

**SIMON • KUCHER & PARTNERS**

Strategy & Marketing Consultants

Amsterdam • Bonn • Boston • Brussels • Cologne • Frankfurt  
London • Luxembourg • Madrid • Milan • Moscow • Munich  
New York • Paris • San Francisco • Tokyo • Vienna • Warsaw • Zurich

# Hidden Champions of the 21<sup>st</sup> Century

## Role Models of Druckerian Leadership

**1<sup>st</sup> Global Peter Drucker Forum**

**Prof. Dr. Hermann Simon**

Vienna, November 19, 2009

**Vienna Office**

Rotenturmstr. 16-18/301, A-1010 Vienna

Tel. +43/1/512 29 79-0, Fax +43/1/512 29 79-99

e-mail: [hermann.simon@simon-kucher.com](mailto:hermann.simon@simon-kucher.com)

Internet: [www.simon-kucher.com](http://www.simon-kucher.com)

# What is “Druckerian Leadership”?

---

**Leadership based on concrete values:**

- **Closeness to customer**
- **Loyalty of employer and employee**
- **Long-term orientation/continuity**
- **Clear vision/purpose**
- **Creation of new value: Innovation**
- **Exemplary conduct of leaders**

# Where do we find these values?

---

- **In large corporations?**
  
- **In small/mid-sized companies?**

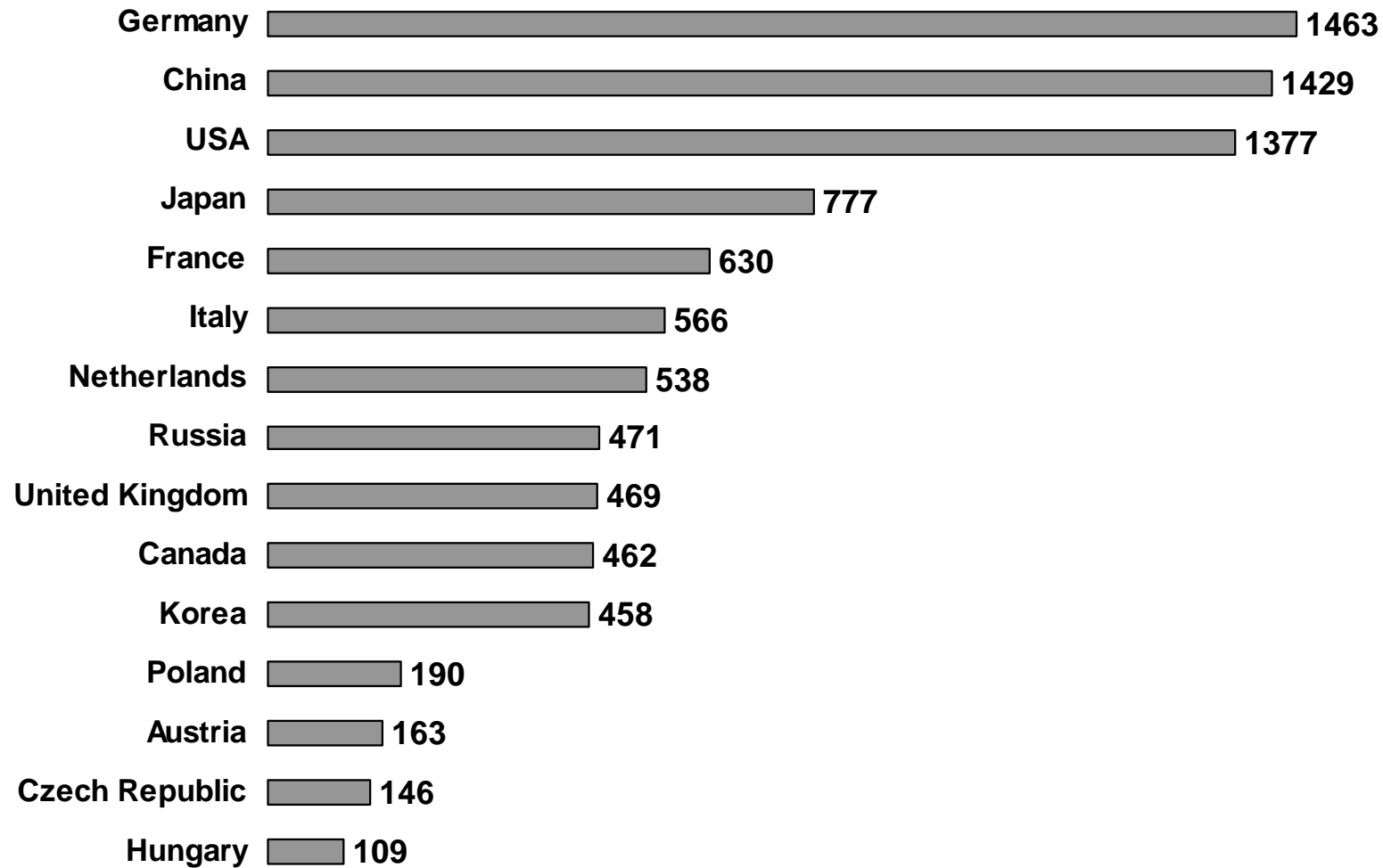
# Who is no. 1 in exports?

---

- **China**
- **USA**
- **Japan**

# Exports in 2008 (billion US-\$)

---

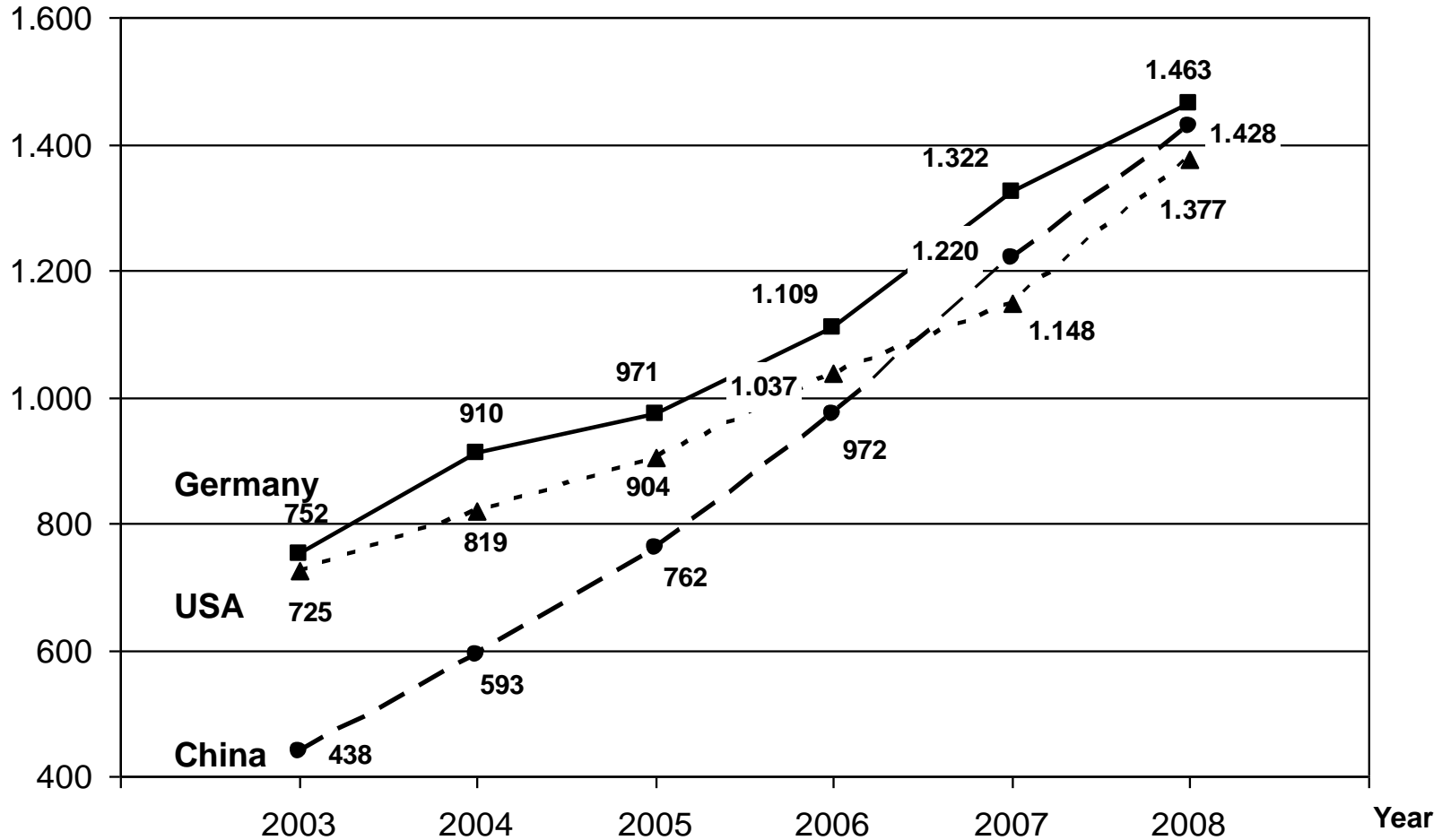


Source: 2009 CIA World Factbook

(9H01X057)

# Exports 2000-2008 (US-\$ billion)

in billion US-\$



Source: WTO Trade Statistics

# What is a Hidden Champion?

---

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

# Hidden Champions

---

- **Delo**
- **Baader**
- **Brainlab**
- **Lantal**
- **Jungbunzlauer**
- **Tetra**
- **Belfor**



# Key facts of 1200 Hidden Champions

---

- **1 million new jobs in last ten years**
- **Annual growth of 10% p.a., revenue 2.5 times larger than 10 years ago**
- **More than 100 new €-revenue billionaires**
- **Sharp increase of world market share**
- **Massive wave of innovation**

---

**Why are the Hidden Champions successful?**

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

**What can we learn from them?**

# Goals

---

**Peter Drucker:**

**“Every enterprise requires simple, clear and unifying objectives. The goals have to be clear, public and often reaffirmed to provide a common vision. What we really mean by this is the commitment throughout an enterprise to common objectives and common values. Management’s job is to think through, set and exemplify those objectives, values and goals.”**

Source: Peter F. Drucker, Management and the World’s Work, Harvard Business Review, 66, September 1988, p. 76.

# Chemetall

---

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

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

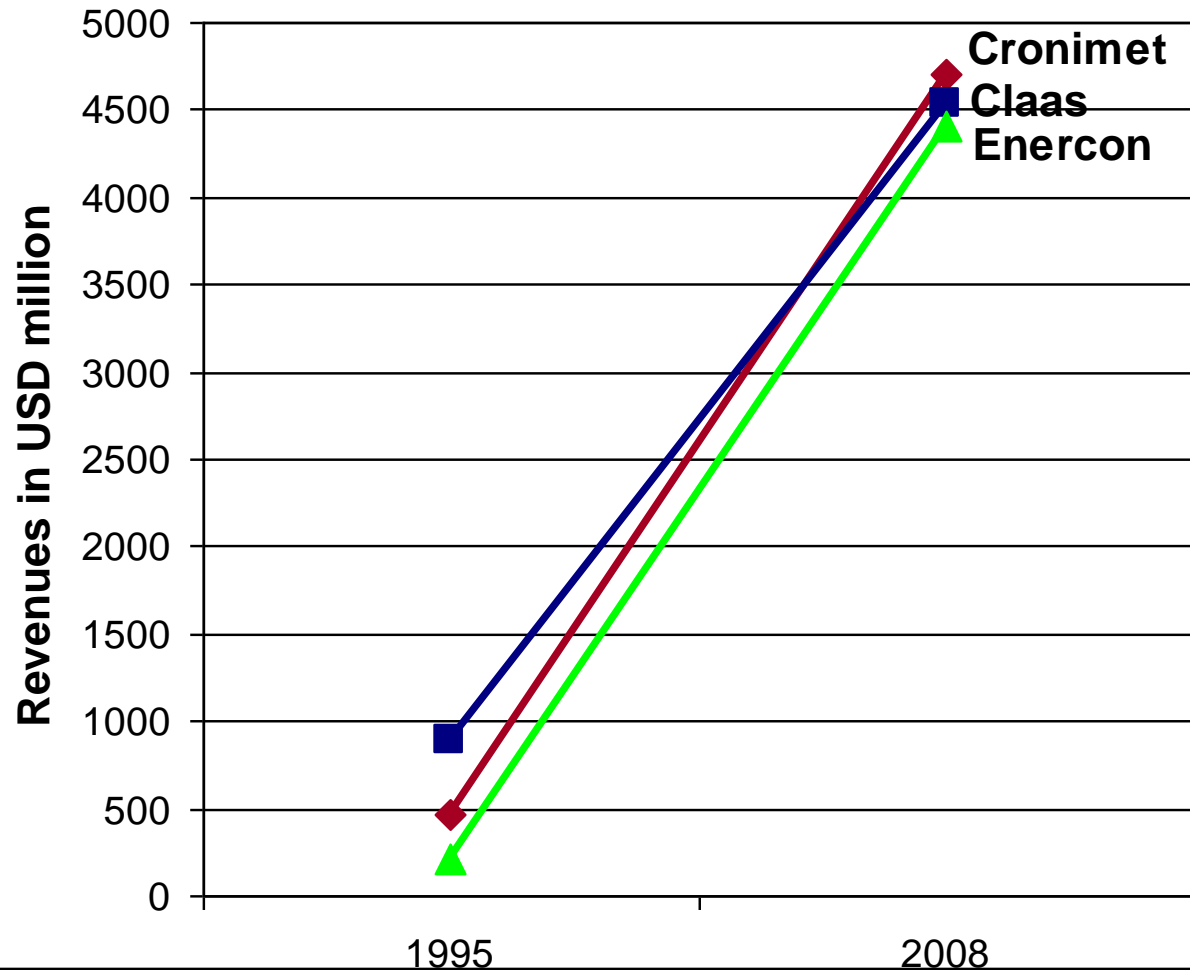
# Market share of Hidden Champions

---

	Absolute market share		Relative market share	
	10 years ago	Today	10 years ago	Today
World	30.2%	33.0%	1.56	2.34

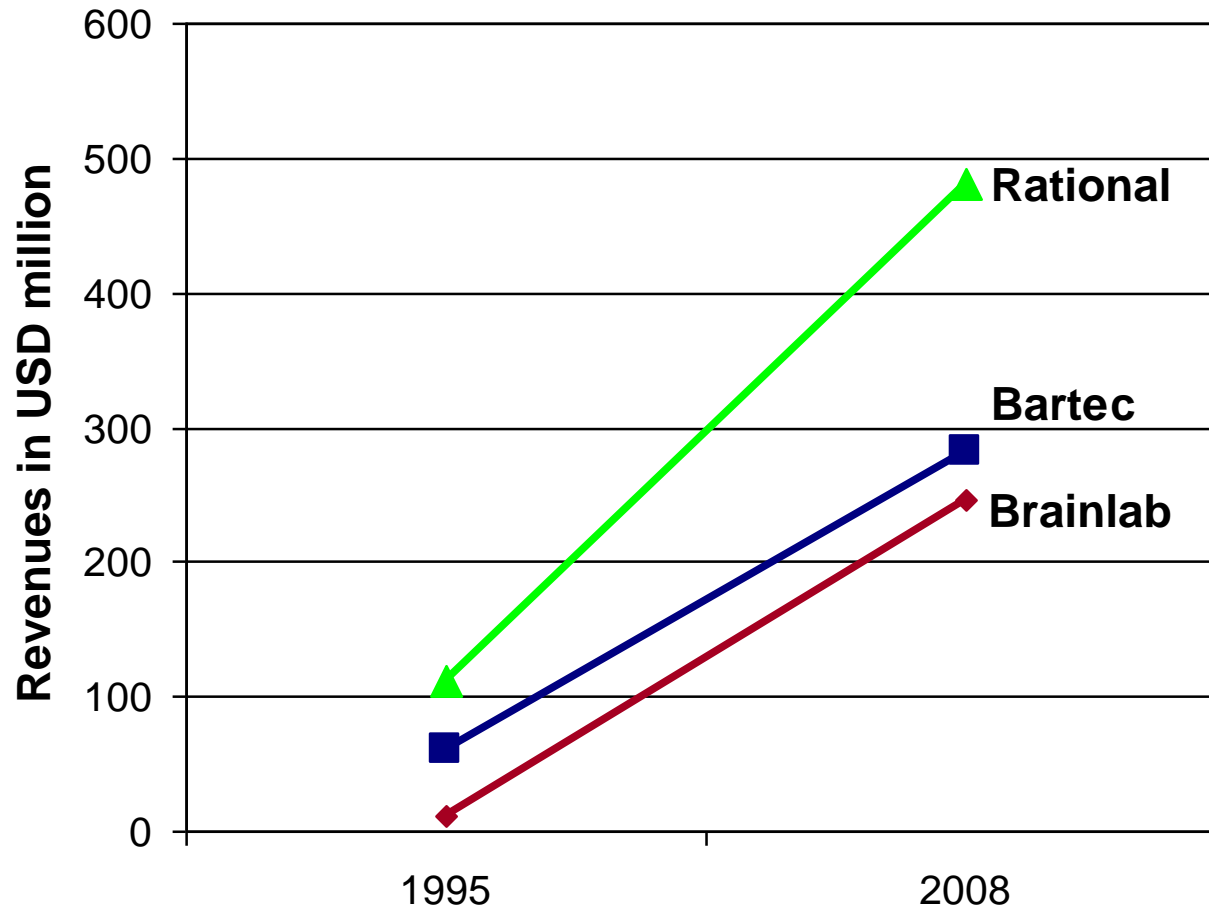
# Growth

## Mid-sized Hidden Champions



# Growth

## Small Hidden Champions





# Lesson 1

---

**Success always begins with ambitious goals. The Hidden Champions of the 21<sup>st</sup> century go for growth and market leadership. This is the fuel that drives them forward.**

# Focus and depth

---

**Peter Drucker:**

**“To know one’s strengths, to know how to improve them, and to know what one cannot do.”**

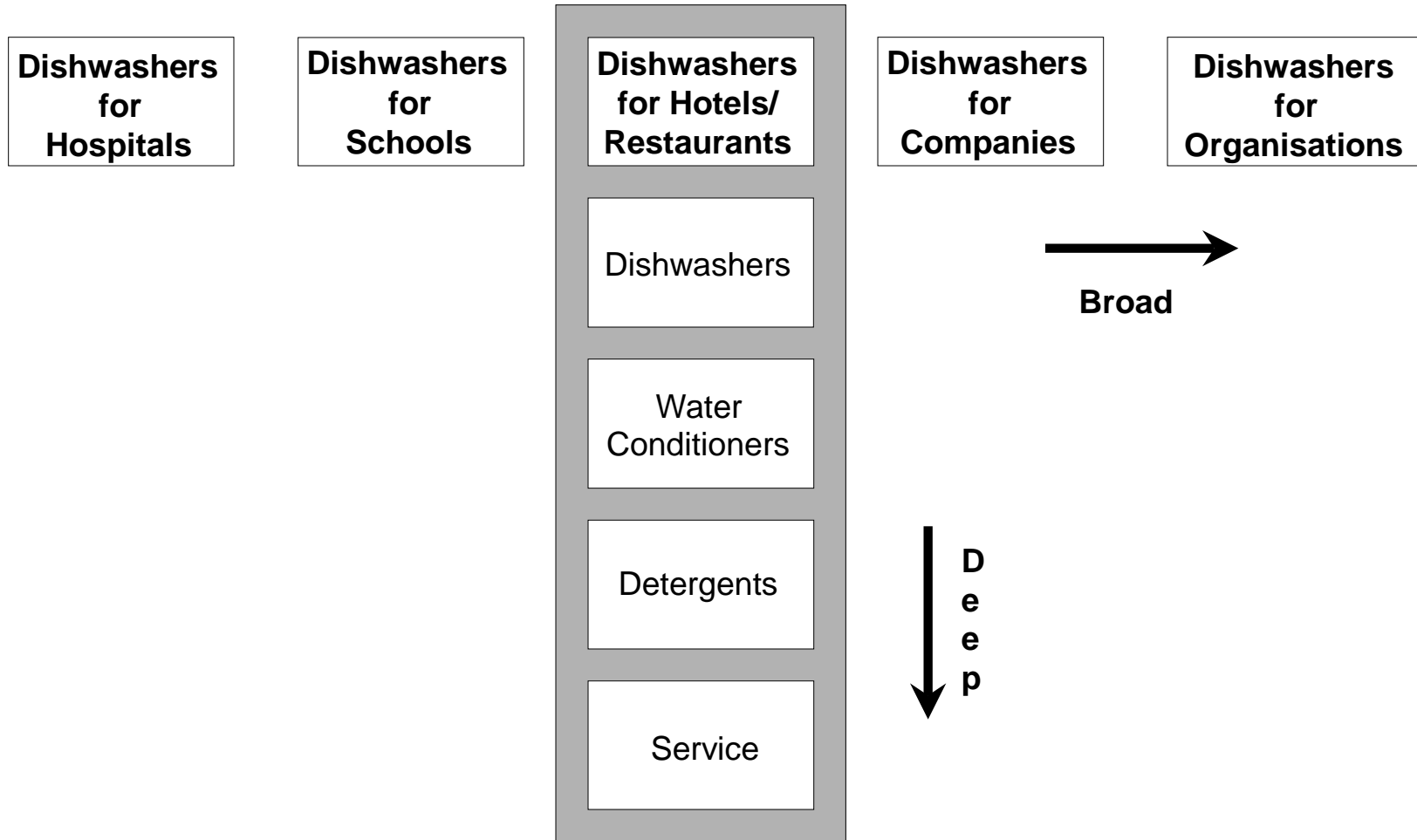
**“The single-minded ones are the only true achievers. They carry out a ‘mission’. Whenever anything is being accomplished, it is being done by a monomaniac with a mission.”**

**“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.”**

**“We will do only one thing,  
but we do it better than anyone else”**

# Deep instead of broad: A focused strategy

## The case of Winterhalter



# Deep value chain

---

- **No outsourcing of core competencies**
- **Strong outsourcing of non-core activities**
- **Own machine shops**
- **Very secretive in R&D**
- **Avoidance of strategic alliances**

# Lesson 2

---

**Only focus and concentration lead to world class. The Hidden Champions see the market definition as part of their strategy. They are highly focused and deep rather than broad.**

# Globalization

---

**Peter Drucker:**

**“Every institution in the knowledge society has to be globally competitive.”**

**“There is only one economic unit, the world.”**



# The Hidden Champions strategy

---

**- Specialization in product und know-how -**

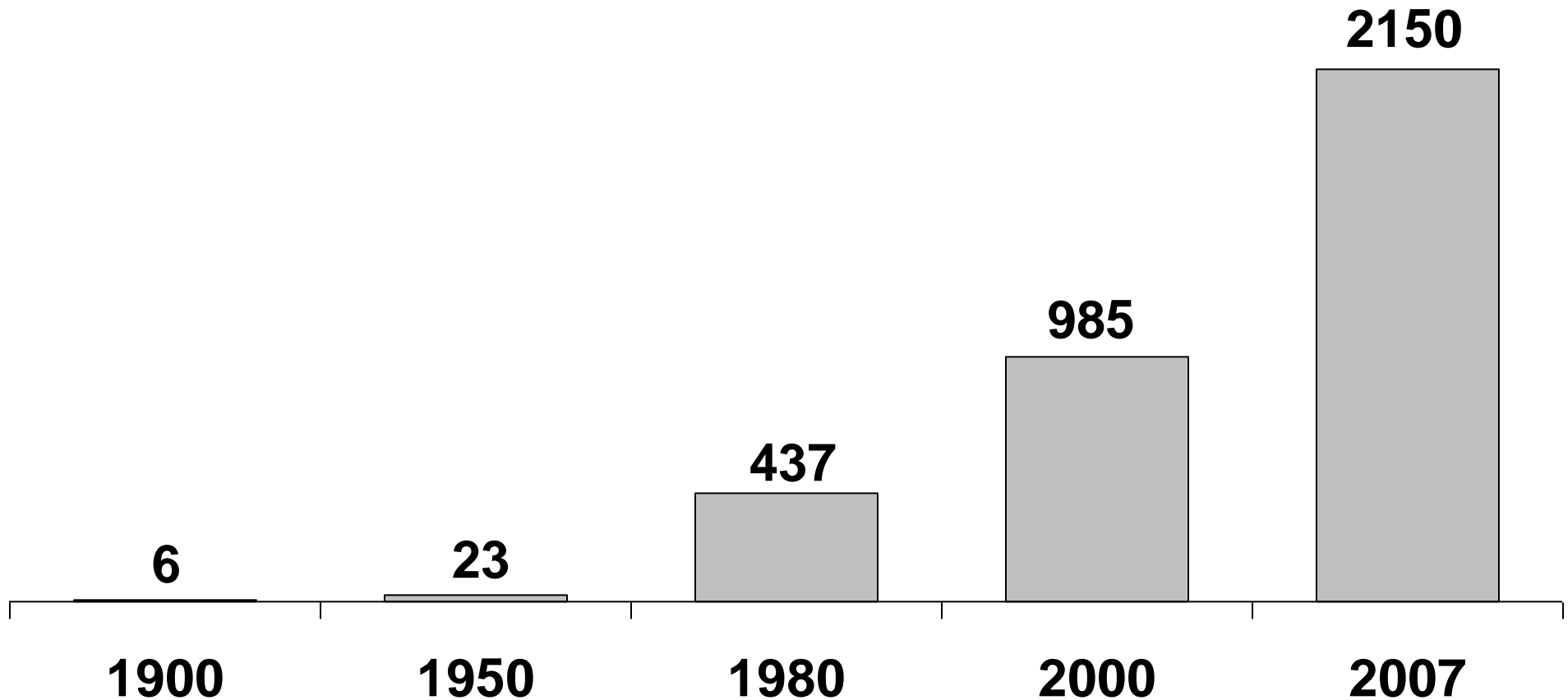


**← Global selling and marketing →**

# Globalization has only just begun

---

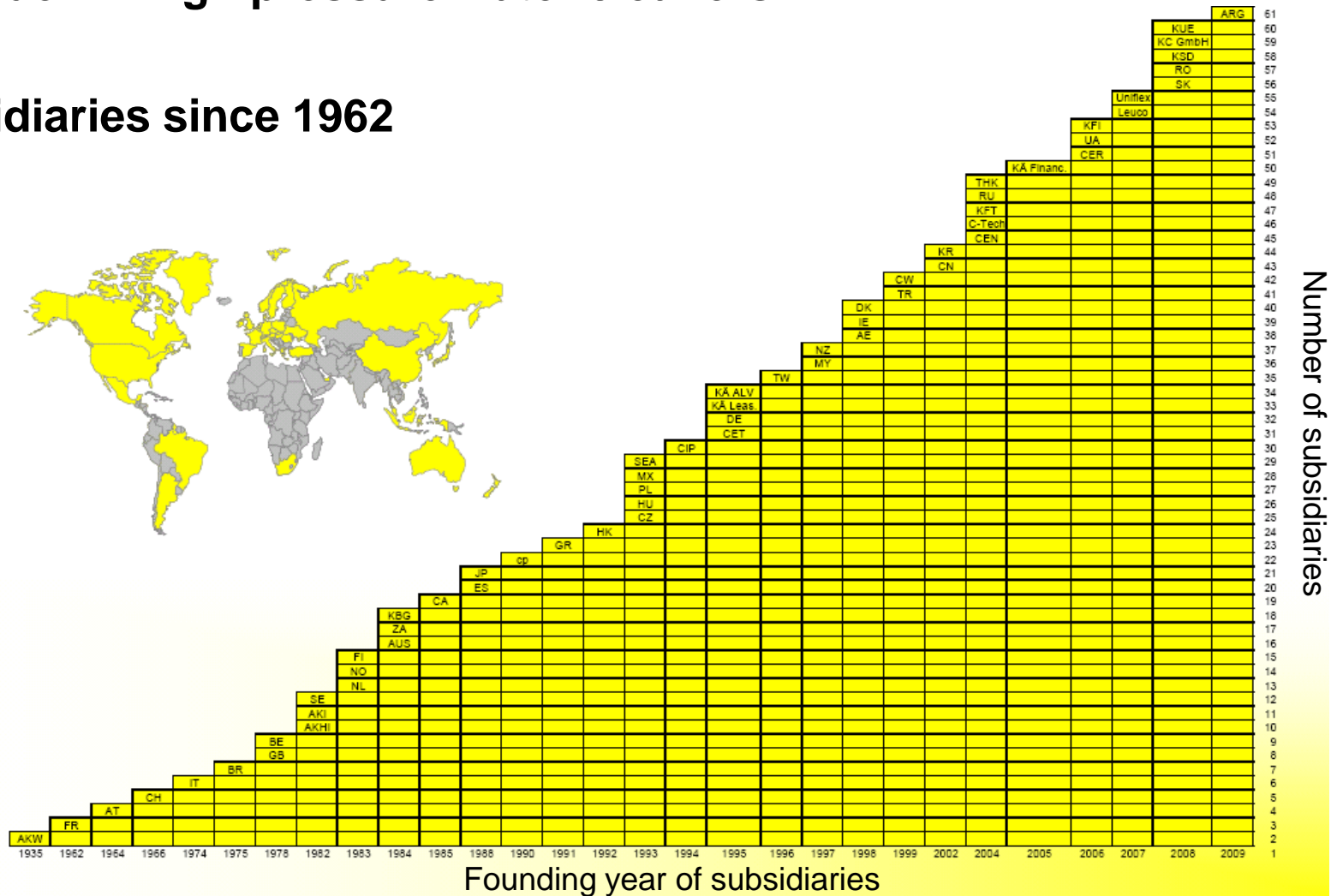
## Word exports per capita (US-\$)



# Globalization: Kaercher

World leader in high pressure water cleaners

61 subsidiaries since 1962



# Lesson 3

---

**The Hidden Champions combine specialization 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.**

# Marketing and innovation

---

**Peter Drucker:**

**“Business has only two functions: Marketing and innovation.”**

# Innovation

---

**Peter Drucker:**

**“If innovation does not aim at leadership from the beginning, it is unlikely to be innovative enough.”**

# R&D intensity

---

	R&D as % of revenue	Index
<b>Industrial firms with R&amp;D</b>	<b>3.0%</b>	<b>100</b>
<b>Booz (Global Top 1000 in R&amp;D)</b>	<b>4.2%</b>	<b>120</b>
<b>Hidden champions</b>	<b>6.0%</b>	<b>200</b>

# Patents

---

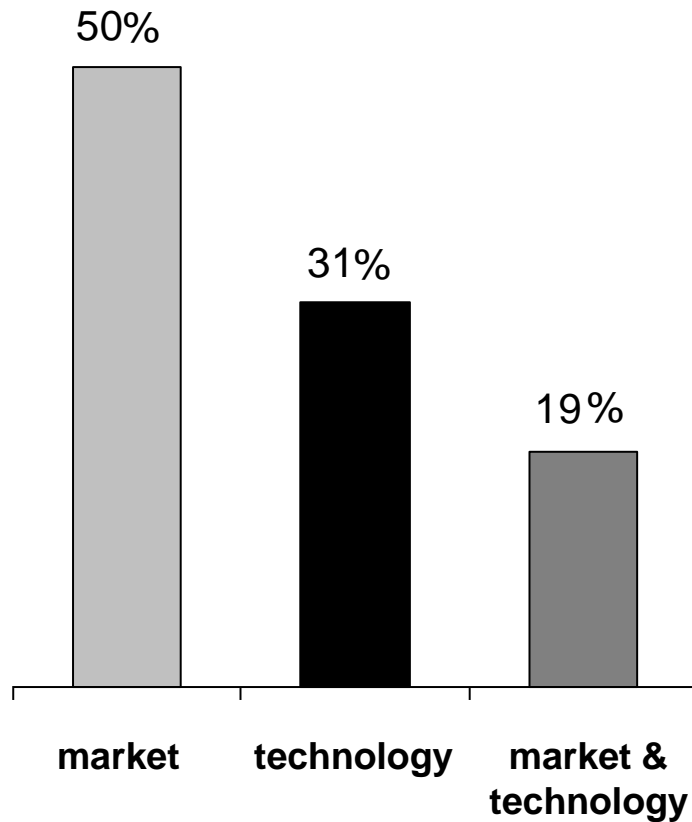
	Patents per 1,000 employees	Cost per patent in 1,000 \$
<b>Patent-intensive large corporations</b>	<b>5.8</b>	<b>3,717</b>
<b>Hidden champions</b>	<b>30.6</b>	<b>725</b>



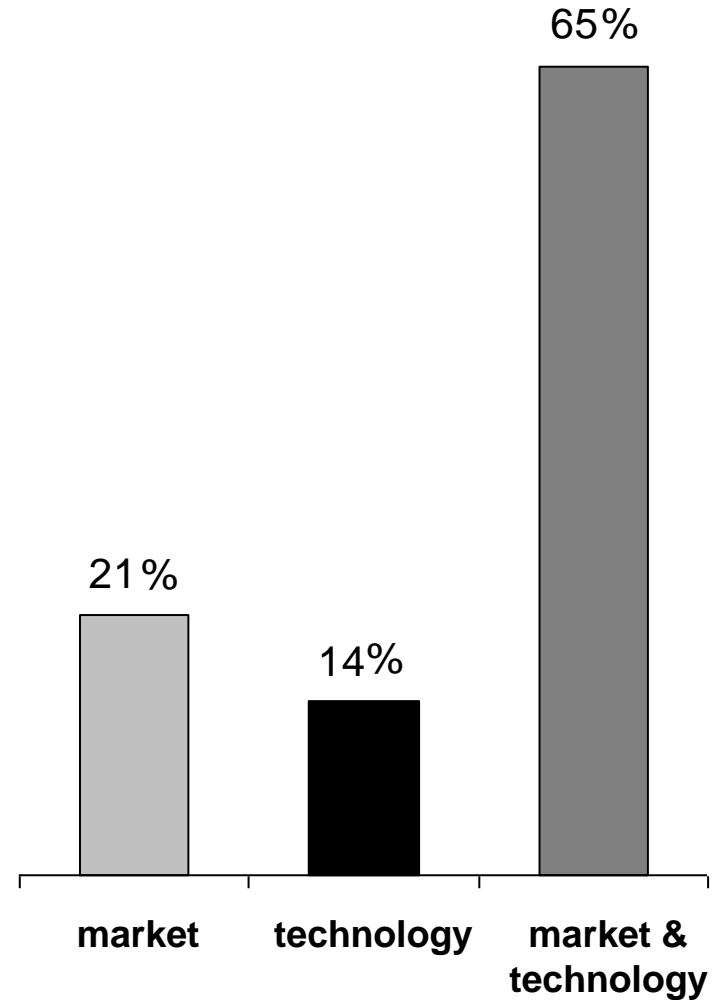
# Driving forces of innovation

---

## Large corporations



## Hidden Champions



# Marketing/closeness to customer

---

**Peter Drucker:**

**“Marketing is the whole business seen from the customer’s point of view.”**

# Marketing/closeness to customer

---

- **Closeness to customer is seen as the greatest strength (88.7%)**
- **Five times as many employees (25-50%) have regular customer contacts compared to large companies (5-10%)**

# Value and pricing

---

- **Strategies are value-driven, not price-driven**
- **Price premium 10-15%**
- **Avoidance of price wars**

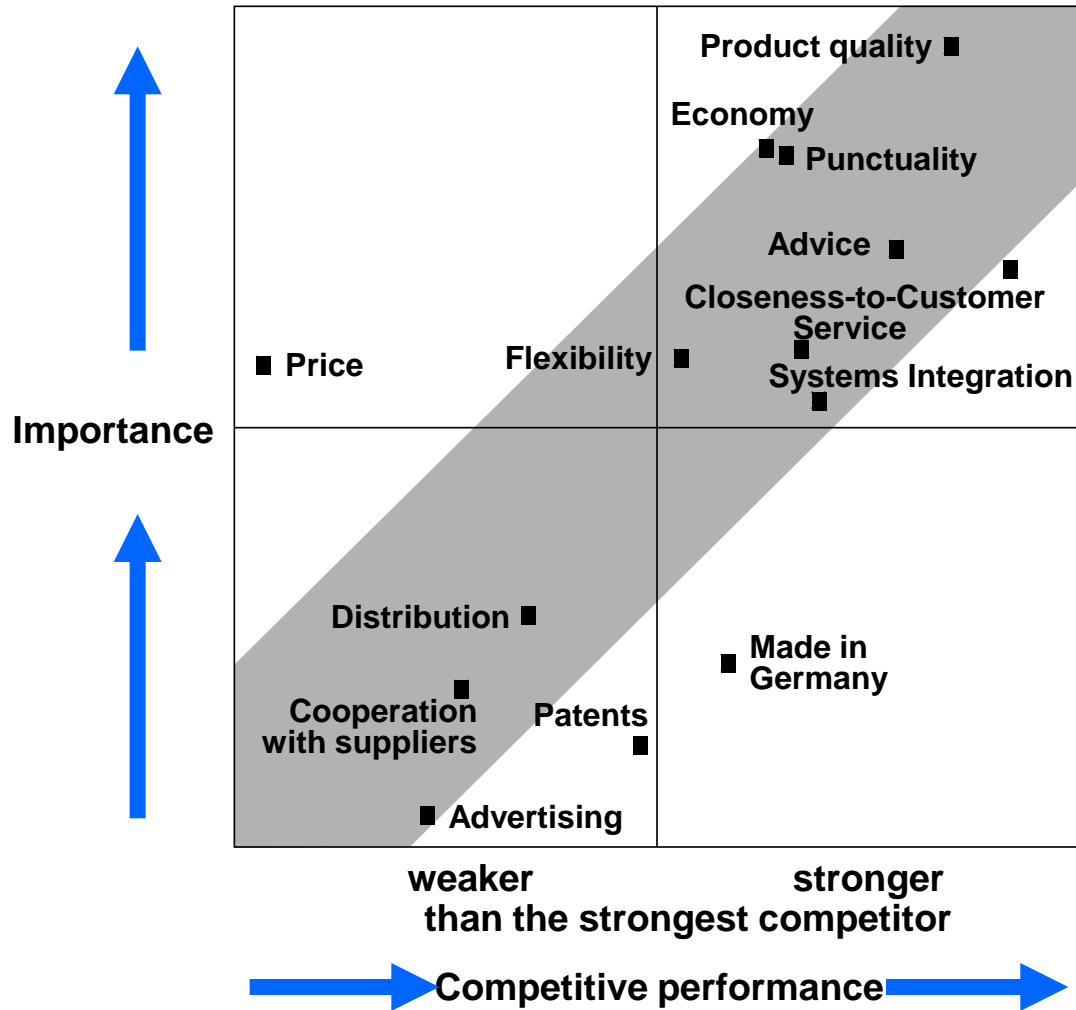
# Competitive advantages

---

**Peter Drucker:**

**“Any institution has to measure itself against the standards set by each industry’s leaders anyplace in the world.”**

# Competitive advantages of the Hidden Champions



# Lesson 4

---

**The Hidden Champions are highly innovative and very close to their customers. They hold strong competitive positions. They deliver true value to their customers.**

# Family businesses

---

**Peter Drucker:**

**“The majority of businesses everywhere are family-controlled and family-managed.”**

**70% of the Hidden Champions are family-owned.**



# On profit

---

**“A company behaves socially responsible if it makes profit.”**

**Heinz Dürr**

**German Hidden Champion-entrepreneur**

- **Return on equity: 13.6%**
- **Equity ratio: 41.9%**

# Employees

---

**Peter Drucker:**

**“The basic task of management is to make people productive.”**

# Employees

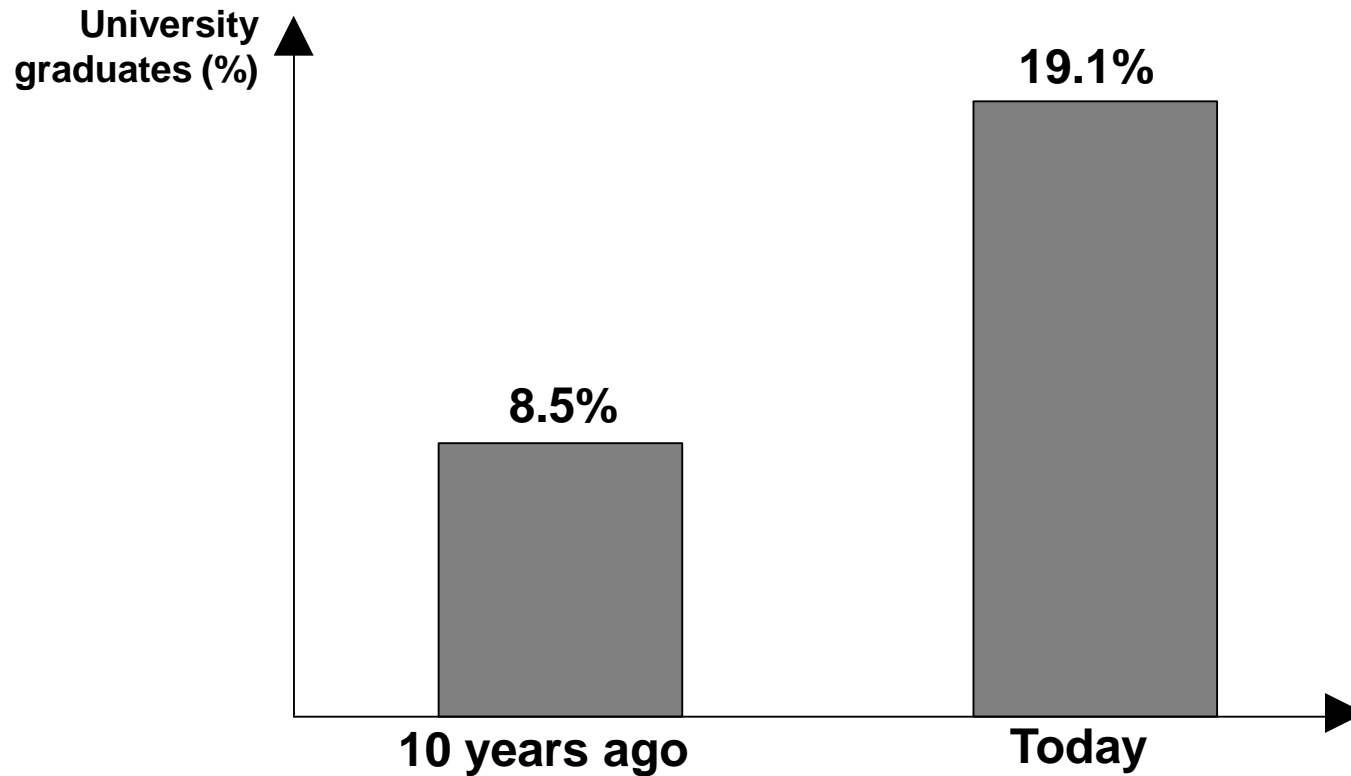
---

- **“More work than heads”**
- **High performance cultures**
- **High qualification**
- **Low turnover**

# Higher qualification

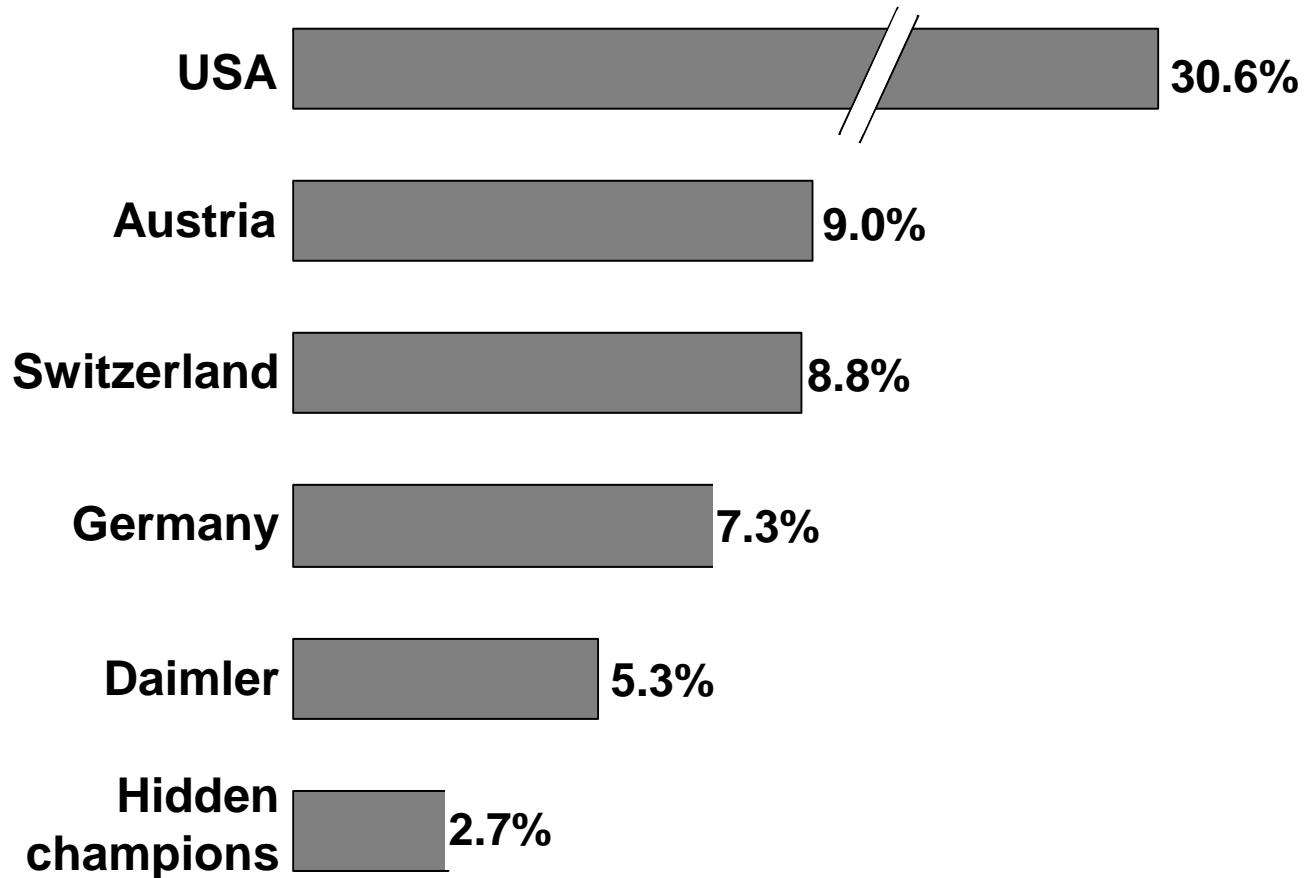
---

In the last ten years, the share of university graduates has more than doubled.



# Turnover rates

---



Source: Hernstein-Institut/US Department of Labor

# Leaders

---

- **Identity of mission and being**
- **Leadership**
  - **authoritarian in the principles**
  - **participative, flexible in the details**
- **Young into power**
- **More women in top positions**
- **High continuity (average CEO tenure 20 years)**

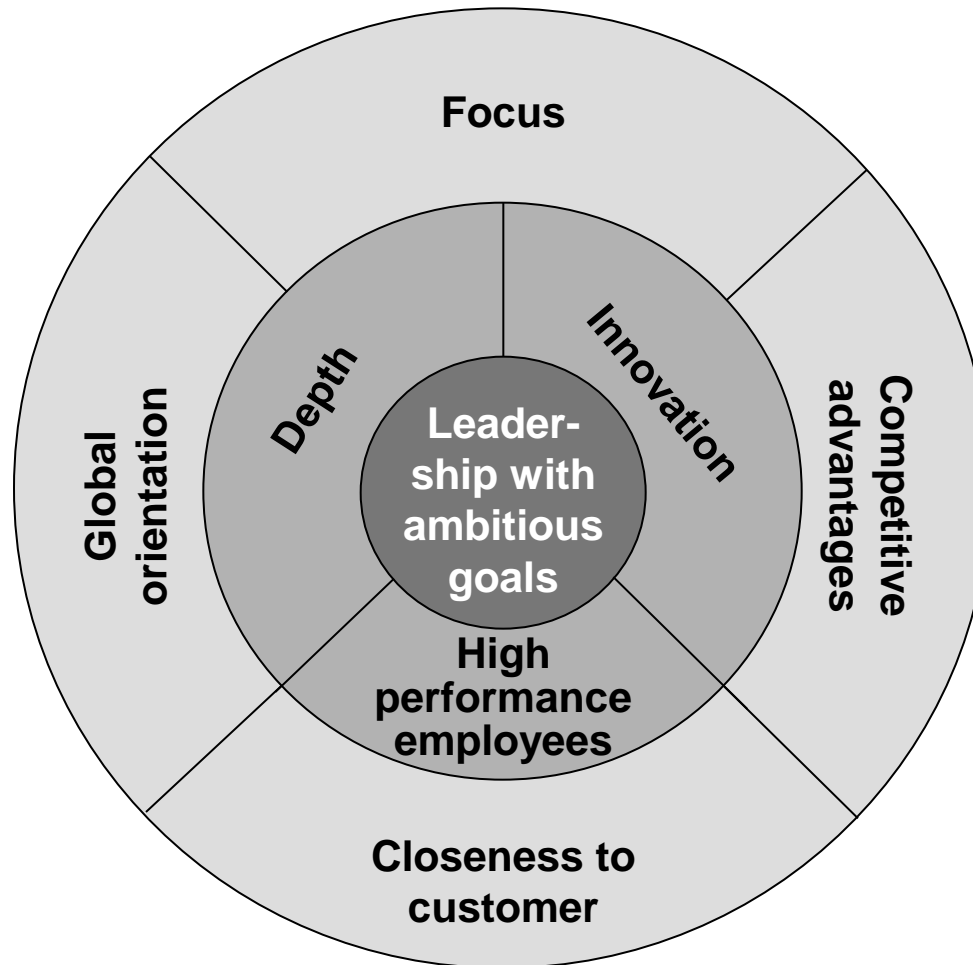
# Lesson 5

---

**The ultimate secret of the Hidden Champions' success lies in their leaders. They lead authoritarian in the principles, but flexible in the details. Young CEOs and women play a more important role than in large companies. Continuity is very high.**

# The three circles of the Hidden Champions

---





# The ultimate lesson

---

**The “Hidden Champions of the 21st Century”  
go their own ways  
– more decisively and successfully than ever.**

**They are true role models of leadership in  
the best sense Peter Drucker had in mind.**

**More on [hermannsimon.com](http://hermannsimon.com)**

# The new book

