is also eyeing opportunities in Japan's active renewable energy market, not least wind power. Germany leads the world in wind turbine production and 10% to 15% of HAWE's global sales are in the renewable energy market. Amongst other products, HAWE makes the hydraulics to swivel the heads and change the angle of blades on turbines up to 126 meters in diameter. They also make the hydraulics that solar panels use to move and "track" the sun.

Underpinning such new endeavors is a long-standing and stable niche business based on solid German-Japanese cooperation. Many Daido Machinery employees have travelled to Germany over the years to spend time at HAWE. "We always had a good relationship and close cooperation with Daido," said Schmid. "I really think that if we put the strengths from Germany and Japan together we can do anything."

#### Japanese Operation

**Established:** September 2007  
**Capital:** ¥225 million (as of October 2008)  
**Employees:** 32  
**Business:** Hydraulics solutions for a wide variety of industries including machine tools, construction machinery, forestry and wind power  
**Location:** 9, Takiharu-cho, Minami-ku, Nagoya, Japan 457-8577  
**URL:** <http://www.hawe-daido.co.jp>  
**Parent company:** HAWE Hydraulik SE (Germany), Daido Machinery Co., Ltd. (Japan)

