WeissmanInternational
Family Business Excellence

LET'S GO TO "NEWLANDIA"

From Markus Weishaupt

„Foreign" companies are changing our local economic and social structures. But our "local" companies also change these structures in other countries.

Yes, there are still some shops, which were already there in my childhood. The bakery, the village shop that has everything, the paper shop with great paper products, stationery and gift items. Gone are shoemakers, cloth shops, and hardware dealers. They have not managed to survive but have been replaced by large chains and DIY centres. But even those who are still left are often fighting for survival. The reasons are manifold, and globalization certainly has its part in this. At the same time, local companies have become more international. Formerly small craftsmen have grown to international sizes in the course of a few decades. Just as "foreign" companies change the local economic and social structures, our "local" companies also change these structures in other countries.

One may or may not like to read this: long-term successful companies have a strong international orientation. Successful family businesses are not only active locally, but also beyond national boundaries. The reason for this is the strong specialization of these companies. Already in the 90s Hermann Simon coined the concept of "hidden champions," which among other things displays a strong focus. The DNA of successful family businesses[1] confirms this realization: the best family businesses are focused, not broad. They are niche players, and from this position, the international activity of these extraordinary companies is almost imperative. The more focused a company is, the wider the geographic market boundaries in order to reach critical dimensions as well to exploit the growth potential.

SPECIALISTS ARE ATTRACTIVE

Let us make a short, fictitious journey and think of a specialized surgeon, a globally renown one for his subject. And let's assume that all the surgeons of your more or less local environment are unable to solve your health problem, or at least do not give that impression or gain your confidence. Let us assume that the global specialist in the field lives and works in Djibouti. Probably few know where Djibouti is (until recently it was also a mystery to me). If financially possible, you will most likely travel to the African state east of Ethiopia and south of Eritrea to solve your health problem.

The same is true for specialized, highly competent niche players. Anyone who has the reputation of the specialist is attractive, is appealing, and customers will spare no effort to know their concern or problem. Being an expert is therefore a very good prerequisite for being internationally successful. Anyone who offers products, services, skills, solutions that no one else around the world can offer in a comparable way—quality, professionalism, time or money—is attractive to customers from all over the world. There are plenty of examples from Germany and abroad: Patek Philippe, Confiserie Sprüngli, Victorinox, Läderach, Loacker, Leitner,

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1 Weishaupt Markus, 2015, Radically different. The DNA of Successful Family Businesses. Campus Press, Frankfurt.

Fercam, Brembo, Ermenegildo Zegna, Menarini, Würth, Uvex, Faber Castell, Haribo, Spar, Swarovski, Rosenbauer, and many, many more.

INTERNATIONAL, DE-LOCAL, GLOBAL

Let's have a look at the tourism sector to illustrate the concept of international, de-local, global. Tourism in general is almost international by definition. One could call this inbound-internationalization. This internationalization concept attempts to promote a location in other countries through targeted advertising and thereby occupy the beds of the local hotel industry internationally. Vainer Marchisini, President of the WAM Group, has analysed the efforts of companies to become active in other countries. There are three stages:

Internationalization: This means that your own products are sold in other markets in other countries, and/or raw materials or components are bought from there.
Delocalization: A company operates locations in other countries. Offices, factories, or subsidiaries are controlled and coordinated by the headquarters.
Globalization: This leads to the fact that the company's products lose their clearly defined origin because no one can clearly tell where the individual components of a particular product come from. The world is the home of globalized companies, and all activities are networked worldwide.

The WAM Group's screw pumps and tubular screw conveyors are highly delocalized, if not globalized. WAM Group is a highly specialized family-owned company and has dozens of patents that underline an incredible innovative power. Many of the best family businesses have become world market leaders through specialization. According to Hermann Simon, 55% of all world market leaders are based in Switzerland, Austria, and Germany. Overall, it can be assumed that between 1500 and 2000 world market leaders are located in this region, and are mostly family businesses.

SURVIVAL THROUGH INTERNATIONALITY

In the long run, companies cannot do without some form of internationalization; they must operate internationally and partly globally in order to remain viable. They need to learn about potential competitors in other markets and, above all, serving customers. A balanced market portfolio is not only good for growth but also reduces unilateral market risks. As is known, markets are subject to cyclical developments, as whole states or regions of the world are in crisis or experience a boom. Those who are represented exclusively in a country or region must almost unavoidably ride out these market movements, whereas an internationally broadly based company can compensate for the crisis in one country by a good economic situation in another country. For example, a company that has strong economic interests in Eastern Europe, the southern EU countries, and China will have experienced some mountain and valley rides over the past decade: Eastern Europe's boom and South East Asia's recession, the European debt crisis, which first affected Central and Eastern Europe, then the South; then came the upswing in China, and hopefully there will also be a recovery in southern Europe soon. All these fluctuations, however, never occurred at the same time. As East Asia weakened, countries such as the Czech Republic and Romania experienced double-digit growth rates. When Europe staggered into the long aftermath of the financial crisis, the rise of China continued. Companies in every country in the world confirm that export-strong companies are more viable than others. This is repeatedly confirmed, especially during economic crises. Companies need growth markets in addition to the saturated markets.

ROOTED AND GLOBALLY ACTIVE

Growth through geographic market expansion is an unwritten law of successful, focused companies. At the same time, however, they never forget the local roots and are loyal to their origins. Family-owned enterprises are also not jumping from one international boom region to another. Quick removal and relocation does not belong to the understanding of internationalization of successful family businesses. Perhaps, if you will, the globalization drive of some companies is often too great; the growth impetus due to export activities is sometimes too strong instead of consistently using the core market properly. Nevertheless, international markets are necessary for a successful company starting from a certain point. Without its presence in global growth markets, the local survival capacity of many companies that are internationally competitive is decreasing. But local know-how, local management, local production, R&D, logistics, etc. are needed for international local markets. According to Hubert Lienhard[2], Chairman of Voith, an international automotive supplier, F.U. (Including braking systems) from Swabia, it is futile that Europe produces for the world: neither is it competitively priced, nor can we produce the desired quality for India, China, Brazil, etc. If a “friction-free braking system” from Voith costs more than a TATA truck in India, Germany's approach to the world is hopeless. We do not get so simple a technique for India in Europe; this is a competence that can only exist in the country. So you need products for both worlds: innovative, technologically sophisticated for the stagnating western economic world without growth and other products for the high-speed countries such as China, India, Brazil etc. Survival means being at home in both worlds.
The Unger Steel Group from Oberwart in the Austrian Burgenland sees this as well. “We are a globally operating, international family company with strong, regional rootedness.” And the vision is: "We are the leading steel construction company in existing and new markets. Here, our business portfolio is locally engaged.” This is the publicly communicated intention of a successful global family business. Similarly to Voith—a combination of global and local.

NEW GENERATION - NEW MARKETS

It is striking that new markets are often targeted in the company strategy, especially in the course of succession. The generation of senior citizens successfully mastered their work, controlled the company well through the ups and downs of the decades, and has the satisfaction of a mostly fulfilled entrepreneurial life. The younger generation wants to and must now assert itself; it has usually already seen much around the world, and is internationally experienced and interculturally versed. The road to doing foreign business is therefore close. It is no coincidence that internationalization efforts are often associated with generational change. The challenge is to prove oneself, and even the conquest of a new market or even the founding of a subsidiary is a good entry-level project for juniors. Nevertheless, more perseverance is required in international business than is generally promulgated. It is not uncommon investments in foreign markets are paying only after eight to ten years. However, the activities in the new markets also have an impact on the development of the company at home, as new requirements for products, services, certifications, quality standards, costs and

[2] Brandeins, Made vor Ort, 12/2103, Was Wirtschaft

times, or just the self-image of language and culture come from the new markets.
And the world has never been so close. With the digital possibilities the whole world is only a mouse click away. It was never that easy in the history of mankind to operate worldwide. It is really only the will of the executives to take the chances. Despite digital highway, who is not interested in the countries of this world, the people, their culture and habits, their problems and expectations, should stay at home and perhaps operate «inbound internationalization», or with the words of Theodor Fontane: "Whoever wants to travel must first bring love for the country and people."

A SMALL INTERNATIONALIZATION CHECKLIST FOR ENTRY INTO A NEW MARKET

1. **Language**: Who in the company speaks the language of the market and at what level? In what language does the industry work? What language will be the official business language in the future?
2. **Customers**: How do customers tick in the new market? What are the dos and don'ts in the customer relationship? What expectations and wishes do they have, and what requirements do they place?
3. **Sales channels**: What are the typical distribution channels of the market?
4. **Product development**: What products do customers need in the new markets? What adaptations of existing products are necessary, what new developments?
5. **Services**: What services are required as standard in the market?
6. **Laws and standards**: What rules apply to economic activity in the new country?
7. **Conventions**: Written laws are not everything; what practices are there that must be followed by a new market participant in order to be accepted?
8. **Certifications**: Quality and environmental certificates play an important role in many countries.
9. **Rules for the management of the parent company and the foreign industry**: Should the establishment have a lot of space to develop independently, or is it based on close specifications from the parent company?
10. **Overall strategy of the company versus local strategy**: Where do they have to agree, where can the foreigners be different?
11. **Decision-making bodies**: Which bodies are necessary and in what capacity?
12. **Leadership culture**: Which company and management principles also apply to employees in the new market? What are the local principles?

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