

**T**hroughout Europe, most springmakers are small family businesses. The nature and variety of springs and their ubiquitous application in devices and machinery appear to force a certain structure upon this industry in which market forces pose perpetual challenges.

When it comes to discussing family business, perhaps it is not at all surprising that some springmakers do not wish to do so publicly because they believe that family business must stay in the family. After all, that is how the family enterprise has sustained its success since inception. Other family spring business owners subscribe to a different philosophy and are proud to have their company featured in *Springs* magazine.

Regardless of individual success strategies, these springmakers share one certainty: family businesses don't last long if they are not great employers. "Companies which have been around for a long time have strong sets of values that result in employees being treated well," says Milton Moskowitz, co-author of *Fortune* magazine's annual list of Best Companies to Work For. He and a colleague began to research the work environment of U.S. companies in the 1980s. Moskowitz has surveyed public and private businesses of various sizes and observes that, "Small companies have a cohesiveness, a feeling of belonging and an enthusiasm that large companies can't match."

Moreover, if time and circumstance permit, a solid family business can provide a base for expansion into an international presence.

### **Henrik Hagens, managing director**

**Hagens Fjedre A/S**  
Støvring, Denmark

A family generally consists of two or more people who share goals and values, and have long-term commitments to one another. That is exactly what makes Hagens Fjedre special: a group of people who enjoy working together in the Hagens family's management style.

Family members absorb the family style while growing up, and family members who choose to join the business are attracted by this style. Still, new hires are carefully selected. They must not only bring the special skills needed at the company, but also fit the culture, and be capable of

establishing and maintaining good relationships with existing employees.

Hagens Fjedre's employee-selection process has been very successful for skilled workers as well as for key positions, such as production, technical specialists and sales. Thus, upon joining the company, every new employee becomes a member of the family, and contributes his or her share toward the same goal.

From time to time, Hagens Fjedre engages outside consultants to evaluate business practices or strategic initiatives. This helps ensure that the company stays in tune with the market. "Sometimes, outsiders see things that are not immediately obvious to insiders," says Henrik Hagens. "From time to time, they have helped us make improvements to our production process and realize cost savings."

Hagens sincerely believes in the dynamics of his family business, but he does not claim that his management style is more distinguished than that of other family businesses. What might differentiate Hagens Fjedre A/S are its customer selection criteria: Potential business must be good and have a favorable economic structure that fits the company's strategy for generating profits in global markets.

"If we stick to our strategy and meet our customers' needs, I believe it is an advantage to run a small manufacturing company in a global economy. However, we must work hard and keep down costs because of customers' intensifying cost orientation," says Hagens. But it does not end there. Attracting skilled labor to the spring industry is an increasing challenge in Denmark. Moreover, competition from China and Eastern Europe looms on the horizon.



## **A Solid Base for Success**

*European companies discuss their family business strategies*

By Wallie Dayal  
Dayal Resources

For the only son of the Hagens family, there was always an implied suggestion that he would eventually run Hagens Fjedre. But at the same time, his parents insisted that he obtain an education and work at another company before making his decision to enter the family business.

On Oct. 23, 2005 Hagens Fjedre A/S celebrated its 60<sup>th</sup> anniversary. On that occasion, managing director Peter Hagens transferred management of the company to his son Henrik. The new managing director is eager to embrace the challenge of running and sustaining the springmaking business, making a profit and providing jobs to 95 employees.

**Hans Heinz Ph.D., owner**  
**Gerhard Wenzel Staalfedern**  
Vienna, Austria

In 1946, Wenzel Staalfedern was founded as a family spring business in Vienna. Hutter & Schrantz bought the company in 1992. At that time, Wenzel had only 17 employees.

Today, Gerhard Wenzel Staalfedern employs 80 loyal employees who enjoy applying their skills and sharing the camaraderie of colleagues in a pleasant working climate. While Dr. Heinz' leadership style is collegial, there are no slackers. Every employee is a member of the team and as such is entitled to a share of the company's success. This is a powerful incentive, and the potential ability to perform is the key hiring criteria for new employees. Within the last year, the company hired two new employees to replace retiring workers. A growth in head count is unlikely, as the company makes use of as much automation as possible.

In large measure, Wenzel Federn attributes its success to the customers and the niche market it serves. Wenzel's managers meet customer needs with technical competence, know-how and modern production facilities to attain optimal, even symbiotic, relationships with select customers. In this manner, customers and the relatively small springmaker ensure each other's success. While Wenzel supplies springs to the automotive industry, this industry represents only one-fifth of its market.

Dr. Heinz strongly believes that small Austrian companies active in niche markets will always have a future. They are the reliable source of top-quality products and on-time deliveries. Their proximity to the customer is another significant advantage. At the same time, the challenges of running a small

*While Dr. Heinz' leadership style is collegial, there are no slackers. Every employee is a member of the team and as such is entitled to a share of the company's success. This is a powerful incentive...*

company are increasingly demanding in an ever-changing global environment.

For the foreseeable future, however, Wenzel will be a loyal, on-time supplier of quality products for its select customers. This will not be easy. While the small subsidies from the Austrian government help, they will never be able to bridge

the scarcity of management talent and experts in springmaking. Viability requires a continuous quest for operating more efficiently and optimally utilizing every resource.

**Michael and Tim Parkinson, majority stakeholders**  
**Airedale Springs**  
Keighley, Yorkshire, UK

The 52 members of the Airedale Springs "family" celebrated the company's 60<sup>th</sup> anniversary in June 2005. Since the establishment of the company by Michael Parkinson's father in 1945, 37 employees have worked at the company for at least 25 years, sharing company successes as well as the challenging times with their colleagues and the Parkinsons.

The Parkinson family continues to be, and always was, very deeply involved in the company. It was a given, as their own livelihood as well as that of their employees depended on the company. Success does not happen by accident, and interdependence must be nurtured. The Parkinsons have always made sure that each family member was first properly qualified to take on company responsibilities. This included earning the personal and professional respect of everyone in the company.

In fact, training is a core value of the company. It is primarily done in-house because skilled springmakers are not available on the market. Every new hire receives careful consideration.

The person must fit, be able to develop good relationships with existing employees, possess needed technical or managerial ability, and have a "sixth sense." Says Tim Parkinson, "We value full participation of all of our employees and strive for continuous improvement."

Airedale Springs does not reserve key positions exclusively for family members. For example, the company's technical director started his employment after leaving school, and he is now married to the company's quality manager. There are no outsiders; everyone is an insider.

Airedale Springs serves primarily small and medium-sized production requirements. Unlike other springmakers, it did not pursue the auto

industry and some other global players because it became clear early on that such businesses would not place much value on supplier loyalty. Instead, the company supplies springs to a wide range of customers, mainly in small to medium quantities.

Running a small company is a challenge. Labor costs make up a significant portion of sales value, and government-mandated minimum wage runs higher than inflation. China and particularly Eastern Europe are nipping at the customer base. However, the company benefits from its broad base of customers. If it were a supplier to a few very large companies, it might have had to succumb to the pressure of following its customers to their global manufacturing plants.

Michael Parkinson has been involved with the company since he was 10 years old. Today, he is strictly non-executive, and his sons Tim and Sean run the company. He hopes that one of the grandchildren will carry on the family legacy, but most are still too young and have not yet had a chance to consider the option.

The challenges facing current and future managers of springmakers worldwide are formidable. But in Michael Parkinson's mind, there is no reason why his company cannot continue to progress while it retains the excellent traditions that have helped sustain it so far. The company has the latest equipment, a great team of multi-skilled people and, in all likelihood, the best management team it has ever had.

**Peter Schaufler, senator h.c. [German universities], chairman and CEO**

**Bitzer Kühlmaschinenbau GmbH & Co. Holding KG**  
Sindelfingen, Germany

Within the last 25 years, the family business founded by Martin Bitzer in 1934 became an international company with 27 subsidiaries that is represented in 85 countries. Bitzer Kühlmaschinenbau GmbH & Co. Holding KG builds refrigeration compressors. While Bitzer is not a major user of springs, some of its added-value products, such as compressor aggregates, depend on springs for dampening and adjusting components.

*The Parkinsons' advice about the beauty of running a small springmaking business:*

- Enjoy it.
- Make the best of being your own boss.
- Avoid perpetuating the attitude of "us and them," which marred the 20th century.
- Remember that the people who best know a particular set of skills are those who perform it.
- Generate a team (family) environment.
- Develop the latent skills within your present workforce.
- Ensure that blood relations are fully trained, worthy of hire, respected by the work force and not appointed to a position because of their lineage.
- Remember to take time off occasionally.

When Peter Schaufler finished his university studies, his father did not invite him to join the family business. Schaufler senior, who had bought the company from its founder, wanted no interference from his son. Indeed, until the senior Schaufler's death, the son lived in Brazil and the Atlantic buffered their strong characters.

Nevertheless, the son

kept an eye on the family business and carefully analyzed his father's decisions and their results. "I learned a great deal by watching from afar," says Schaufler. "It is a fantastic way to learn from the mistakes of others."

Schaufler took over upon his father's death in 1979. At that time, the company had 100 employees and generated sales of approximately \$15 million (30 million German marks). The business ran well. It had German, European and a few international customers, but Schaufler envisioned a larger company and realized immediately that the best growth opportunities would be in the international arena.

Soon after, a Portuguese supplier was for sale, and Schaufler made his first international acquisition. Language was no problem; Schaufler had acquired Portuguese language skills while living in Brazil. The advantages of low-cost production in Portugal were immediately reflected on the bottom line.

A dealer of the company's products in the United Kingdom became the second subsidiary, and its marketing efforts were able to bring the product to many more customers in Northern Europe.

While living in Brazil, Schaufler had bought shares of a company that produced cooling motors under license from Bitzer. Someday, he had promised himself even then, he wanted to be the sole owner of this Brazilian compressor manufacturer. His crystal ball revealed a tremendous market, and this prognosis was on target. Even today, this company is the sole producer of compressors of this type for the entire South American market.

Schaufler subsequently expanded into Australia, France, Italy, Belgium, The Netherlands, Luxemburg, Scandinavia, the Czech Republic, Russia, South Africa, Saudi Arabia, India, Singa-

pore, Hong Kong and Malaysia, with strategically positioned sales offices, warehouses and production facilities. Schaufler was present at the first HVAC trade show in Beijing, China, and subsequently set up a production company near Beijing in the early 1990s. At that time, Chinese ventures appeared risky to most, but he knew what he wanted and stood his ground. The overwhelming doubts and misgivings of other German businessmen did not deter him. His vision of the future heralded low-cost production potential in China that would benefit his company.

Today, Bitzer generates 500 million Euros (USD 625 million) in revenue, has nearly 2,000 employees and continues to be a family business managed by one person, Peter Schaufler. The managing directors of each subsidiary report directly to him. Each has been carefully selected and has a significant measure of autonomy. Most are locals because Schaufler is convinced that the success of his managers depends on their ability to serve the local market and culture.

Schaufler attributes his success to having a strategy and paying close attention to the mix of

component costs. He places great stock in building on the solid foundation of the Bitzer Pyramid of Success (see sidebar, below). That he has been, and continues to be, the sole decision-maker is a decisive advantage for him. This allows his company to act quickly and take calculated risks instead of being bogged down by lengthy efforts to build consensus.

Schaufler's success demonstrates that the sky is the limit even for a family business. He recognizes that he was in the right place at the right time and was willing to take risks others rejected. There is more to come, he says, "Cooling and food transport continues to be a growth business. We live in a world in which 40 percent of the people die of hunger because food can not reach them without spoiling."

*Wallie Dayal is president of Dayal Resources Inc., a Chicago-based firm that helps initiate and support American-European business. She is a business consultant, speaker and writer.*

*Readers may contact her by Web site at [www.dayalresources.com](http://www.dayalresources.com)* ❖

### Highlights From the Bitzer Pyramid of Success

#### Definition of Goals

- Become the premier compressor manufacturer in Europe.
- Develop a strong market presence.
- Remain independent.
- Keep global presence flexible in thought and action.

#### Identification

- Focus on entrepreneurial activity.
- Remain predictable for closest staff members.
- Refrain from rash action.
- Provide competence beyond position and job description.

#### Market Orientation

- Remain a niche specialist.
- Cooperate closely with market leaders for redesigns.
- Develop product to market demand.
- Adjust market price and optimize margins.
- Restructure marketing organization.
- Participate! It is often 80 percent of winning.

#### Technological Leadership

- Perform tests, pioneer documentation, join/form international committees.
- Invest to sustain quest for annual improvement in productivity.
- Produce products that are ecologically safe.
- Be prepared to invest and take on risks.
- Apply profits to replacement and future investment in nearly equal parts.
- Reinvest operating profits to bolster your market penetration.
- Source globally, but do not put price pressure on same supplier every year.

#### Expansion Phase

- Follow a guiding principle for domestic and subsequent overseas expansion.
- Establish marketing companies in large markets.
- Promote overseas activities.
- Seek out joint ventures.
- License production, exchange know-how.
- Establish subsidiaries.

