

Out-Innovating the Competition

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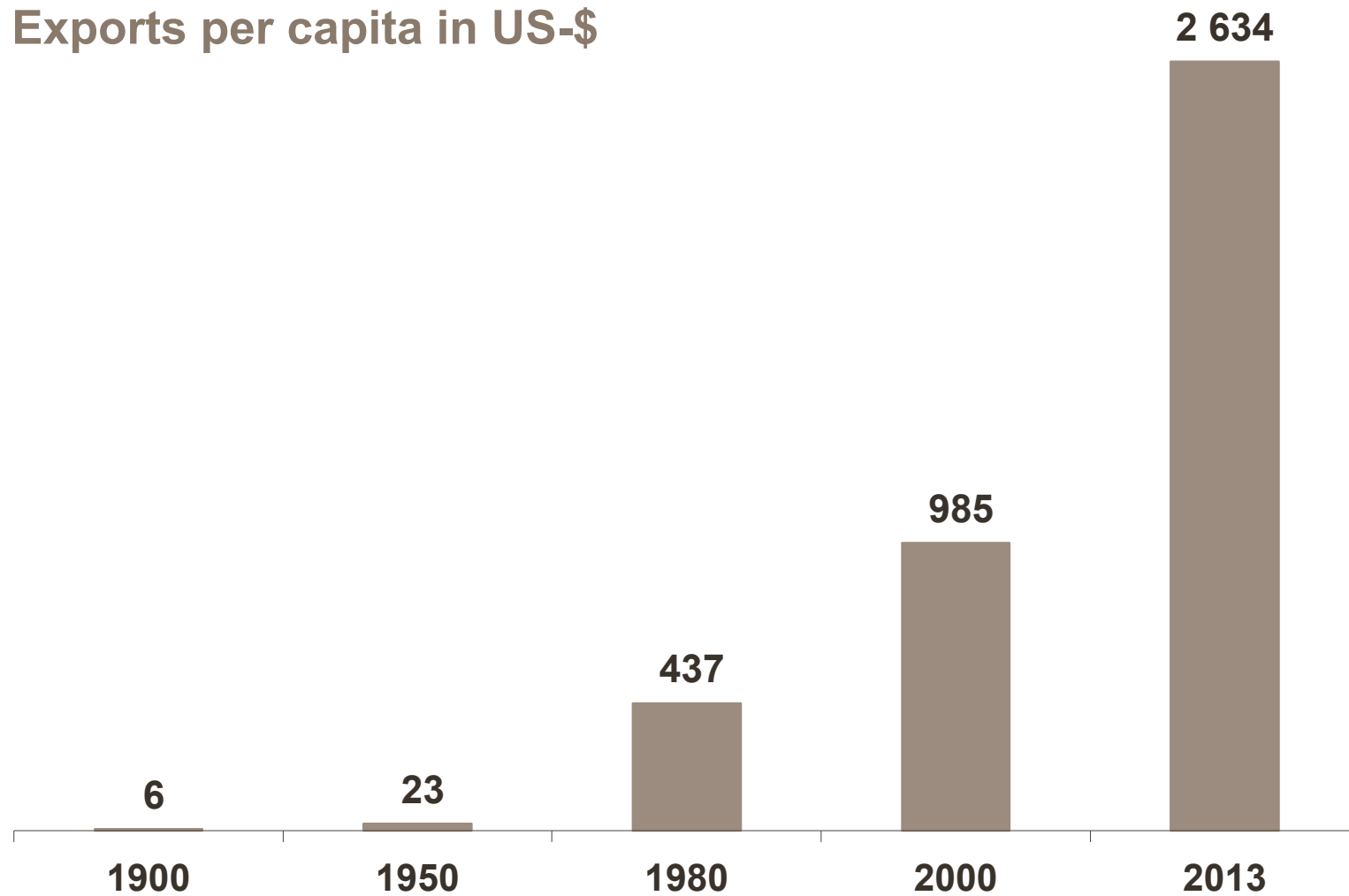
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**First, a look at
globalization and global competition**

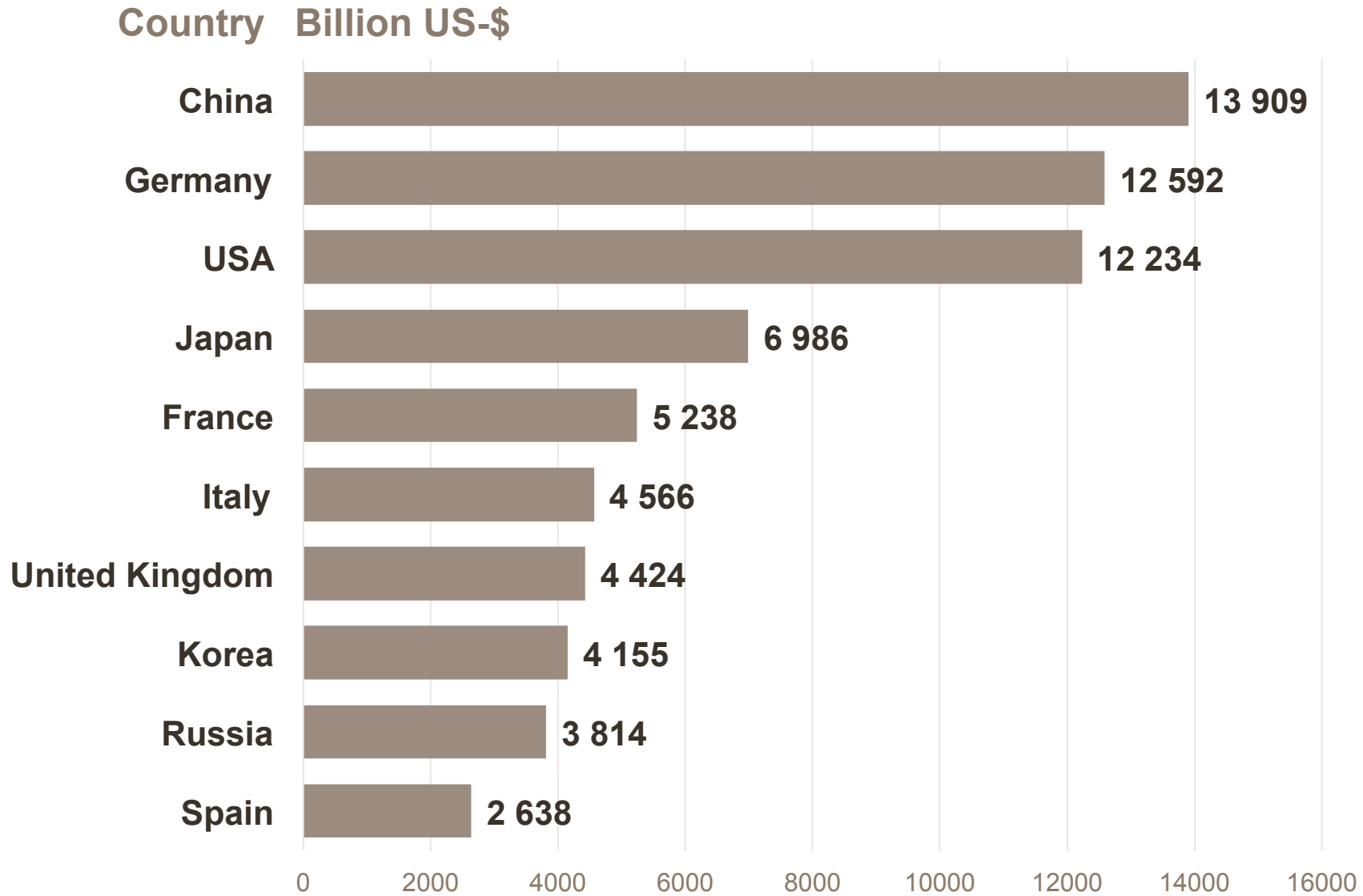
Accelerating Globalization



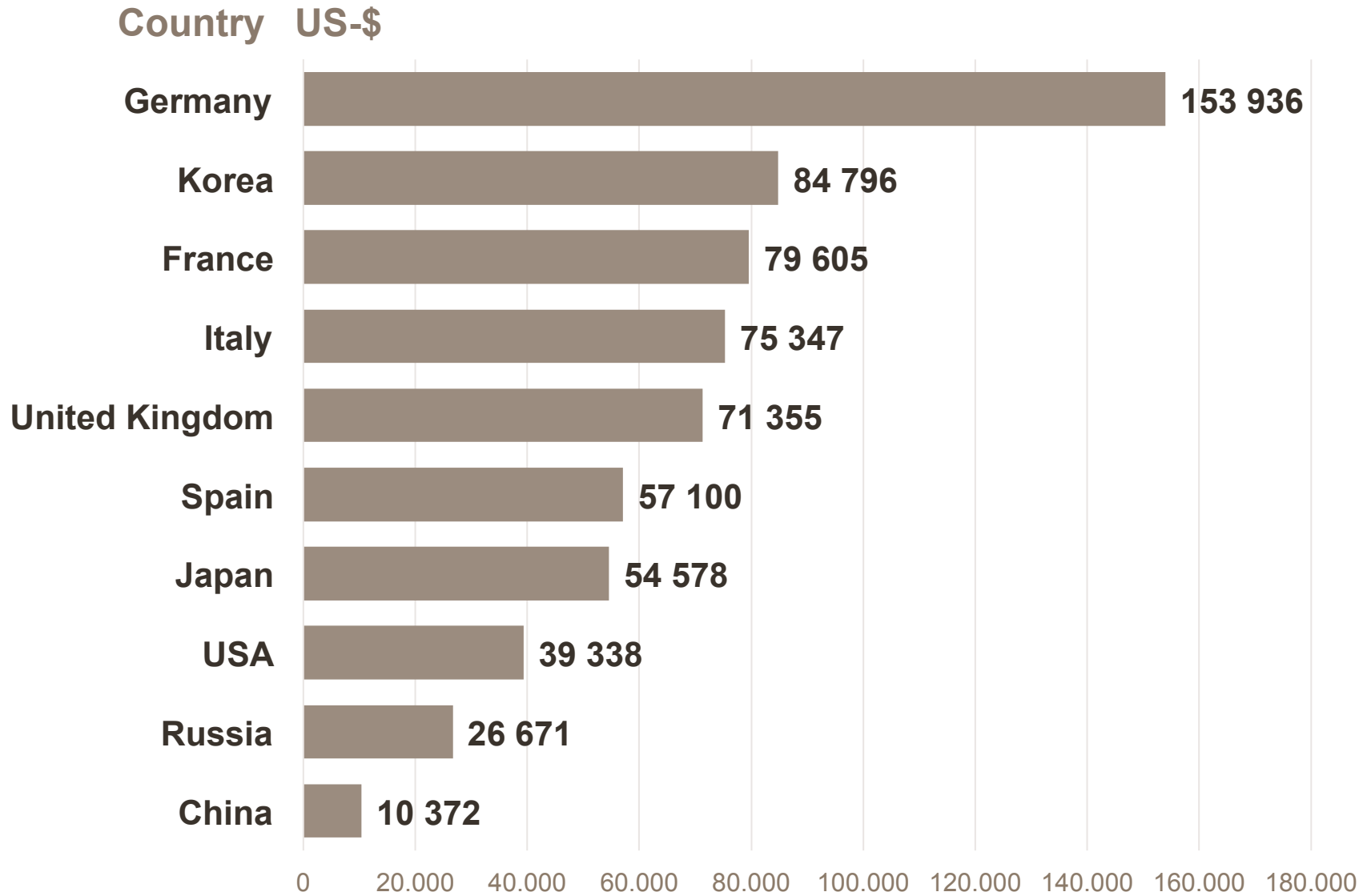
**How successful
are individual countries
in global competition,
especially in exports?**



Exports 2004-2013



Per Capita Exports 2004-2013

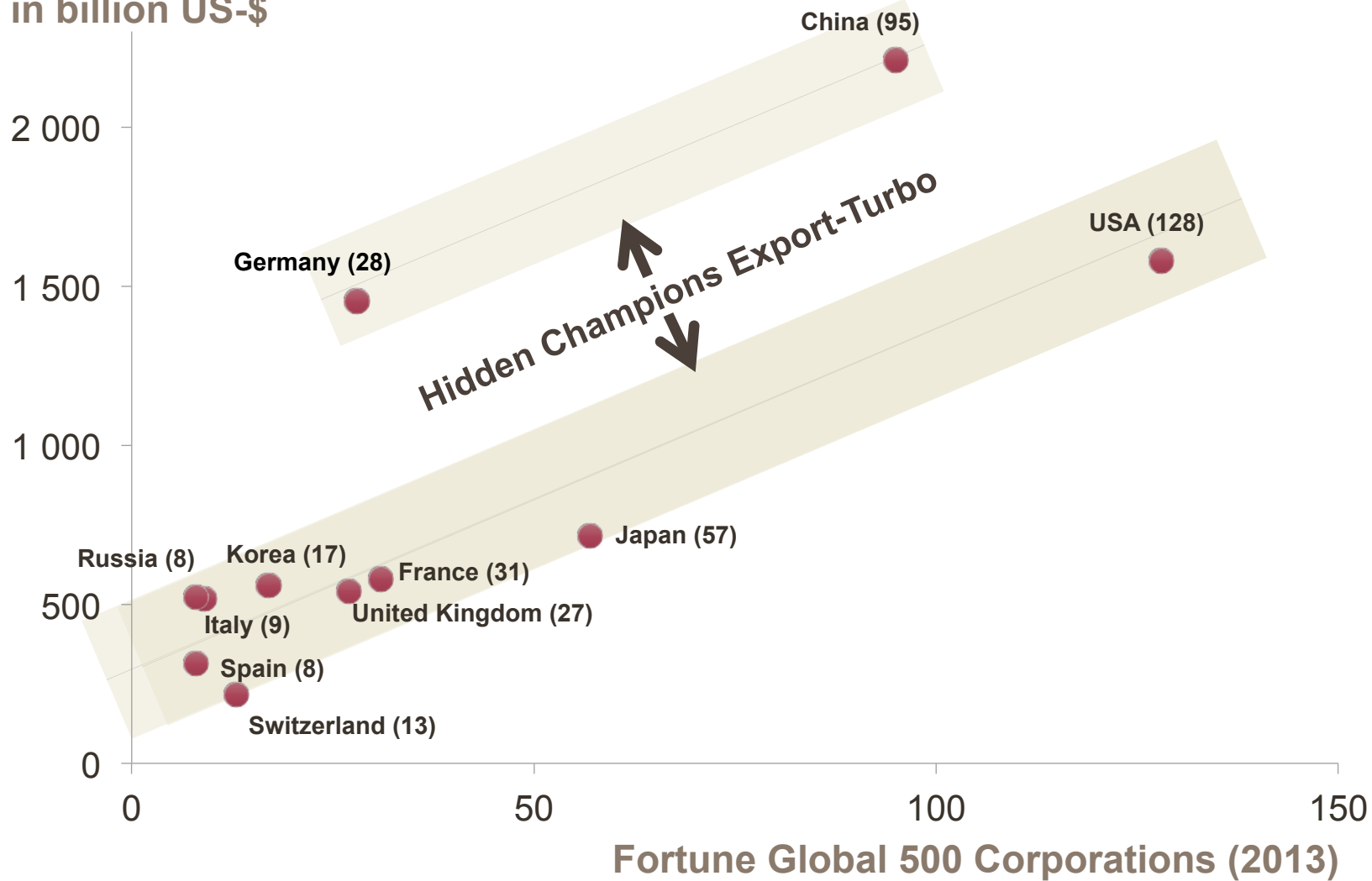


Who Exports?

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

Do Large Companies Explain Export Performance?

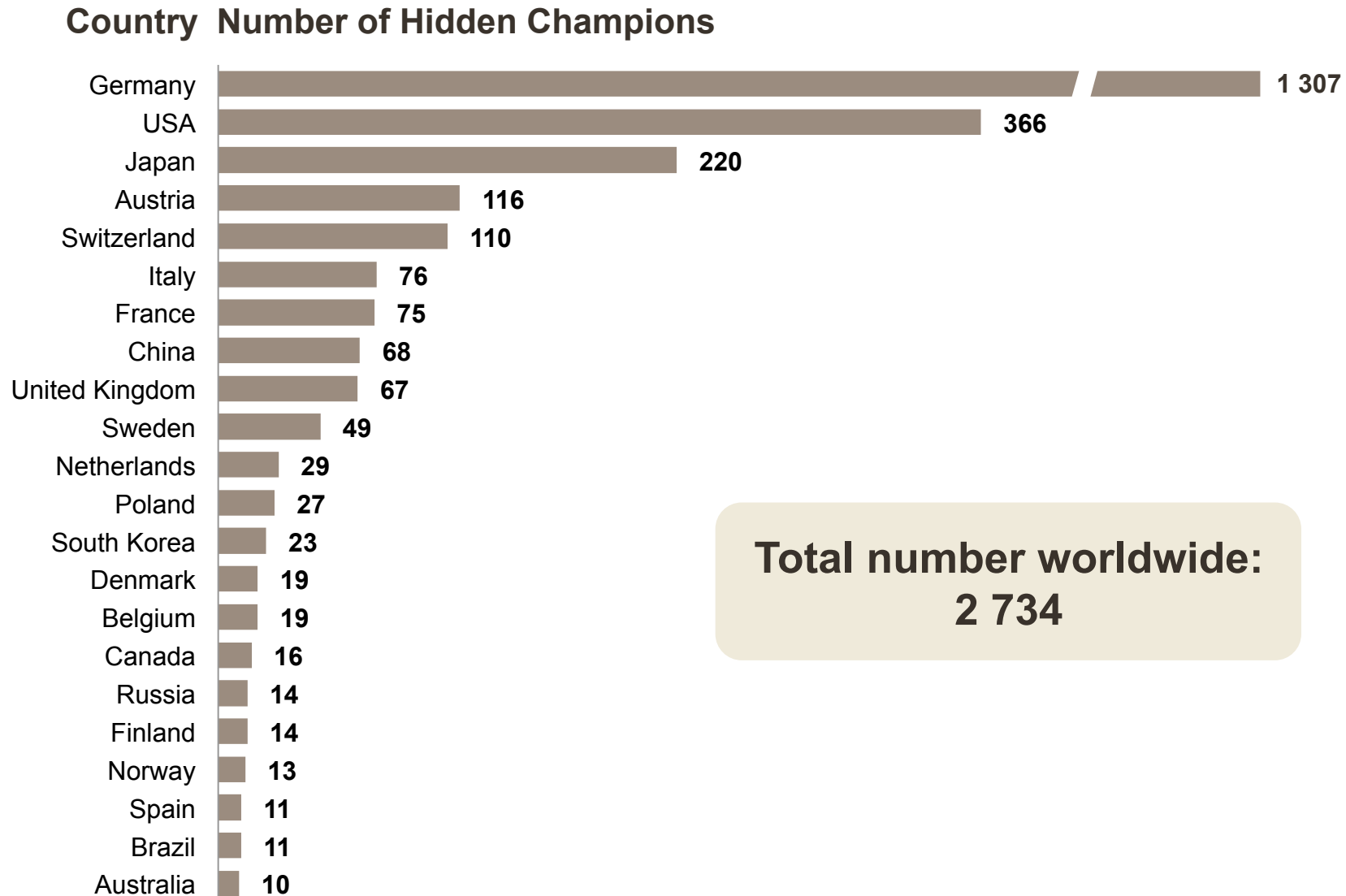
Exports 2013
in billion US-\$



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**

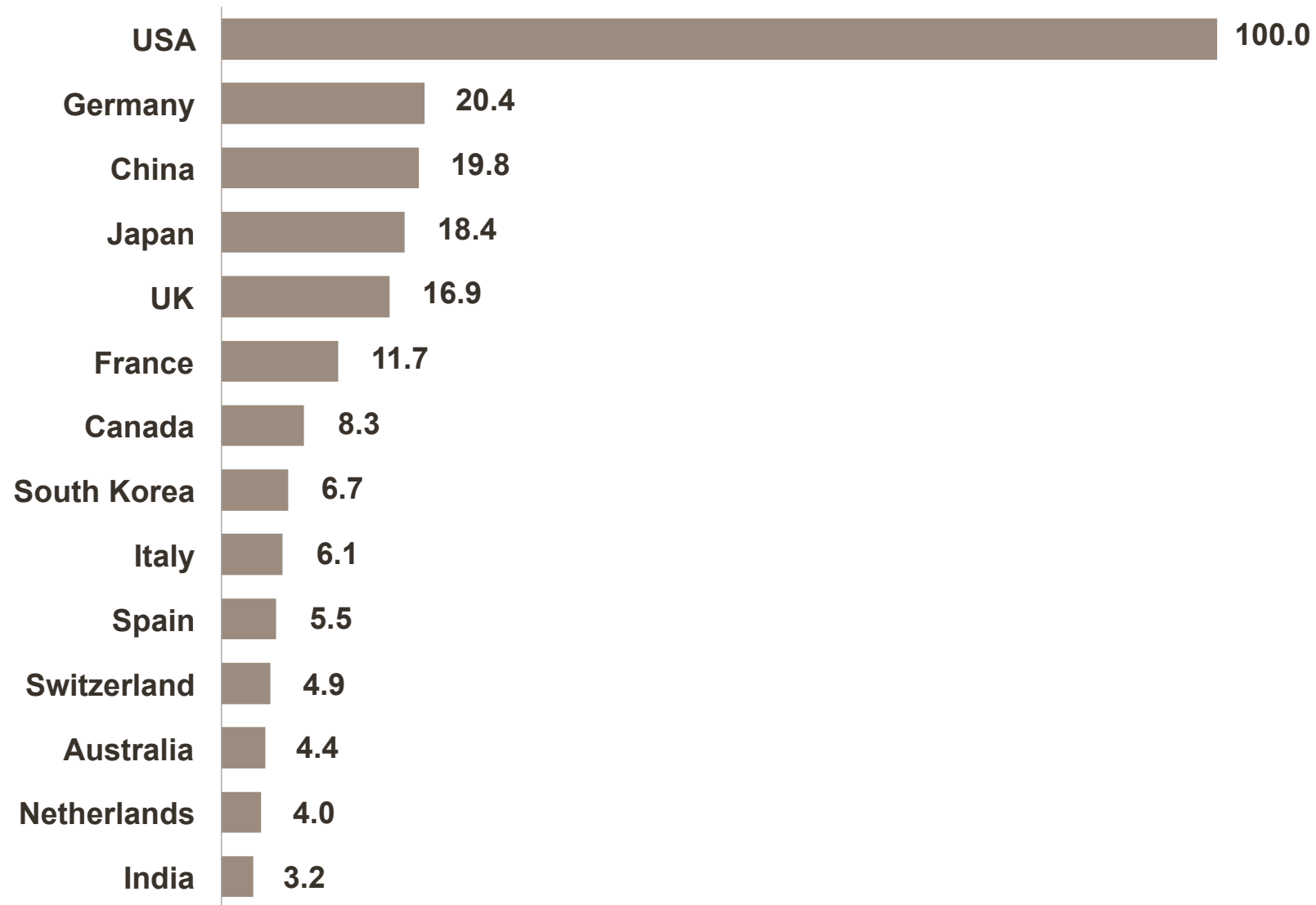
Hidden Champions by Country



Globalization is the strongest driver of growth. The export success of countries differs dramatically. This reflects the competitiveness of the companies from those countries, not the strength of the states or the governments. Outstanding export success does not solely depend on large corporations, but on world-class mid-sized businesses, especially the Hidden Champions.

**Innovation:
Where do the innovations come from?**

The World's Leading Countries in Science



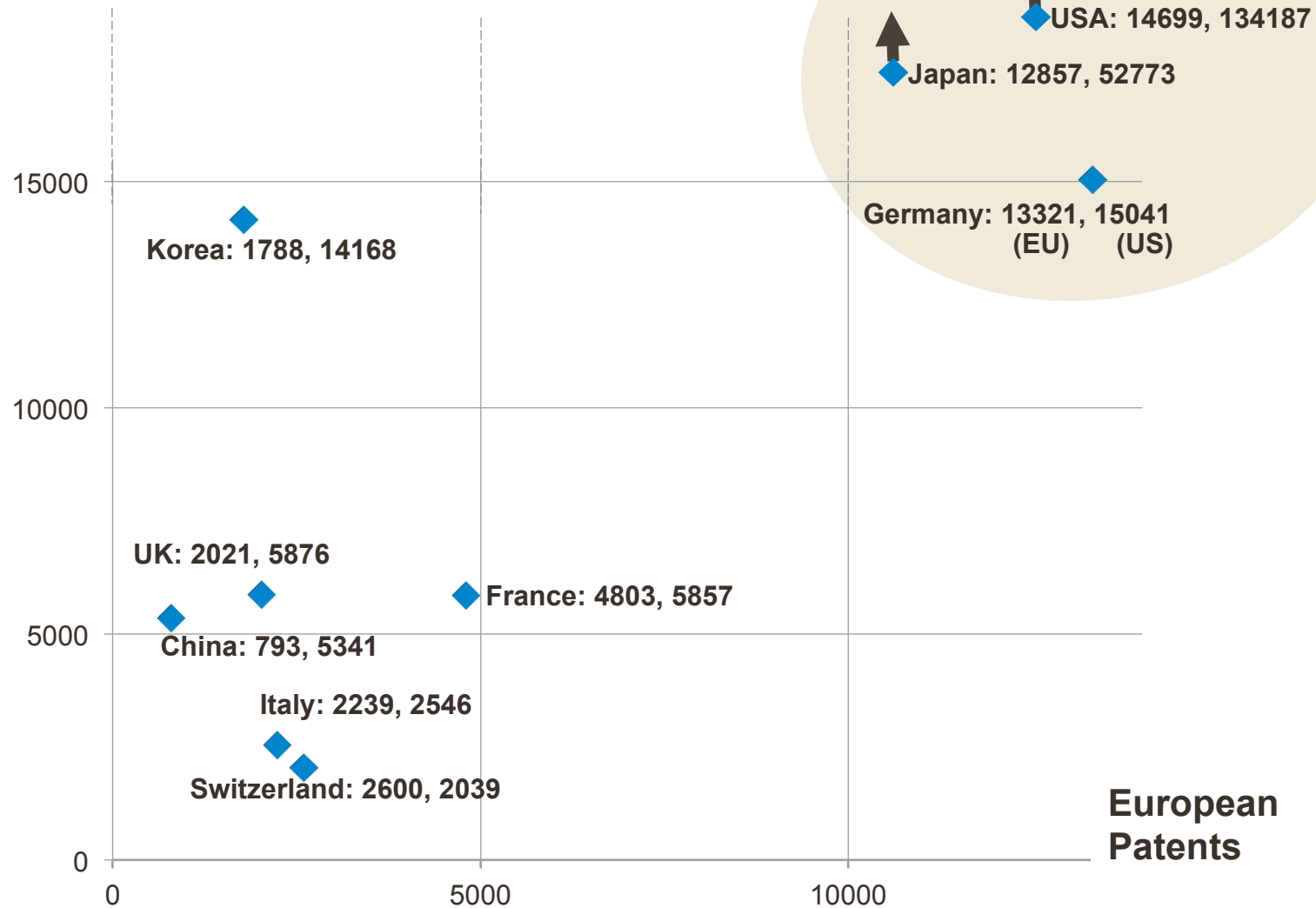
Source: The World's Best Countries in Science, Scientific American, October 2012, p. 36-37

Innovativeness

Country	Number of European patents 2003-2012	European patents per million inhabitants
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

US-Patents



Source: European and US patent statistics, year 2012

Patent Applications in Germany

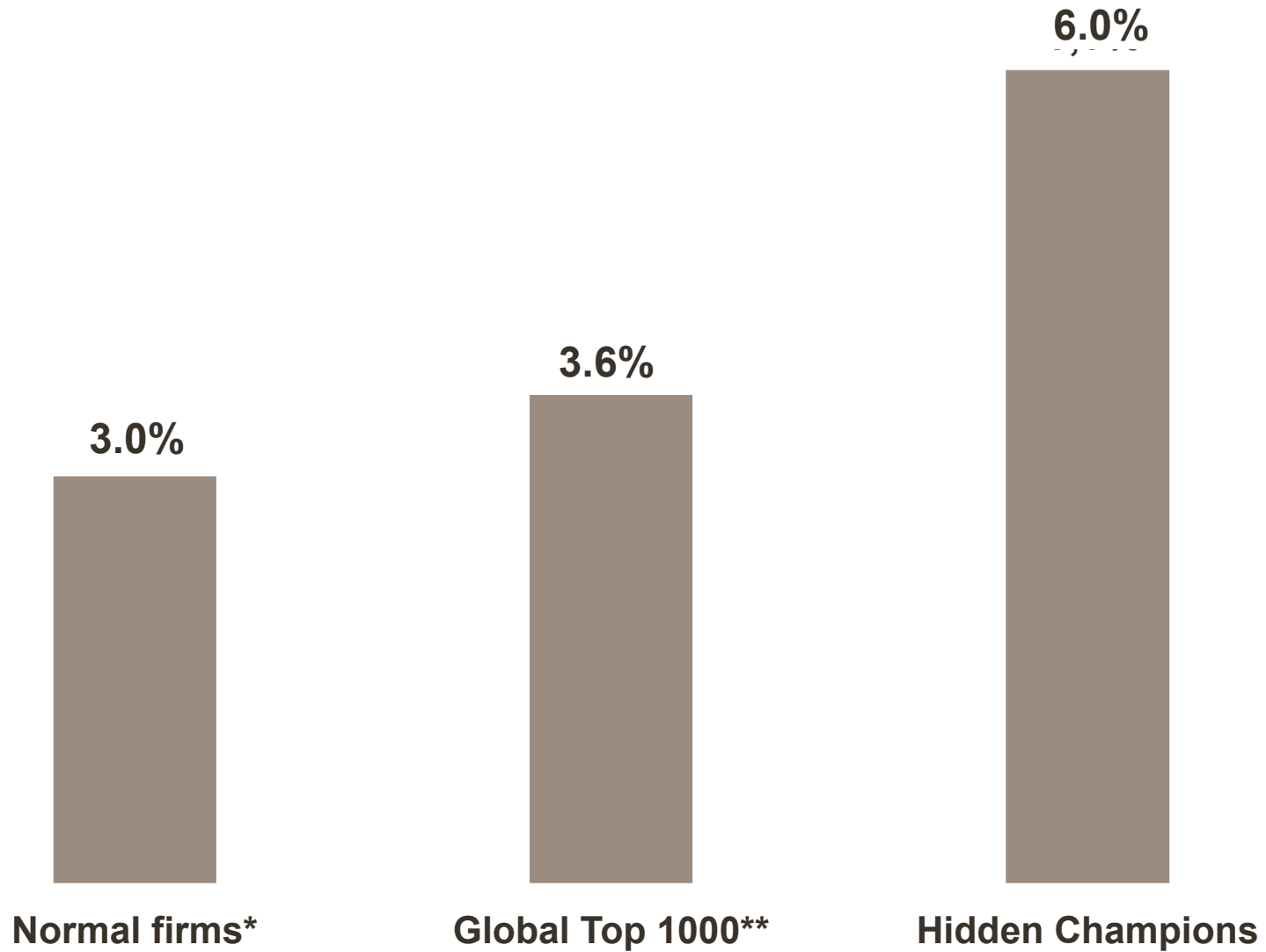
red=foreign, blue=Hidden Champion

1. Robert Bosch	3602	26. Giesecke & Devrient	177
2. Daimler	2014	27. Carl Zeiss SMT	159
3. Siemens	1910	28. Johnson Controls	158
4. Schaeffler Technologies	1832	29. Hilti	157
5. GM Global Technology Operations	1566	30. Mitsubishi Electric Corporation	154
6. BSH Bosch und Siemens Hausgeräte	884	31. Brose Fahrzeugteile	150
7. Volkswagen	730	32. SEW-EURO DRIVE	148
8. ZF Friedrichshafen	669	33. MAHLE International	144
9. Audi	661	34. Heidelberger Druckmaschinen	140
10. Bayerische Motoren Werke	658	34. Behr	140
11. Denso	512	36. Phoenix Contact	138
12. Continental Automotive	424	37. Linde	130
13. General Electric	418	38. Aktiebolaget	129
14. Dr. Ing. h. c. F. Porsche	405	39. Evonik Degussa	116
15. Ford Global Technologies	394	39. XEROX Corporation	116
16. Fraunhofer-Gesellschaft	364	41. Hella KGaA Hueck & Co.	114
17. Voith Patent	331	42. Mann + Hummel	111
18. Continental Teves	327	43. Continental Reifen Deutschland	107
19. Henkel	303	43. Benteler Automobiltechnik	107
20. Hyundai Motor Company	293	45. König & Bauer	104
21. Infineon Technologies	256	45. Osram	104
22. Dt. Zentrum für Luft- + Raumfahrt	233	47. SMS SIEMAG	103
22. Kronos	233	48. Von Ardenne Anlagentechnik	101
24. Airbus Operations	199	49. Merck Patent	98
25. OSRAM Opto Semiconductors	187		

The regional sources of innovation are highly concentrated. On a per capita base, European patents differ by a factor of several hundred between European countries. In the case of Germany, Hidden Champions contribute overproportionately to innovation.

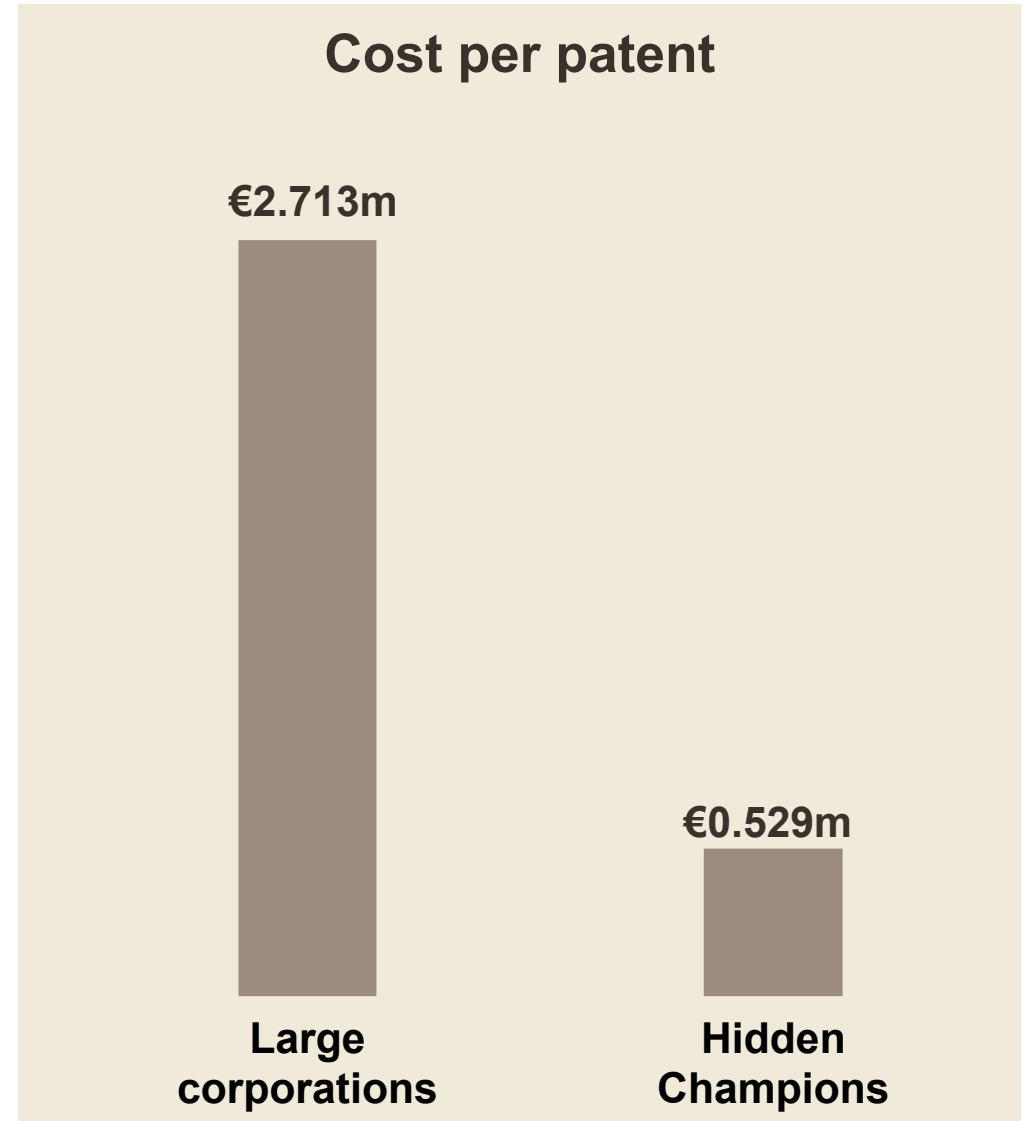
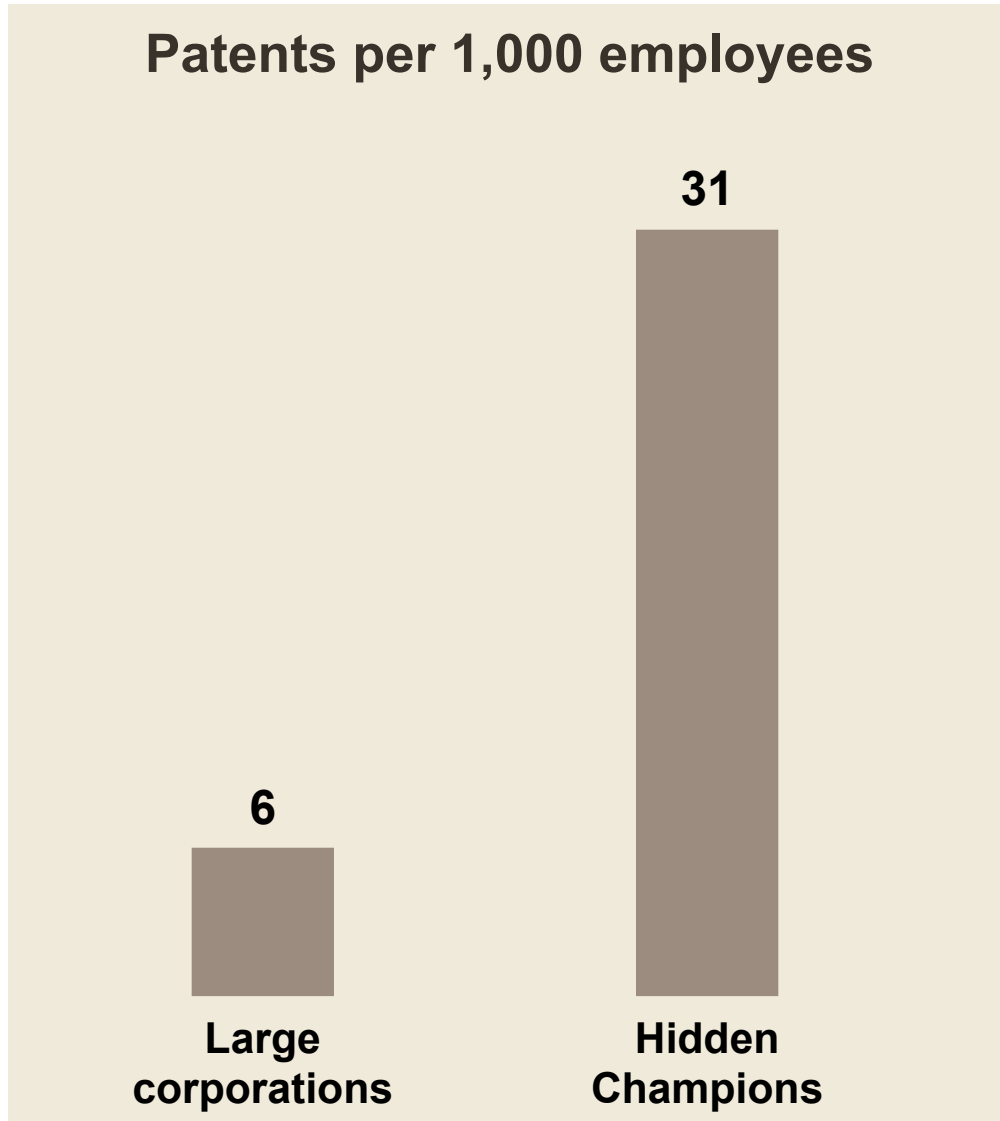
Innovation on the business level

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



Innovation: Volocopter



Innovation: 3D Sensor Pepperl & Fuchs



The Hidden Champions are enormously effective innovators. They spend twice as much as other companies, the innovative output is much higher, and the costs per patent are vastly lower than in large corporations. Behind this success are radically different innovation processes.

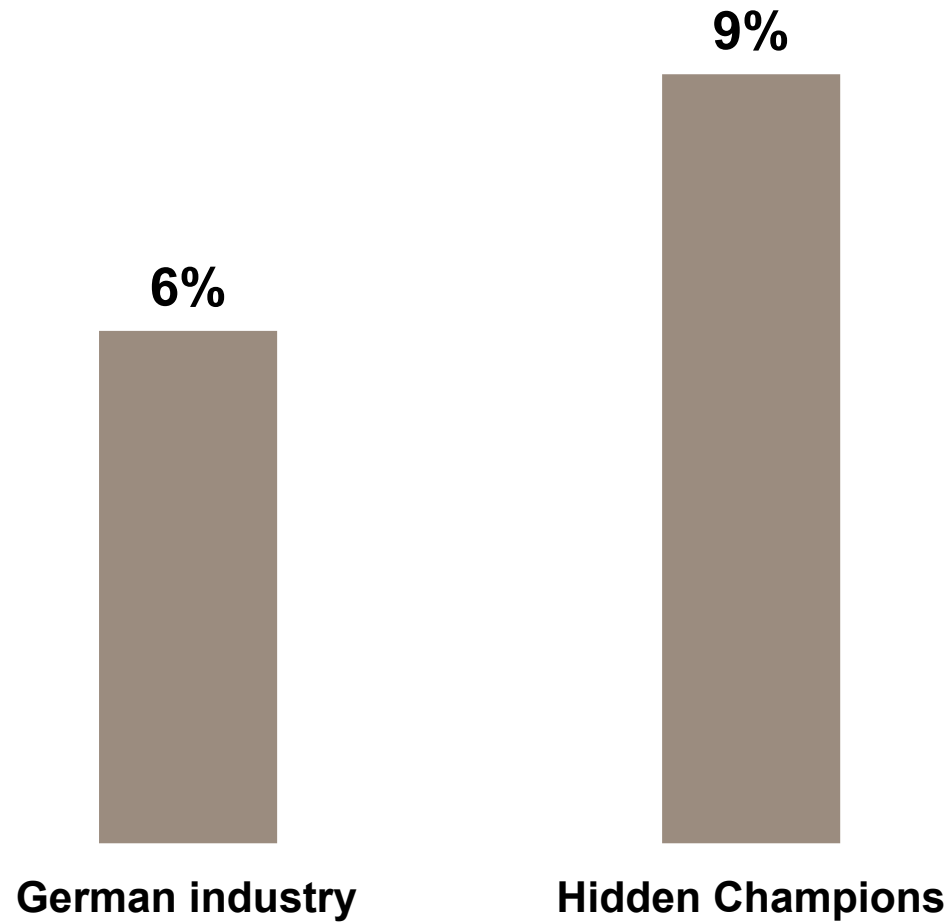
The inner sources of innovativeness

The Entrepreneurs

- **Total dedication to what they do**
- **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**

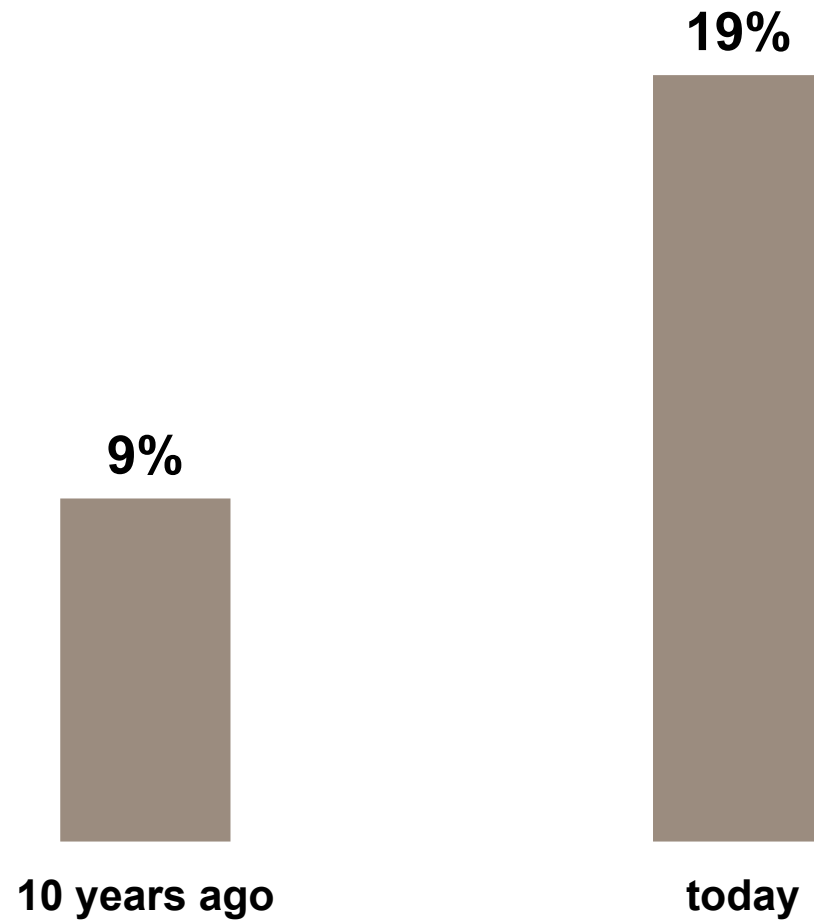
Worker Qualification: Vocational Training

Percentage of apprentices

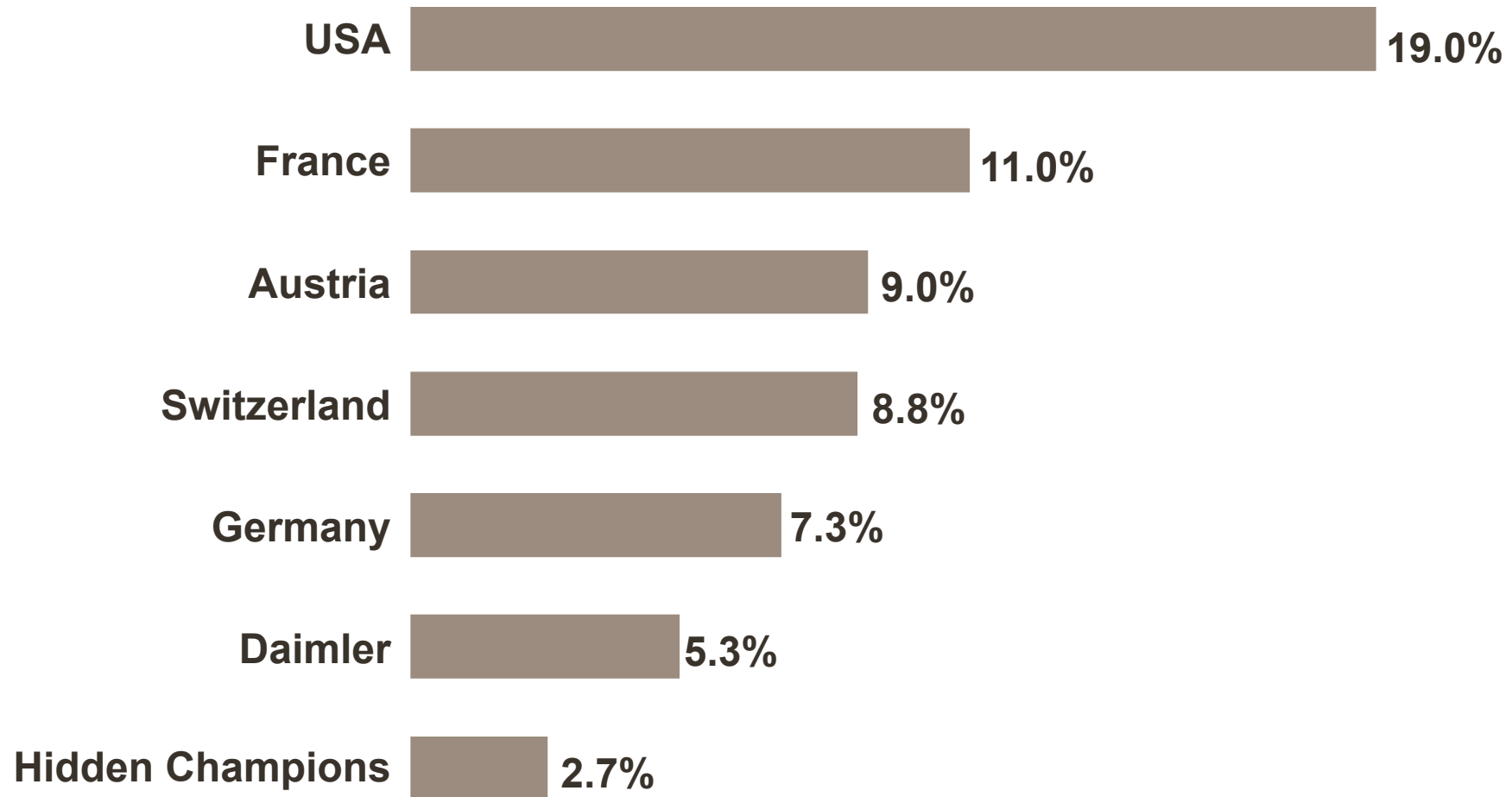


Higher Qualification

Share of university and college graduates



Employee Turnover Rates



The innovativeness of the Hidden Champions is rooted in the entrepreneurs. They are deeply “entrenched” in the business. Their continuity ensures long-term orientation, which is indispensable for sustainable innovativeness. They invest heavily into education of workers and professionals. Due to the extremely low turnover rates, the know-how remains in the company.

Summary

- **Globalization offers unlimited growth opportunities, but countries differ strongly in how they exploit these opportunities.**
- **Innovativeness is indispensable for success in global competition.**
- **The Hidden Champions contribute overproportionately to the innovativeness of a region or country.**
- **They are highly focussed, have a deep value chain, and effectively integrate technology and customer needs.**
- **Their capabilities are rooted in inner strengths based on entrepreneurship, employee qualification, loyalty and continuity.**

Simon-Kucher & Partners

World leader in price consulting

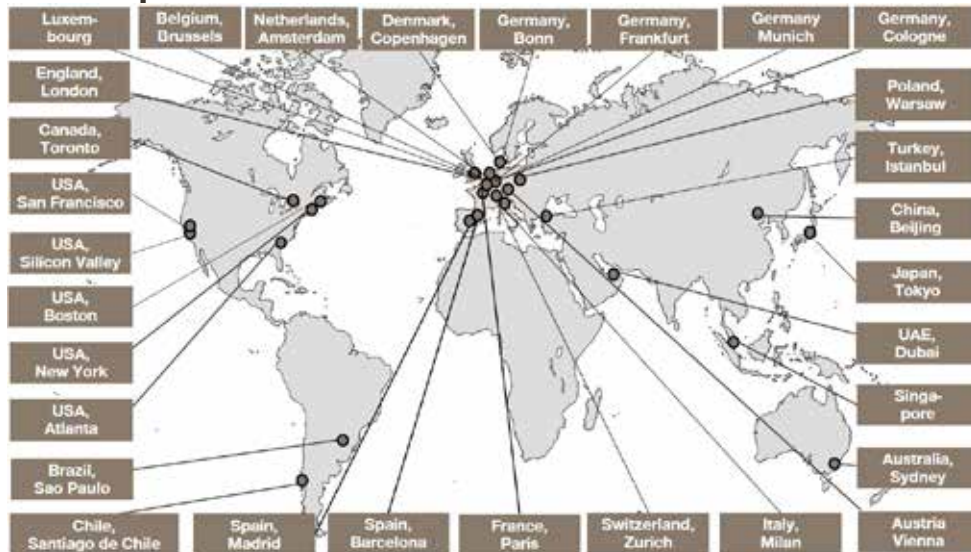
<p>“ <i>Simon-Kucher is world leader in giving advice to companies on how to price their products.</i> BusinessWeek</p>	<p>“ <i>No firm has spearheaded the professionalization of pricing more than Simon-Kucher & Partners.</i> William Poundstone in Priceless</p>
<p>“ <i>In pricing you offer something nobody else does.</i> Professor Peter Drucker</p>	<p>“ <i>No one knows more about pricing than Simon-Kucher.</i> Professor Philip Kotler</p>

Best consultancy in marketing, sales, pricing

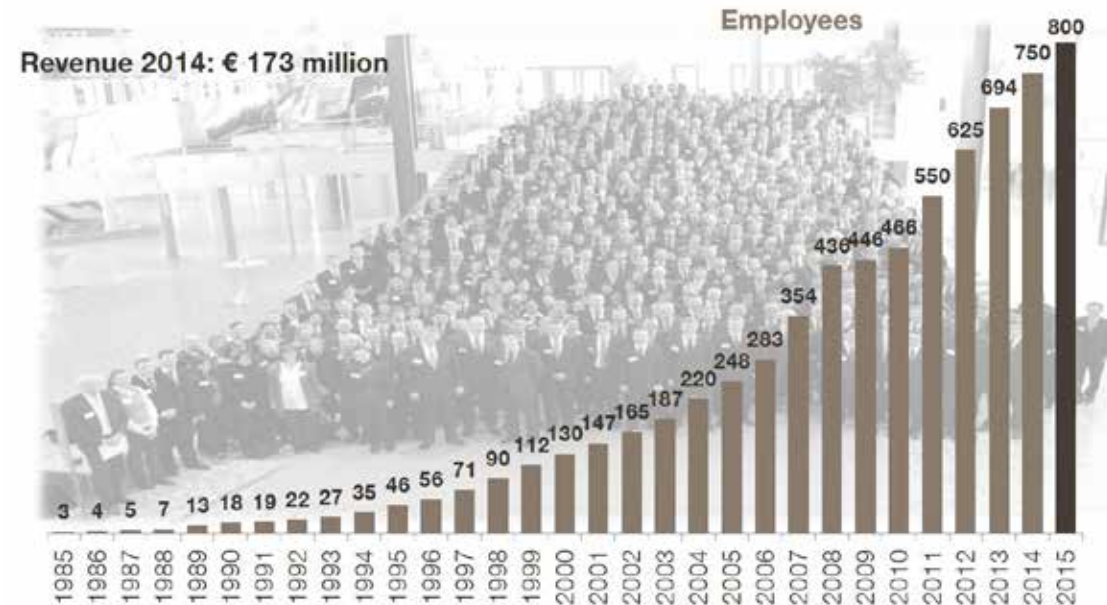
<p><i>manager magazin</i></p> <p>Marketing and sales</p> <p>1 Simon-Kucher & Partners</p> <p>2 Boston Consulting Group</p> <p>3 McKinsey & Company</p>	<p><i>brand eins Thema</i></p> <p>Marketing and pricing</p> <p>Simon-Kucher & Partners</p> <p>Boston Consulting Group</p> <p>McKinsey & Company</p>	<p>Sales and CRM</p> <p>Simon-Kucher & Partners</p> <p>Boston Consulting Group</p> <p>McKinsey & Company</p>
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THE ONLY 5-STAR CONSULTANCY

Global presence



Continuous growth



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, Silicon Valley, 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. His newest book *Confessions of the Pricing Man* will be published by Springer, New York, in the summer of 2015.

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.