

Are Hidden Champions a Global Phenomenon?

Hidden Champions in CEE and Dynamically Changing Environments

Prof. Dr. Dres. h.c. Hermann Simon

Vienna, November 17, 2011

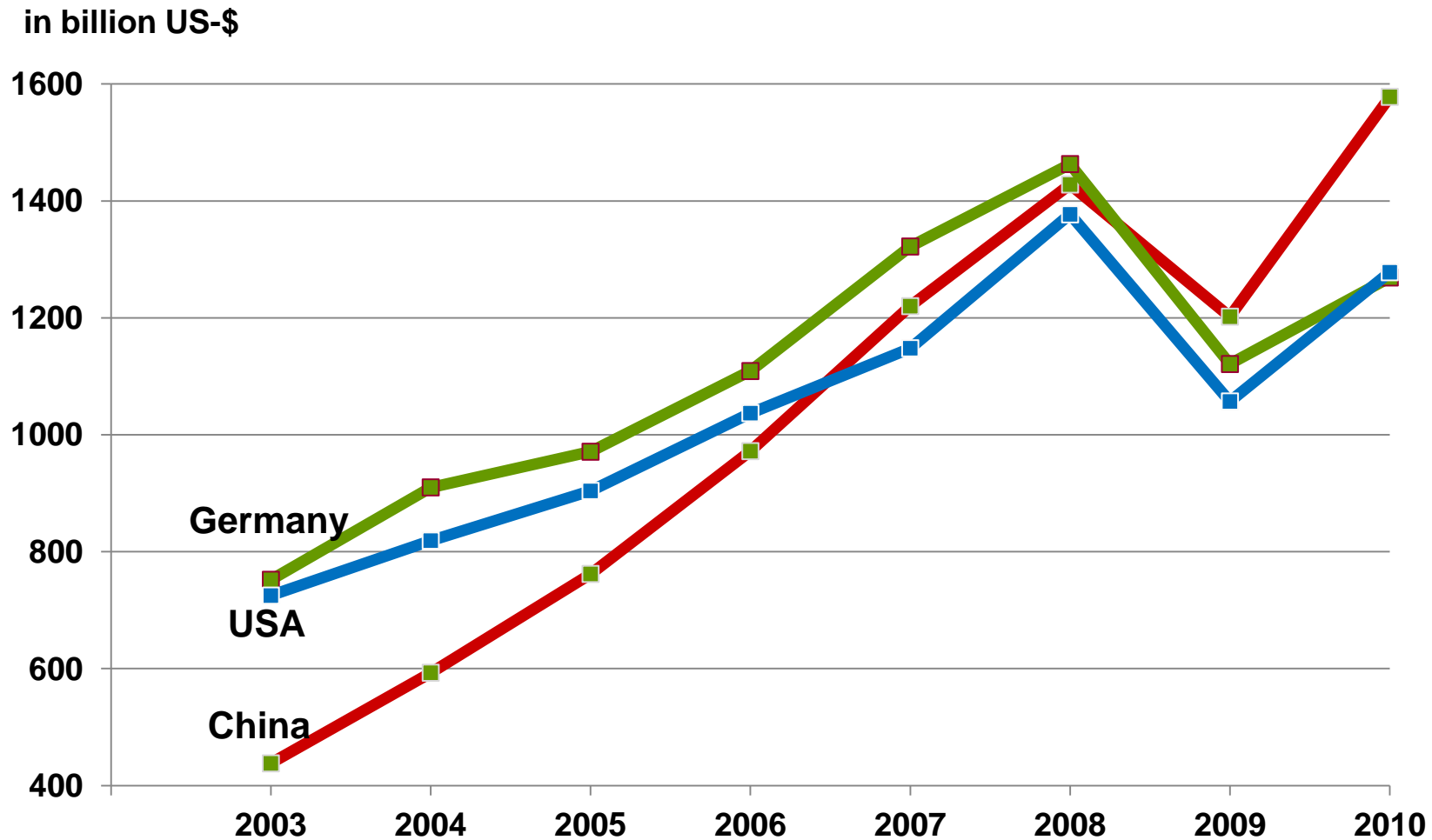
Bonn Office

Haydnstrasse 36, 53115 Bonn, Germany
Tel. +49/228/9843-115, Fax +49/228/9843-380
E-mail: hermann.simon@simon-kucher.com
Internet: www.simon-kucher.com
www.hermannsimon.com

The Origin of the Hidden Champions-Idea

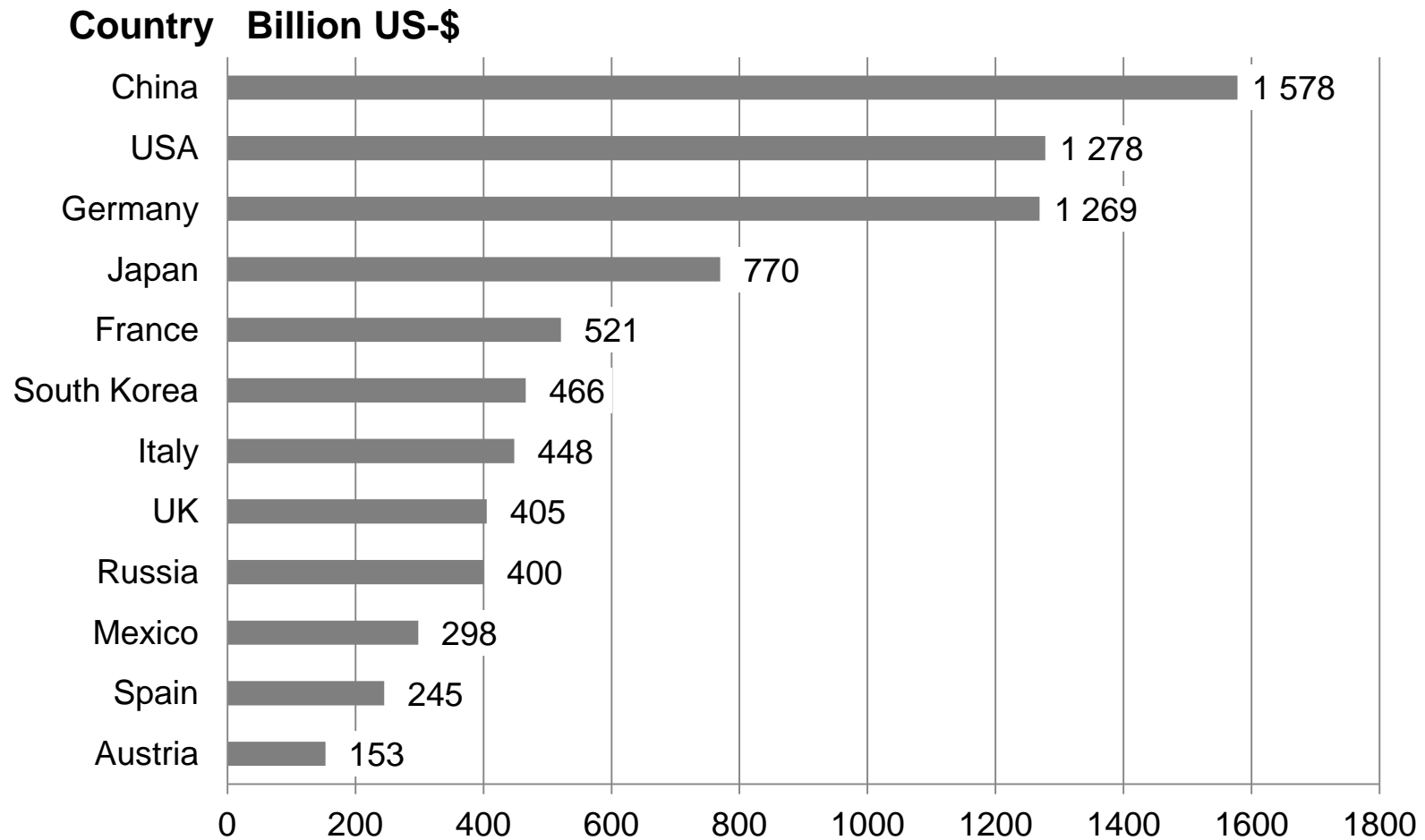
**Ted Levitt's question from 1986:
“Why is Germany so successful in exports?”**

Exports 2000-2008 (US-\$ billion)



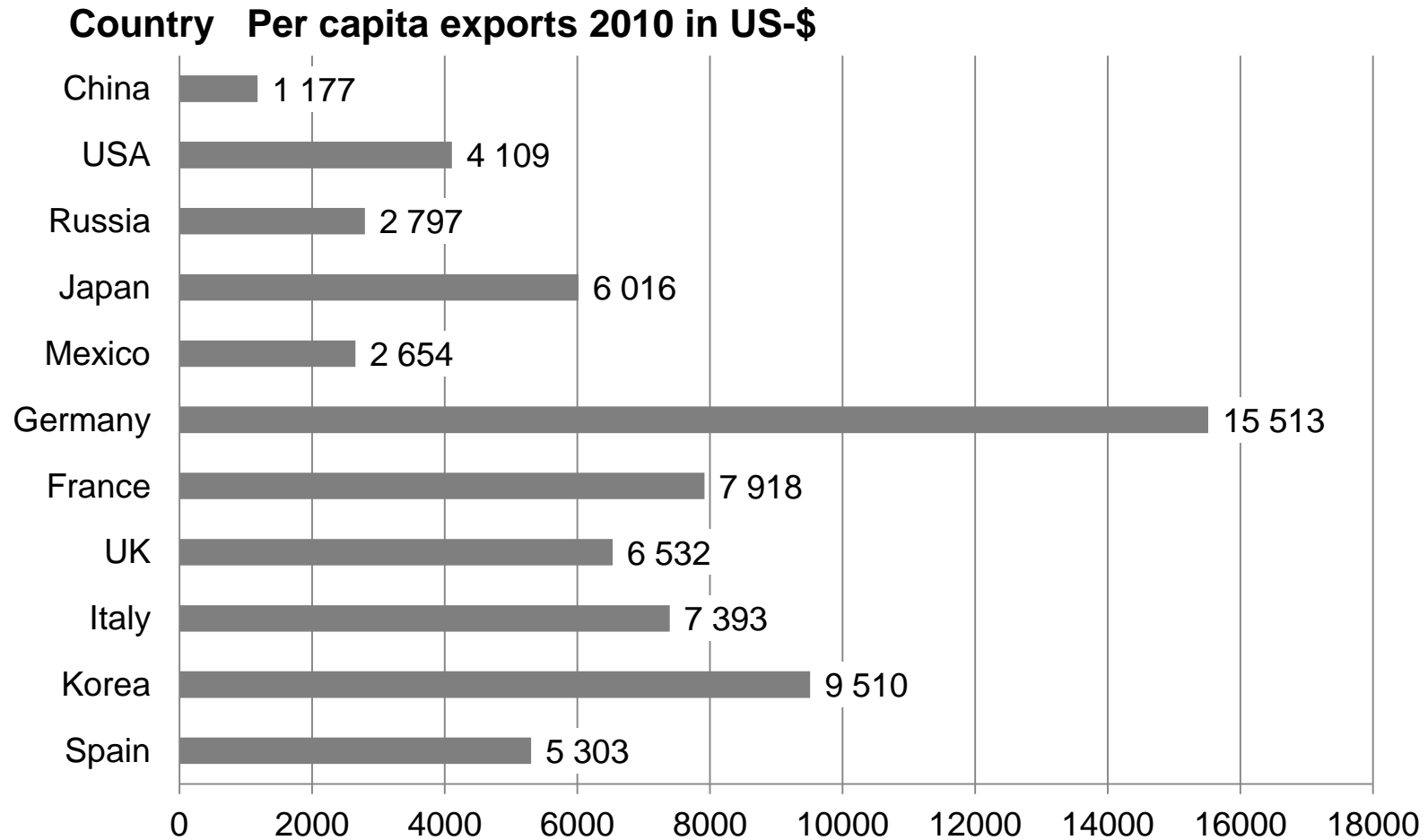
Source: WTO Trade Statistics

Exports 2010



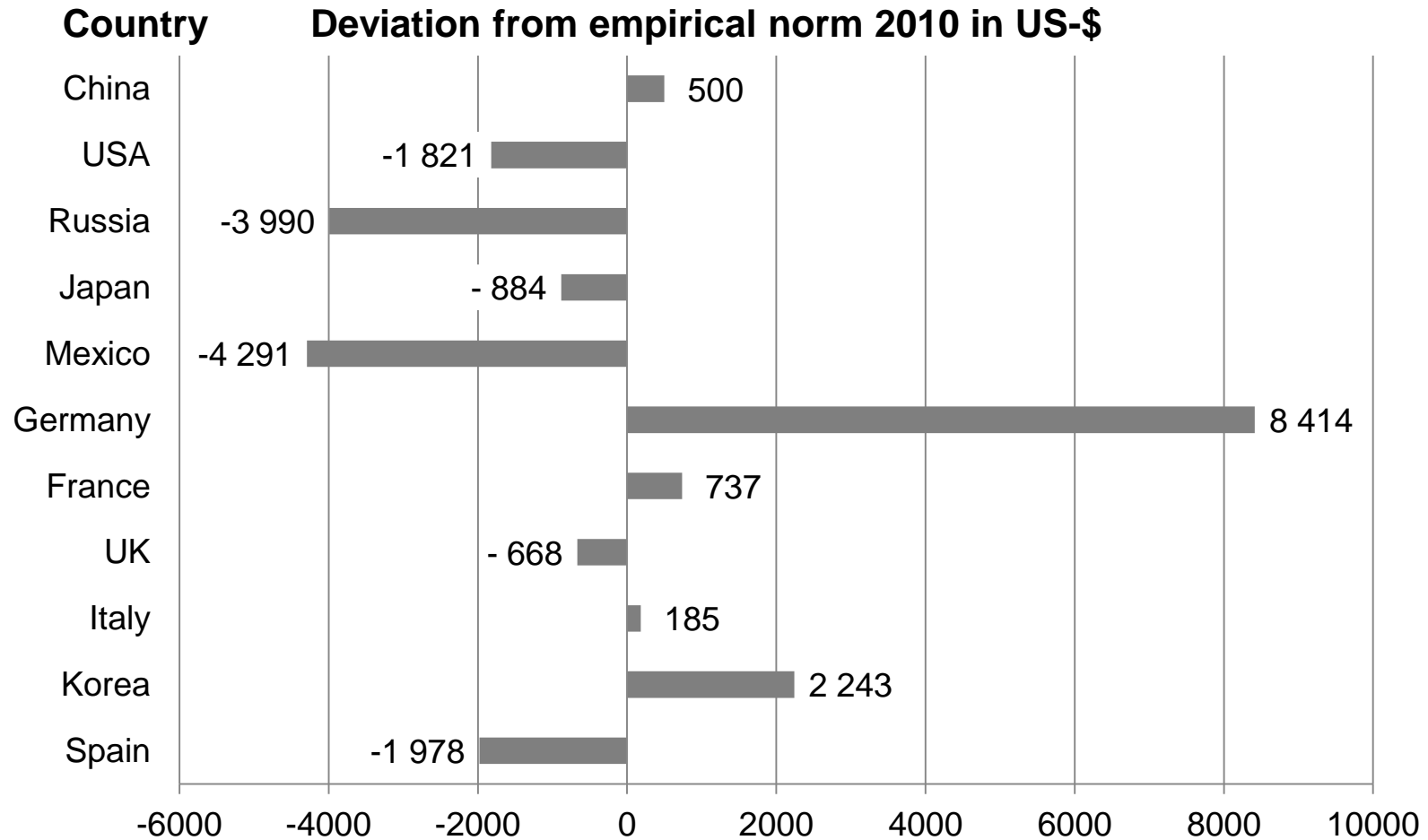
Source: Deutsches Statistisches Bundesamt, May 2011.

Per Capita Exports



Source: Calculations based on data from Deutsches Statistisches Bundesamt, May 2011.

Per Capita Exports



Source: Calculations based on data from Deutsches Statistisches Bundesamt, May 2011.

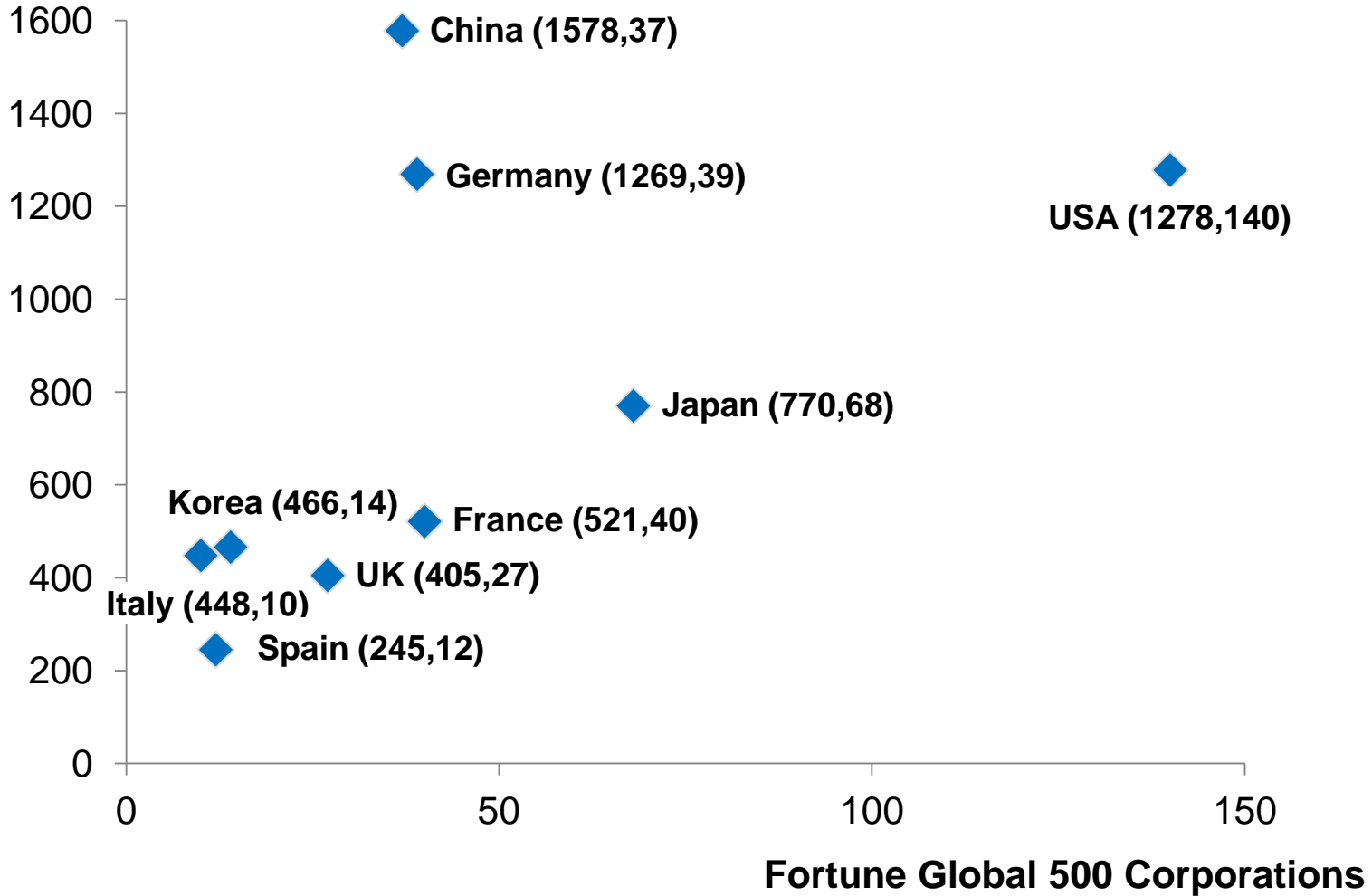
Do Large Companies Explain Export Performance?

Fortune Global 500 Corporations:

USA	140
Japan	68
France	40
Germany	39
China	37
UK	27
Korea	14
Spain	12
Italy	10

Do Large Companies Explain Export Performance?

\$ billion exports



Contribution of the Mid-sized Sector

- **China:** 68% of Chinese exports come from companies with less than 2000 employees (Economist, Sept. 5, 2009)

- **Germany:** ca. 70% of exports come from Mittelstand companies

Finding 1

Excellent export performance doesn't seem to correlate with the number of large companies. It may be better explained by a large mid-sized sector.

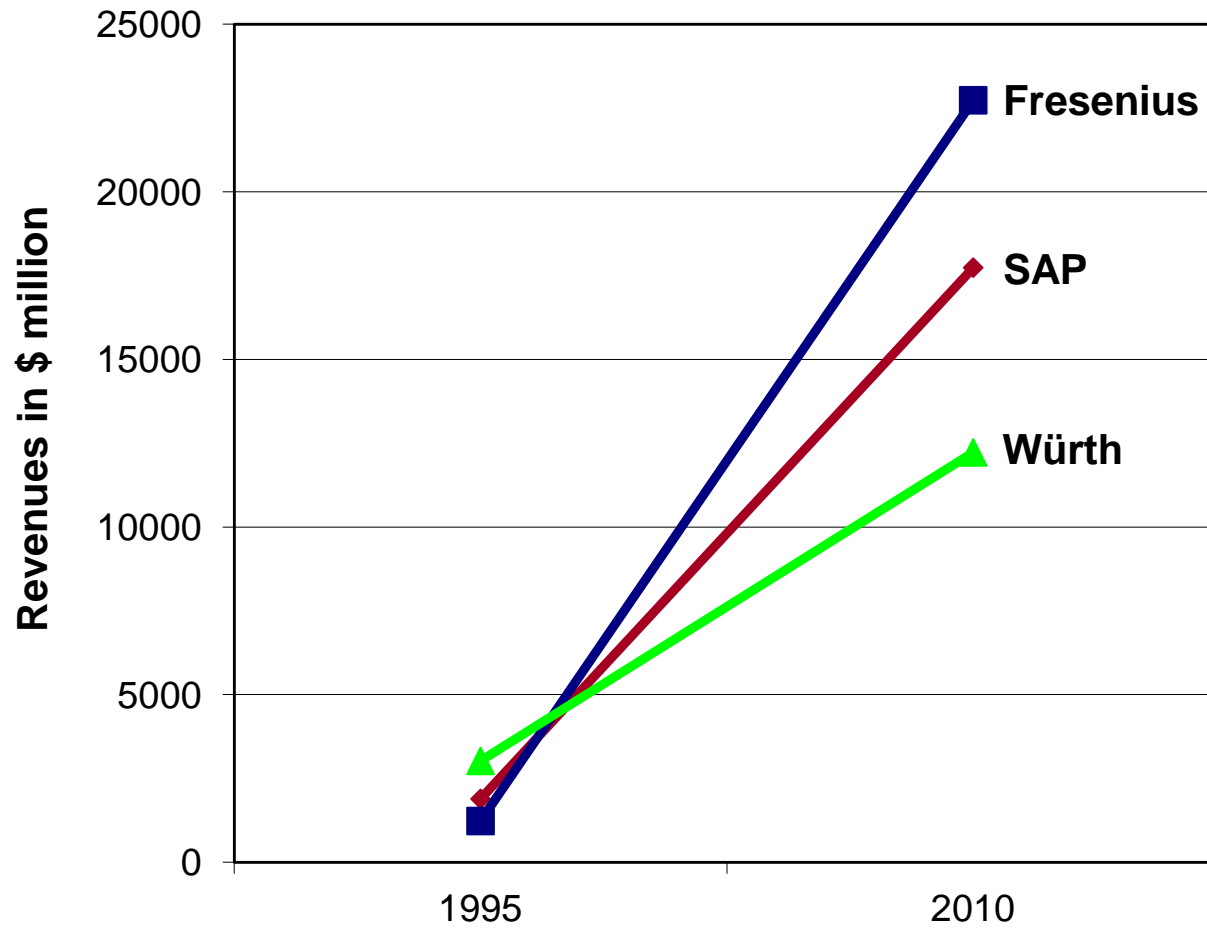
What Is a Hidden Champion?

- **Top 3 in the world or no. 1 on its continent**
- **Revenue below \$4 billion/€3 billion**
- **Not well known in general public**

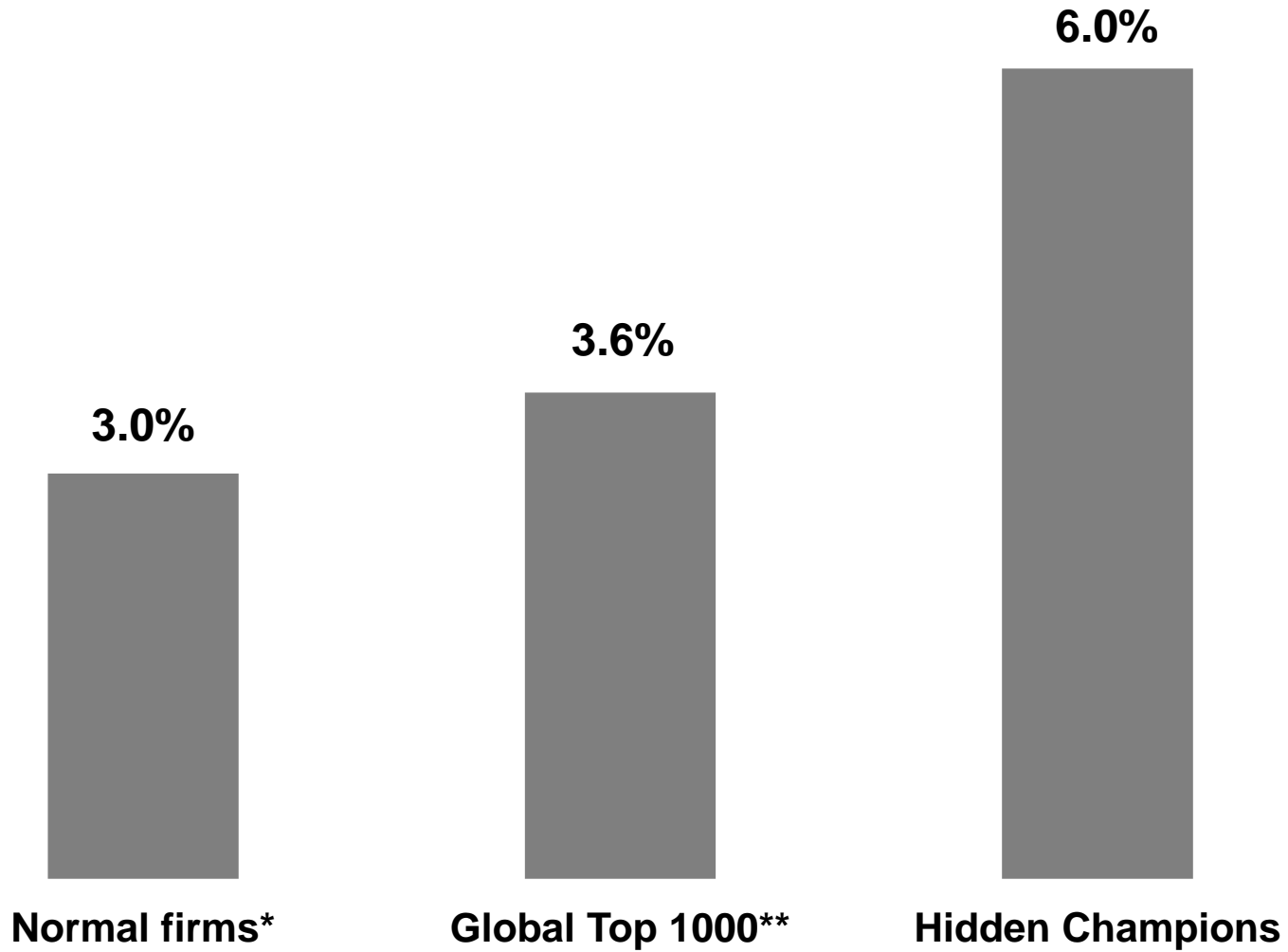
Key Facts of German Hidden Champions

- **1 million new jobs in ten years**
- **Annual growth of 10%, revenue 4 times larger than 1995**
- **More than 200 new \$-billionaires**
- **Sharp increase of world market share**
- **Massive wave of innovation**

From Hidden Champion to Big Champion

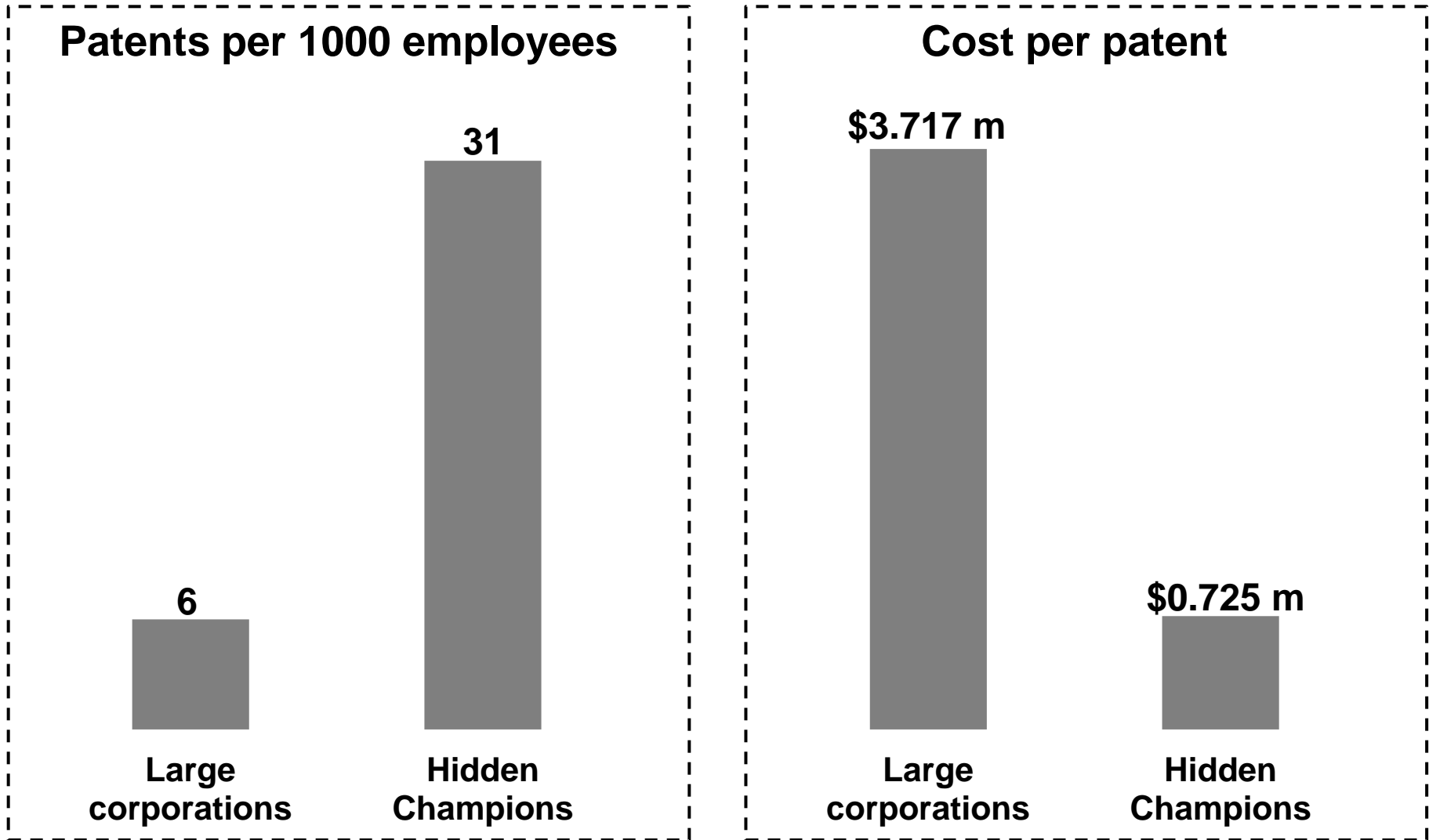


R&D Intensity



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

Patents



Finding 2

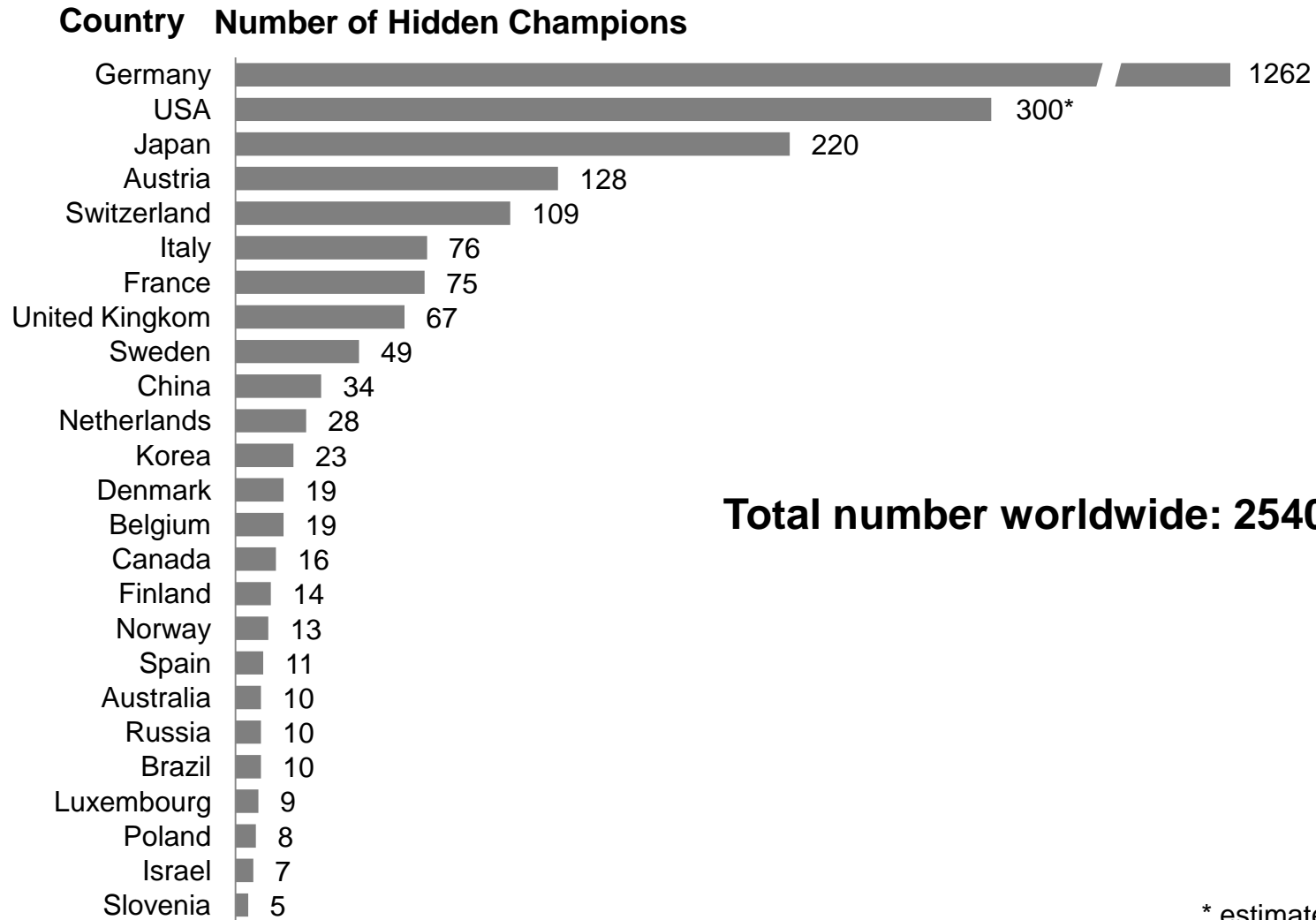
The Hidden Champions contribute very strongly to job creation, innovation, and economic growth. They foster the decentralization of an economy and reduce dependence on large corporations. They are also the breeding ground for future big champions.

Are Hidden Champions a German or a Global Phenomenon?

My Tentative Answers

- **1990s:** Hidden Champions seem to be a German phenomenon
- **early 2000s:** Hidden Champions exist and can exist everywhere, but the prevalence is highest in German-speaking countries
- **today:** Hidden Champions are remarkably similar across countries

Hidden Champions by Country



Hidden Champions per Million Inhabitants



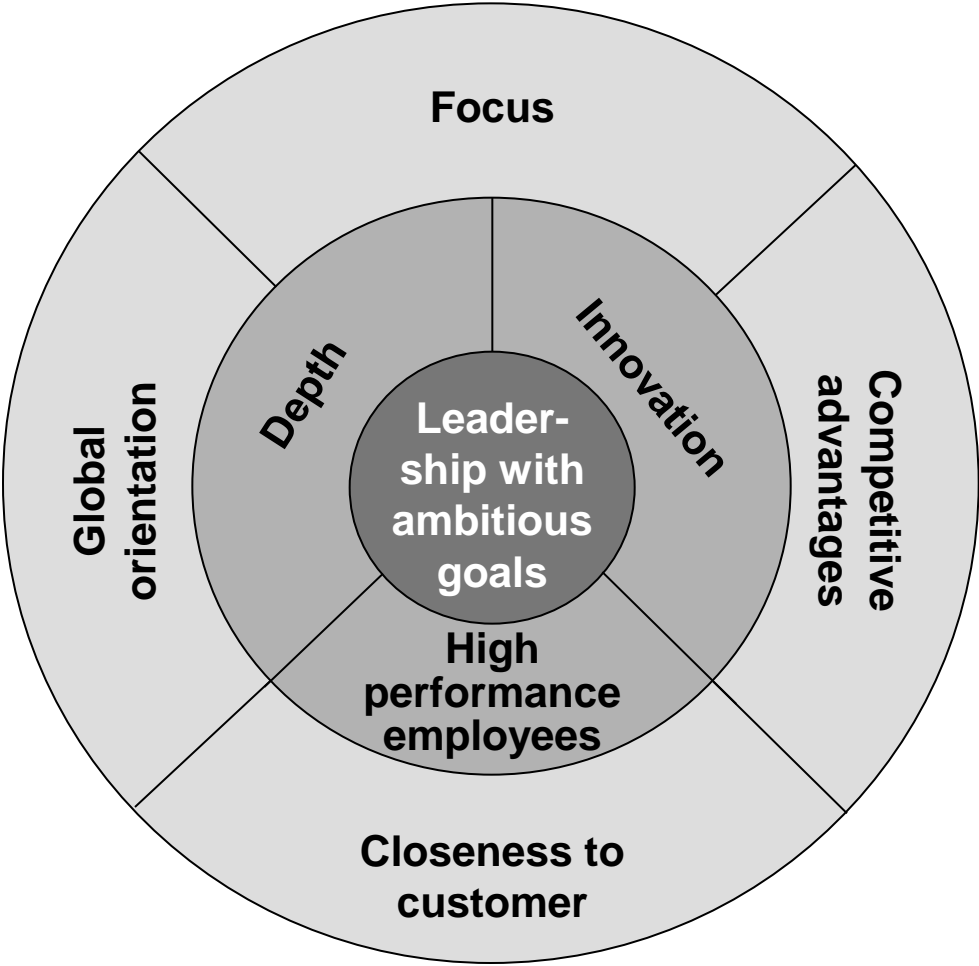
Why so Many in Germany?

- **Historical structure of Germany**
- **Competencies**
- **Mental internationalization**

Finding 3

German-speaking countries have very high numbers of Hidden Champions. However, 40% of the currently known Hidden Champions are found outside this region, actually on all five continents. Scandinavia is another strong region. Among the CEE-countries Slovenia is catching up.

The Hidden Champion Strategy



Two Pillars: Specialization and Globalization

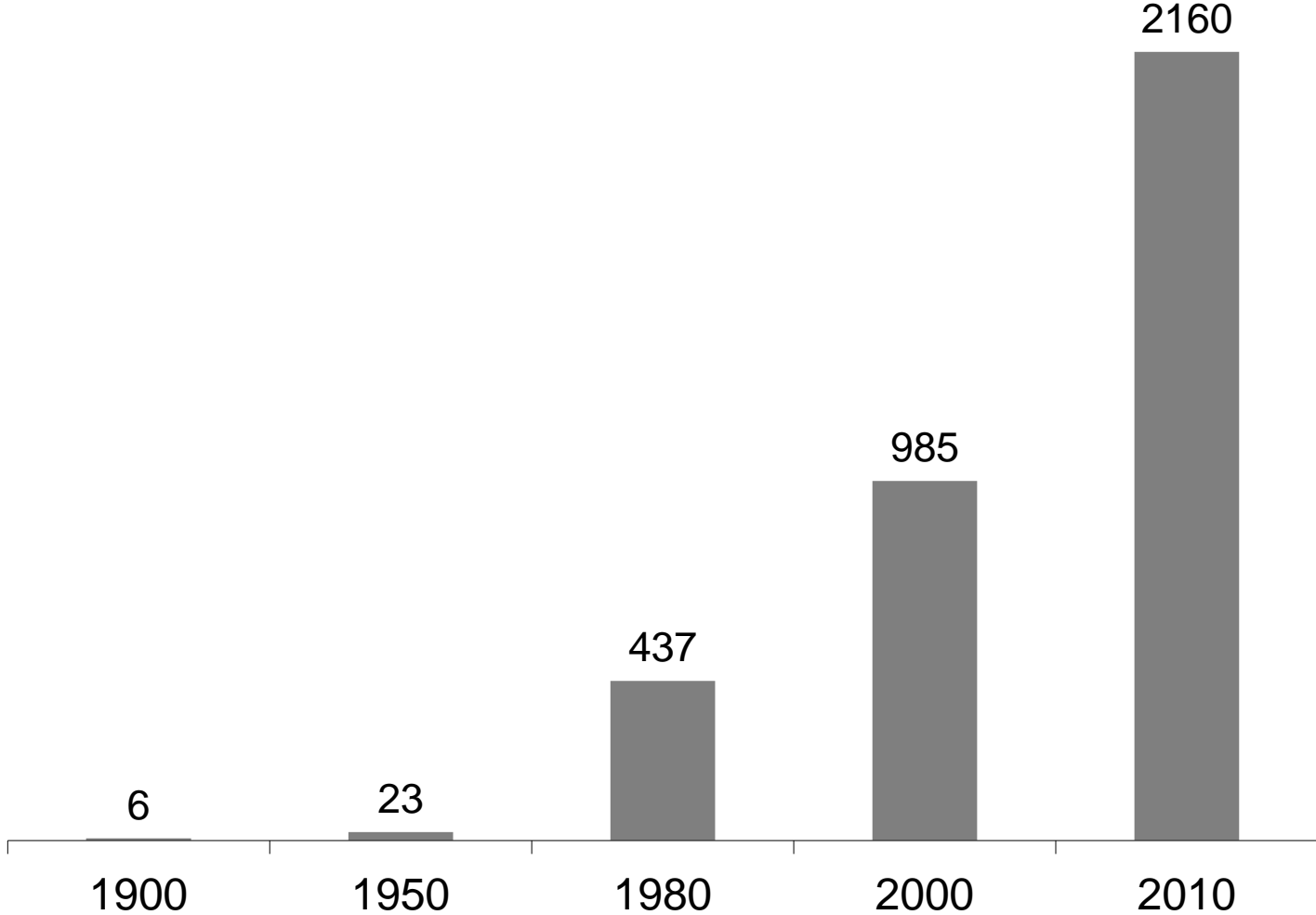
- Specialization in Product and Know-how -



← Global Selling and Marketing →

Accelerating Globalization

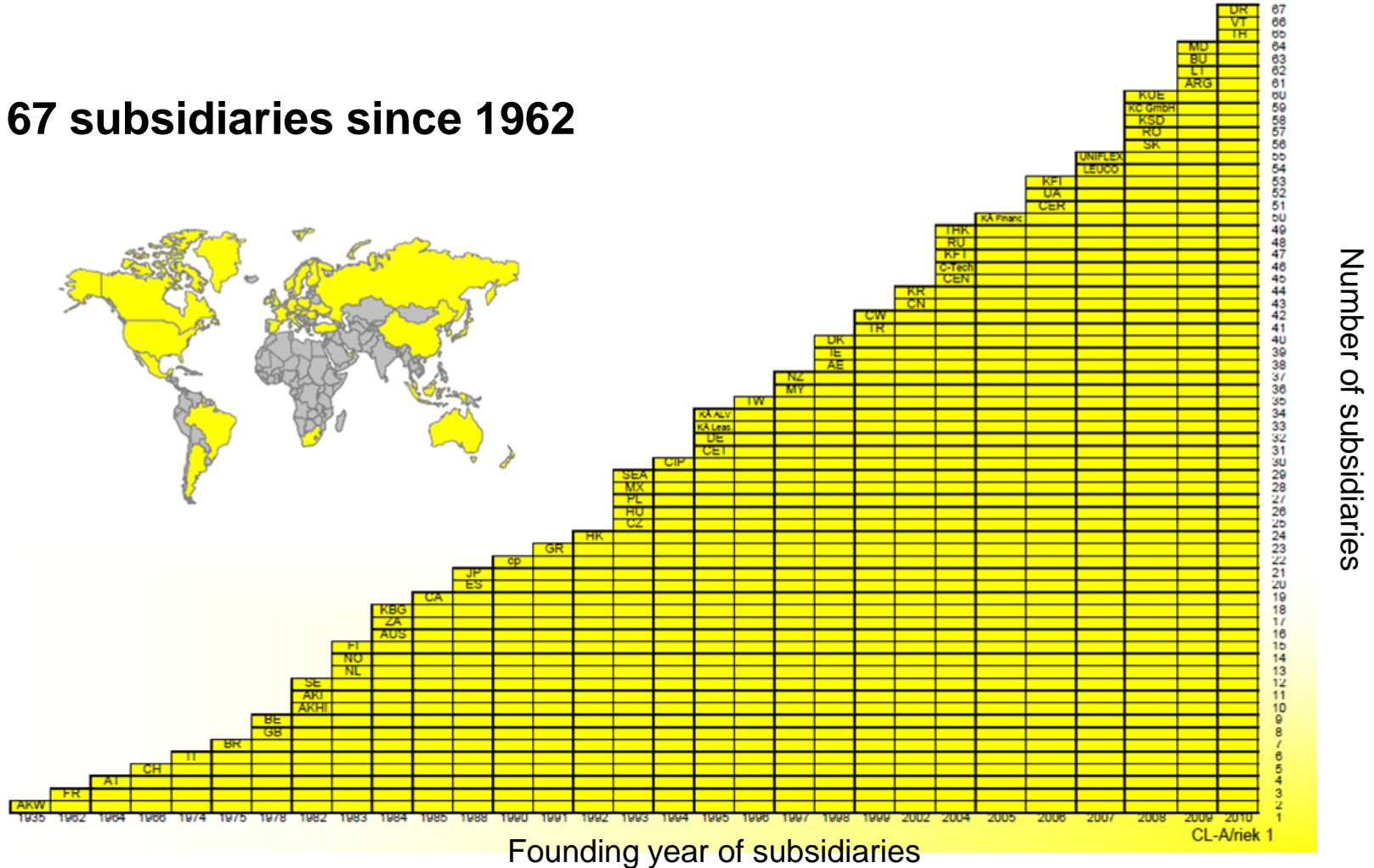
Exports per capita in US-\$



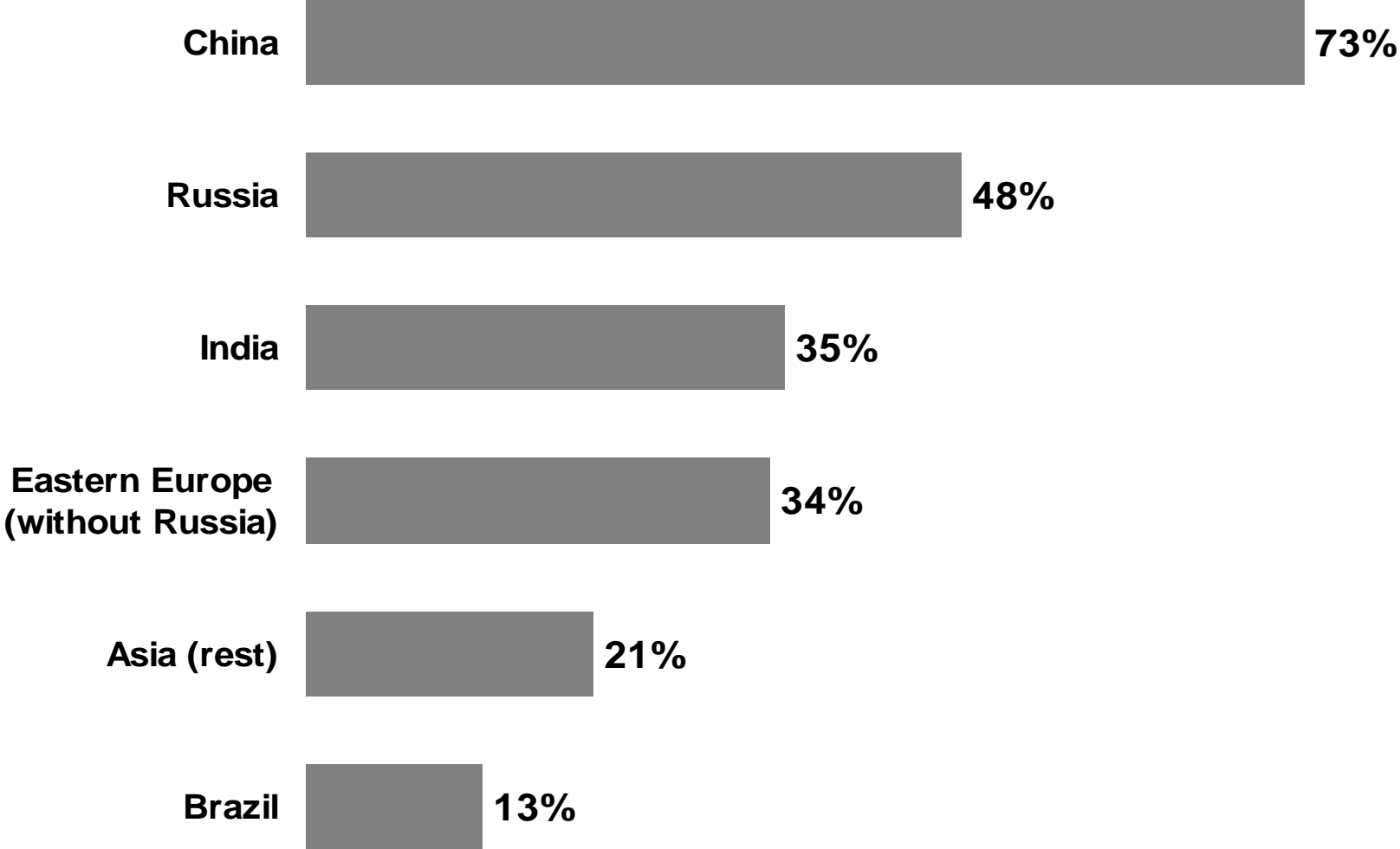
Globalization: Kaercher

World leader in high pressure water cleaners

67 subsidiaries since 1962



Attractiveness of Emerging Markets



Finding 4

The essential pillar of the Hidden Champion strategy are specialization and globalization. Globalization is *the* growth booster for them. They serve the target markets through their own subsidiaries. They heavily invest into the markets of the future.

The Future Role of Hidden Champions for Transformation Economies

- **Key drivers of economic progress**
- **Contributors to decentralization of an economy**
- **Strong innovators**
- **Establishment of global presence despite small size**

Prerequisites for Hidden Championship

- **Entrepreneurship**
- **Admiration not only for large companies**
- **Mental/cultural internationalization**
- **Clusters can be helpful, but are not decisive**
- **Government support has its limits and works rather in the laying of general foundations than in concrete help**

Finding 5

I strongly recommend that transformation/emerging economies build their future not only on large corporations but also on a strong Hidden Champion segment. This approach can create a whole set of positive outcomes (growth, innovation, decentralization/risk diversification). The prerequisites for Hidden Championship are deeply founded in societal values and difficult to control by governments. Instead of intervening directly governments should rather create the societal foundations which lead to Hidden Championship.

Summary

- **Export performance strongly depends on Hidden Champion-type companies**
- **Hidden Champions are key drivers of economic progress**
- **While we find the biggest concentration in German-speaking countries, Hidden Champions exist and can exist in all countries**
- **Hidden Champions are indispensable if a country wants to reap the fruits of the accelerating globalization.**
- **The emergence of Hidden Champions depends on societal and cultural prerequisites rather than on government actions. Governments should therefore support the societal foundations rather than intervene directly.**

To conclude....

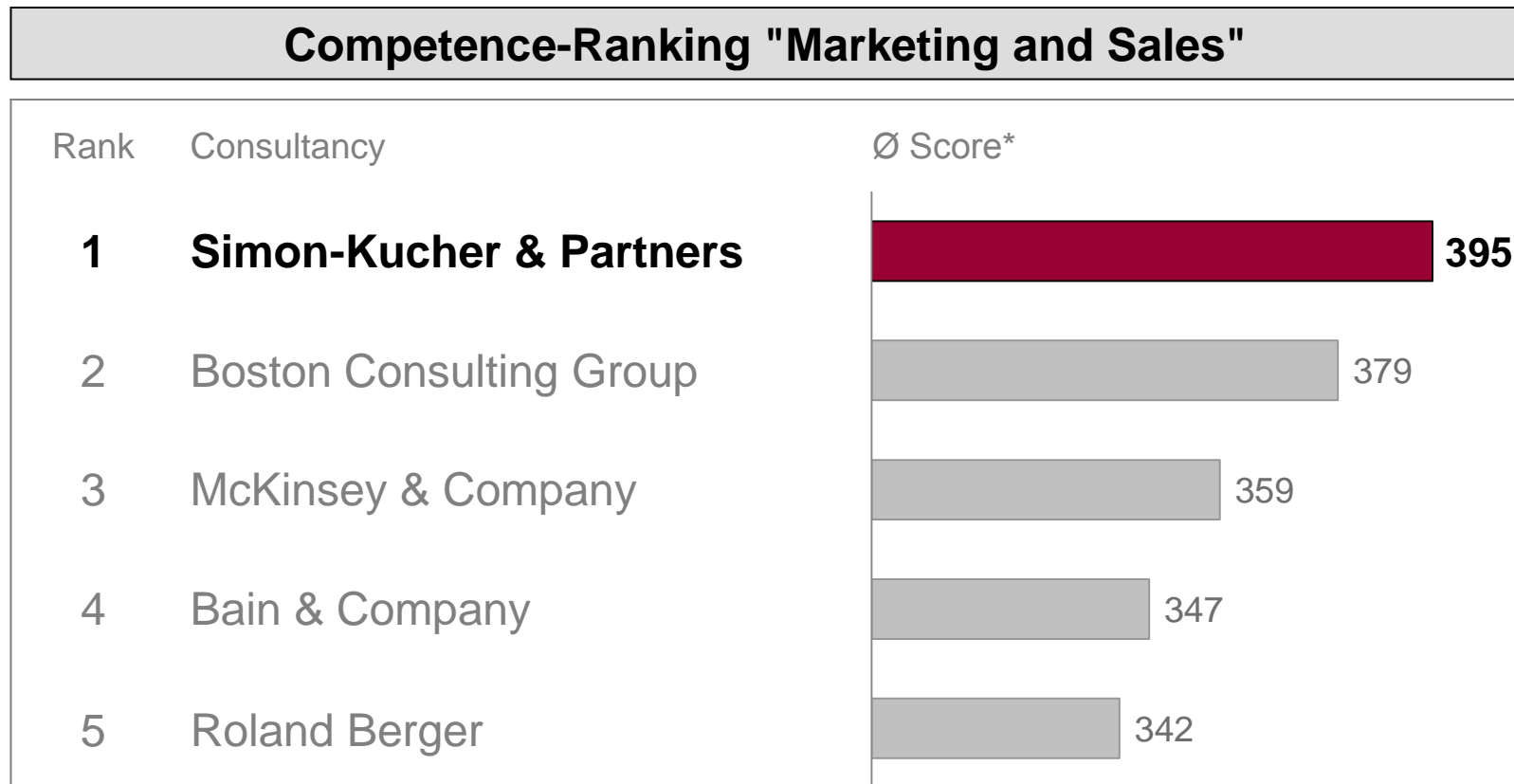
... my personal

Hidden Champions Story

- **Worldwide Strategy & Marketing Consultants**
- **Focus: Revenue-driven (=Smart) Profit Growth**
- **Core Competency: Pricing**

Best Consultancies in "Marketing and Sales"

In 2007 and 2011, top managers ranked Simon-Kucher as best consultancy in marketing and sales before Boston und McKinsey.



manager magazin 08/2007 und 08/2011

*Average for 2007 and 2011, maximum score 500;

Source: manager magazin August 2007&2011/IMB, Survey among German top managers

World Leader in Price Consulting

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

Business Week

“Simon-Kucher is the worlds’ leading pricing consultancy.”

The Economist

“In pricing you offer something nobody else does.”

Professor Peter Drucker

“No one knows more about pricing than Simon-Kucher.”

Professor Philip Kotler

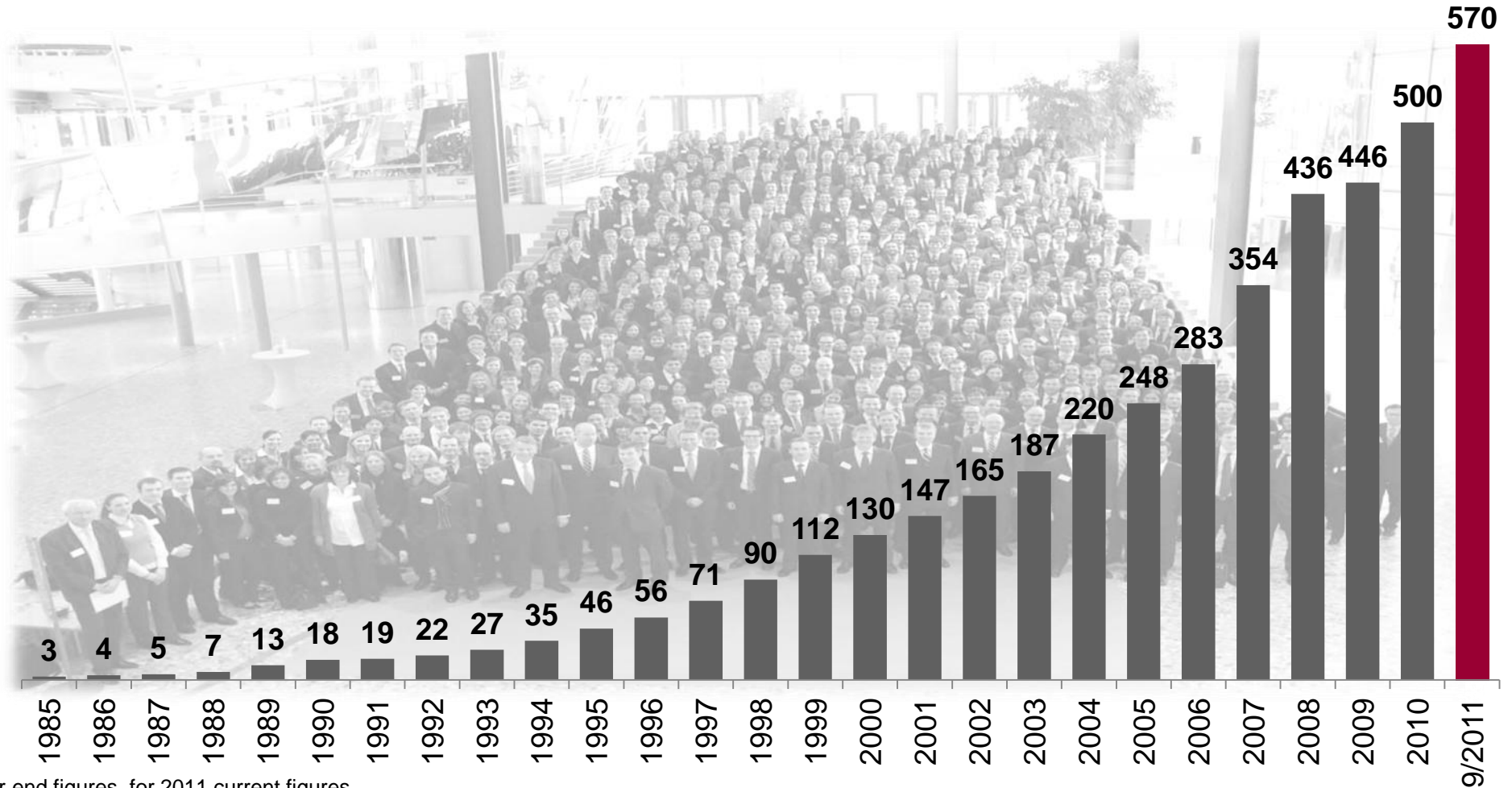
“No firm has spearheaded the professionalization of pricing more than Simon-Kucher & Partners.”

William Poundstone (*Priceless*, Hill and Wang, 2010)

Employees* and Revenue

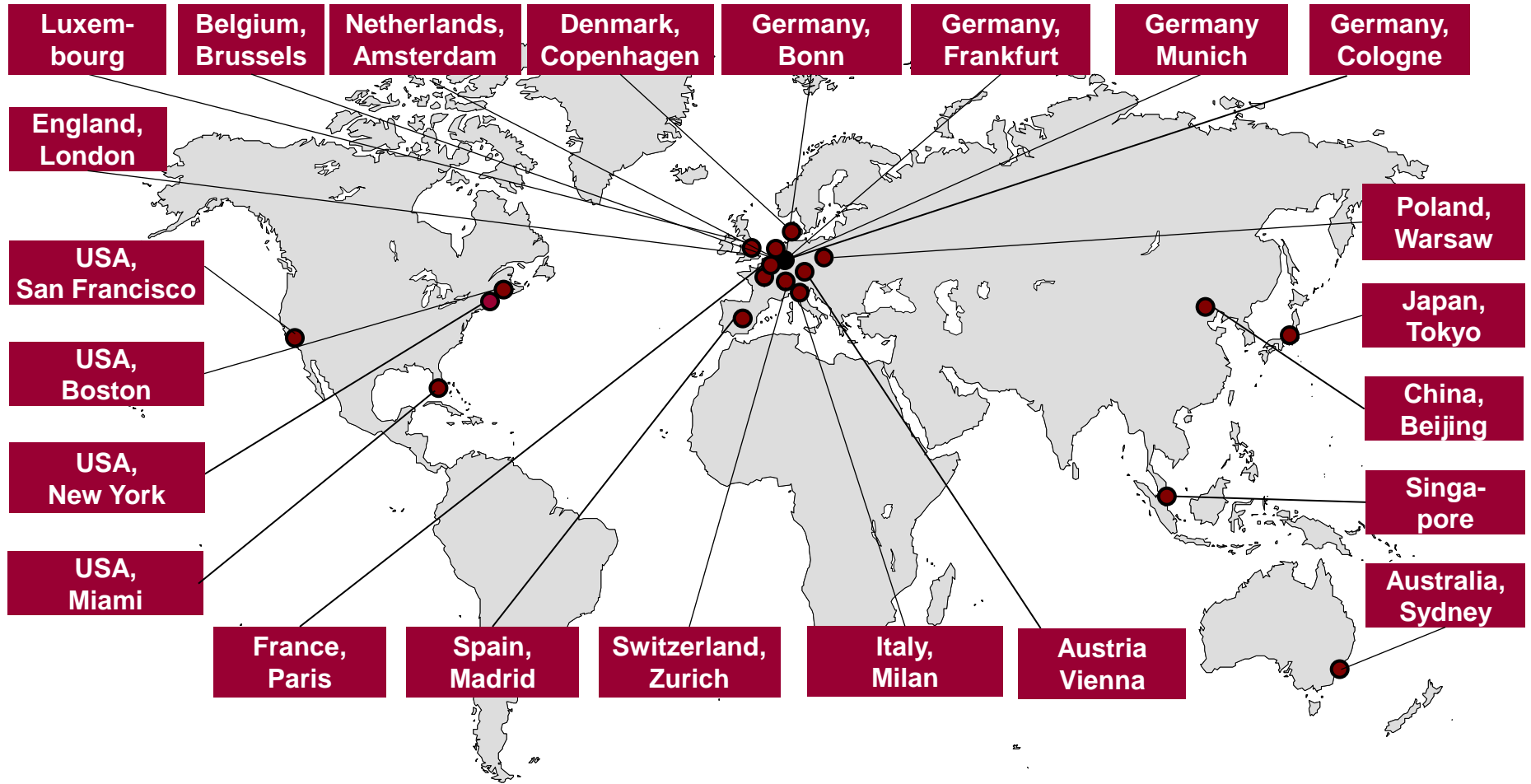
Revenue 2010: \$141 million

2011: \$170 million (est.)

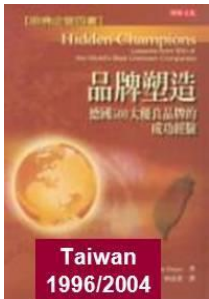


*year end figures, for 2011 current figures

Global Presence



Hidden Champions Worldwide



Taiwan
1996/2004



USA
1996/2009



Russia
2005



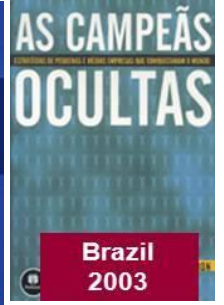
January 26, 2004



Japan
1998/2012



Lithuania
2009



Brazil
2003



Slovenia
2010



Serbia
2007



Turkey
1999



France
1998



Spain
1997/2010



Italy
2001/2007/
2011



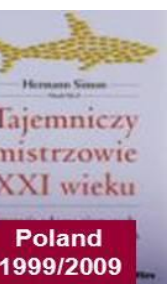
Czech Republic
2010



Egypt
2008



Netherlands
1997/2009



Poland
1999/2009



India
2009



Korea
1997/2008



China
1997/2000/
2005/2009



Hungary
2010



Germany
1997/2007

Hermann Simon

Hermann Simon is chairman of Simon-Kucher & Partners Strategy & Marketing Consultants with offices in Amsterdam, Beijing, Bonn, Boston, Brussels, Cologne, Copenhagen, Frankfurt, London, Luxembourg, Madrid, Miami, Milan, Munich, New York, Paris, San Francisco, Singapore, Sydney, Tokyo, 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 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-sponsor 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 holds honorary doctorates from IEDC Business School of Bled, Slovenia, and from the University of Siegen, Germany. He is a honorary professor at the University of International Business and Economics in Beijing.
