

# BEST STRATEGY 2018



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**WHAT GLOBAL MARKET LEADERS  
IN GERMANY DO BETTER**

**STAUFEN.**







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# Editorial



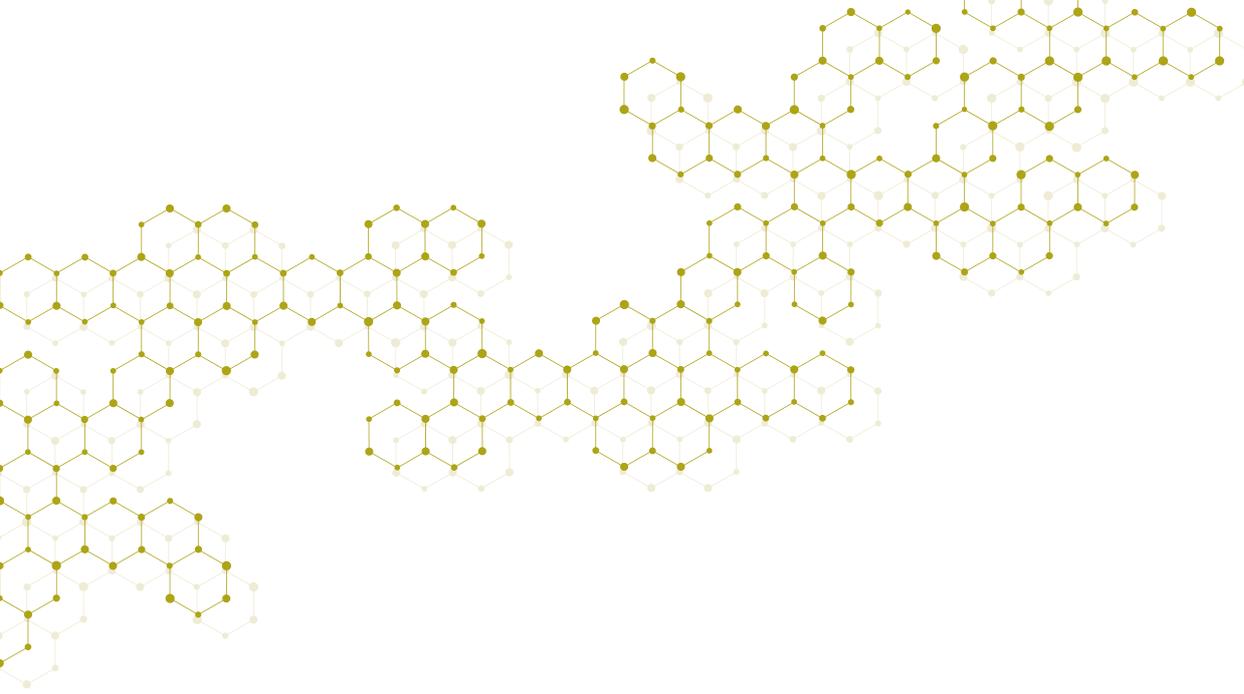
## **Dear Readers,**

The BestPractice principle of learning from the finest in your field has been an integral part of Staufen's DNA for decades now.

Our conferences, factory tours and workshops are all based on the conviction that an ongoing exchange of information and continuing professional development are the essential cornerstone for the success and future viability of a company.

And what better way to learn than to observe mid-sized companies and corporations which rank among the leading global players in their respective industry or sector? This is why we conducted our Best Strategy 2018 study and spoke to over 200 owners, members of the board, CEOs and other senior managers at global market leaders in Germany to learn about the success factors at their companies.

As Prof. Dietmar Fink explains in his interview for this study (on page 14), there is no special gene that creates a global market leader. Instead, he says that companies come closest to their ideal when they establish a culture in which questioning their existing structures is not only permitted but encouraged.



The foundation of this kind of open corporate culture is leadership. A company's leadership team must be able to formulate a vision, use it as the basis for generating very concrete strategic steps, and communicate both of these points to their employees. This is the only way that the advantages of change will become clear in times of permanent transition. Instead of being afraid of the future, people will have room for creativity and an innovative spirit.

To remain with the DNA reference, even though the success factors of world market leaders are something that can't be cloned, our study shows that they follow a clear pattern. If I may borrow a phrase from the beginning of Tolstoy's famous novel Anna Karenina, all successful companies are alike, but every unsuccessful company is unsuccessful in its own way.

I hope you enjoy reading this publication and that it offers you all kinds of inspiration for good conversations and learning.



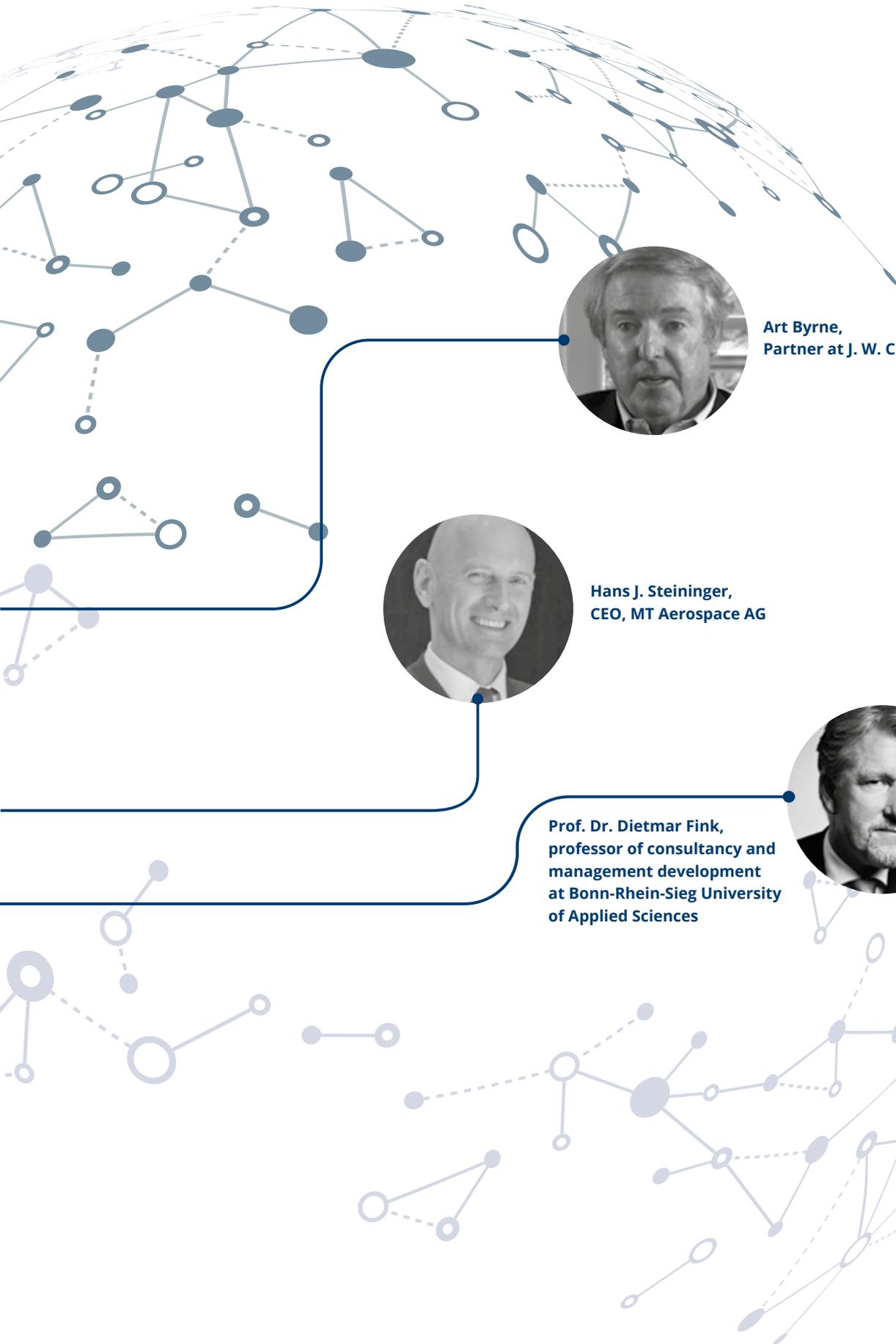
Sincerely, **Wilhelm Goschy**,  
Member of the board,  
STAUFEN.AG



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# Expert perspectives





**Art Byrne,**  
Partner at J. W. Childs Associates L. P.



**Hans J. Steininger,**  
CEO, MT Aerospace AG



**Prof. Dr. Dietmar Fink,**  
professor of consultancy and  
management development  
at Bonn-Rhein-Sieg University  
of Applied Sciences

# 2



## IS A GROWTH STRATEGY

As the latest Staufen study shows, lean management is an important pillar of entrepreneurial success on world markets – and that's how it will stay. Nevertheless, many companies do not take advantage of the potential it offers, says lean expert Art Byrne in a conversation with Staufen. He believes that many decision makers do not really understand how revolutionary the lean philosophy still truly is.



### ART BYRNE

Partner at J. W. Childs Associates L. P.

**The Best Strategy 2018 study examines the secrets of the success that Germany's world market leaders have in common. How much of this can be attributed to lean management?**

I don't know how much the lean philosophy has contributed to the success of German global market leaders; I imagine no one can really say for sure. What I do know, though, is that every company is significantly more successful if it implements a lean strategy and applies it in its daily work. You could even say that when deployed properly, lean is almost an "unfair" competitive advantage.

**In the eyes of 95% of the companies surveyed, continuing to optimize processes and organizational structures is critical to ensure that they stay successful in the future. Where are things still precarious in terms of processes and organizational structures, even among global market leaders?**

It does not surprise me to hear that so many companies think that making the right changes is the key to their future successes. The question is how they go about it. Most companies simply keep

the same underlying organizational structures and approaches in place. They try to lower costs by automation or pursue other traditional strategies. They do not embrace the radical transition to lean because it contradicts everything they have learned or experienced so far. The consequence is often that the naysaying "that'll never work here" faction wins out, and the status quo remains intact.

**Even though right now most companies are doing well, business-wise, many managers are uncertain and are looking for points of orientation in these times of major upheaval. What would you recommend to managers who ask for your help in this world of VUCA (volatility, uncertainty, complexity and ambiguity)?**

When a company experiences major changes, the most important thing is having solid guiding principles and a management team with a sense of commitment. This takes people's fears away. The four major lean principles of lean – paced workflow, one-piece flow, standardization and pull – are one way to create a stable framework that everyone can follow.



**New times call for one thing above all else: a new style of management. What kinds of characteristics do successful managers need today? And what habits should they shed?**

When it comes to shedding bad practices, they should start with the "make the month" approach. In conjunction with standard cost accounting, it forces companies to spend far too long with the previous month even though in the meantime there are new challenges to face. To affect future events, you have to look ahead, not look at the past.

**How hard is it for companies to establish a new style of management? And how can they navigate this path effectively? Maybe there are times when what they really need is simply new management after all?**

I don't think you fundamentally need a new management team to experience change, even though sometimes that is the only option. It's better to teach the existing management to see things from a different perspective and the powerful changes that are linked to it. To achieve this, people generally need outside influences such as a lean consultant or a lean CEO. But even then, managers have to take part in multiple cycles of a continuous improvement system (CIP) until they have really internalized the necessary changes. Lean is easy to explain. But when it comes time to put it into practice, it takes a while — even with the right kind of support — for management thinking to make a sustainable difference.

**In your experience, how long does it take until the corporate and management culture make sustainable changes at a company? How much patience do companies need to have?**

Based on my experience, a shift in culture takes several years, even if the company's CEO is convinced about lean and puts everything he or she has into it. Lean often feels like the opposite of everything people have learned so far. That scares them, and then the necessary changes just don't feel right. My rule of thumb: even with a dedicated management team, it takes around four years — a period in which excellent things can happen — until the managers properly understand the options they have ahead of them. If the team wakes up after four years and says, "Oh dear, we're still miserable," then they're on the right path.

**In Germany, lean management has established itself in the industry, although not as much in other fields. Why is that? And how do you convince someone like an insurance agency, a trading company or a construction firm**

**to take the plunge and embrace lean management?**

The first issue here is that lean is only another term for the Toyota Production System (TPS), which is to say that the idea comes from the world of manufacturing. What is more problematic is that we still speak of lean manufacturing rather often when we mean lean. Given this turn of phrase, it is no surprise that companies outside of the manufacturing industry do not feel as if the term applies to them. But the opportunities that lean presents outside of the industry are even greater than the ones within. Ultimately, the point is to liberate existing processes from waste, and outside of a production context, people usually have to contend with processes that are much less effective. A company is nothing more than a group of people and a number of processes which are all trying to provide something of value to a series of customers. If non-manufacturing companies saw things in this light as well, they might be much more interested in lean.

**You have guided companies in the hands of private equity through a lean transformation. How exactly did you go about it? And what was the outcome?**

There's really no difference between leading a company in private equity to lean versus another company. In this case, we started with management as well, explained what the plan was and why. We then put managers into numerous CIP teams, both in the production hall and in the office. This let them experience firsthand which improvements we were achieving. We defined a few aggressive goals and pursued them. In our portfolio there was a company whose European division had locations all over the entire continent. It was active in a field that was shrinking annually by 4%. Here we freed up over 90,000 square meters, increased the inventory turnover from a factor of three to a factor of 20, obtained over \$100 million in liquid assets, lowered lead times, launched new products, increased our gross profit margin by 9% and gained enough of a market share to achieve growth of 1-2% a year despite the industry-wide annual decline. When we sold the company, we got three times the amount we invested.

**One last question. Do we have the wrong impression, or is it much easier for companies in the US to successfully hold their own in a world of transition than it is for German companies?**

There is no deep-seated reason why companies in the US should respond better to shifts and changes than German companies. At the end of the day, it's simply about management, structure and the approach. A German company which is well structured with lean management can beat out a traditionally managed American company any day.



# DIGITIZATION — A TASK FOR THE BOSS

For a good two years now, MT Aerospace has been in the midst of its digital transformation. Hans J. Steininger, the CEO of the Augsburg-based aeronautics company, describes his personal lessons learned and explains why he is convinced that digital transformation always has to be preceded by a change in leadership.

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## HANS J. STEININGER

CEO, MT Aerospace

When we first started down this path with MT Aerospace in 2016 by taking initial steps in the field of R&D, one thing quickly became clear: digitization is a task for the boss. That's why I meet with the responsible parties every week to stay abreast of what's happening and get directly involved. Have the tasks discussed last time been settled since the last meeting? What's on the agenda for the week ahead? This kind of personal commitment is essential, because a company can sense very clearly whether top management takes something seriously or not.

That doesn't mean that the CEO has to become the chief digital officer too. Okay, sure, people's expectations of themselves are very high at the beginning. But I'm among those who had to learn that patience is a virtue, and when it comes to digital expertise, I'm probably solidly in the middle of the field. We also have to accept that there is not any point in time in the transformation when we will know what the digitized version of MT Aerospace will look like at the end of the day.

In light of all of this, it is important for the CEO not to be some slogan-spouting IoT guru, but to give managers and employees enough time, provide them with the necessary resources, and



supply external expertise. What's more, in their role as boss, they have to stay calm when things go wrong and motivate their employees to continue with unwavering dedication.

This is especially true since there are many companies who are in the same position we are — places where digitization and everyday business are running in parallel. Only a rare few companies can simply build a new digitized factory next to their old plant. So the same people are in charge of managing both the old and the new world. And this only works if they are open to new things and to change. This openness in turn heavily depends on each and every employee recognizing the advantages that digitization has in their work. Digital transformation always has to be preceded by a transformation in terms of leadership.

I don't share the concern that digitizing production and back-office areas practically follows hand in hand with digitizing leadership. Obviously, artificial intelligence will help prepare management decisions more effectively and thus better. But even in twenty years' time, we will not be able to get by without real human managers, because their personal experiences are what make proper decisions possible.

# 2

# NEW MANAGEMENT SYSTEMS INSTEAD OF A ZEUS CULTURE



Photo: Graham Trott

## PROF. DR. DIETMAR FINK

is the chair of consultancy and management development at the Bonn-Rhein-Sieg University of Applied Sciences and is managing director of the Scientific Association for Management and Consultancy (WGMB) in Bonn, Germany. He also did research and taught at the University of Oxford for many years. Professor Fink is regarded as a highly esteemed and critical observer in the consulting world.

For 20 years, he has served as a sparring partner for companies such as McKinsey, Bain, BCG, Accenture and many others. He has written several books as well as multiple articles and editorials in print media, specialist literature and business journalism.

**Prof. Fink, over 200 German global market leaders were surveyed for the Best Strategy 2018 study and asked about what makes them successful. Do you think there is something like a gene that world market leaders all have in common?**

It would be great if there were a genetic factor, but I fear there isn't. What does exist: particular industries that call for the competences and virtues which are a good match for the German mentality. When it comes to thinking up technical innovations and implementing them with great precision and craftsman ability, this is a task that harmonizes well with the German spirit. Wherever innovation comes from research work, where German

engineers discover new products and can register new patents, we have excellent results to show for our work. If other things are involved such as beauty and aesthetics, well, we don't seem to be born with these gifts in quite the same way. It is no coincidence that German companies are not leading the pack when it comes to the global markets of fashion and luxury labels. Germany is the cradle of Protestantism and the art of engineering, not of *savoir-vivre*. So if we do have any special genes, then we probably have a mechanical-engineering gene. And in many industries, it is exactly this constellation that leads us to outstanding performance: solid construction, precision processing, no nonsense. And lucky for us, these are usually fields which have a significant economic impact.

**Can it be dangerous to see yourself as a global market leader? Could it be that in the worse-case scenario, this status makes people arrogant and sluggish?**

Arrogance and sluggishness are obviously to be avoided at all costs. But I think it's important to see the world as it really is. If that means that a company is a global market leader, then they have to see themselves as a global market leader. And if they don't do that, they quickly run the risk of jeopardizing their standing. Having a leading role does not automatically have to result in arrogance and sluggishness. If you take the time it really requires to actively structure your own corporate culture, then a management position is the best source of self-confidence and agility.

**How can companies manage to continue questioning themselves despite their success? And how can they re-invent themselves as needed?**

This is an issue that the entire organization has to address. The responsibility for the task, however, is in the hands of upper management. They have to establish a culture in which questioning the existing structures is not only permitted but encouraged. This means they have to give their staff a sense of orientation by illustrating new options on an ongoing basis and encourage this search for new options on every level of the company. Managers have to motivate employees to take these logical steps as well. And they have to give their employees the necessary qualifications for them to pursue that path. Combining orientation, motivation and qualification to strike a harmonious balance might sound trivial at first. But if you take this tactic seriously, there is both a lot of effort and a lot of potential involved.

**As a university lecturer, you have the managers of tomorrow in your auditorium. What new characteristics and expectations does the next generation of managers have to offer? What is the difference between their interpretation of leadership and the one that is prevalent now?**

I have been a professor of business administration for twenty years now. In my lectures and elsewhere, I can observe something that numerous studies have confirmed as being a widespread phenomenon. For about ten years now, we have been dealing with an entirely new generation that is fundamentally different from earlier generations.

With your question, you are implying that my students are tomorrow's CEOs. It used to be that many of the people in my lecture hall would have had such lofty goals. But today everything is different. Only a few are actually that ambitious. Most are looking for self-actualization and an attractive work-life balance. They want a job that offers them a very good income and even more in the way of flexibility. Neither of these things is an unstated wish, by the way: people are actively demanding them.

At the same time, their willingness to offer proper performance in return is declining.

Perhaps I am overstating things a little, but there's no mistaking the general tendency. You can think what you like about this. But one thing is true: you have to see the world as it is and not as you wish it were. After all, if we close our eyes to this development, we will miss out on the opportunity to establish new management systems which will meet the needs of the new generation of managers that is coming up right now.

**What influence does this transition have on corporate culture, which, according to the study, is a major lever for economic success?**

Many German global market leaders grew up and became successful within the context of something the British management writer Charles Handy referred to as Zeus culture. There is a strict hierarchy, and at its head is the company founder who takes care of his employees as a benign patriarch, but he also clearly defines the conditions — no ifs, ands or buts.

Right now the world is changing at an increasingly rapid rate, environmental conditions have rarely been as unstable as they are today, and an increasingly educated and mobile workforce is less and less motivated to adapt to the rigid structures of an organization. This means that it invariably becomes necessary to question the existence of the Zeus culture.

In the future, managers will have no choice but to relinquish power. The only people who will be able to motivate and empower employees of the next generation to make their own decisions will be the ones who can get them enthusiastic, win them over in the long run, and release their potential.

**You are an academic and have intensively addressed the topic of gaps in knowledge and competency in Germany as a site of innovation. What about innovative ability in Germany? Will German global market leaders still rank at the top in five or ten years?**

I'm an optimistic person, so I'll say yes, in five or ten years, most of today's global market leaders in Germany will still be going strong at the top of their markets. But that obviously won't happen by itself. Companies will have to do a lot to make it happen.

There are massive challenges to be handled, especially in light of digital technologies, aggressive competition from China, start-ups which position themselves as intermediaries between established companies and their customers, and last but not least, increasing geopolitical risks. This will only work if the leadership and motivation systems on every level of the organization ensure an agile approach to handling these challenges.

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# About the study



# BACKGROUND AND

# FRAMEWORK OF THE STUDY

For the spring 2018 **"Best Strategy 2018: What global market leaders in Germany do better,"** the corporate consultant Staufen conducted a survey of a total of 210 German companies that were global market leaders either in their industry or in their segment. 40% of these companies are global players with annual sales of over €500 million. Of those who responded in the survey, 42% were owners, members of the executive board or CEOs, and another 38% were division heads. The companies predominantly represented the automotive industry, mechanical and plant engineering, and the electronic industry.

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# Findings

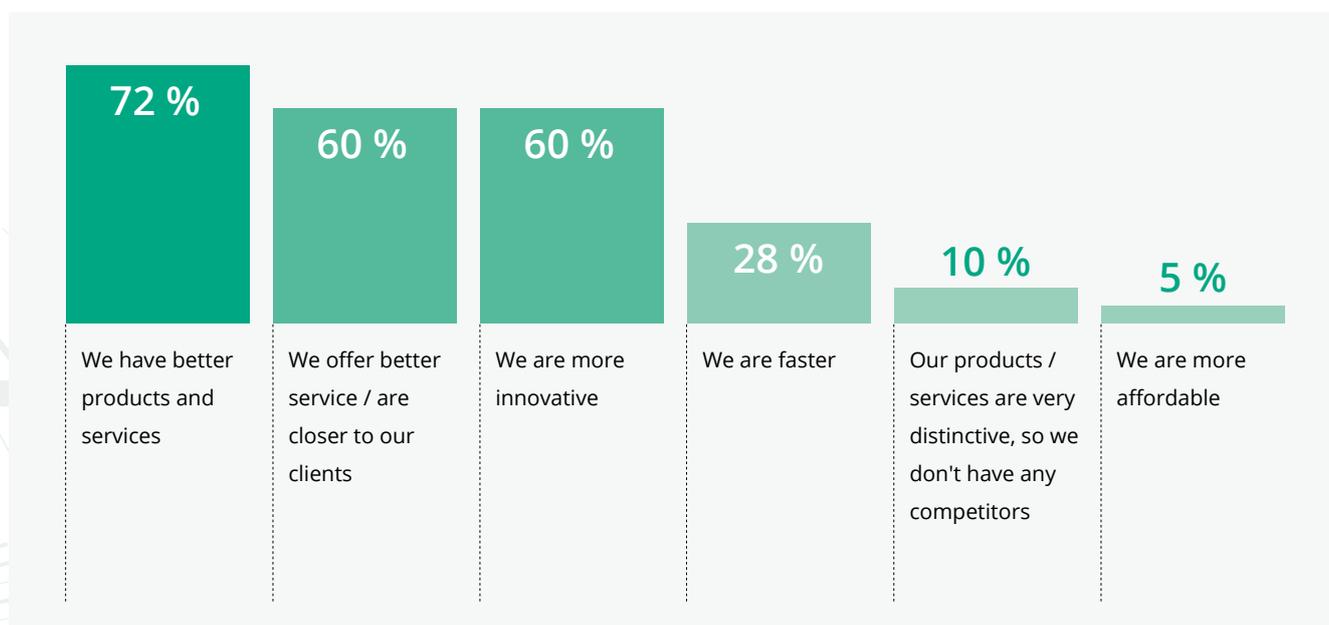
# 4.1

## Success factors among global market leaders

Companies do not become a global market leader overnight, nor does it happen by chance, and even the widely-cited stroke of good luck is something most have to work hard for. The over 200 companies surveyed for this study are self-confident enough to name the quality of their products and services as the main reason for their global success.

Nearly three quarters of them are convinced that they are simply better than the competition. And global market leaders are not lacking in confidence otherwise: 60% of them state that they are ahead of their competitors in terms of service and customer focus, and a comparable number say they are more innovative.

### What makes your company stand out from the competition?



**SELF-CONFIDENT – GERMANY'S GLOBAL MARKET LEADERS ARE CONVINCED ABOUT THEIR OWN PRODUCTS**

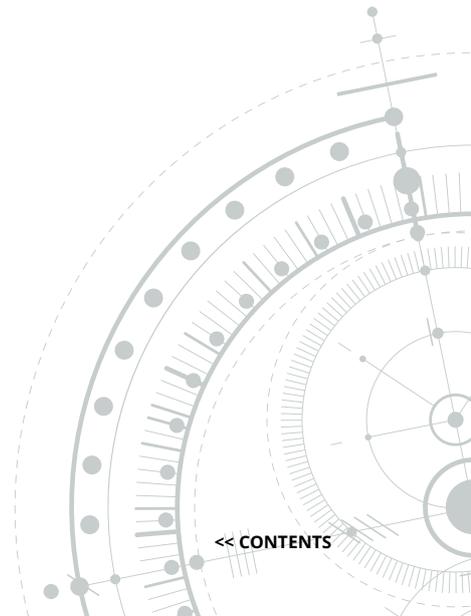


No matter how successful they get, world-champion companies have no time to rest on their laurels. Innovation cycles are accelerating far too quickly for that to be an option. But surprisingly, speed is not actually something that defines these successful companies: only a quarter of them say they are faster than their competitors. The old proverb is still true: good things take time. But companies who are well structured now cannot overlook the fact that the environment they are familiar with is undergoing rapid changes. Agile new competitors are disrupting existing business models at breakneck speed. This increase in tempo is something that global market leaders should bear in mind if they want to continue to rank among the greatest successes of their industry.

Competition based on prices is unlikely: only 5% of these global market leaders state that they are more affordable than the competition. To a large extent, customers are willing to pay for quality.

"It takes a clear and long-term strategy that is based on megatrends and can be used in every area."

Dr. Christian Schneider, department head, ZF Friedrichshafen AG



## How do you assess your company in comparison to the competition?



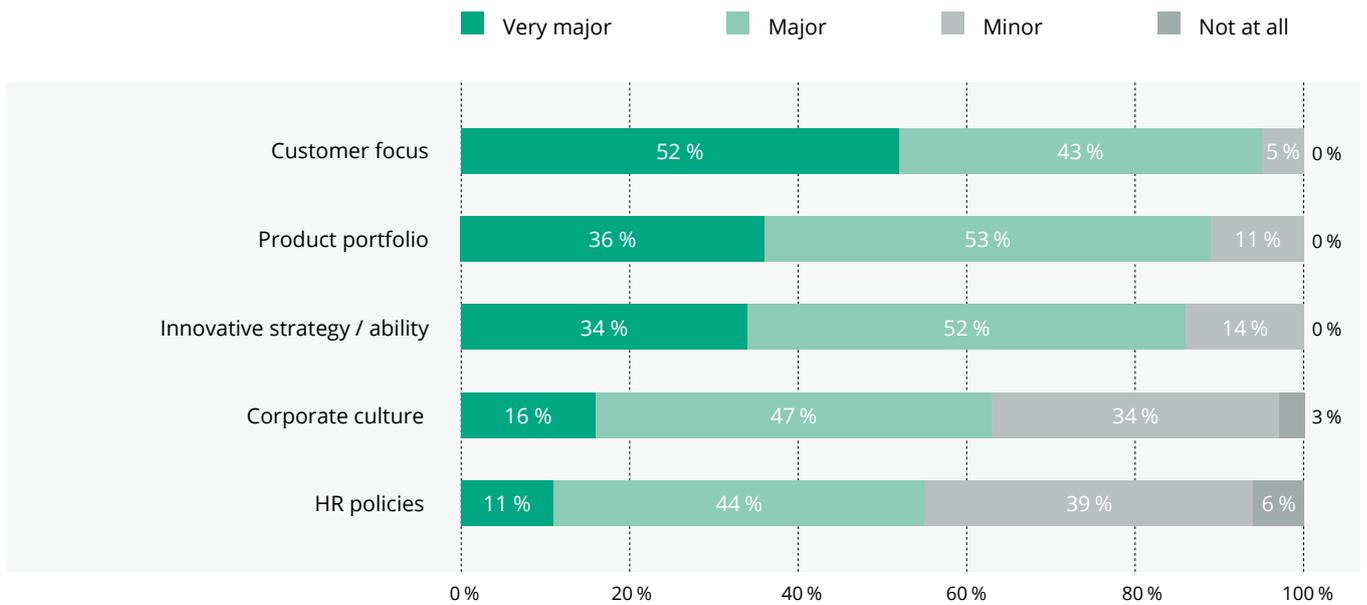
### TOP QUALITY FACILITATES TOP PROFITS

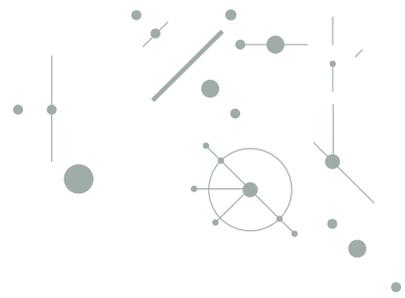
Another study finding shows that the majority of the global market leaders in Germany have not established their good position at the expense of their profits. Nine in ten global market leaders achieve profits on the level of the industry average at least, whereas 39% have above-average market performance. An interesting detail here: among the companies who see themselves as ahead overall within their branch, almost half have above-average profits, whereas this is only the case for one in three companies among the global market leaders in their segment. Here there is clearly room to grow when it comes to efficiency.

**CUSTOMER FOCUS AS  
A KEY FACTOR**

The factors that constitute market success are also evident in how companies assess their own strengths. Customer focus, the product portfolio and innovation strategy are at the top of the list. But the survey respondents did not give such good grades to their corporate culture. Their HR policies did not rank well either: half of the companies in the study stated that HR played only a minor part in their success. This can become a problem in the near future, because these are the very areas in which many companies have to re-invent themselves. Those surveyed are fully aware of this fact, because nearly all of them regard employee qualifications as a success factor that will play a growing part in the future (see Chapter 4.2, "The future strategies of global market leaders").

The following were factors in the company's success



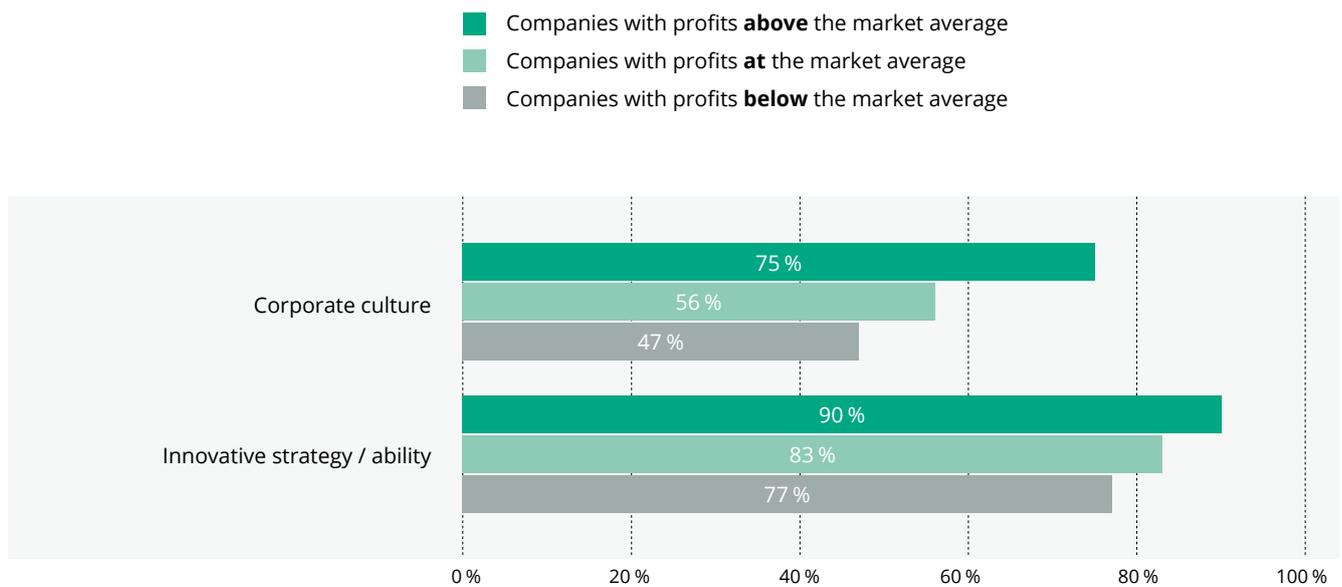


**CORPORATE CULTURE AS  
A PROFIT BOOSTER**

The potential that is inherent in the factors of innovative capability and corporate culture becomes clear when we put it in context with current profits. Companies with an above-average performance attribute their success much more to their corporate culture (cf. "Chapter 4.4., "The corporate cultures of global market leaders"): The relevance they place on their innovation strategy also clearly distinguishes them from the companies with lower profits .

The following were factors in the company's success

Comparison by profit: Responses: "very much" + "somewhat"\*



\*based on a four-point scale from "very major" to "not at all"

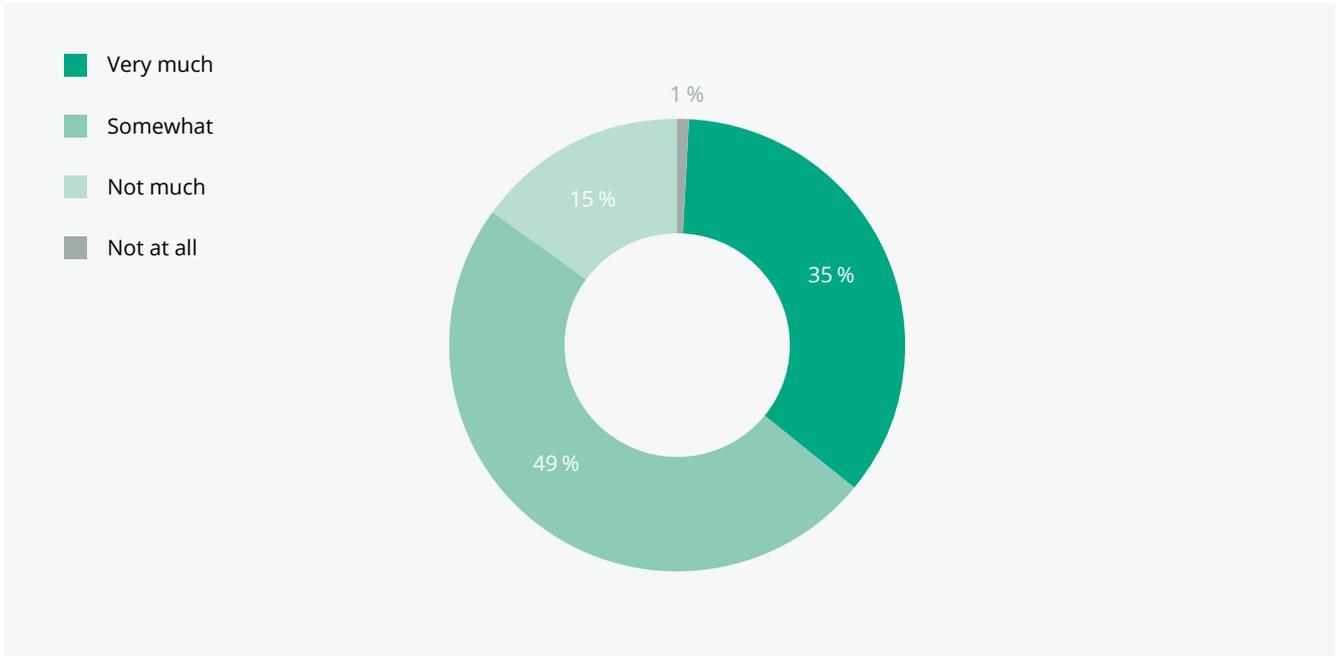


"To successfully develop corporate structures, products and services, there needs to be a contemporary and open corporate culture as well as a strong management team that is committed to their defined goals and will move these goals forward into every level of the company."

Karsten Schaefer, CEO, Porex Technologies Reinbek GmbH



To what extent has your company changed in the past three years?



**ADAPTABILITY AS A GUARANTEE OF SUCCESS**

Many global market leaders realized early on that to cope with future challenges, they would have to restructure. In the past three years, 84% of them have undergone a major change process. The focus here was primarily on innovative strategy and the product portfolio.

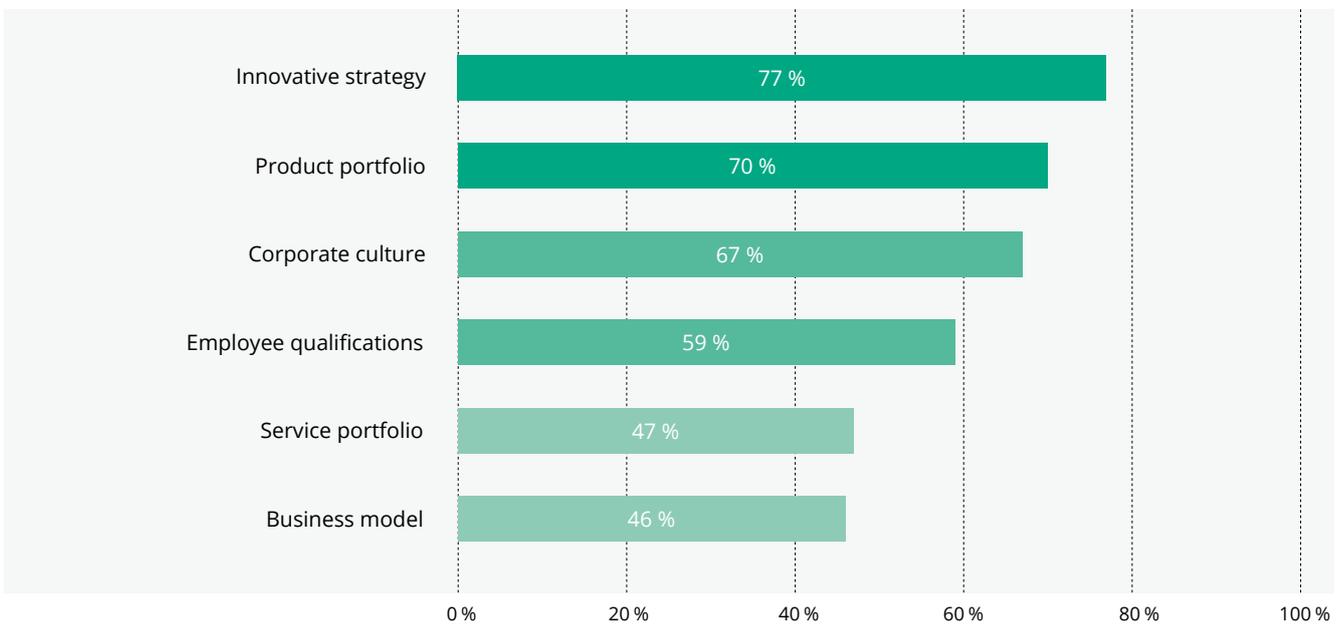
Two-thirds of those surveyed are also working on a new corporate culture — a process of transformation that will not lead to its goal within a few months, but rather that can take several years, especially at larger companies. This is certainly one reason why so far only one company in six has stated that corporate culture is a very major factor in their company's success.

The study also shows that establishing new competences has not been the main focus so far. Only six in ten companies have successfully empowered employees and managers in this regard.

A mere 47% have adapted their service portfolio and business models — both categories which will play a larger part in conjunction with Industry 4.0 and digital transformation. In other words, more than half still need to take action here.

## Changes have taken place in the following areas

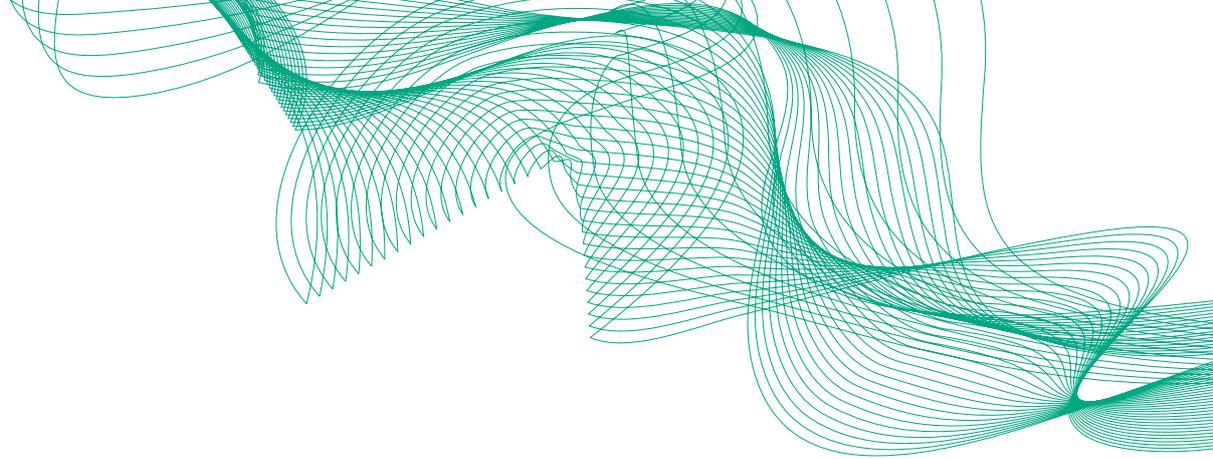
Only companies which have changed "somewhat" or "very much"\*



\* based on a three-point scale from "very much" to "not much"

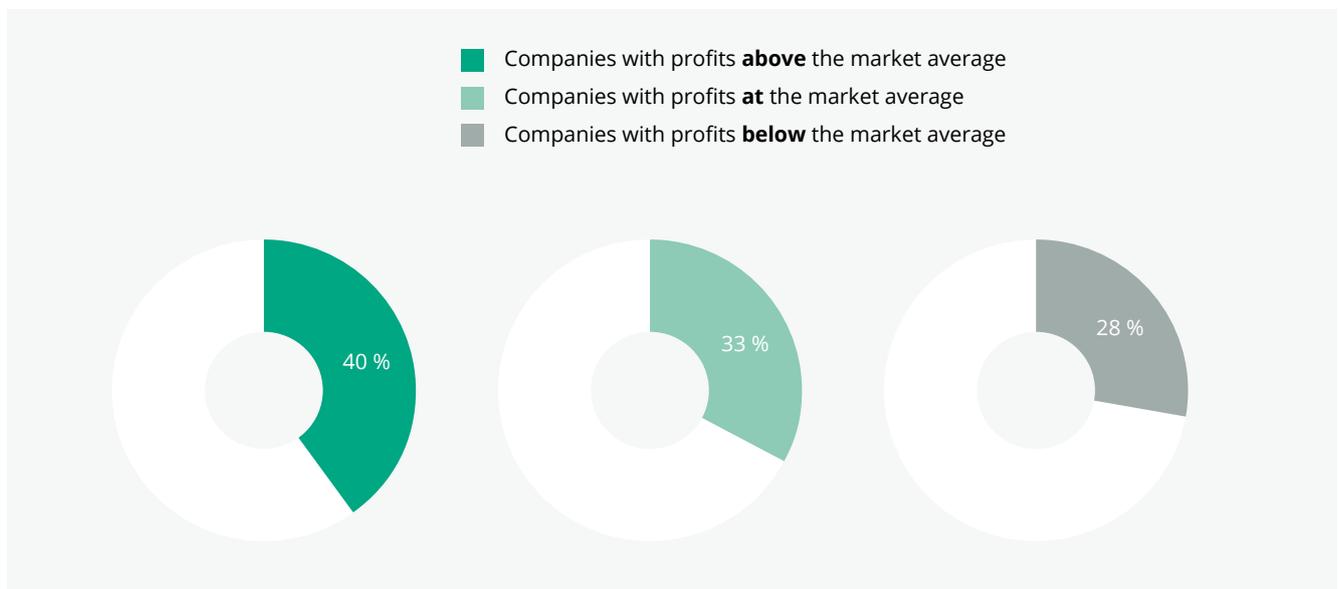
"In the future, adaptability will be one of the top competences to be developed among employees and managers."

Hanno Froese, CEO, Jungheinrich Moosburg AG



## To what extent has your company changed in the past three years?

Comparison by profit: Responses: "very much" + "somewhat"\*



\* based on a four-point scale from "very greatly" to "not at all"

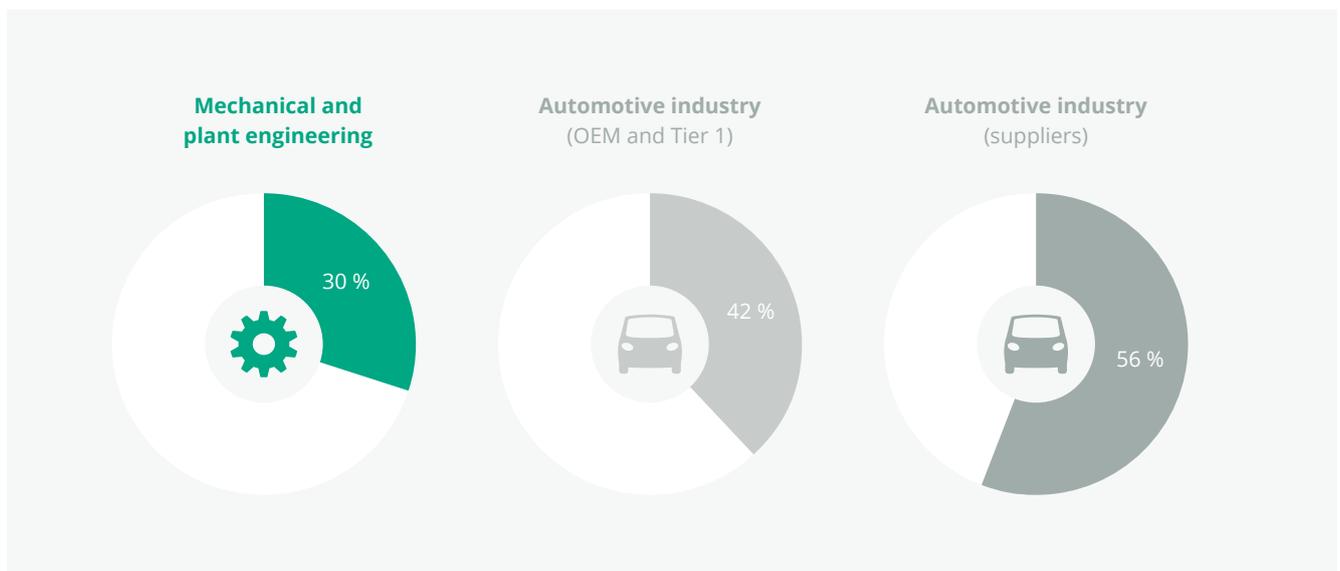
The role that adaptability plays in a company's business success is confirmed by the following figures: 40% of companies that have had above-average profits in the past three years have undergone a major transition. 33% of companies with a standard-level market performance have done so as well, and only a quarter of those with a below-average profit have re-structured.



There can be significant differences in the rate of change, both among within an industry and between industries. The fact that transition was not always a voluntary matter can be seen in the example of suppliers in the automotive industry. They had to make much greater changes in recent years so they could continue to accommodate the increased demands of their clients (OEMs and Tier 1 suppliers).

## To what extent has your company changed in the past three years?

Comparison by industry: Response: "very much"\*



\* based on a four-point scale from "very much" to "not at all"



"Companies should leverage technological disruption to make their way into new fields of business. After all, if a development is inevitable, it should be confronted head-on instead of letting others go first."

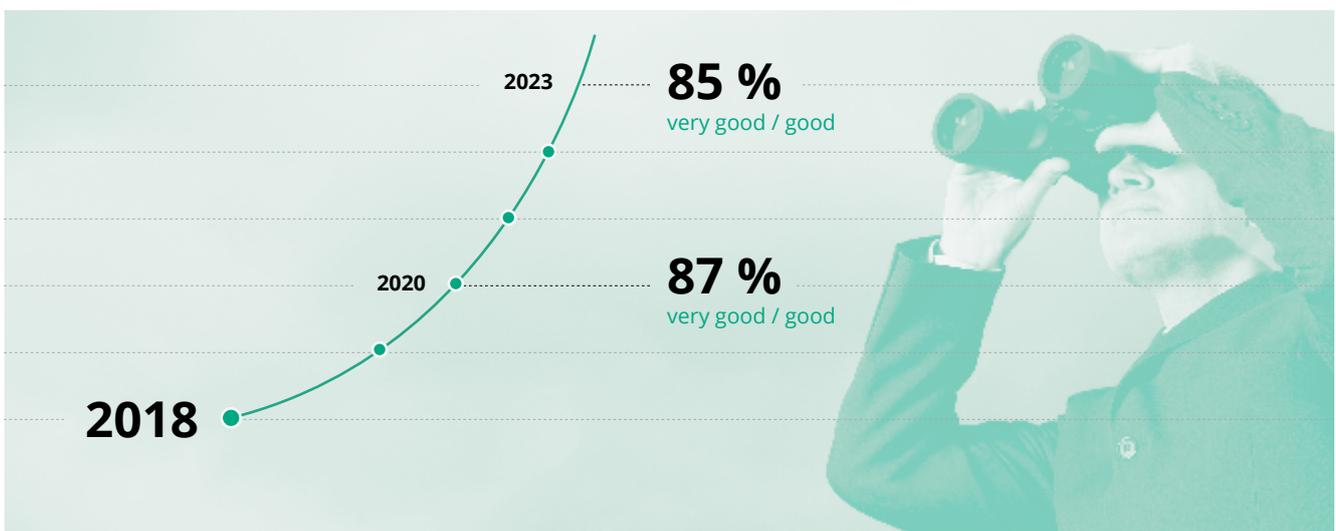
Dr. Dietmar Ley, CEO, Basler AG

## 4.2

# The future strategies of global market leaders

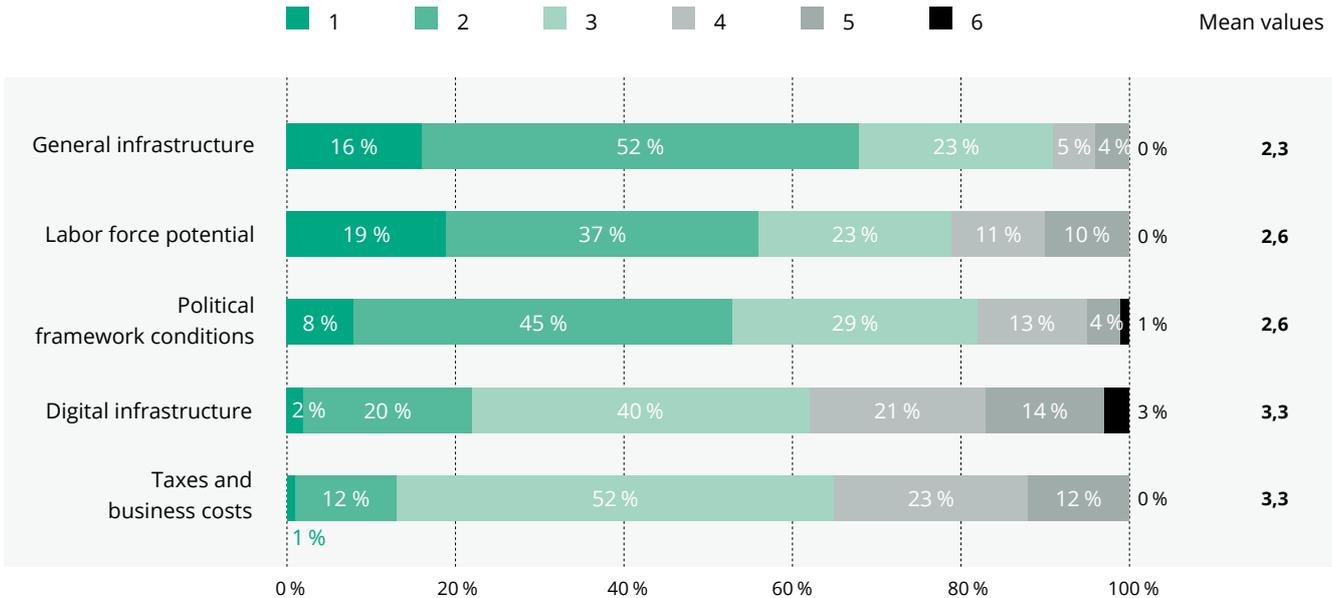
High quality, strong customer relations, a good grip on changes in society and technology — most German global market leaders do not have to worry about their own future. Consequently, over eight in ten study respondents stated that they anticipated they would still be successful in the next two to five years. But such optimism is no reason to take things lying down: the respondents gave Germany rather average grades as a business venue (see box, "Germany as a business venue")

How do you see your business prospects in the next two to five years?

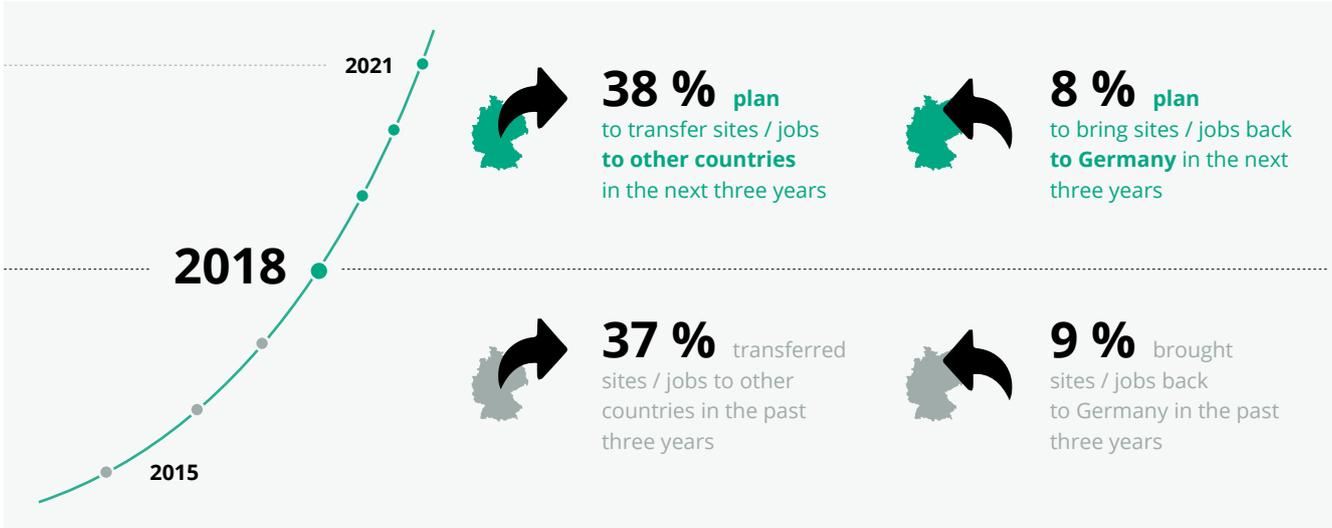


\* based on a four-point scale from "very good" to "not at all"

On a scale of one to six with one being the highest, how would you grade Germany as a business venue in the following areas?



What is the strategy for your business venues?



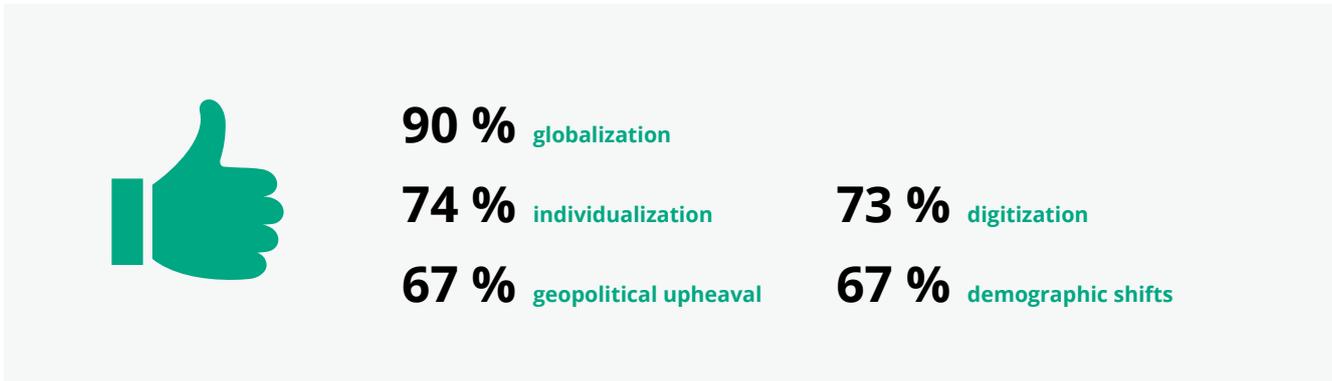
## AN EYE ON MEGATRENDS

In addition to economic factors on the domestic markets, global megatrends are the main factor that impacts whether or not companies see their generally quite positive future expectations fulfilled. By contrast, further globalization does not worry companies very much. This makes sense, since global market leaders in particular have already shown that they could hold their own very well on international markets. They do not see themselves quite as well prepared, however, for the megatrends of individualization and digitization.

This comes as no surprise: Industry 4.0, a batch size of 1 and the accelerated transition from mass production to customized products and services are all issues which are shaking up paradigms that have been in place for decades. Companies which know they have tangible weaknesses desperately need to improve. Digital transformation and increased expectations in terms of customized products are factors that no one can ignore if they wish to remain successful tomorrow.

## Do you believe that you are well prepared for the following megatrends given the current size of your company?

Comparison by industry: Responses: "yes" and "mostly"\*



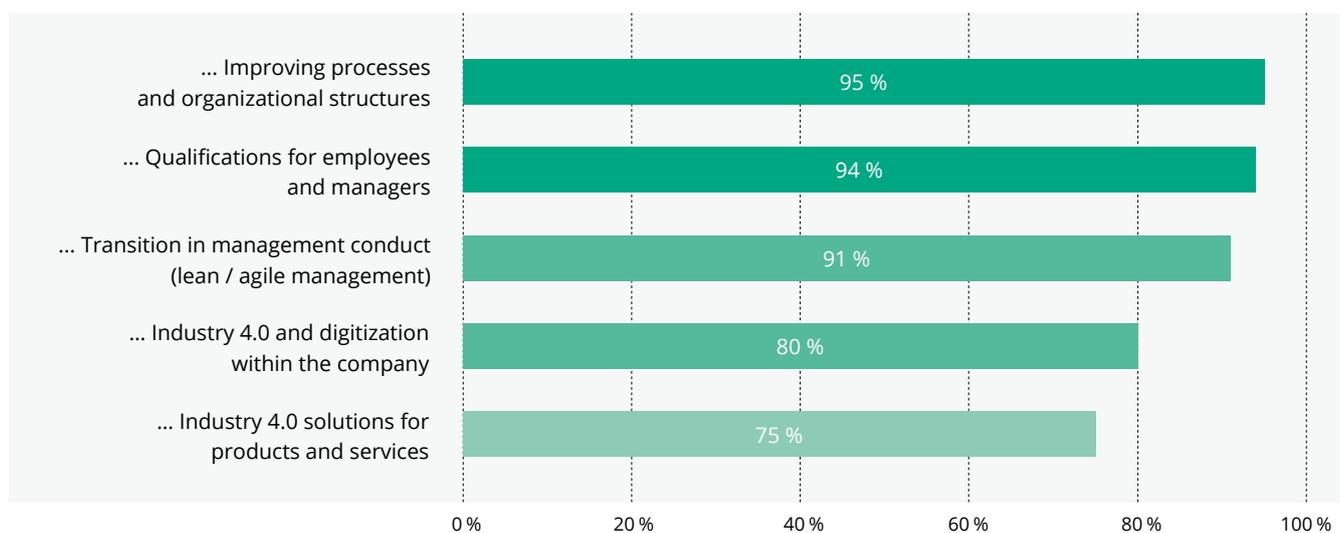
\* based on a four-point scale from "yes" to "no"

Relatively speaking, geopolitical upheaval causes the study respondents the greatest amount of worry. However, it is the issue over which they have the least amount of control. Thoughts of demographic shifts are on the minds of a comparable number of companies. The framework for this development is also determined by overall changes in society, but unlike the issue of

geopolitical upheaval, companies have opportunities to be proactive. For example, some companies have created jobs especially designed for older employees or established teams of older and younger colleagues with the goal of maximizing the advantages of each generation.

## To be successful in the years ahead, how important are the following for your company...?

Responses: "very important" + "important"\*



responses on a 5-point scale ranging from "very good" to "very bad"

### IMPROVING STRUCTURES AND PROCESSES HAS PRIORITY

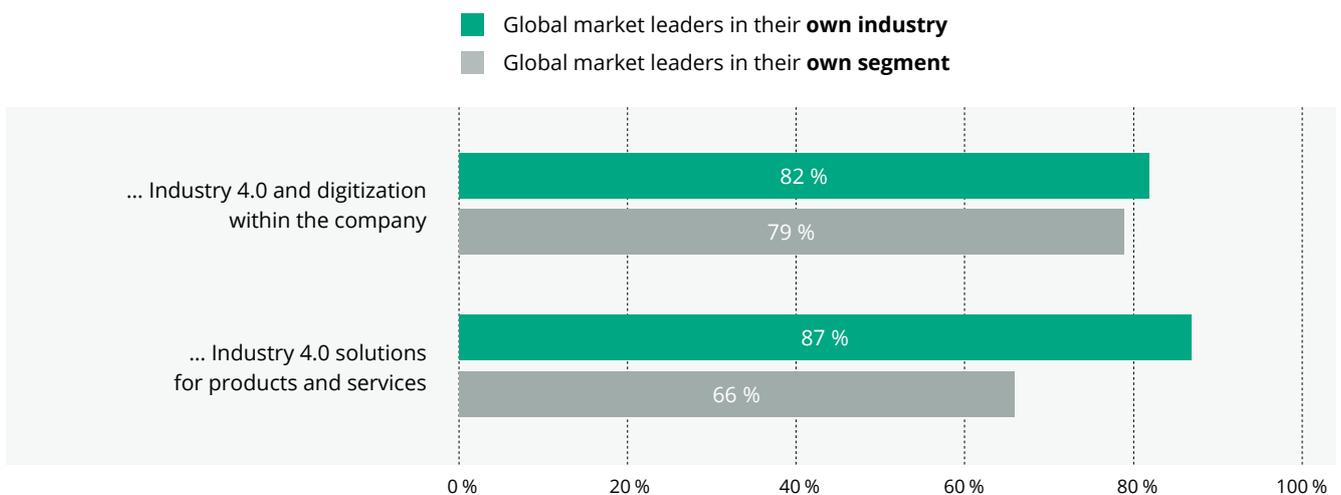
Companies will not be able to defend their standing as market leaders on the global market by solely implementing individual measures. Participants in the study all agreed that success is something that must be achieved in multiple areas in parallel: organizationally, culturally and technologically. They see the greatest need for action when it comes to their processes and organizational structures. After all, if processes are not running smoothly, none of the other measures will take effect either. This also applies to the topic of employees' and managers' qualifications and a shift in management culture, both of which were also given high priority. As could be seen in the previous chapter, what matters is not just initiating changes but anchoring them in a sustainable fashion in the company. And without smooth and transparent processes in every area, this cannot be accomplished.

**DIFFERENT KINDS OF FOCUS  
IN INDUSTRY 4.0**

Expectations vis-à-vis the effects of digital transformation still remain high, alongside the awareness that a poor process will not become better just because it is digitalized. Instead, it is becoming clear that the necessary organizational and cultural prerequisites have to be created first if changes are to lead to success. 80% of companies feel that their future successes in jeopardy unless they digitize in-house. Adapting a company's products and services so as to integrate Industry 4.0 solutions is something companies give nearly equal priority to. However, there are clear differences among the companies that are global market leaders either in their industry or in their segment. Industry leaders focus more on Industry 4.0 than segment leaders, both in terms of in-house matters and in their products. That said, they give the same weight to the topic on an internal and external basis. The experts among global market leaders acquire experience in digitization in their own production halls above all. This is the case to smaller and mid-sized automotive suppliers, for example: whereas 68% consider internal implementation of Industry 4.0 as relevant to their overall success, only 48% say it matters to their own products.

To ensure success in the years ahead, how important are the following at your company...?

Comparison by kind of market leadership: Responses: "very important" + "important"

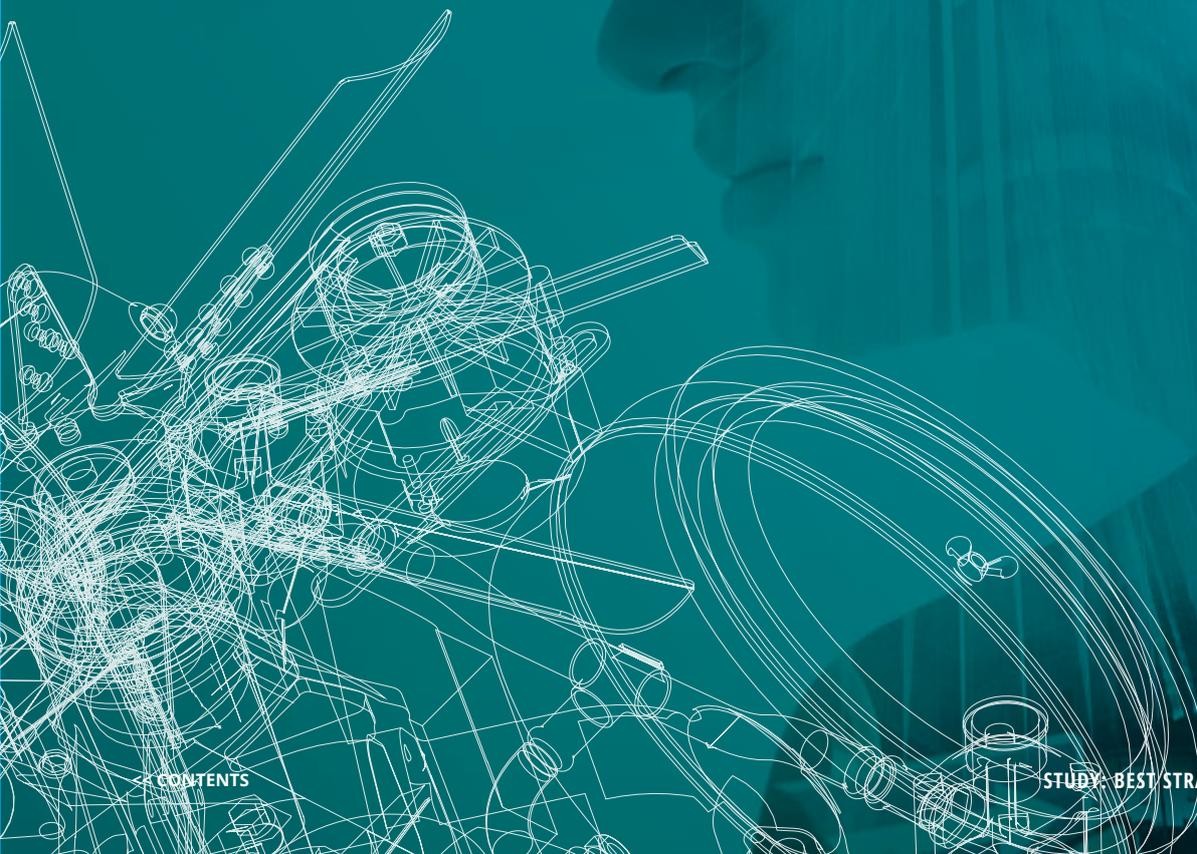


\* based on a four-point scale from "very important" to "unimportant"



"With all the pressure there is on a daily basis, it is important to treat the process of focusing on lean culture as a company "marathon," since businesses with the best procedures will be the ones to dominate the market in the long run."

Jens Busse, sales director, west, Roto Frank AG





## 4.3

# The innovation cultures of global market leaders

Product and innovation cycles have become much shorter than they once were, and some of them are outright disruptive. Even companies which have successfully defended their top position for decades can no longer be certain that they will be able to continue to rank amongst the best in the business. A company's ability to re-invent its own structure, products and services over and over again is what defines winners — and not just the winners of the digital transformation. As a result, innovation is the key to lasting market success, today more than ever.

### **INNOVATION WORK, ESPECIALLY IN THE HERE AND NOW**

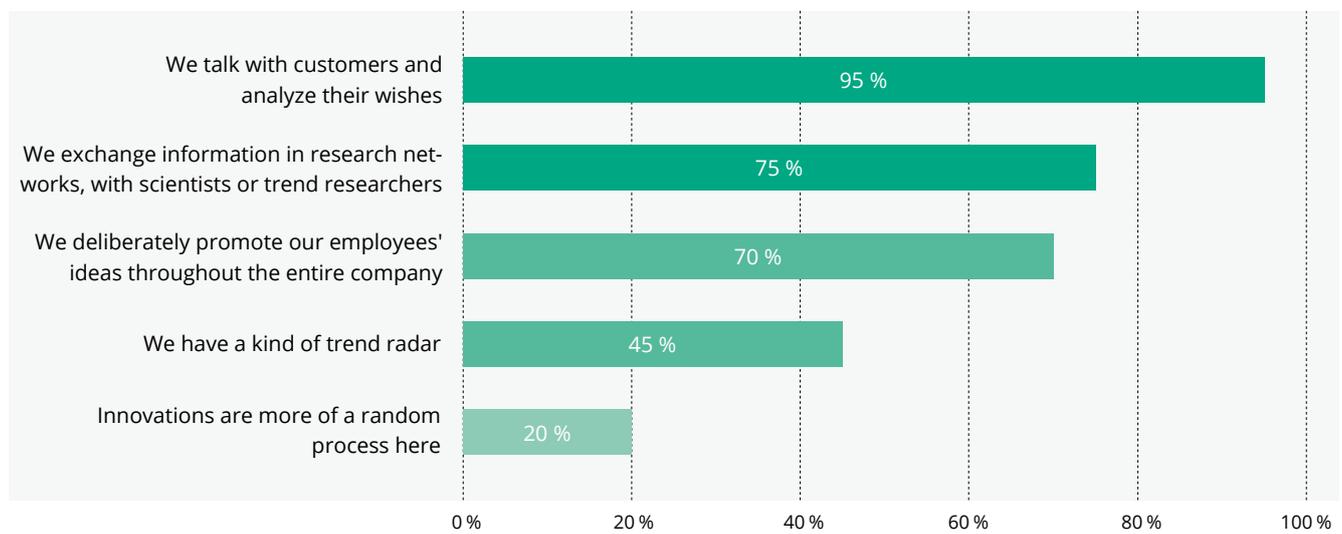
The customer is the main factor these days that decides which innovations get propelled forward: 95% of global market leaders are in close contact with their customers and analyze their wishes. That said, 55% do not bother with more extensive market observation or future technologies. In other words, instead of anticipating and looking to the future, they mostly just react. If nothing else, 70% exchange information within technology networks. What is interesting is that the more passive companies are when it comes to innovation monitoring, the worse their profits are.

"You have to be willing to invest  
in R&D in an ongoing and massive basis."

Dr. Erwin Flender, owner, Magma GmbH

## How do you keep your company innovative?

Responses: "applies" and "mostly applies"

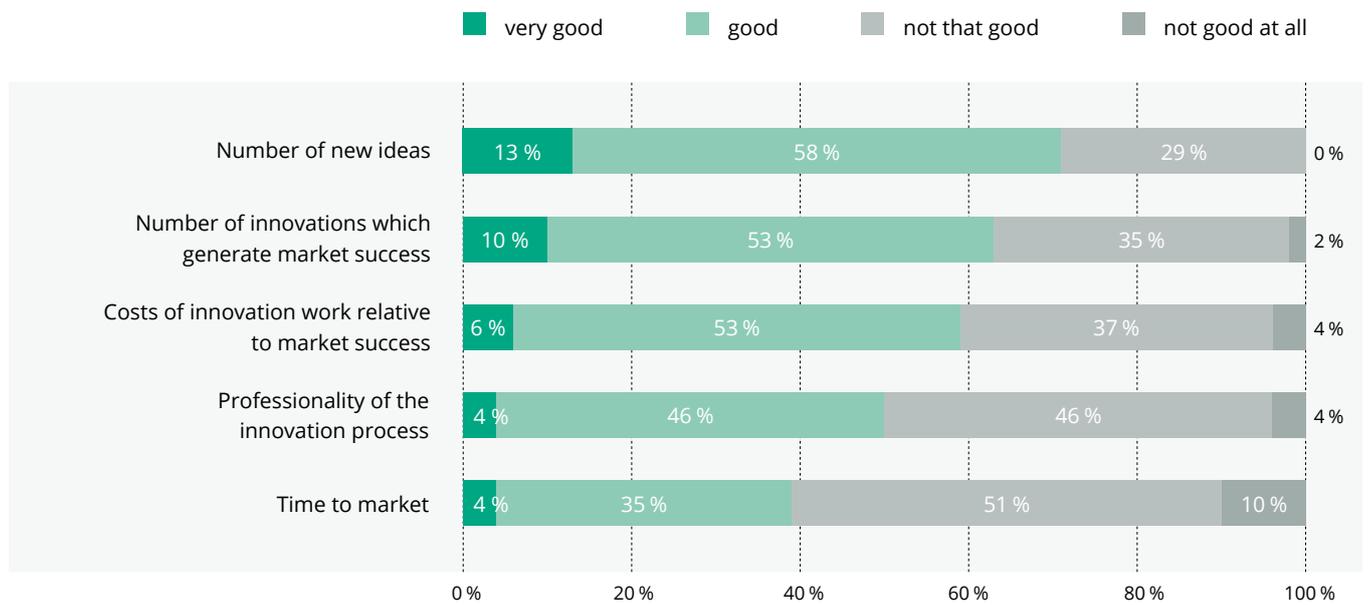


\* based on a four-point scale from "applies" to "does not apply"

### THE INNOVATION ENGINE IS STUTTERING

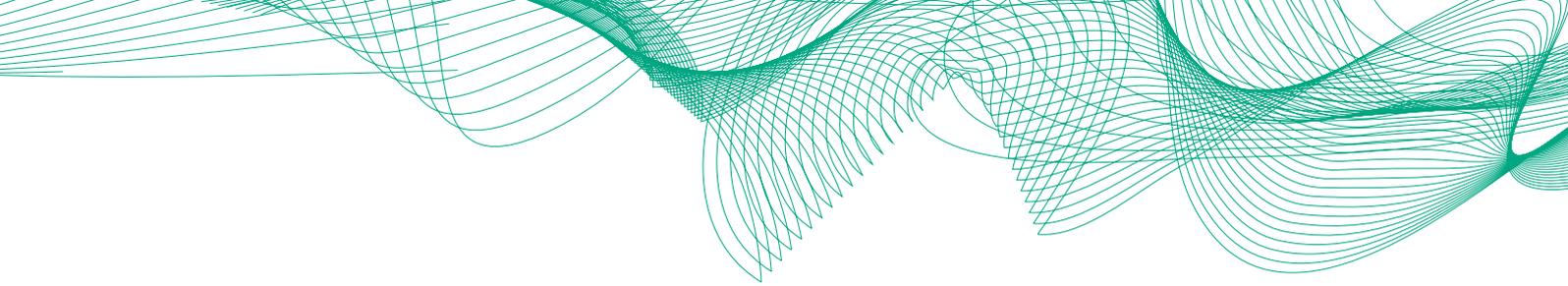
The other thing that is lacking is stable processes in their innovation work. Half of the companies in question see themselves as rather unprofessional in this regard — and for good reason: long development phases burden 61% of these companies, and over a third of innovations fail on the market. Even the automotive industry, traditionally an engine of innovation, is stuttering: OEMs and Tier 1 suppliers are even more dissatisfied with their time to market than the other survey respondents.

## How do you assess your company's innovation work overall in terms of the following criteria?

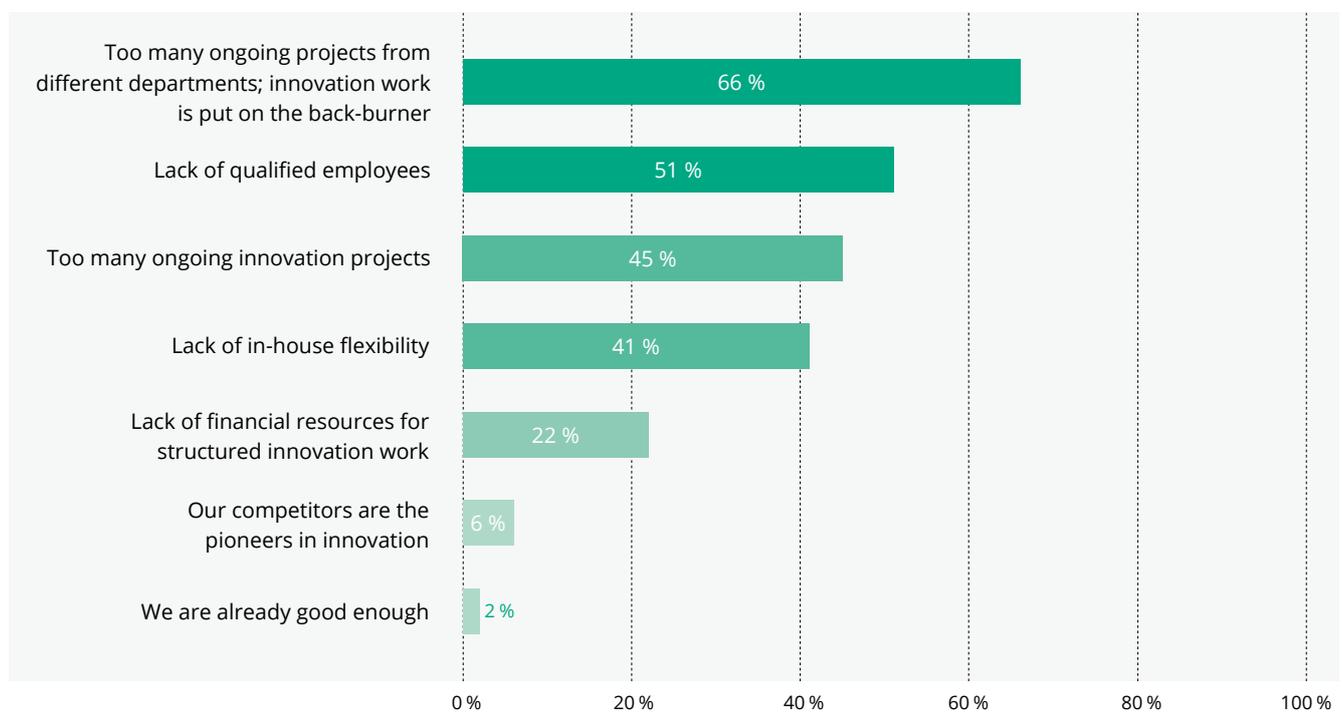


### CREATIVITY NEEDS STRUCTURES

In R&D, many global market leaders are still timid when it comes to defining clear and binding structures. There is a false assumption at work here that creativity and proper organization are at odds with each other. On the contrary: without clearly structured processes, developers get lost in the weeds of inefficient routines. Nearly half of developers get caught in too many ongoing projects — an obvious sign that there has not been enough prioritization and resources are not being clearly allocated.



## What keeps your company from propelling innovations further forward?



\* based on a four-point scale from "applies" to "does not apply"

"A successful company needs enough forward momentum to question internal structures and change them."

Klaus Abel, vice president, corporate purchasing, Balluff GmbH



## 4.4

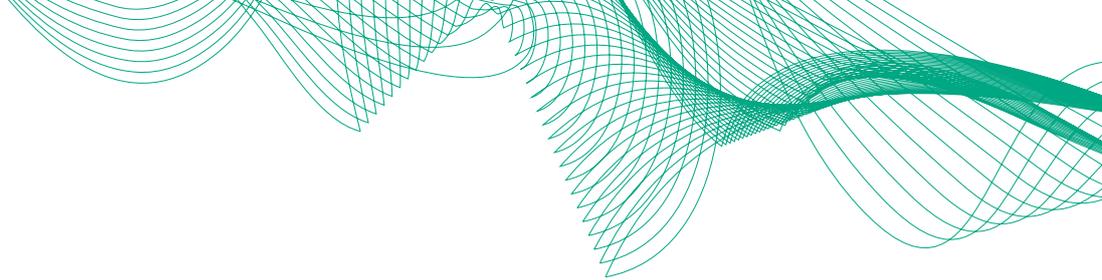
# The corporate cultures of global market leaders

Those who want to stay in the big leagues are dependent on the potential and innovative strengths of all of their employees. More than anything else, this is a question of their corporate culture. Global market leaders consider themselves to be on a good path in this sense: 87% say that they encourage employees to express their ideas. 85% are working on continuing improvement measures for their services and structures. 84% of those surveyed see their company as a learning organization which does not sanction errors: it learns from them.

Nevertheless, 68% said that there was relatively little willingness to articulate criticism to management. In over one-third of these companies, the command-and-control principle is the prevailing management strategy. Traditional interpretations of management leave little room for maximizing the potential of employees. They paralyze the company's ability to undergo transitions and make it impossible to develop into a more agile organization.

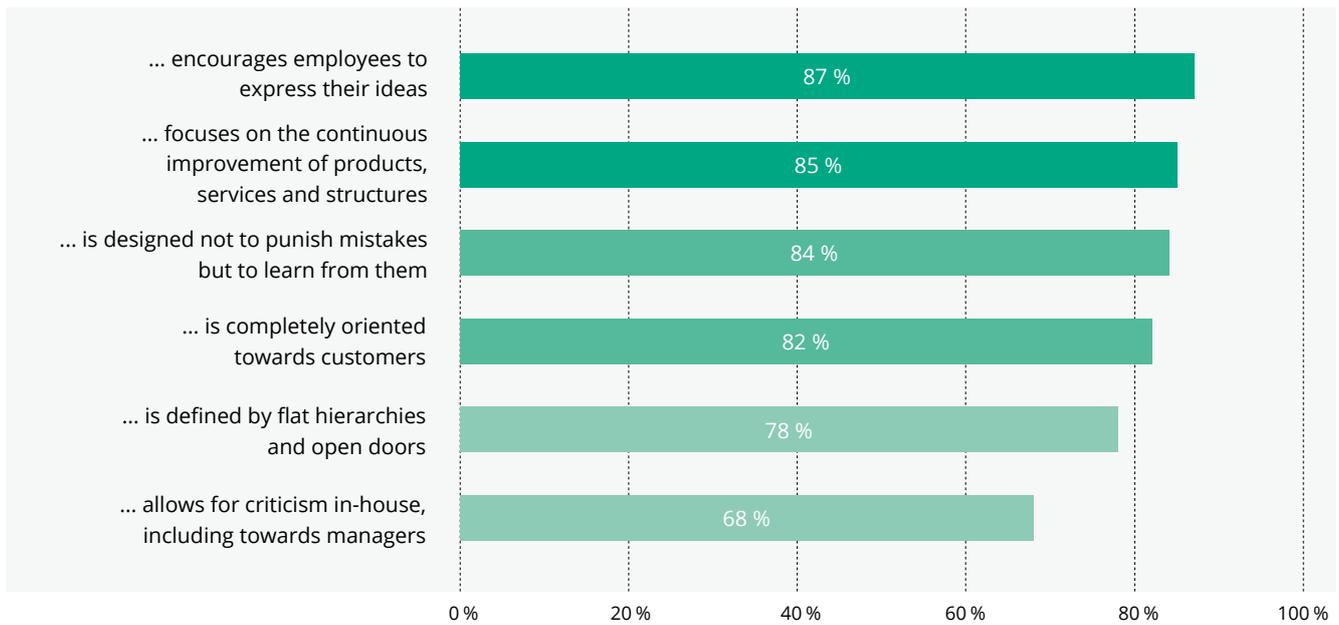
"Managers should have an aura of calm and security so they can take away employees' concerns about change and help them remain able to take action."

Christian Scheller, CEO, DILO Armaturen und Anlagen GmbH



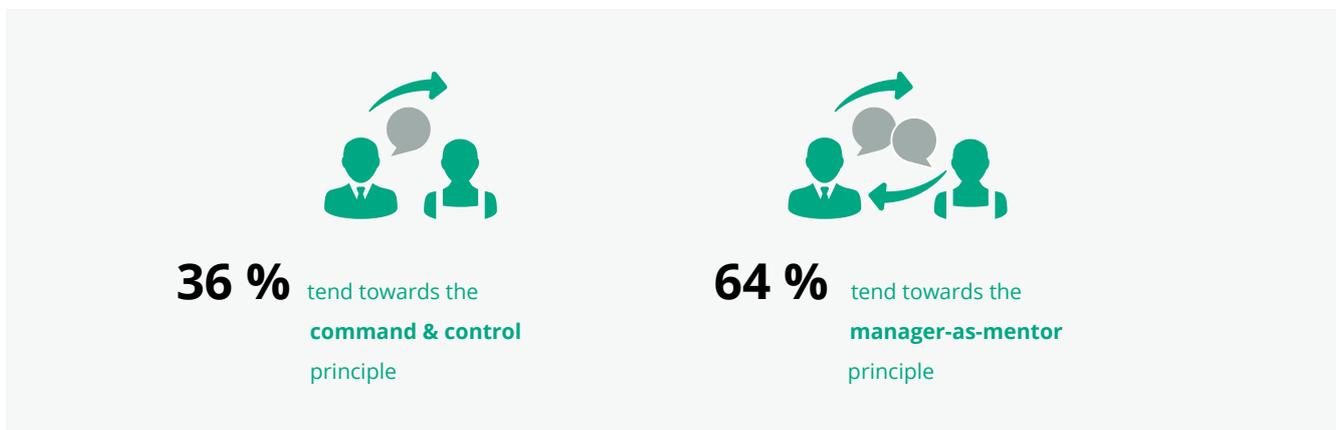
## Your corporate culture ...

Responses "yes" + "mostly yes"



\* based on a four-point scale from "yes" to "no"

## How would you describe the overall management culture at your company?



**GOOD LEADERSHIP CULTURE AS AN ASSET THAT PAYS OFF**

When it comes to the topic of corporate culture, it is worth comparing performance in terms of different profit groups. Among the outperformers, only one in four companies has a traditional management structure, whereas the majority (57%) of businesses with average profits is still generally led by a command-and-control approach.

**LEVERAGING EMPLOYEES' FULL POTENTIAL**

As far as leadership is concerned, it is important to distinguish between popular catchphrases versus sustaining genuine and lasting change. While 78% of global market leaders state that they offer their employees continuing professional development, it is safe to assume that in too many cases, this is little more than checking off certification processes and development courses. 40% of them fail to analyze and harness their employees' full potential. Another area where companies can improve is generating new inspiration by means of HR measures. In hiring new staff, comparatively few companies (59%) take advantage of opportunities to deliberately bring some "fresh air" into their choices. On top of that, not even half of the global market leaders make a point of building up knowledge that will be used in the future.

## How would you describe the overall management culture at your company?

Comparison by profit

- Companies with profits **above** the market average
- Companies with profits **at** the market average
- Companies with profits **below** the market average



26 % 41 % 57 %

Tends towards the **command & control** principle

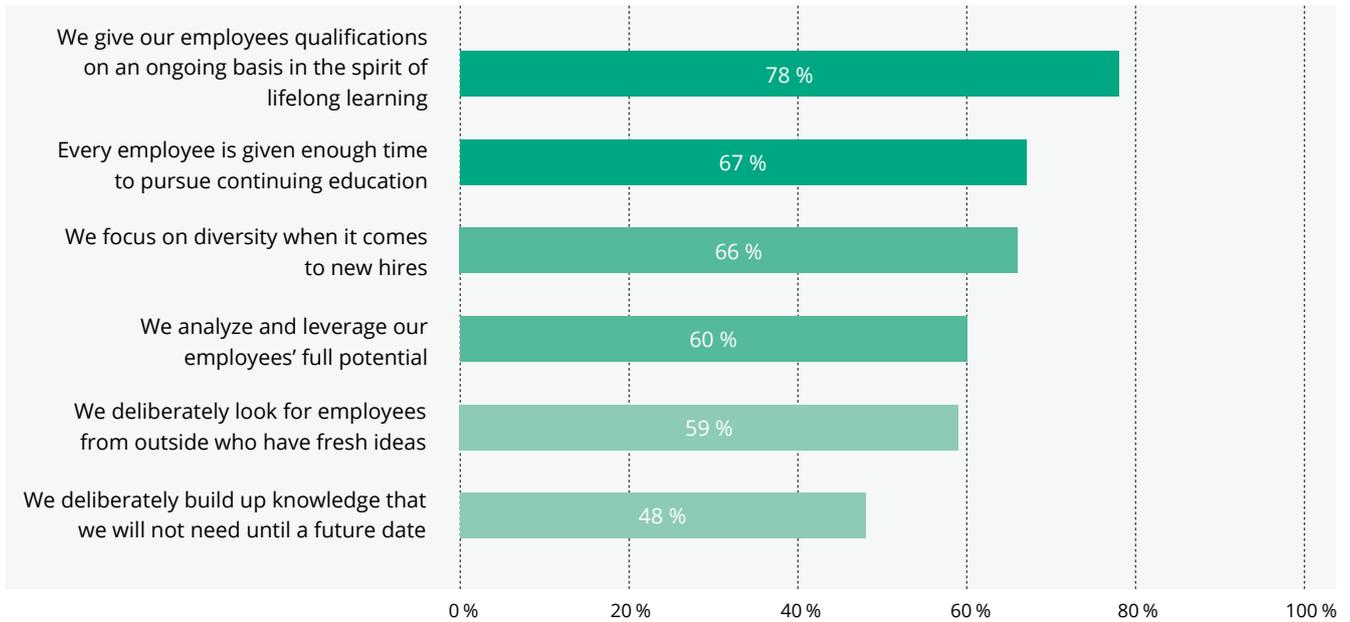


74 % 59 % 43 %

Tends towards the **manager-as-mentor** principle

## How do you prepare your employees for the future?

Responses: "applies" and "mostly applies"



\* based on a four-point scale from "applies" to "does not apply"

### PLANNING FOR THE FUTURE IN TERMS OF KNOWLEDGE

The key to success is managers who not only qualify their employees to prepare them for new challenges but can also get them excited about the transition. Management has to explain the need for changes and create confidence so that people's concerns about an uncertain future are converted into clear visions and action plans. Rigid hierarchical structures which are designed to keep employees on a short leash so they perform well are a strategy which inhibits people's initiative and their desire to change. If sustainable changes are to be made, companies will have to apply themselves and use tools such as coaching to create a structure that will help more than just HR in developing the abilities of managers and employees.

5

# Summary

"If a company manages to increase the willingness of all employees not only to accept changes but to actively advance them, the result will be a significant competitive advantage."

Bernd Güldenber, Vice President Engineering & Field Service, Voith Paper GmbH & Co. KG



**Germany's global market leaders are characterized**  
**by two distinctive attributes: Self-confidence and the**  
**ability to self-reflect.**

As a result, the companies are justifiably proud of their usually solid standing thanks to their high-quality products and services as well as their clearly-defined orientation towards customers. At the same time, however, the honest responses mercilessly expose the pain points of many of the main players in the industry.

One example is corporate culture. It goes without saying that habits which have become ingrained over the course of decades cannot be corrected or cast aside within a few months. But the fact that companies with above-average profits clearly attribute their success to having changed their corporate culture and established a much more contemporary understanding of leadership should be a wake-up call to other companies to gear up their efforts. Smoothly functioning processes which are transparent to all employees are indispensable to make sure that the accelerated rate of change does not come at the expense of the company's current strengths or end up as measures that are implemented simply for the sake of doing something. In this point, there is consensus among global market leaders.

The most important prerequisites for being able to transform and innovate are 1) a corporate culture where the managers act as coaches and mentors and 2) an organizational structure which efficiently uses resources and promotes all of its employees' potential and brings it to fruition.

Companies that pursue this approach can also look to the future with optimism and self-confidence, even in times of technological and societal turmoil. In these kinds of agile businesses and learning organizations, having a clear vision of the future and the ability to self-reflect is a key aspect in the DNA of success.

# Who we are

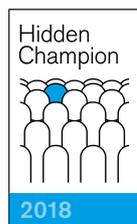
## We believe that inside every company, there is an even better one.

For over 20 years, we have been offering consulting and training to companies and employees. Around the world.

Our goal is to make every company better and move our clients forward. Our distinctive approach is to launch the proper changes quickly and establish a sustainable culture of change.

## And regularly

Our awards



# Facts. Figures. Data.

> 20

years' experience

€ 56

million in sales

50

different Lean and Six Sigma trainings

> 500

BestPracticevisits every year

280

employees

> 3.000

seminar participants every year

13

offices in 10 countries

14

languages

> 70

BestPractice partners

> 90

active trainers and coaching experts

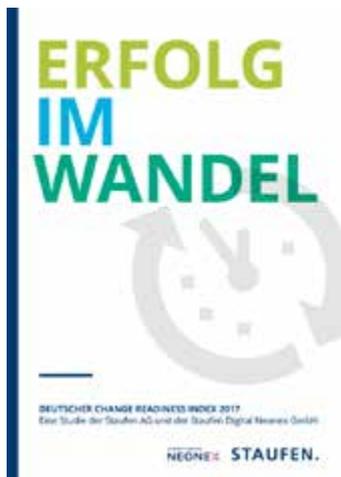
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THERE IS AN EVEN BETTER ONE.