

# Hidden Champions – Lessons of Mid-sized World Market Leaders

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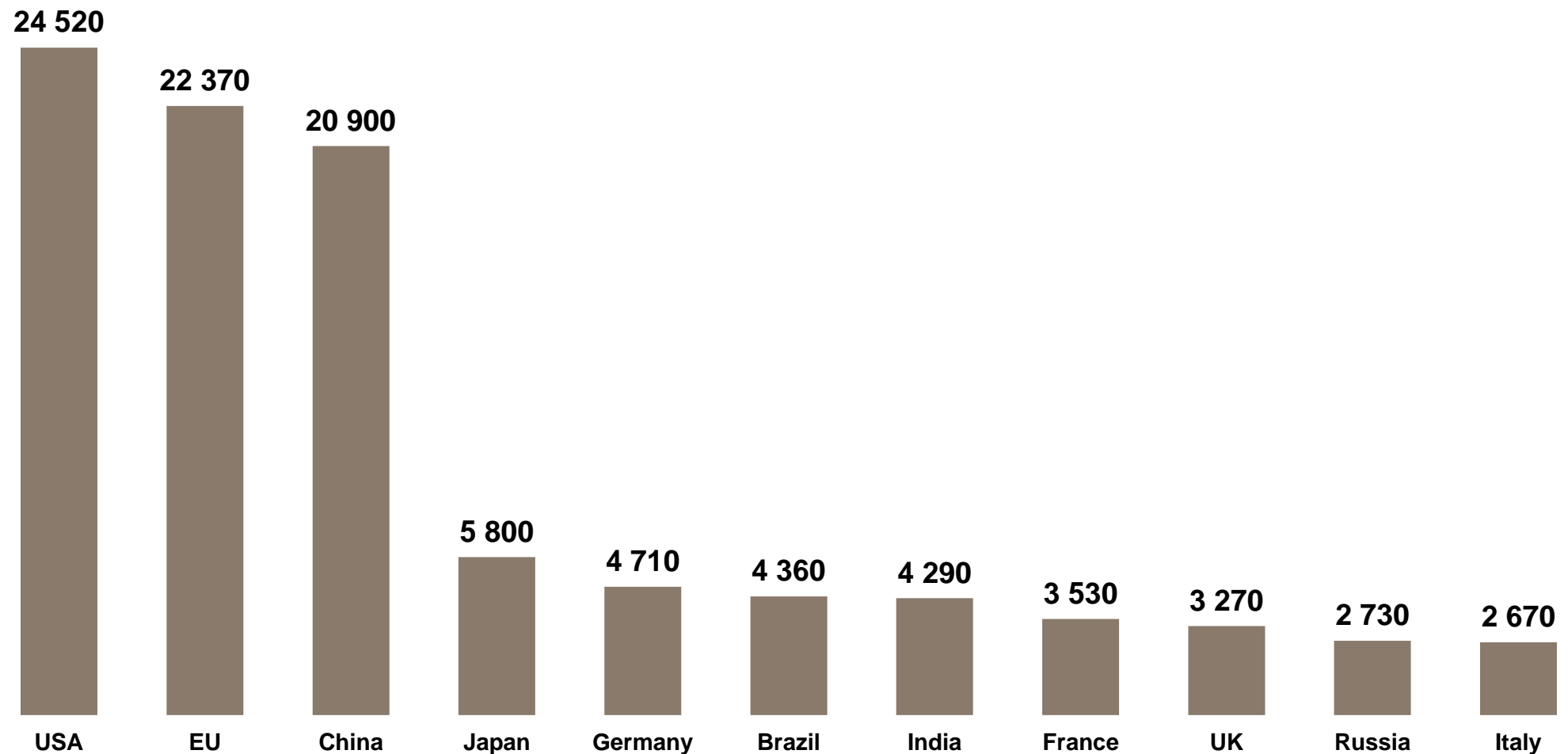
# GLOBALIA

**The globalized world of the future**

**In order to understand  
future opportunities  
and risks we have to  
understand  
Globalia!**

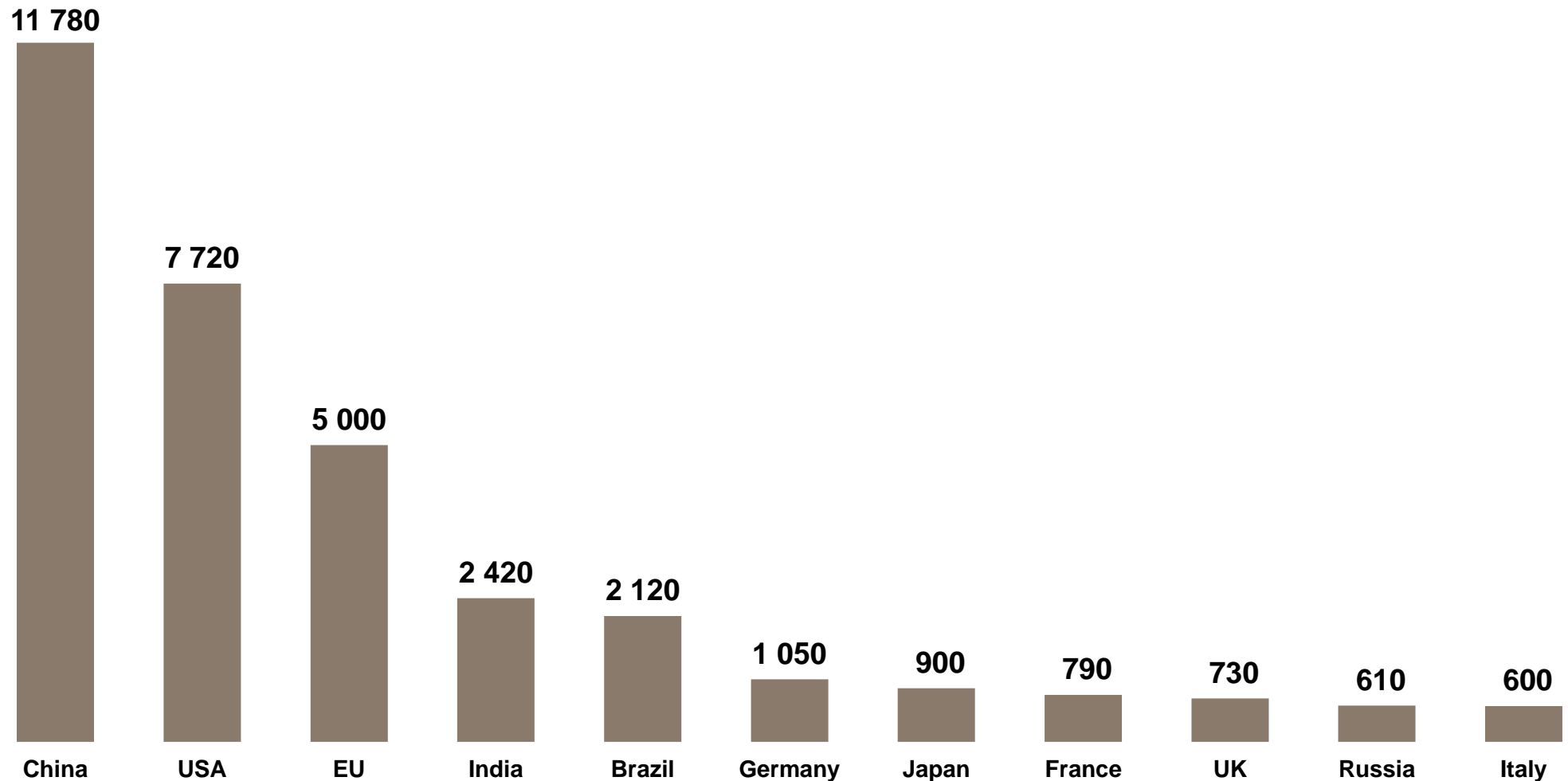
# Globalia 2030: Gross Domestic Products

Billion US-\$

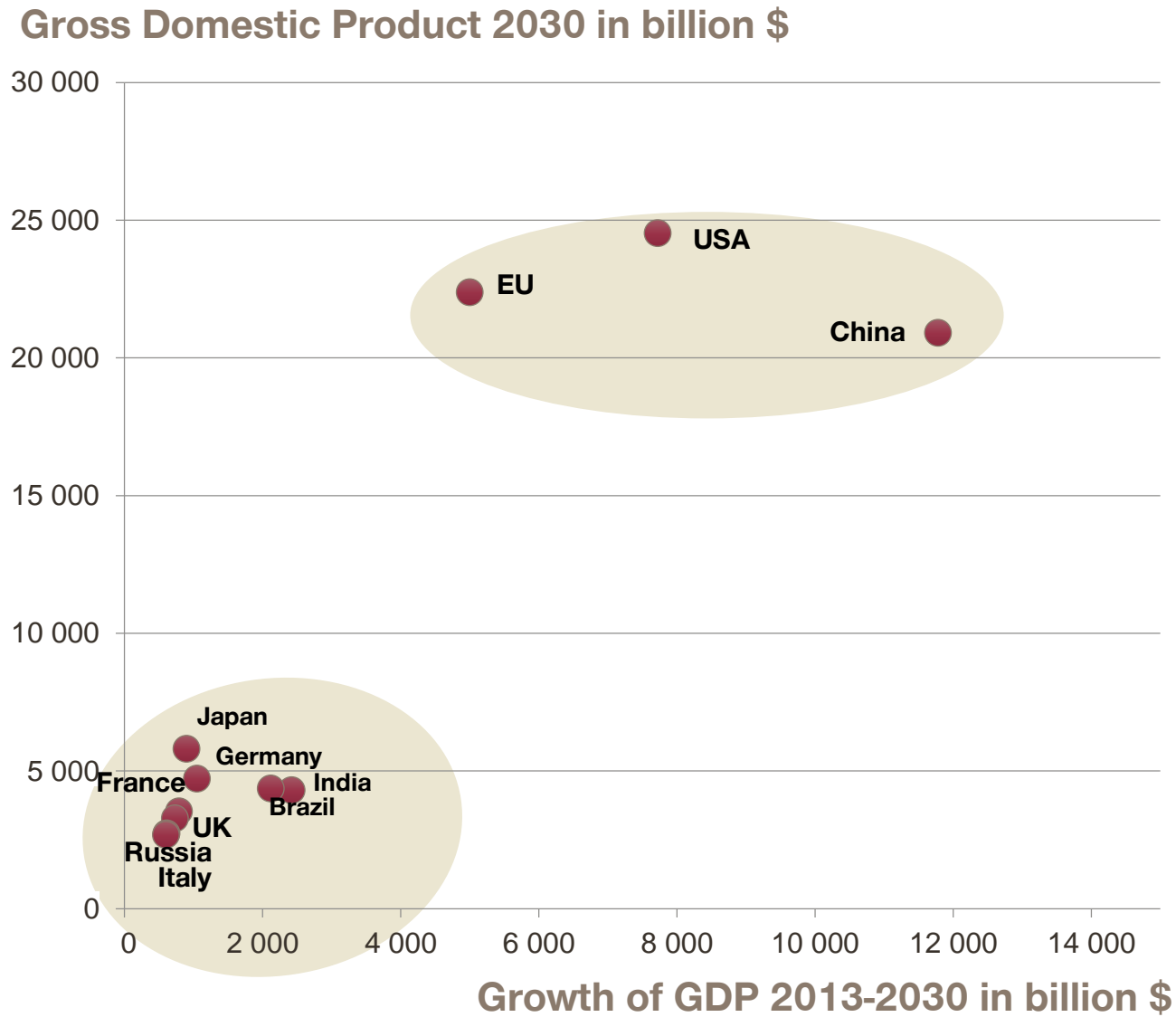


# Globalia 2030: Growth until 2030

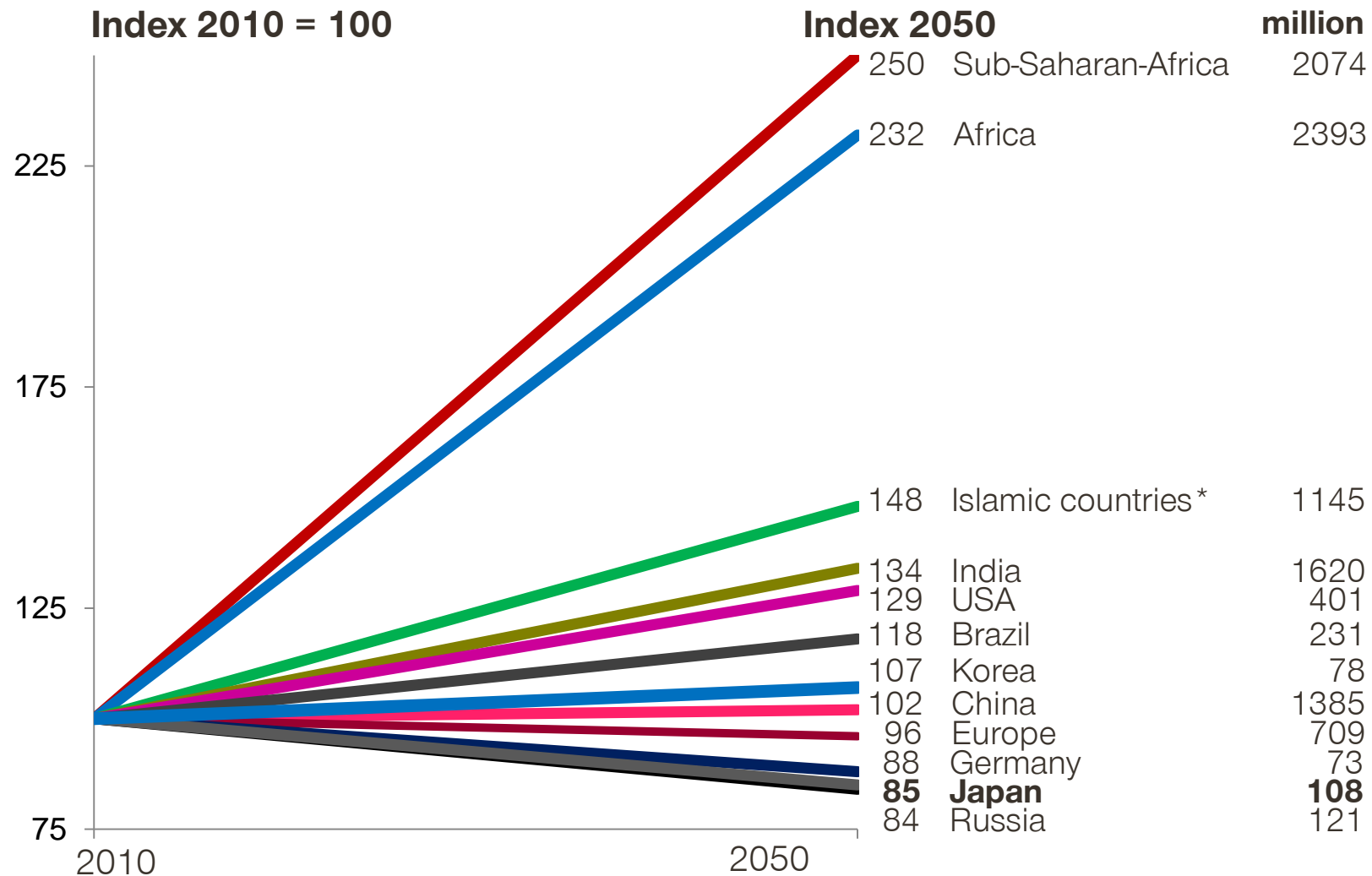
Growth of GDPs 2013-2030 in billion US-\$



# Globalia – Size and Growth of GDP

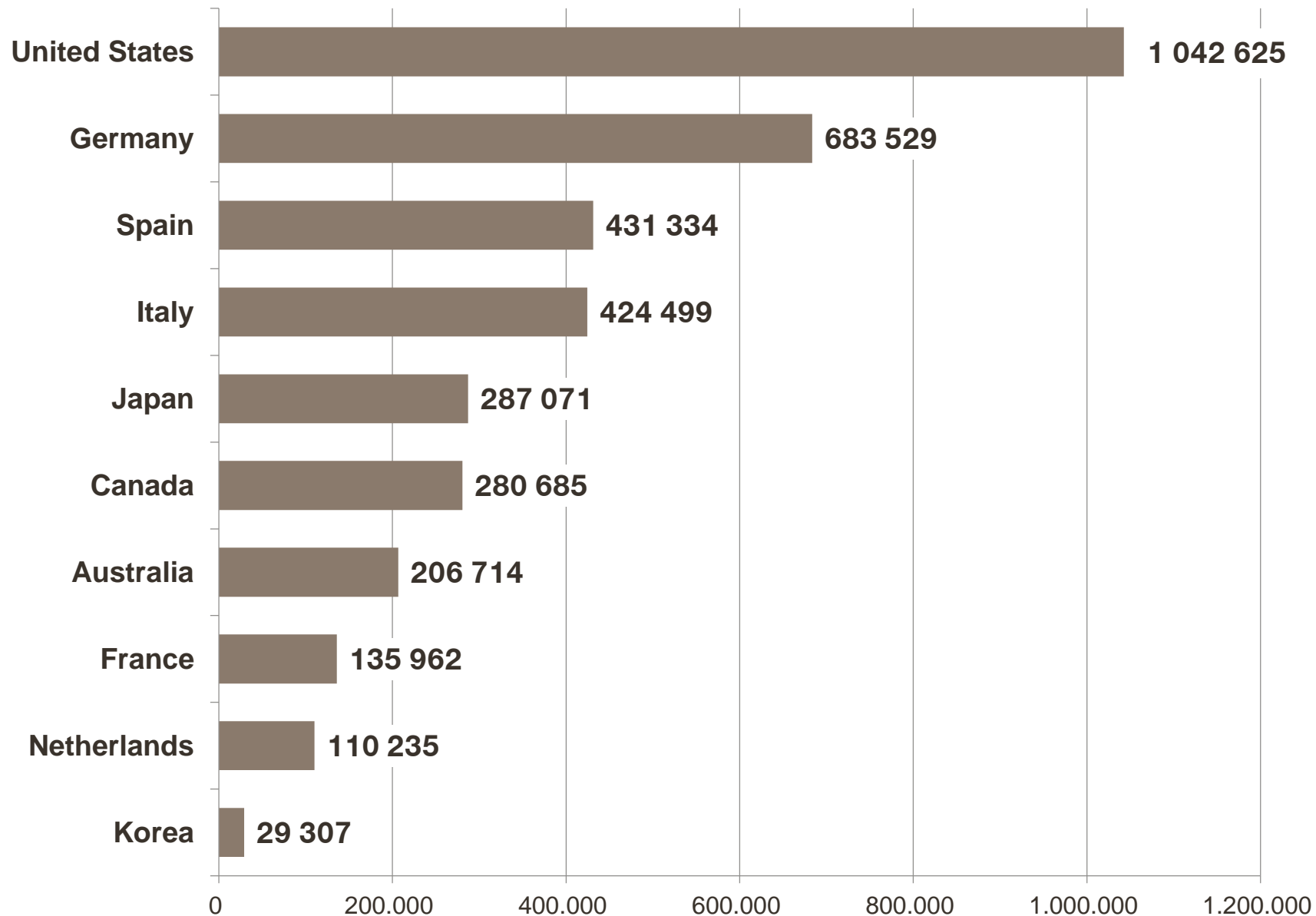


# Globalia – Until 2050: "Demography is Economy"

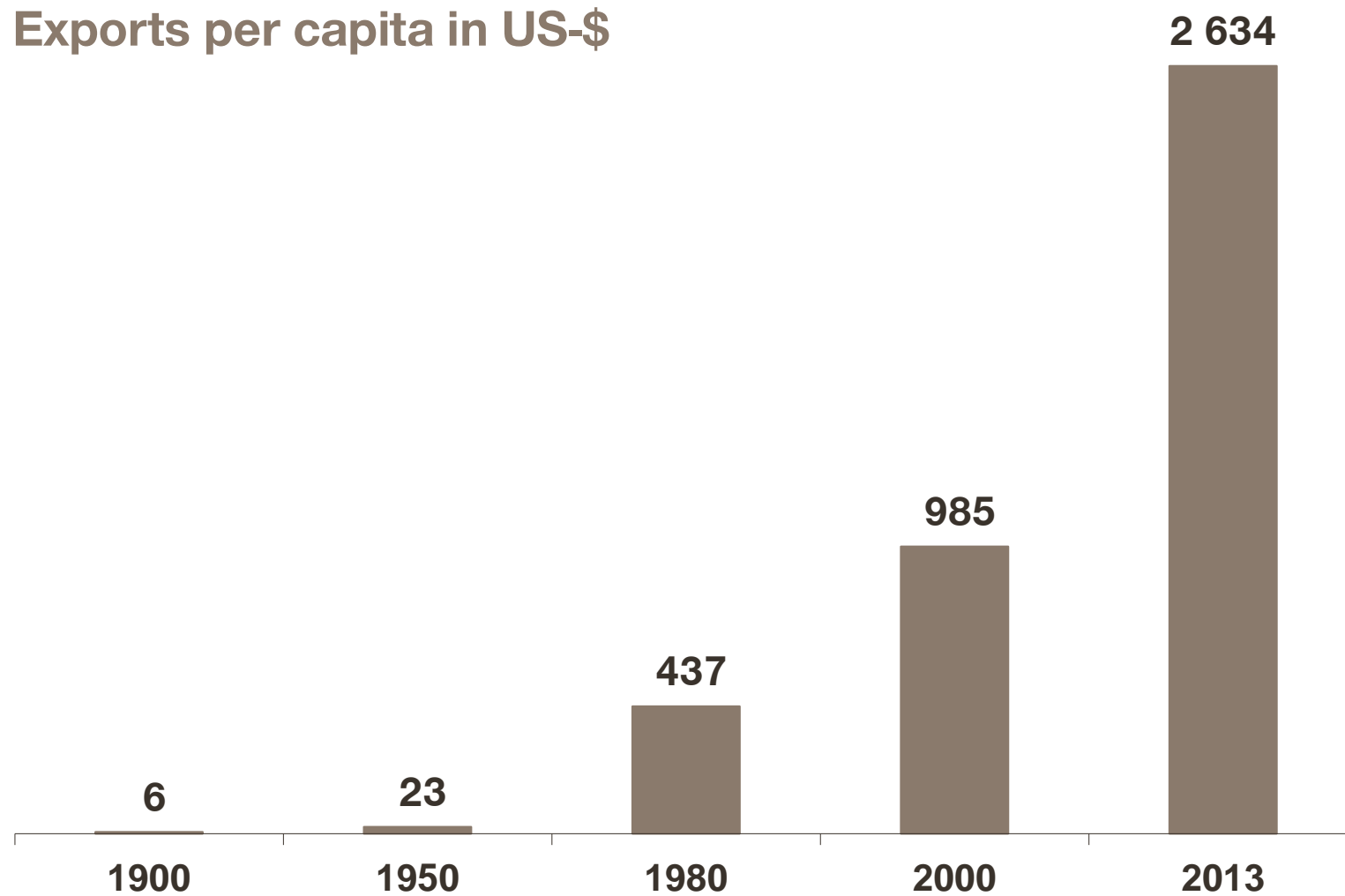


\*Pakistan, Indonesia, Bangladesh, Egypt, Iran, Iraq, Afghanistan Source: UNO Forecast, 2012

# Permanent Immigration into Industrialized Countries 2012



# Accelerating Globalization

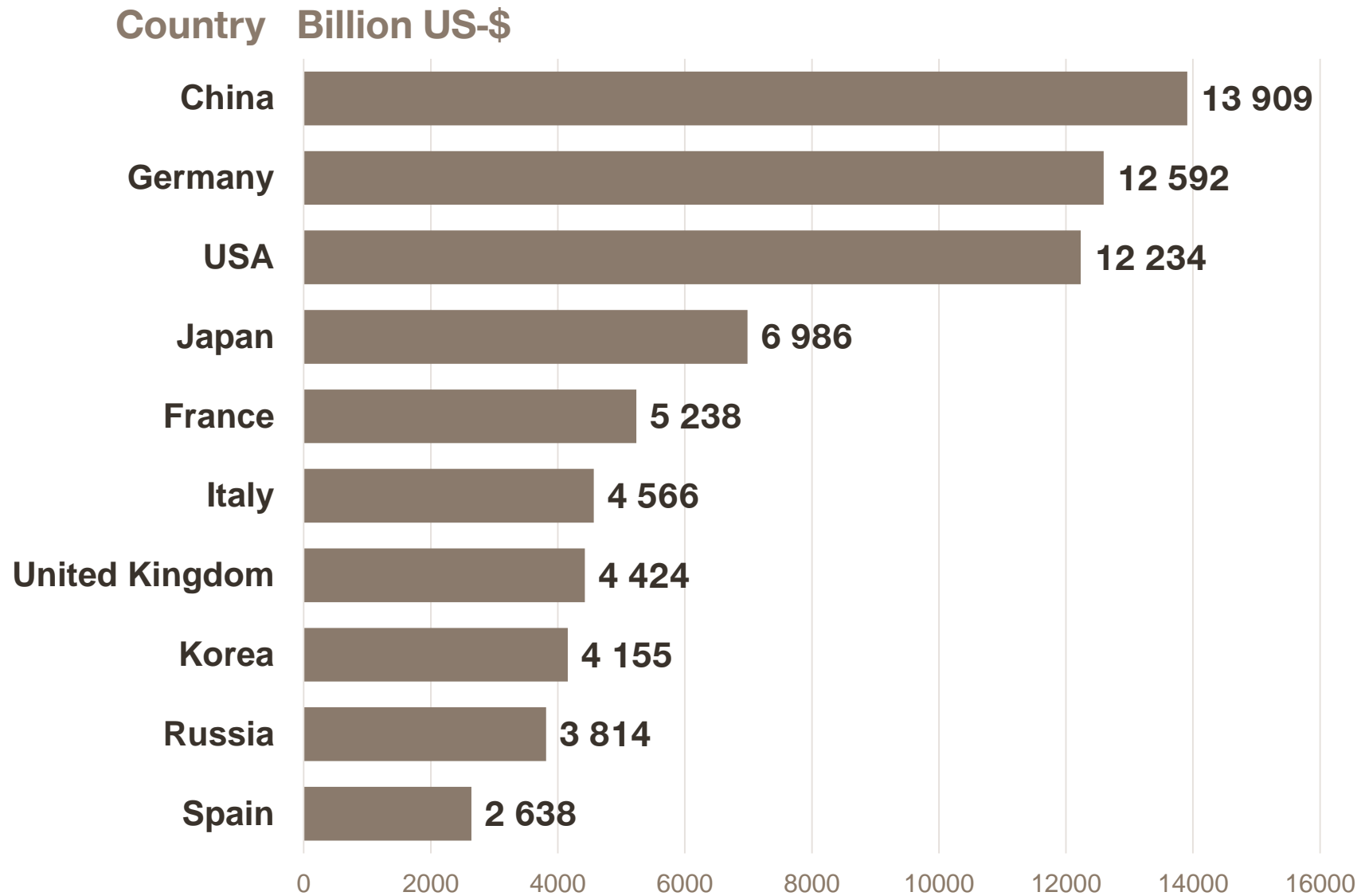


**Globalia is and will be an enormous driver of growth. In 2030 China, the US and the EU will be the three poles of the global economy. Japan and Germany are mid-sized powers and would be well-advised to cooperate. Africa will play an increasingly important role – with uncertain outcome.**

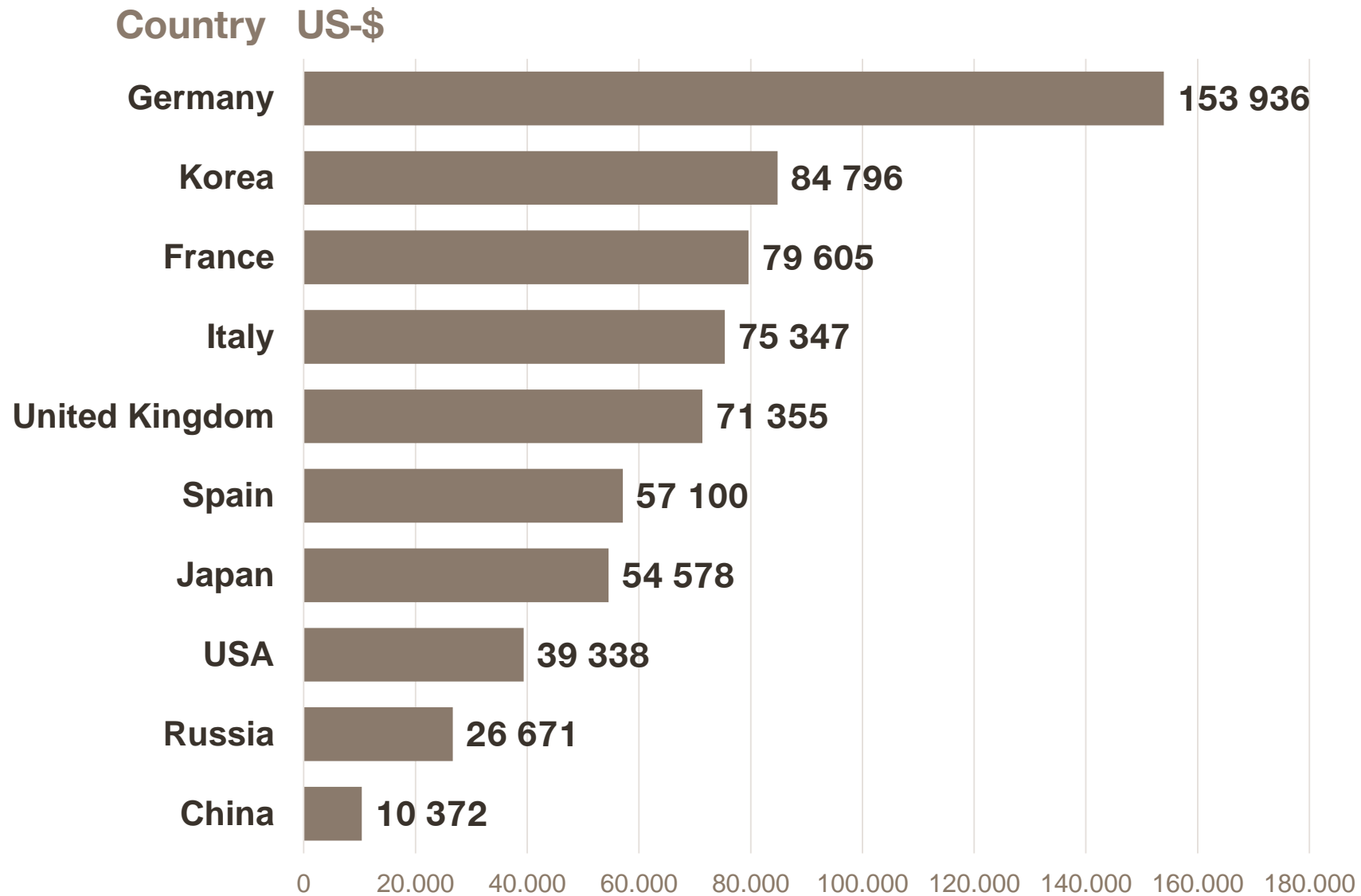
**How successful  
are individual countries  
in global competition,  
especially in exports?**



# Exports 2004-2013



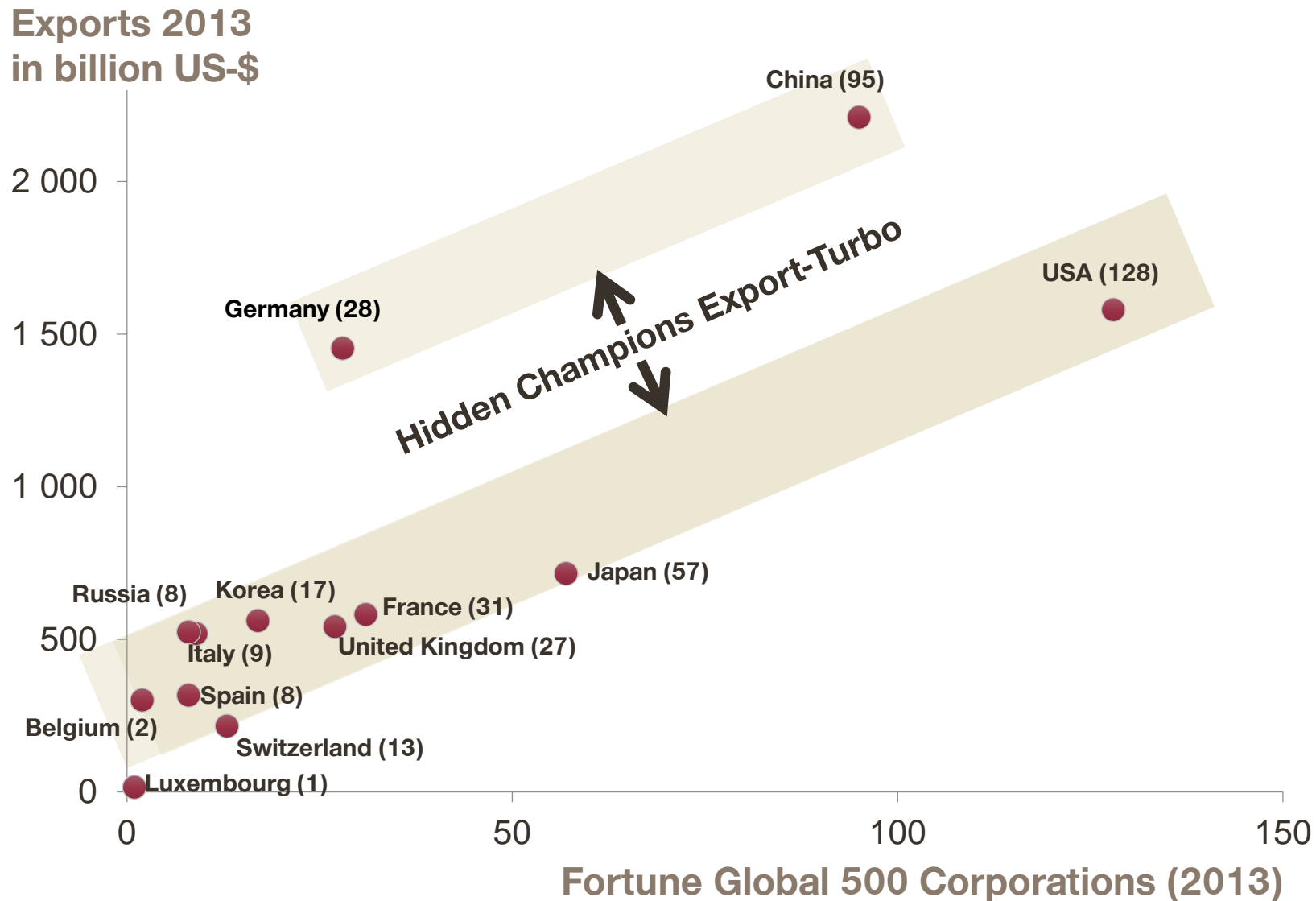
# Per Capita Exports 2004-2013



## Who exports?

- **Countries/states do not export!**
- **Only companies export – only the strongest companies**
- **Do large corporations explain the export performance of a country?**

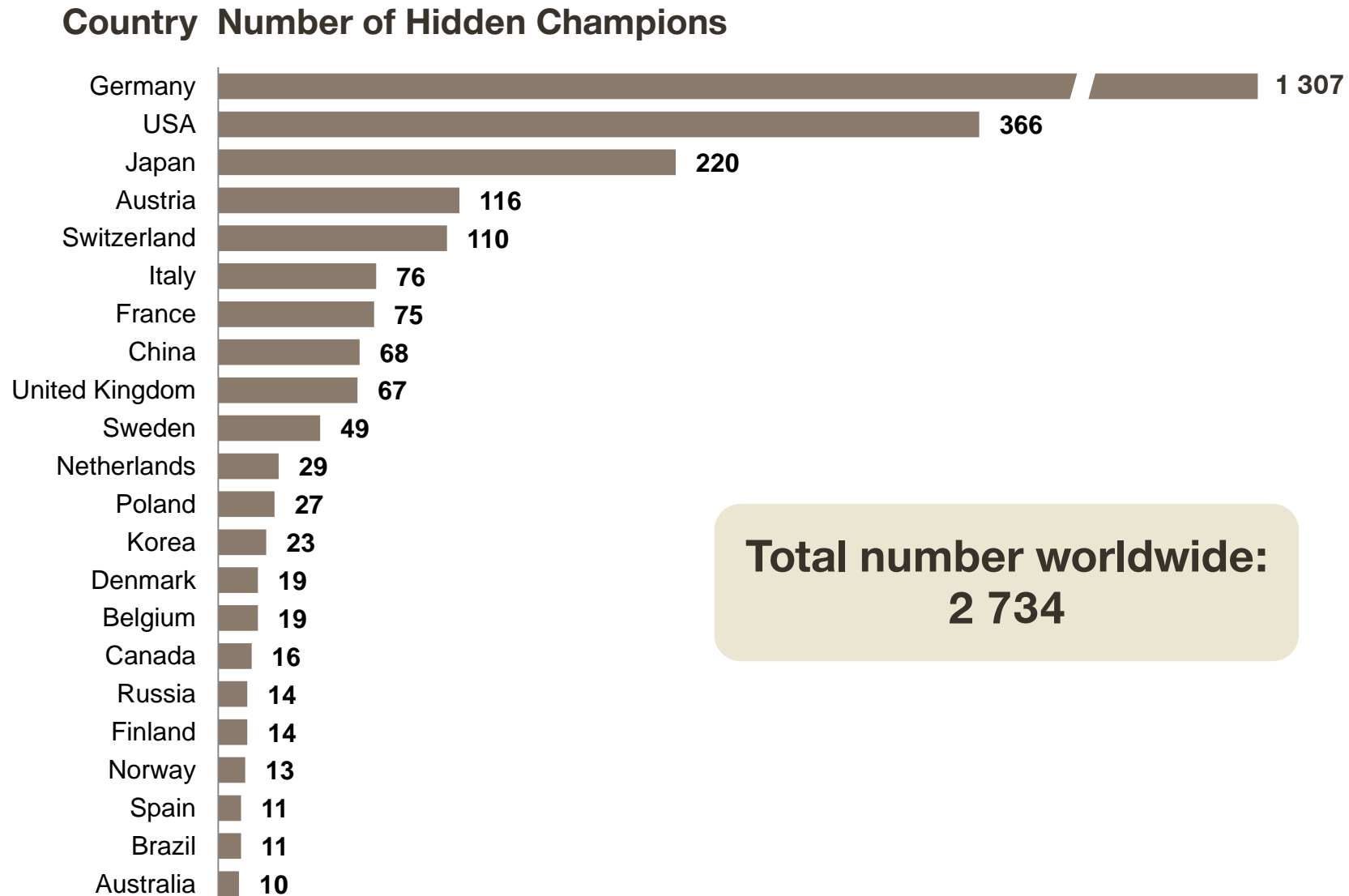
# Do Large Companies Explain Export Performance?



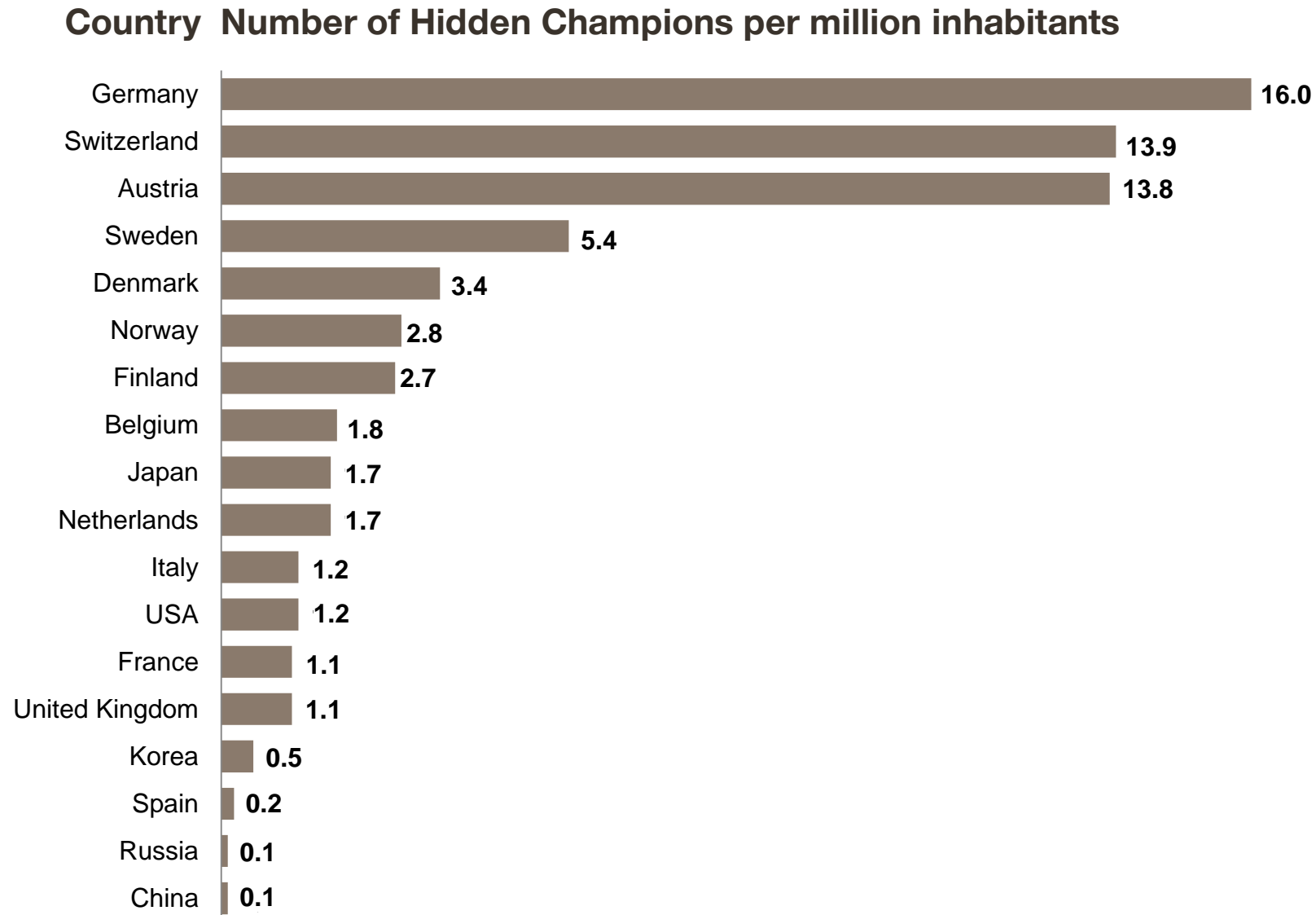
## What Is a Hidden Champion?

- **Top 3 in the world or no. 1 on its continent**
- **Revenue less than €5 billion**
- **Not well known in general public**

# Hidden Champions by Country



# Hidden Champions per Million Inhabitants



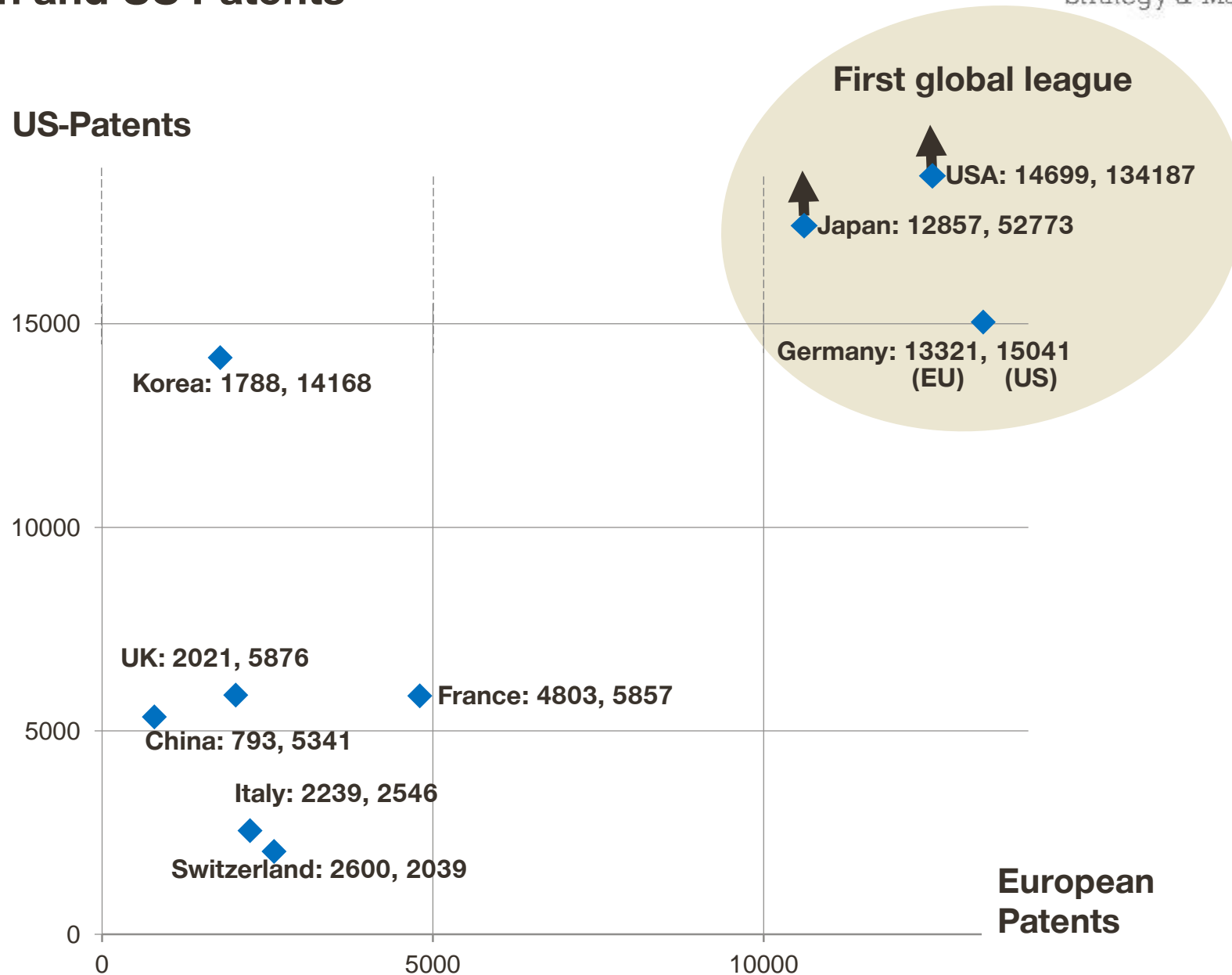


**What is required for  
success in Globalia?**



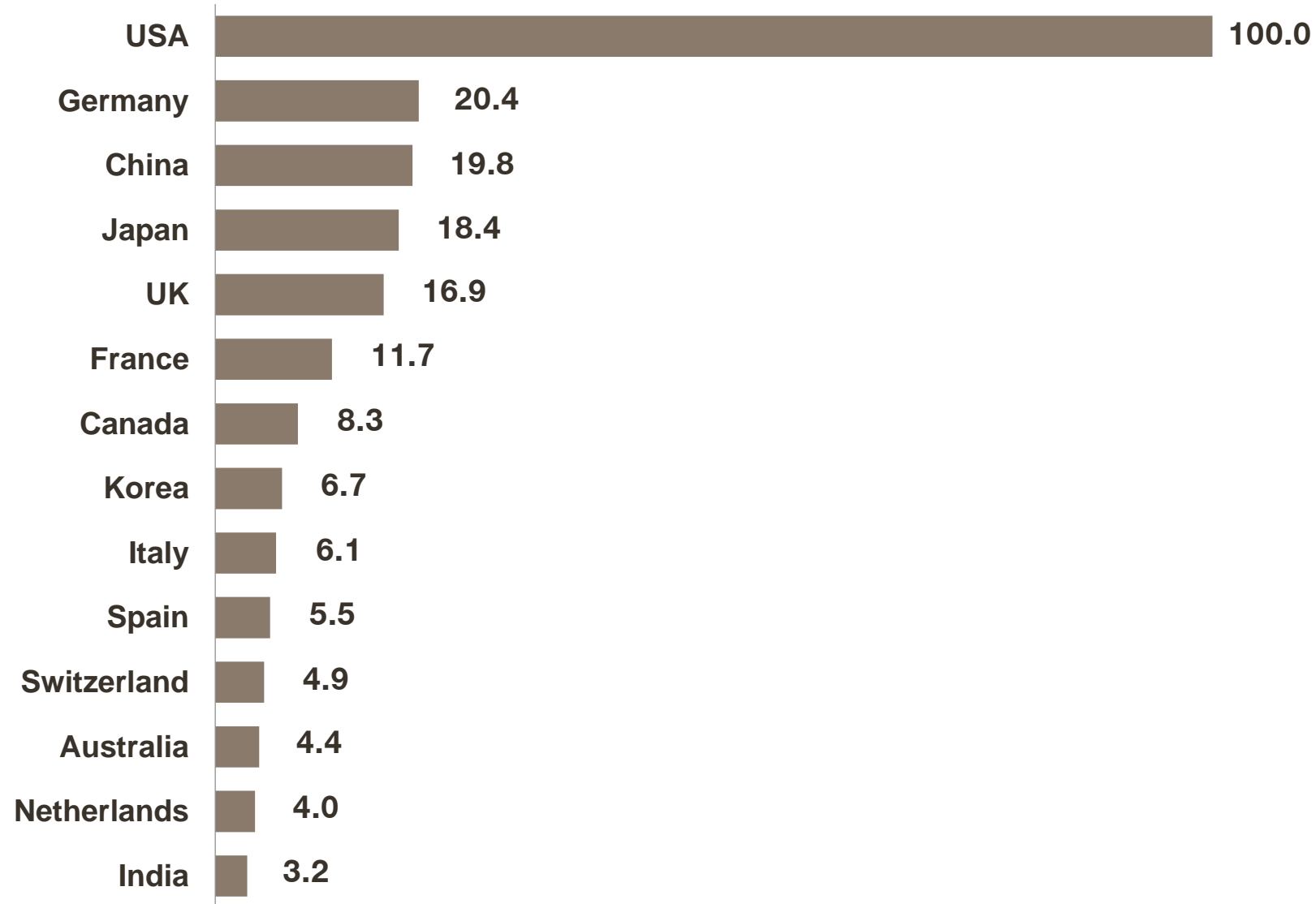
<b>Country</b>	<b>Number of European patents 2003-2012</b>	<b>European patents per million inhabitants</b>
Germany	130 032	1 590
Japan	108 418	847
Austria	6 366	749
France	44 363	674
USA	134 306	427
Italy	21 636	357
United Kingdom	20 893	337
Korea	9 859	197
Spain	3 649	79
Portugal	249	23
Greece	244	23
Russia	462	3

# European and US Patents



Source: European and US patent statistics, year 2012

# The World's Leading Countries in Science



Source: The World's Best Countries in Science, Scientific American, October 2012, p. 36-37

# Strong Manufacturing Base



**Business success in Globalia does not solely depend on large corporations but also on mid-sized world class businesses like the Hidden Champions. Innovativeness and a strong manufacturing base are the factors of their success. Japan and Germany are rather similar with regard to innovativeness and manufacturing base, but not with regard to the role of Hidden Champions. Cooperation can help Japanese mid-sized companies to catch up in Globalia.**

# **The Hidden Champions**

**Why are they successful?**

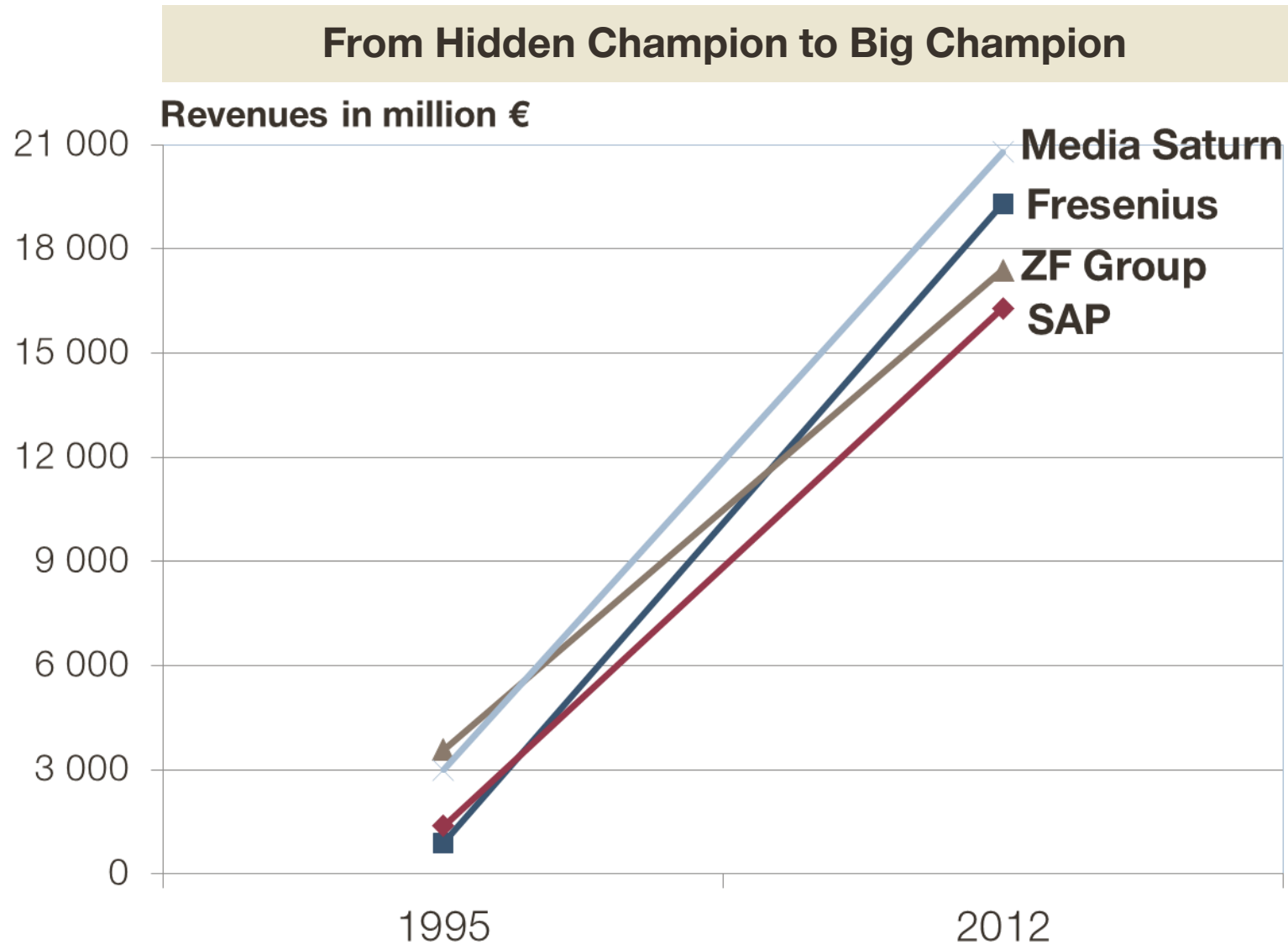
**How do they differ  
from large corporations?**

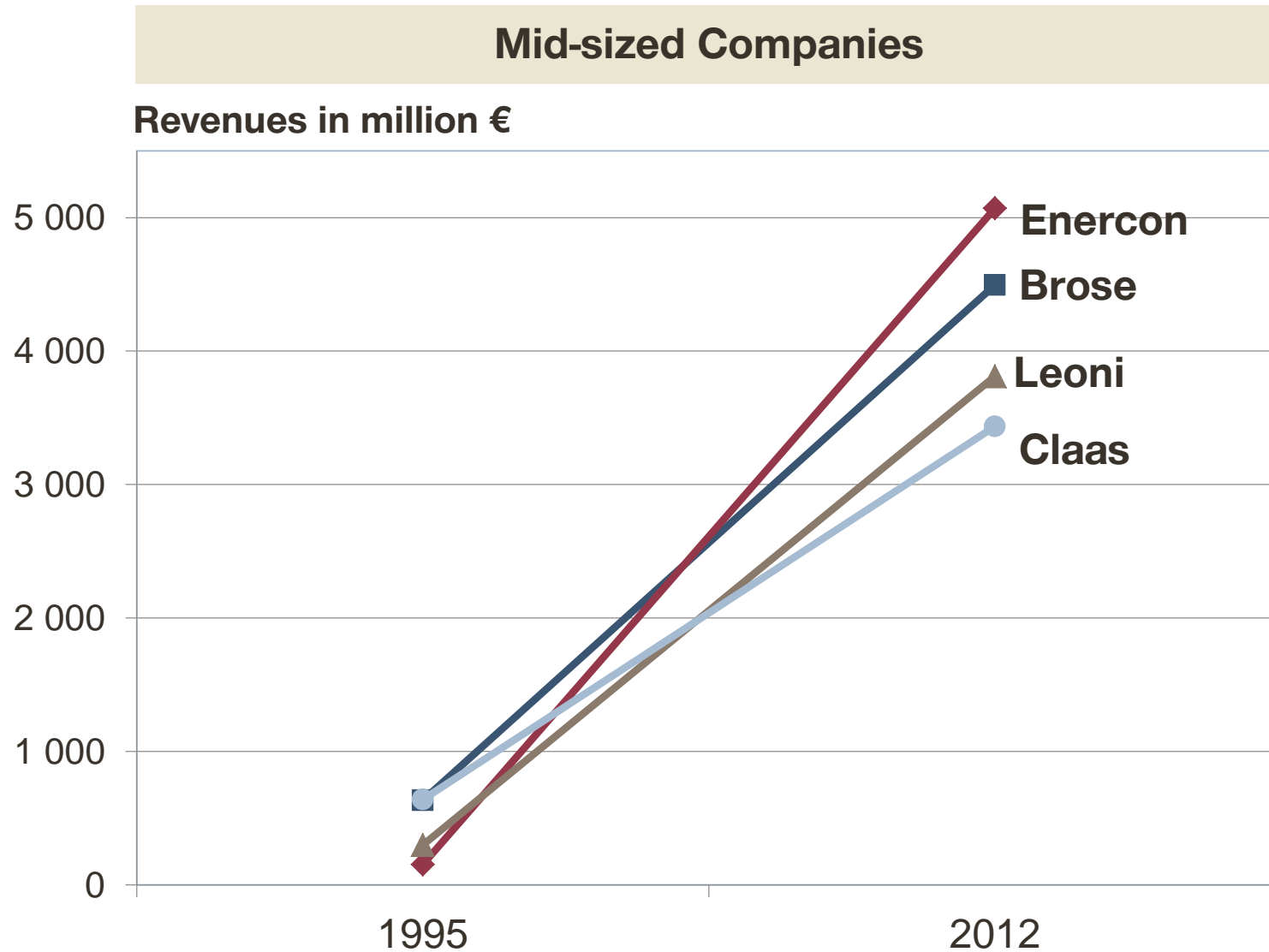
**What can we learn from them?**

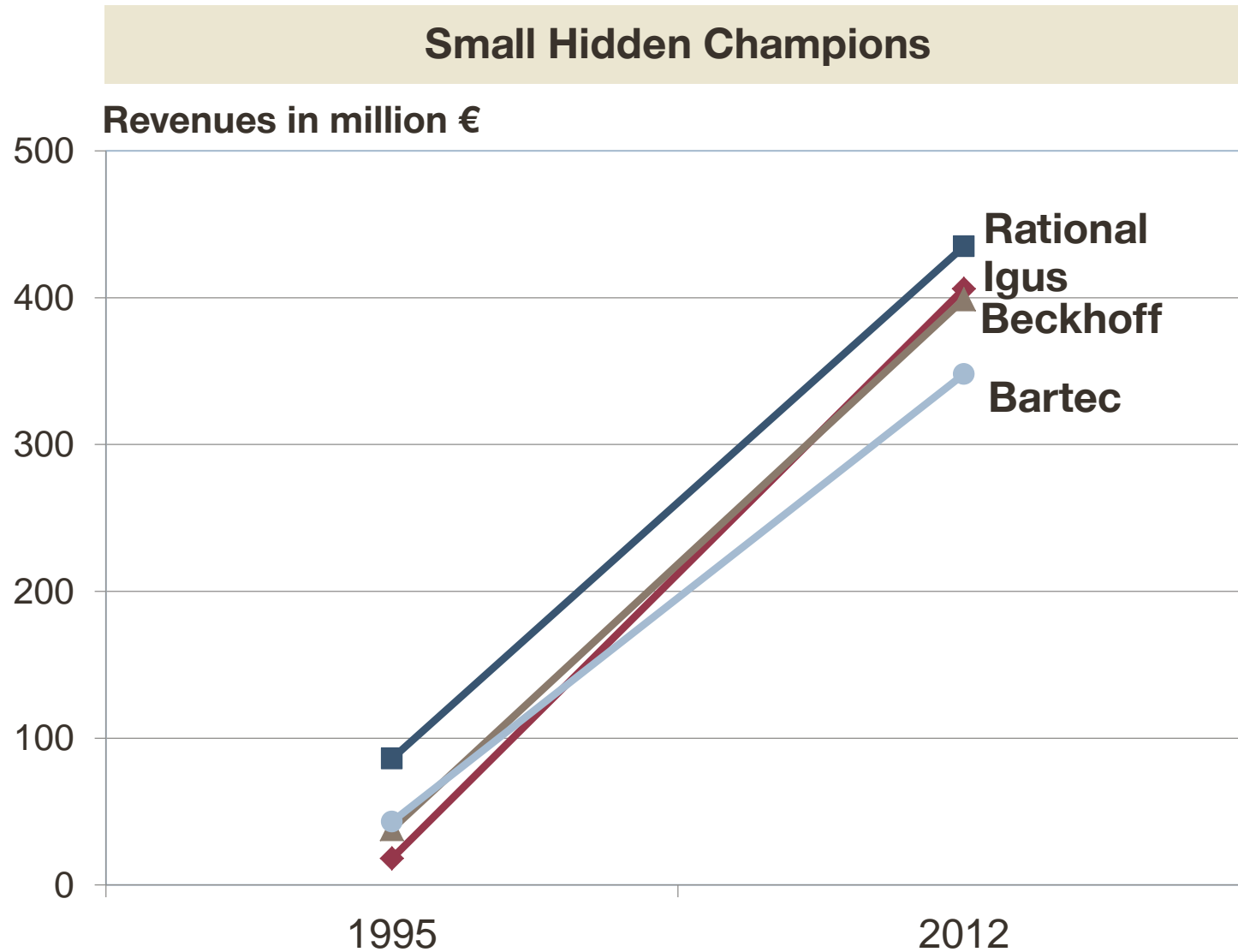


# **Extremely ambitious goals:**

# **Growth and market leadership**







**"The goal of Chemetall is the worldwide technology and marketing leadership."**

**Chemetall is the world market leader  
in special metals like lithium and cesium.**

**"We want to become and stay  
no. 1 in the world."**

**3B Scientific is the world market leader  
in anatomical teaching aids.**

**"We lead by anticipating our customers' expectations. Leadership means becoming the benchmark for others. We set the standards on the world market."**

**Sick is a world market leader in sensors.**

**"We want to create ultimate value for our customers as the world's undisputed leading supplier. It is our objective to be the world's most competitive provider. We go far beyond present market requirements. We envision the market's future needs."**

**Rosen-Group is the world market leader  
in pipeline inspection systems.**

**Success always begins with highly ambitious goals. This will to lead is decisive. The Hidden Champions go for growth and market leadership. To them leadership means more than market share. This is the fuel that drives them forward.**

# Focus

**"We always had one customer and will only have one customer in the future: the pharmaceutical industry. We only do one thing, but we do it right."**

**Uhlmann is the world market leader  
in packaging systems for the pharmaceutical industry.**

**"We only focus on one thing,  
but we do it better than anyone else."**

**Flexi is the world market leader  
in retractable dog leashes.**

- **No outsourcing of core competencies**
- **"We produce all parts ourselves, based on the quality standards we define." (Wanzl)**
- **"We grow our own wood in our own plantations." (Faber-Castell)**
- **"As many parts as possible are self-produced, all of which takes place in a small region with down-to-earth people." (Miele)**
- **Own machine shops**
- **Very secretive in R&D**


**Only focus leads to world class. The Hidden Champions are highly focused on their technologies and their markets. Through a deep value chain they create unique products and protect their know-how.**

# Globalization

# The Hidden Champions Strategy

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Strategy & Marketing Consultants

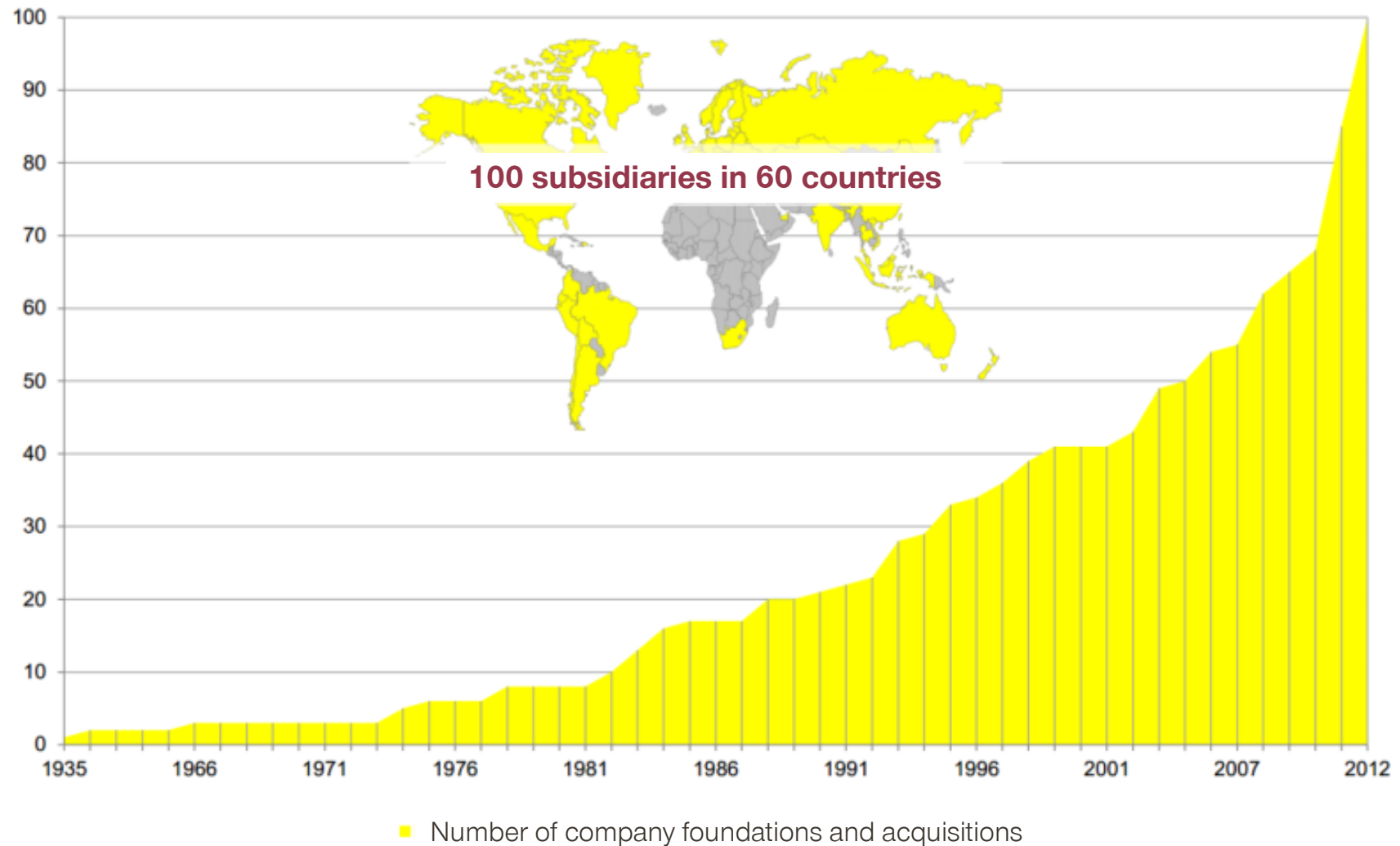
**Focus in  
product and know-how**



**Global selling and marketing**

# Globalization: Kärcher

World market leader in high pressure water cleaners



**International presence is still a weakness of many Japanese mid-sized companies**

- **Direct access to customers**
- **Build-up of global network**
- **Cultural competencies**

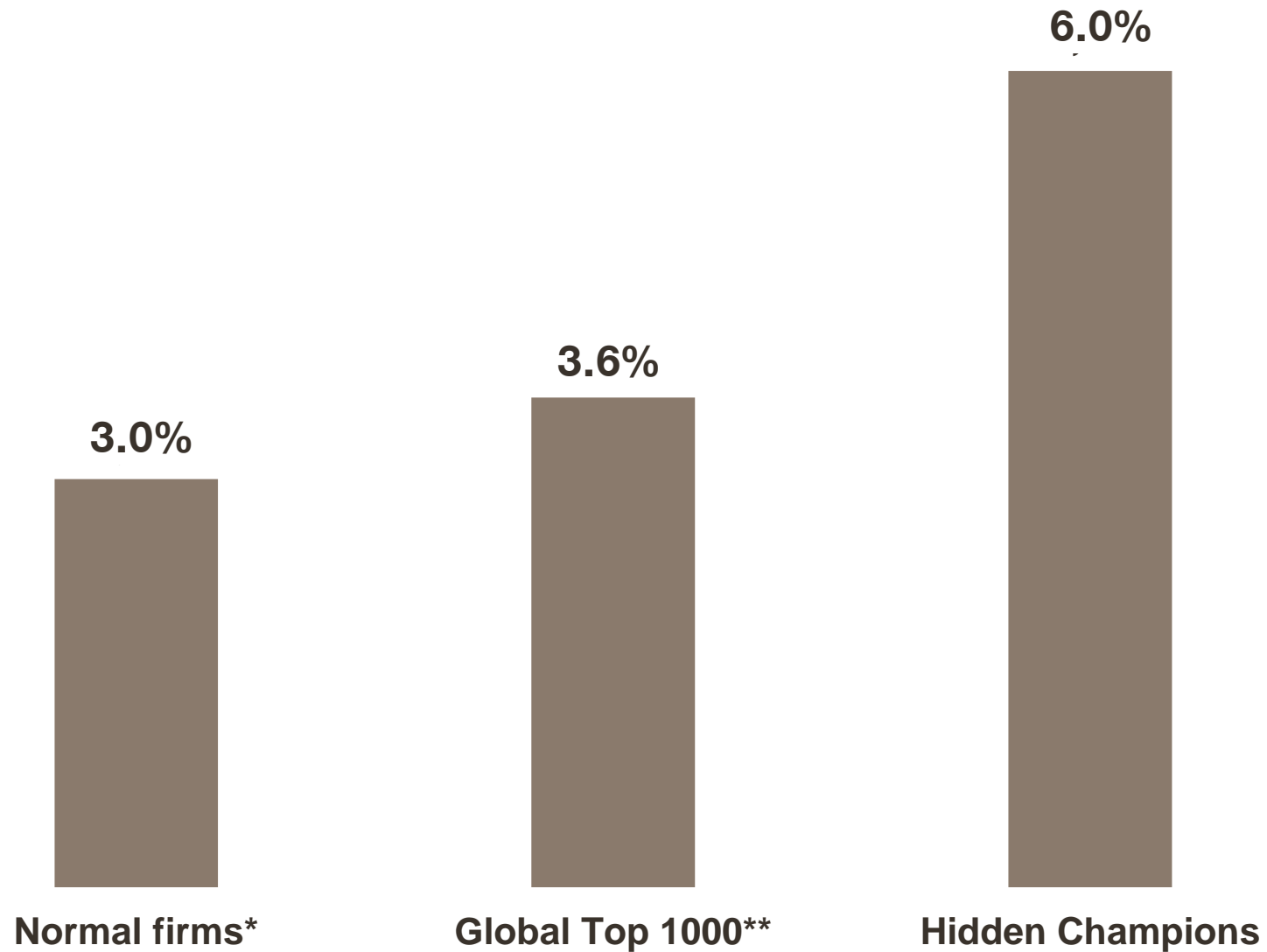
**German mid-sized companies are weak in Japan and many parts of Asia.**

**This calls for cooperation.**

**The Hidden Champions combine focus in product and know-how with global selling and marketing. Globalization is the growth booster for them. They serve the target markets through their own subsidiaries. Cooperation can foster and speed up globalization.**

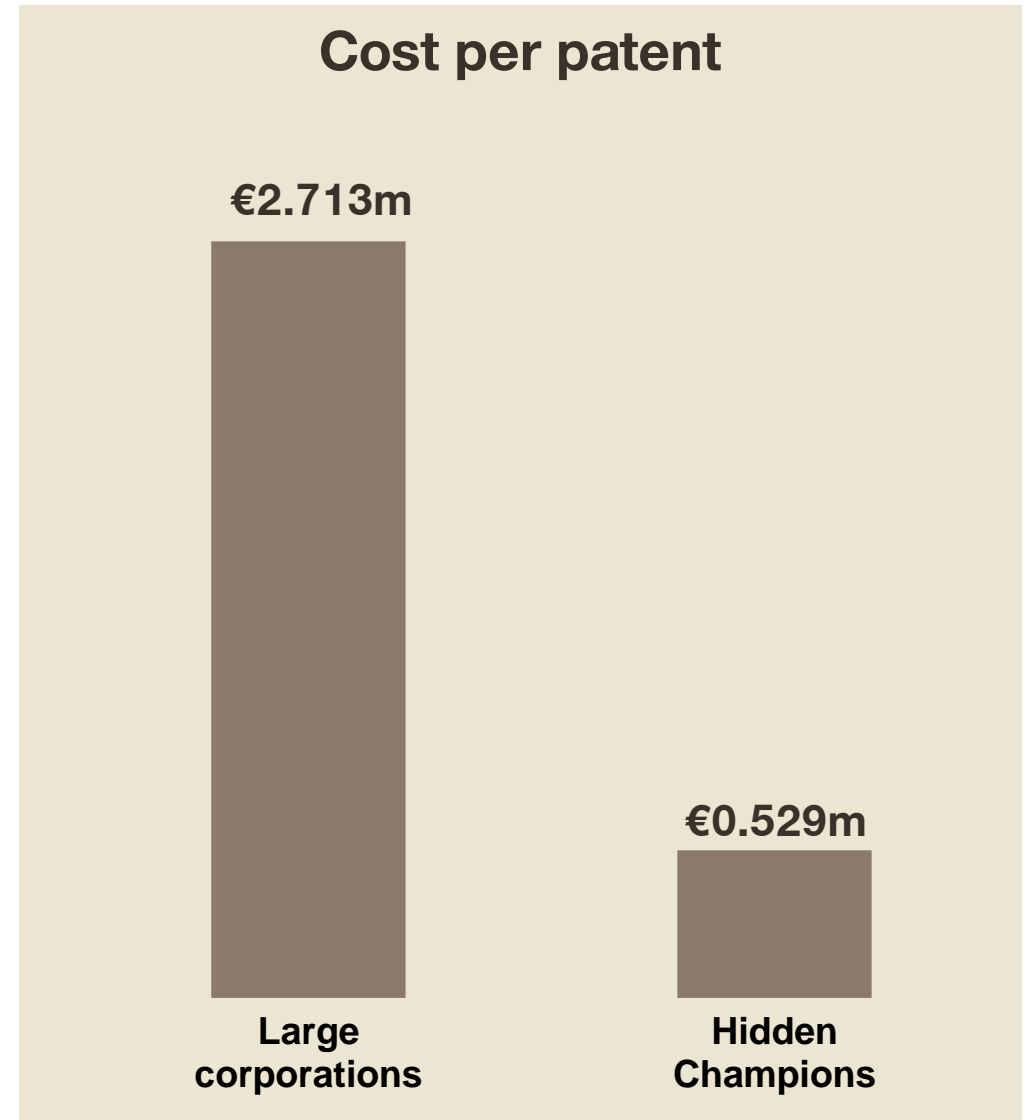
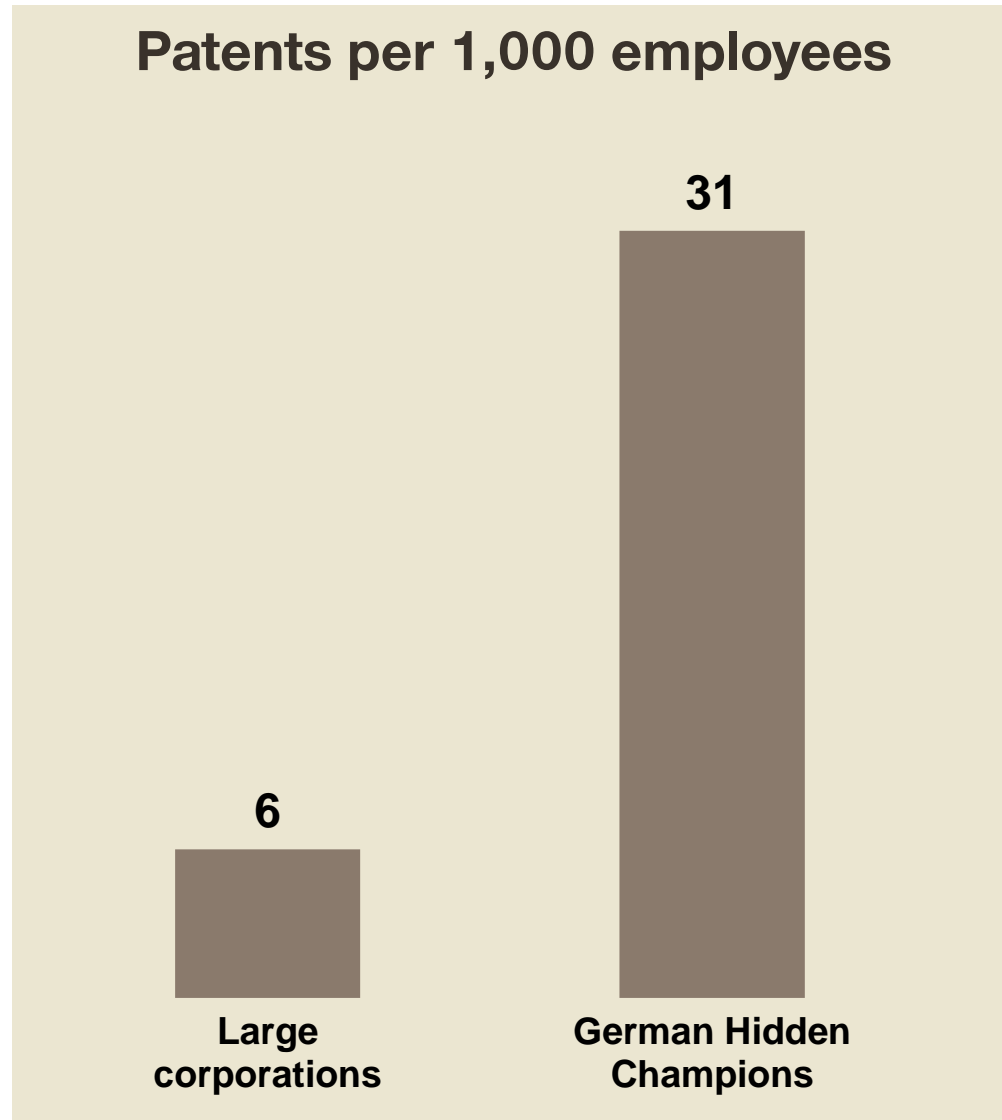
# Innovation

# Innovation: R&D Intensity



\*IDW study, \*\* Booz study on R&D

## Patents of Hidden Champions vs. Large Corporations



## Innovation: Enercon E-Ship with Flettner rotors

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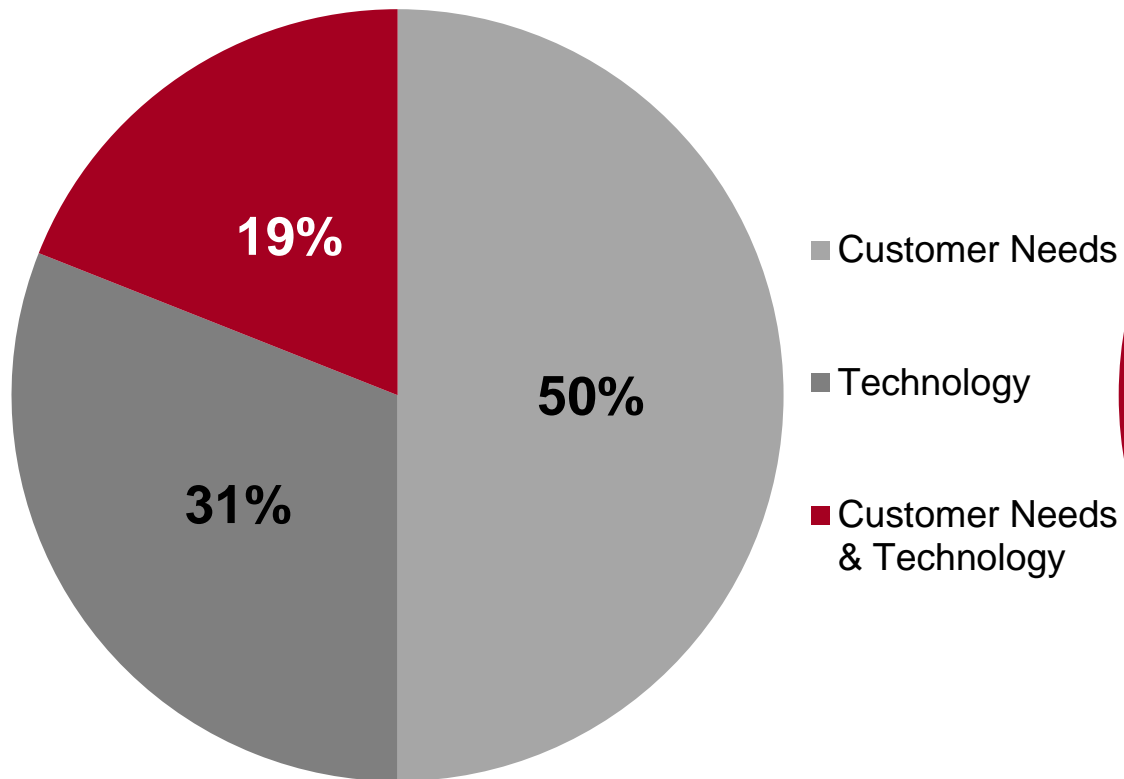


# Innovation: Volocopter

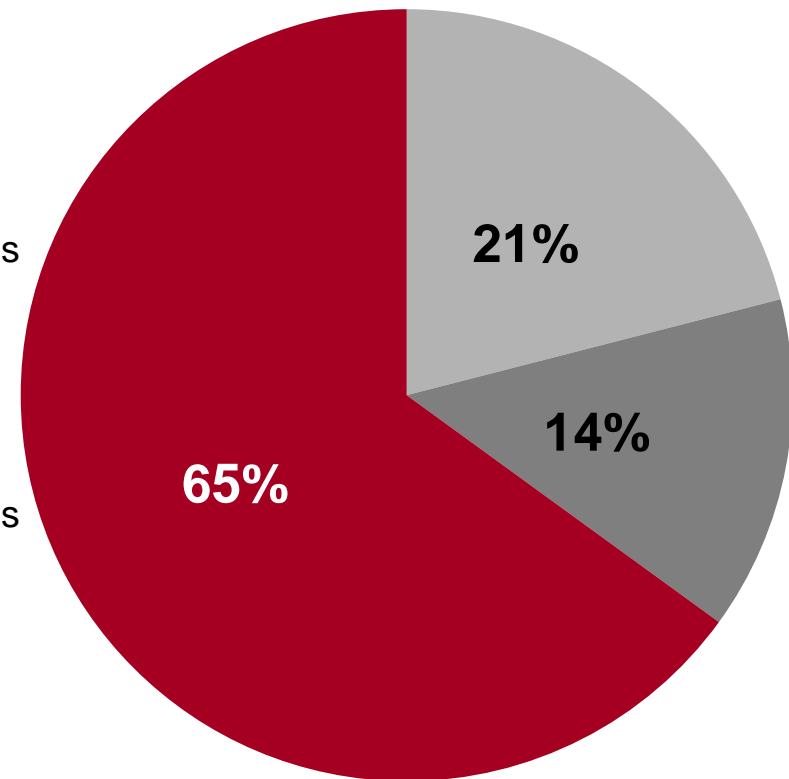


# Drivers of Innovation

## Large corporations



## Hidden Champions



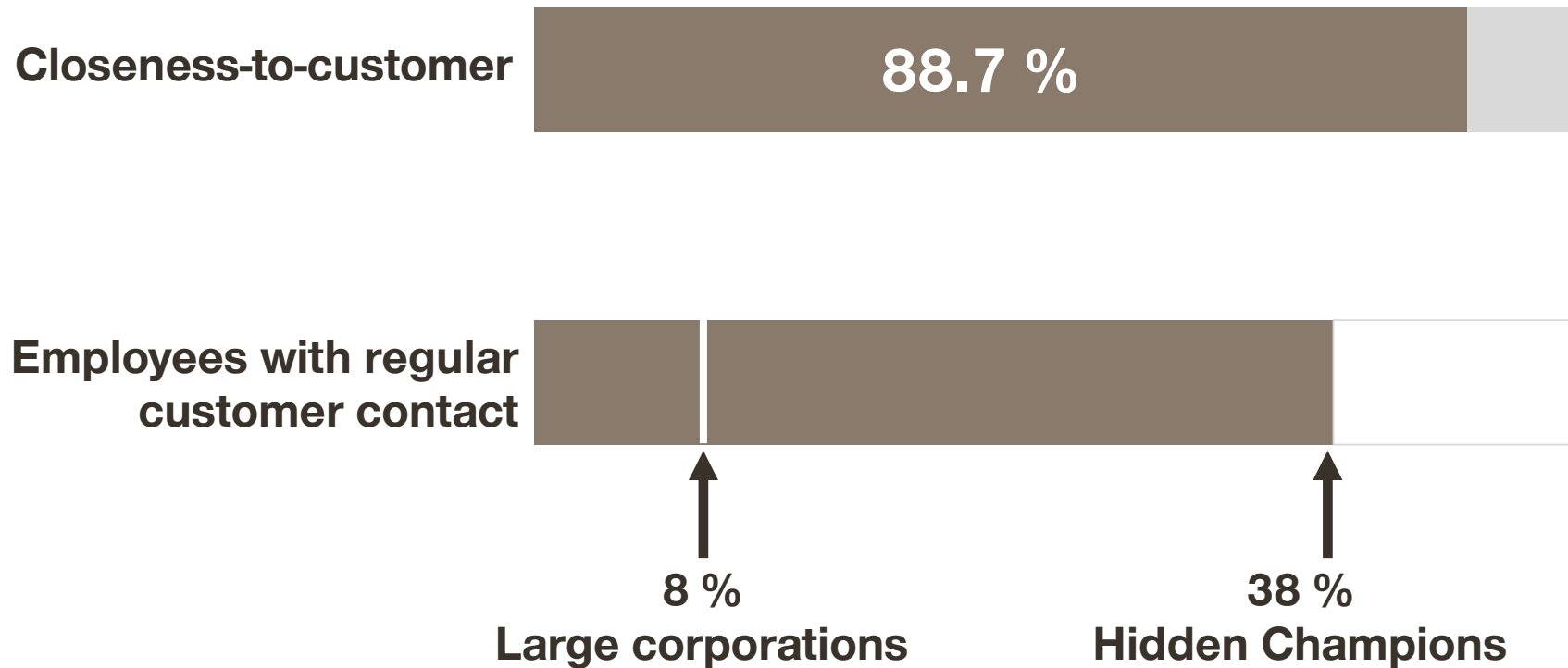
# **Top value and closeness-to-customer**

- **Strategy value-oriented, not price-oriented**
- **Price premium 10-15%**
- **Service as good as product**

**There is a commonality of Japanese and German companies:  
Both deliver top value-to-customer.**

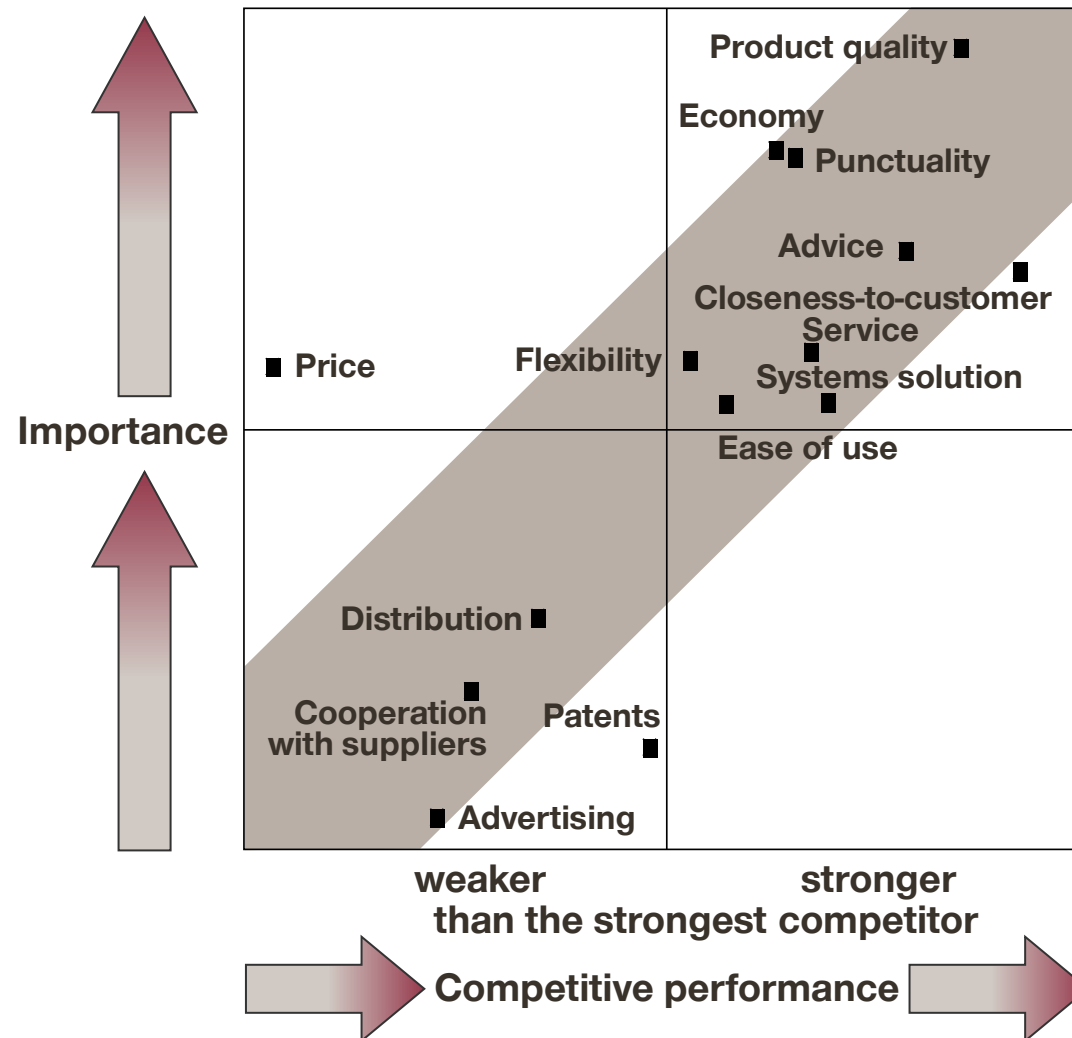
## Market-related Strengths

**Closeness-to-customer is the biggest strength of the Hidden Champions**



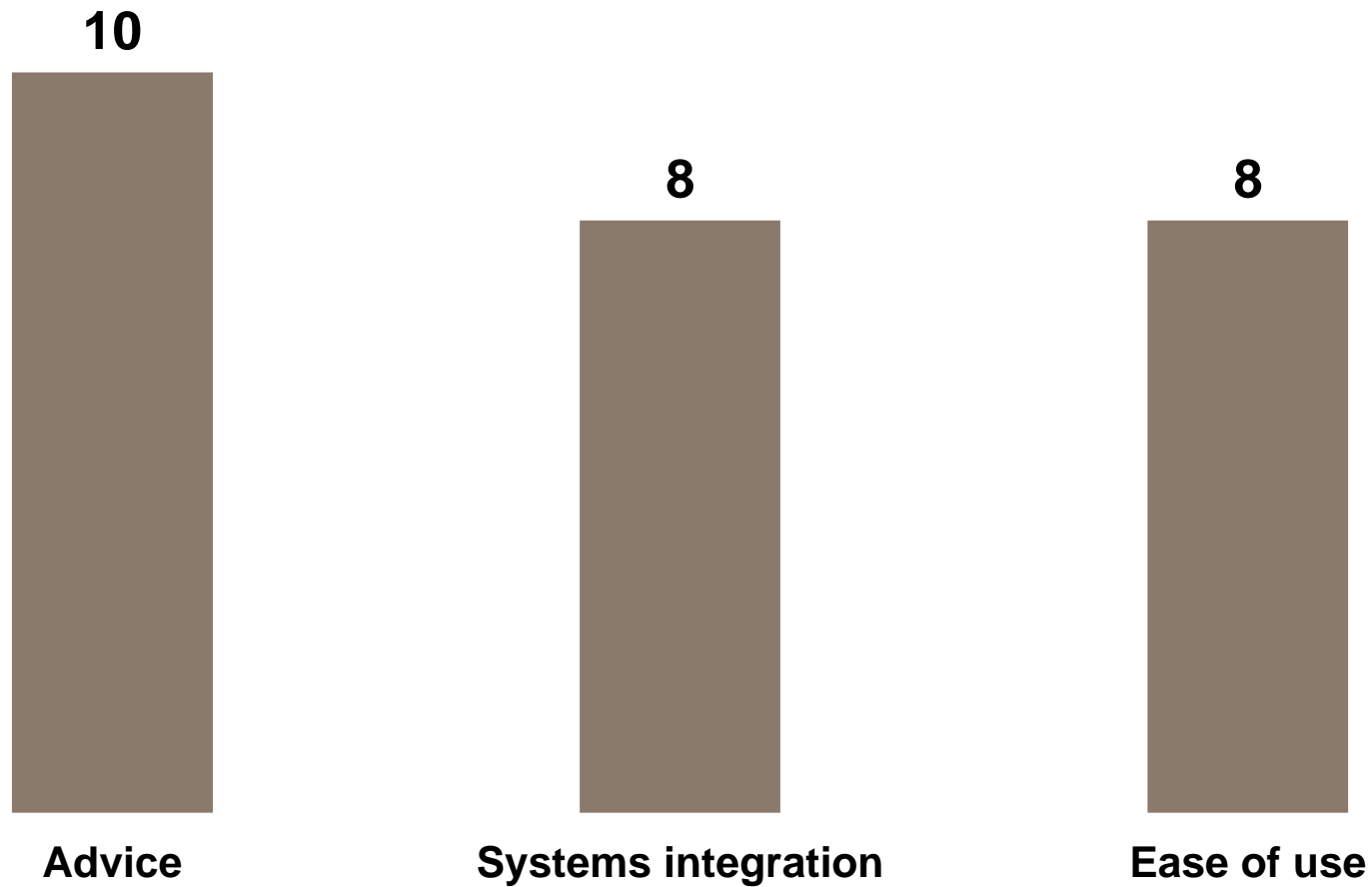
# Competitive advantages

# Competitive Advantages of the Hidden Champions



## Competitive Parameters with Biggest Increase in Importance

Increase in importance in %



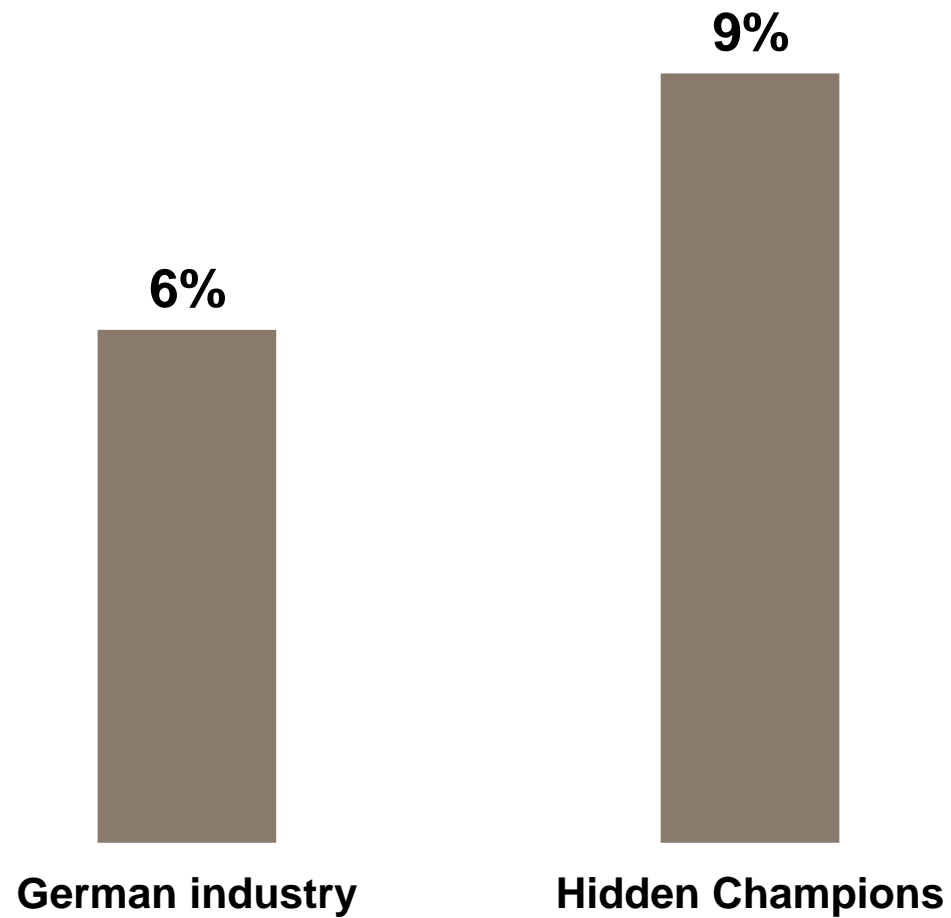
**Innovativeness and closeness to customer are the greatest strengths of the Hidden Champions. Their strategies are value-oriented, not price-oriented. The Hidden Champions hold strong competitive positions. Advice, systems integration and ease of use are new advantages which create higher barriers to entry. In this regard we observe many commonalities between Japanese and German mid-sized companies.**

# Employees and leaders

- **"More work than heads"**
- **High performance cultures**
- **High qualification**
- **High loyalty**

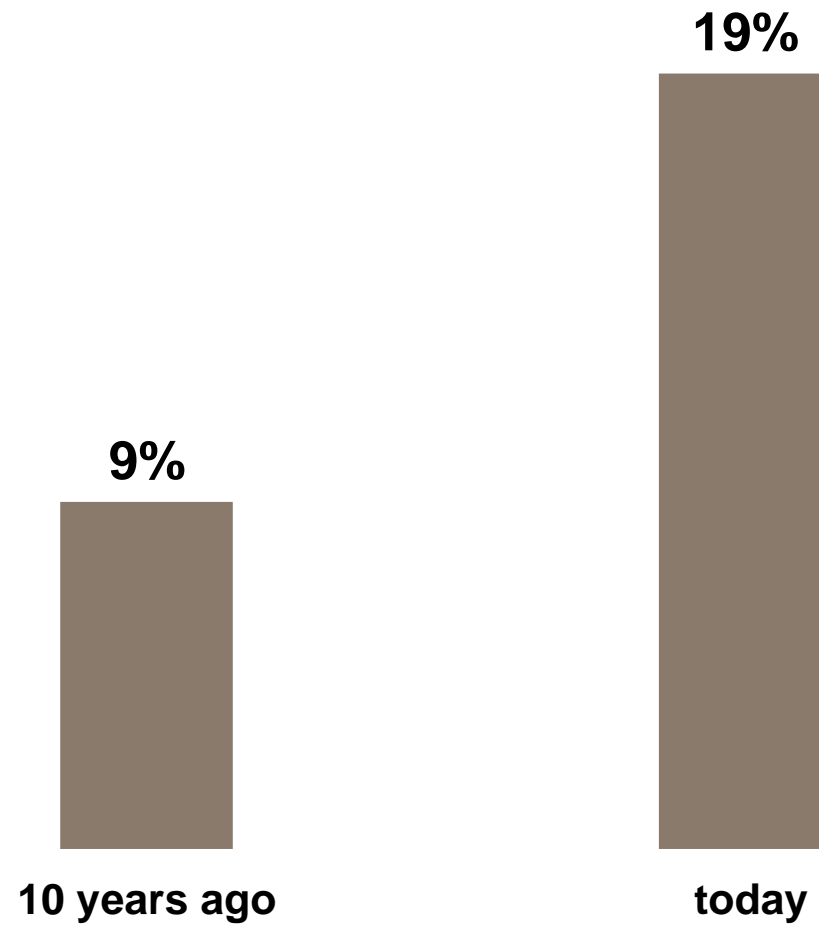
# Vocational Training

## Percentage of apprentices

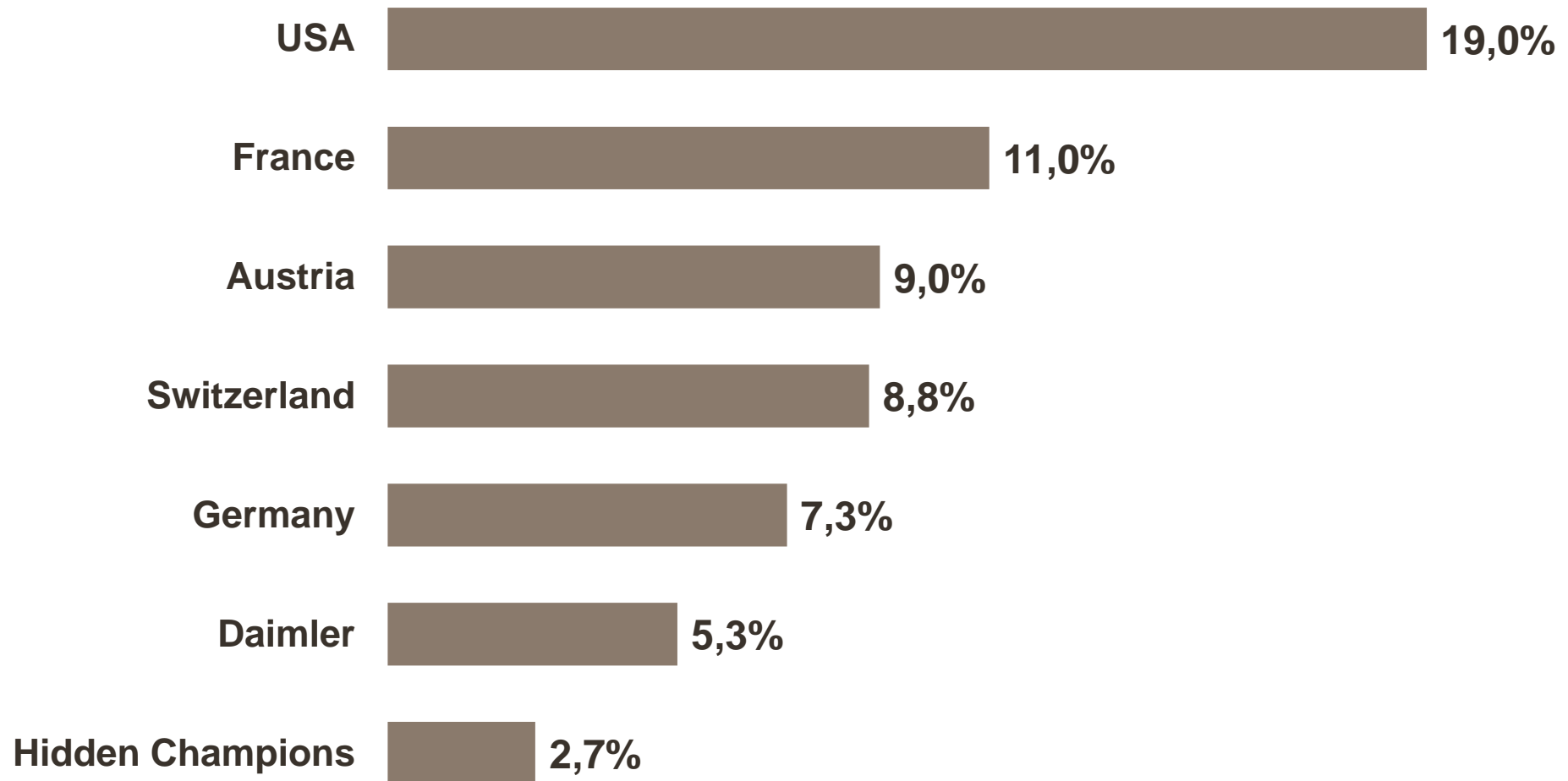


# Higher Qualification

## Share of university and college graduates



# Employee Turnover Rates



- **Identity of leader and mission**
- **Leadership**
  - **authoritarian in the principles**
  - **participative, flexible in the details**
- **Leaders come young into power**
- **More women in top positions**
- **Very high continuity of the leaders**
  - **Hidden Champions: 20 years**
  - **Large corporations: 5.2 years**

**The Hidden Champions have "more work than heads" and high performance cultures. Turnover and sickness rates are extremely low. They have strong leaders whose leadership is authoritarian in the principles but flexible in the details. Continuity is very high.**

# The Lessons in Three Circles



**To conclude...**

**... my personal story  
from Professor to Hidden Championship**

- **Goal: Market leadership and growth**
- **Focus: Marketing, sales, pricing**
- **Global presence**

# Best consultancy in marketing, pricing and sales

*manager magazin*

## Marketing and sales

**1** **Simon-Kucher  
& Partners**

**2** Boston Consulting Group

**3** McKinsey & Company

Source: *manager magazin* survey of top managers in Germany, August 2007 and 2011/IMB

*brand eins Thema*

## Marketing and pricing

**Simon-Kucher  
& Partners**

Boston Consulting Group

McKinsey & Company

⋮

Source: *brand eins Thema/Statista* survey of approx. 1,500 partners and project leaders from consulting firms and approx. 1,500 C-level managers from German companies, May 2014 and 2015

## Sales and CRM

**Simon-Kucher  
& Partners**

Top peer recommendation

Boston Consulting Group

⋮

McKinsey & Company

## World Leader in Price Consulting

”

***Simon-Kucher is world leader in giving advice to companies on how to price their products.***

*BusinessWeek*

”

***No firm has spearheaded the professionalization of pricing more than Simon-Kucher & Partners.***

William Poundstone  
in *Priceless*

”

***In pricing you offer something nobody else does.***

Professor Peter Drucker

”

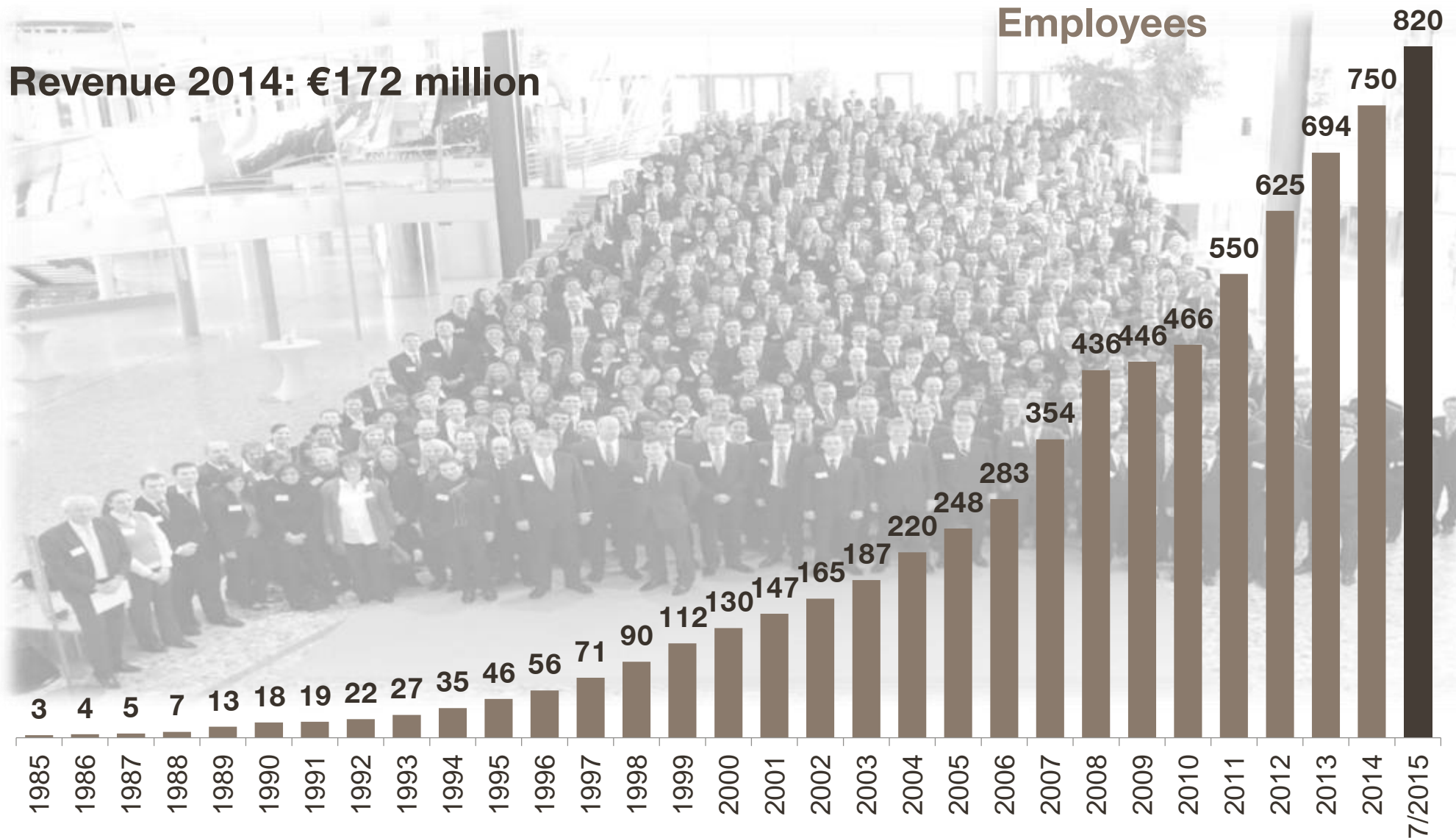
***No one knows more about pricing than Simon-Kucher.***

Professor Philip Kotler

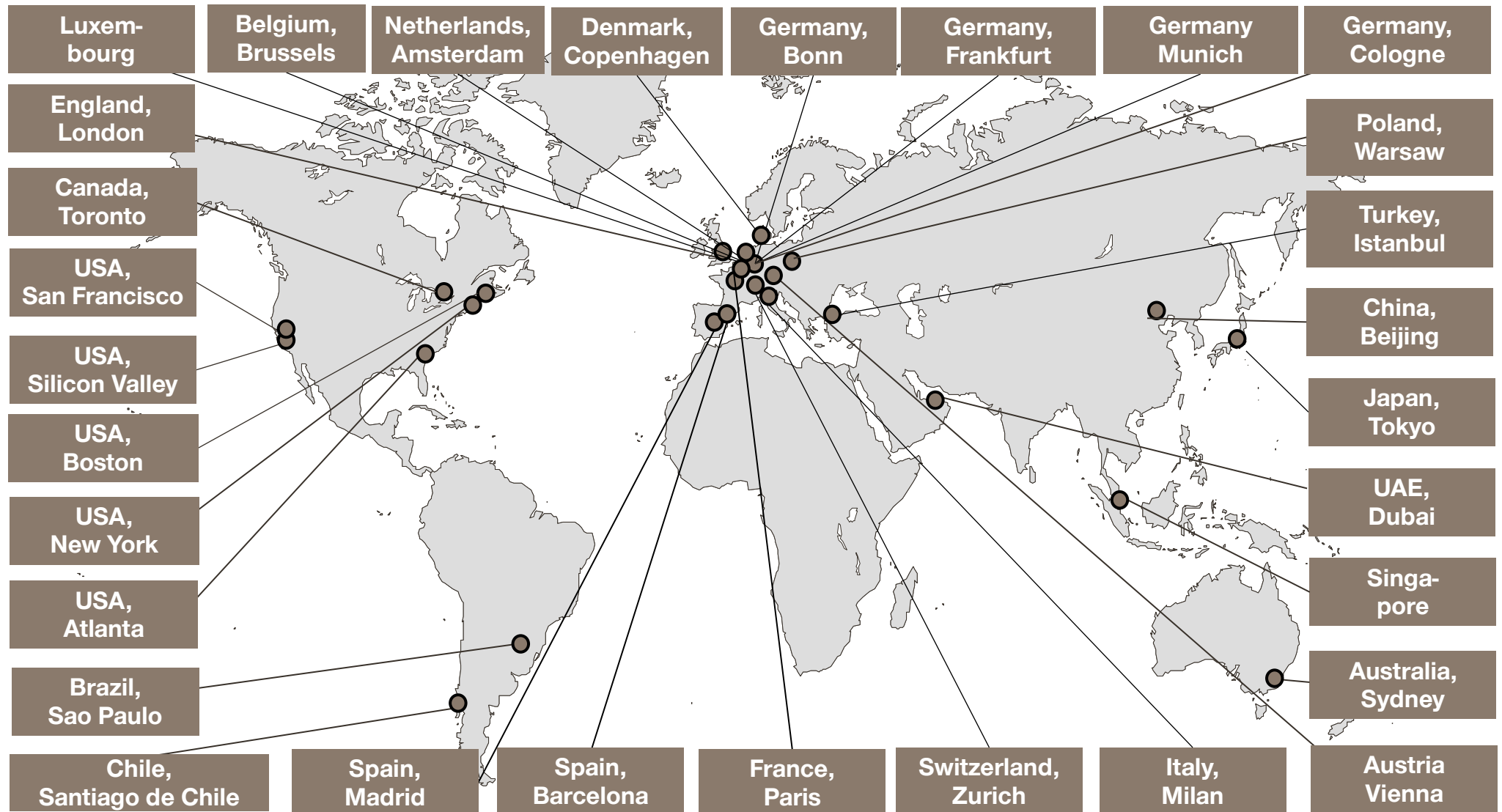
# Growth

**Revenue 2014: €172 million**

## Employees



# Global Presence: 30 Offices

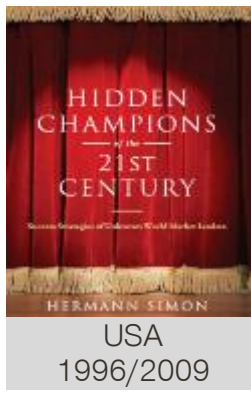


# Hidden Champions Worldwide

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Germany  
1997/2007/2012



USA  
1996/2009



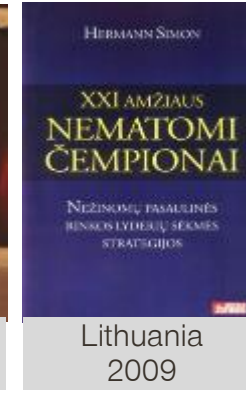
China  
1997/2000/05/09/15



Sweden  
2013



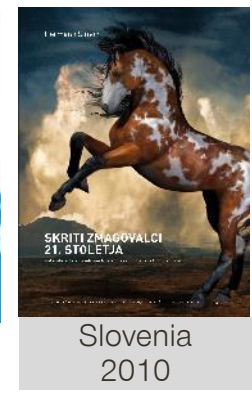
Vietnam  
2013



Lithuania  
2009



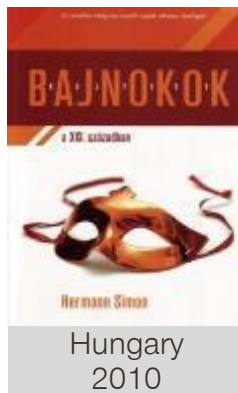
Netherlands  
1997/2009



Slovenia  
2010



Spain  
1997/2010



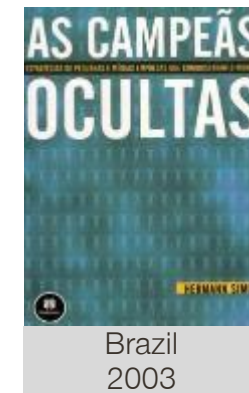
Hungary  
2010



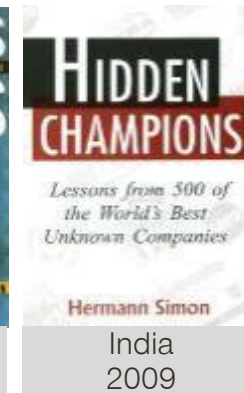
Italy  
2001/2007/2011



Japan  
1998/2012



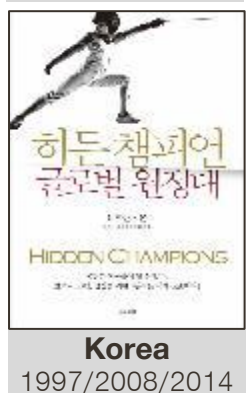
Brazil  
2003



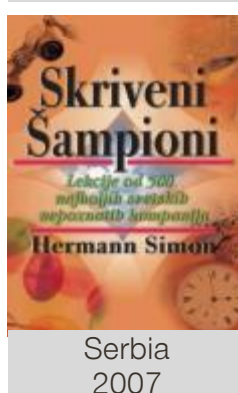
India  
2009



Egypt  
2008



Korea  
1997/2008/2014



Serbia  
2007



Russia  
2005/2014



Poland  
1999/2009



Czech Rep.  
2010



Taiwan  
1996/2004/2013



Turkey  
1999/2014



France  
1998/2012

 ***@HermannSimon***

## Summary: Lessons for Japan and Japanese Companies (1)

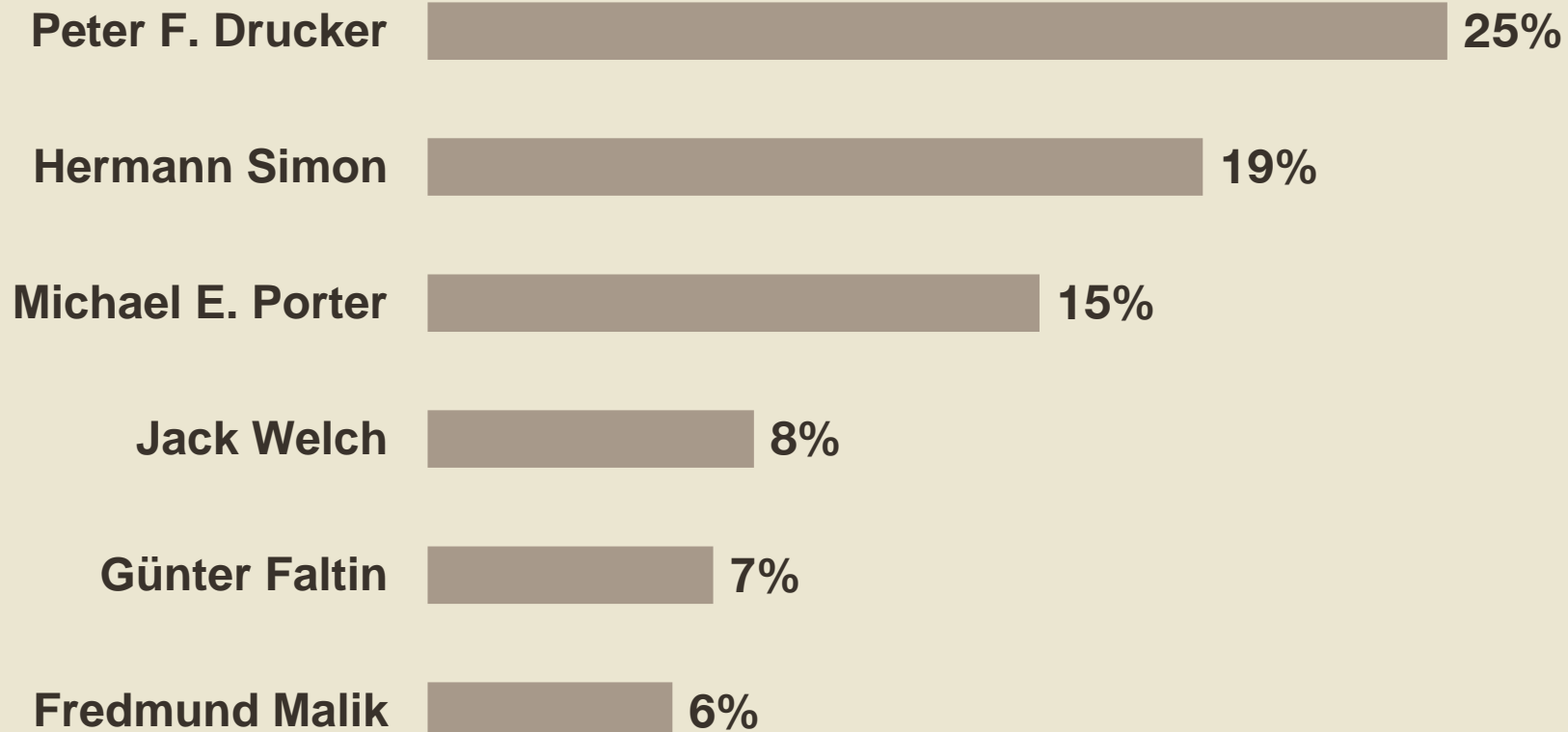
- **The whole society should understand the opportunities and challenges of Globalia.**
- **Japan is a strong exporter, but compared to Germany it has to catch up.**
- **You need both strong large and midsize companies to excel in exports. Japan has the first, but not the second category.**
- **Innovation is of the utmost importance for success in Globalia, across all company sizes.**
- **Japan should maintain its strong manufacturing base.**

## Summary: Lessons for Japan and Japanese Companies (2)

- **Large corporations should help Japanese SMEs to globalize instead of constraining them.**
- **Japan should do its utmost to educate a generation of truly global citizens and leaders.**
- **Even small and mid-sized Japanese companies should set up their own global sales and service subsidiaries to get as close to their customers as possible.**
- **Ultimately only people – employees and leaders – count. Japan has the human resources to excel. In addition it must attract and integrate top talent from other countries.**

# Management Thinkers 2015

The most influential management thinkers in the German-speaking countries 2015.



# Hermann Simon

Hermann Simon is chairman of Simon-Kucher & Partners Strategy & Marketing Consultants with offices in Amsterdam, Atlanta, Barcelona, Beijing, Bonn, Boston, Brussels, Cologne, Copenhagen, Dubai, Frankfurt, Istanbul, London, Luxembourg, Madrid, Milan, Munich, New York, Paris, San Francisco, Santiago de Chile, Sao Paulo, Singapore, Sydney, Tokyo, Toronto, Vienna, Warsaw and Zurich. Simon is an expert in strategy, marketing and pricing. He has an extensive global range of clients. In the German language area he was voted the most influential management thinker after the late Peter Drucker.

Before committing himself entirely to management consulting, Simon was a professor of business administration and marketing at the Universities of Mainz (1989-1995) and Bielefeld (1979-1989). He was also a visiting professor at Harvard Business School, Stanford, London Business School, INSEAD, Keio University in Tokyo and the Massachusetts Institute of Technology. From 1995 to 2009 he was CEO of Simon-Kucher & Partners.



Professor Simon has published over 30 books in 25 languages, including the worldwide bestsellers *Hidden Champions* (Boston 1996, cover story of *BusinessWeek* in 2004) and *Power Pricing* (New York 1997), as well as *Manage for Profit, Not for Market Share* (Boston 2006). His book *Hidden Champions of the 21st Century, Success Strategies of Unknown World Market Leaders* (New York 2009) investigates the strategies of little known market leaders. *Beat the Crisis* (New York 2010) provides companies with practical advice against the crisis and for a quick recovery.

Simon was and is a member of the editorial boards of numerous business journals, including the International Journal of Research in Marketing, Management Science, Recherche et Applications en Marketing, Décisions Marketing, European Management Journal as well as several German journals. Since 1988, he regularly writes columns for the business monthly Manager Magazin. As a board member of numerous foundations and corporations, Professor Simon has gained substantial experience in corporate governance. From 1984 to 1986 he was the president of the European Marketing Academy (EMAC). Simon is co-founder of the first Special Purpose Acquisition Company (SPAC) listed on the German Stock Exchange in Frankfurt, which acquired Exceet Group S.E. in July 2011.

A native of Germany, he studied economics and business administration at the universities of Bonn and Cologne. He received his diploma (1973) and his doctorate (1976) from the University of Bonn. Simon has received numerous international awards and holds honorary doctorates from IEDC Business School of Bled (Slovenia), from the University of Siegen (Germany) and from Kozminski University Warsaw (Poland). He is a honorary professor at the University of International Business and Economics in Beijing.