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## HOW TO BECOME A GLOBAL LEADING COMPANY

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### 1) Welcome

Ladies and Gentlemen, welcome to today's NEWTECH Symposium.

I would like to thank the NEWTECH management, namely CEO Mr. Melone, and Senior Advisor Mrs. Accati, for the invitation.

It was, Mrs. Accati, your proposal to talk about "How to become a global leading company". I don't know, if I am a professional in this field, but I will try my best.

Most probably only our customers and maybe our competitors can really judge that.

Anyway, the content of my presentation will be limited to our small market segment, that means the wire and cable industry and its machinery and equipment suppliers. Furthermore I have to point out that in this case I'm referring only to small or medium sized companies which develop and produce machines, equipment and accessories for this industry.

### 2) Short introduction / status of NIEHOFF company today

The company I feel honored to present - and I am proud to confirm that for more than 16 years I have been allowed to work for this company in a responsible position and I still like my job - was founded in 1859, more than 150 years ago, as a drawing tool supplier under the name of Hans Bauer.

He was the great-grandfather of our nowadays major shareholder, Mrs. Elfriede Niehoff.

Today, all shares are still owned by the same families as before.

In 1951, in the course of a generation change, the company was re-founded under "Maschinenfabrik Niehoff". As early as in the 30ies of the last century, machines were produced. The expansion of the drawing machine business mainly took place after the 2nd World War under the leadership of Mr. Walter Niehoff.

The company has its headquarters in Schwabach near Nuremberg, Germany.

Beside two factories in Germany there are 10 subsidiaries (in Brazil, the United States, Japan, India and in the Czech Republic) and representative offices or affiliates in Singapore, China, Russia and Dubai. A subsidiary called NBM = Niehoff Bühler Machinery in Germany works on the development and marketing of so-called Induction Annealers.

Actually there are about 400 people employed in Germany and all in all almost 700 in our group. In the best financial year ever 2008/09 a consolidated sales revenue of 140 million € was reached.

The pro rata supply of machinery to different markets is as follows: Europe 30 %, North and South America 25 %, Asia 30 %, another 15 % are delivered to the rest of the world, important markets in this area are Russia and the Middle East.

### 3) Company identity and business strategy

How do we define the term "Global leading company"?

Mr. Walter Niehoff described the target of his business after the 2nd World War by saying that he wanted to be for the drawing machine manufacturers what Mercedes is for cars. Everybody has to understand that he wanted to deliver the best products regarding quality and performance. This meant products for the highest customer demands, while the supplier guarantees a safe and reliable service all through the equipments life. Today one would say:

The target was to develop and to supply leading edge technology products in first class quality and a guaranteed service support.

In order to reach a leading market position, efficient manufacturing methods and a sales and service network acting worldwide are needed. Technology leadership, quality and service leadership cannot be inline with low-cost design and production and minimum prices. Quite the contrary, it means that customers must be convinced by the added value they can reach as a result of their decision for a usually higher priced product.

### 4) How to reach a global leading position

4.1 -First of all, the professional qualification of all collaborators in the company is a must.

Not only the staff working on the shop floor, but furthermore technicians and engineers in sales, engineering and service need that top qualification. As an example: The constant percentage of so-called "apprentices" in our company is between 8 and 10 % of overall staff, this means 35 or 40 young people regularly. Another figure: 90 % of all our qualified skilled labour force, technicians, engineers and commercial managers got their basic training in our company.

4.2- Necessary are continuous innovations, new product development and product improvements. On a constant basis we are investing 7 - 8 % of our sales revenues in this section. New and re-design tasks in mechanics and electrics are exclusively done in-house. Of course, this helps as well to protect our knowhow, I just want to mention the development of the software for our production lines.

4.3- We feel that the core competence of a machine supplier also is to manufacture all high quality components in-house on modern equipment.

4.4- All finished products are 100 % quality proved. Critical manufacturing processes are tested before the equipment is shipped to the customer's plant.

Quality and environmental management methods are not only certified according to DIN ISO 9001 and 14001, but are practiced by us in our daily business.

4.5- Independent of the principle of continuous process improvement, all improvements we reach during set-up, installation and start-up of our lines at the customers' plants will be implemented later based on a service report system.

4.6- To reach and to keep competitiveness, continuous activities are needed to improve production efficiency. Here I would like to mention the implementation of modern, CNC controlled machine tools, the use of 3D CAD systems, E-CAD systems and a network for making use of computer integrated manufacturing technology CIM (that is to make use of CAD data in programming machine tools in production).

Another example is using simulation technology in production to avoid manufacturing faults.

Efficiency in assembly can be reached by so-called Sequence of Flow-Assembly Principles and material logistics on the KANBAN principle to serve all necessary parts for machine assemblies.

### 5) Structure of international business

Crucial for the identity of a group are the strategic targets of the headquarter and to make sure that they are complied with by all subsidiaries and affiliates. The headquarter sets the standards for product quality, product reliability and services. The subsidiaries are basically license partners of the headquarter - they have no own product design.

Exceptions are the measures to adapt the original designs to local manufacturing and suppliers, for example in Brazil, the USA and India.

### 6) How to handle and serve international markets

What are the criteria to serve international markets with subsidiaries or affiliates outside the headquarter?

- Dominating criterion is the size of the market. Which average minimum market potential can be reached?
- It has to be analyzed how the market can be entered from outside. Are there import barriers, is it necessary to mind different languages and mentalities?
- How to ensure an efficient service support in international markets? Is it necessary to train customers in their mother language during setting up new machines and production lines? How efficient is the service done by local collaborators? How can we safe-guard a short-term supply of spare-parts?
- The sales people have to adapt to local market conditions. In not English speaking overseas markets qualified local collaborators or partners are necessary to be successful in sales.

- Are there special requirements in certain markets? Please consider for example local specifications like the Underwriters Laboratories (UL-) Standards in the United States, the Gost Standards in Russia, the deviating Wire Gauge measurements.

- It becomes more difficult, when it comes to the decision whether to build-up a local production site in larger-sized markets. The products one could locally sell and produce should be reproducible to make the training of local people for production and service worthwhile. Import barriers can be a crucial factor for the decision.

In addition there should be cost advantages, such as low level labour costs or cheaper material purchasing to ensure that the new business activity becomes profitable asap.

- In overseas production facilities the locally available sub-suppliers market is very important, especially regarding available quality, reliability and costs.

- Beside the usual investments to build-up an overseas production, don't forget the efforts of training the new staff and the time needed therefore.

Very critical is as well, how to find local experienced collaborators and management staff and to make sure that they stay with you over a longer period.

- To summarize that: building-up an overseas production facility needs patience, let's say a great staying power (or a good financial backup), to implement a successful business expansion.

### 7) Summary

Global leading companies should have a very clear company philosophy, they should follow their strategy in the long-term and take care of a constant, excellent customer relation. The consequence is that high-technology products of high quality are safely supported with a reliable service over decades. Looking to the worldwide markets, one should determine in which major markets, which means growing markets, to invest in subsidiaries or affiliates. Definitely, in the medium term these are Asia, the BRIC countries, which are Brazil, Russia, India and China, but don't forget the countries in the Middle East, which abound in raw materials like oil and gas.

Very important is that there are hardly any changes in sales and service staff, which means the "faces of the company" towards the outside should remain the same. The same refers to the management.

As mentioned, working in international markets needs patience and a strong financial background or let's say: deep pockets. As an example: those, who are active in markets like Brazil, India and Russia had to overcome many ups and downs in the economic development.

Following the target "Never let the customer alone with any problem" requires high quality and high flexibility of your service organization.

To safe-guard one's own know-how is in everybody's interest.

The core competence of your own staff is a main part of it.

An open and direct communication within a company's organization is always helpful. Think of analyzing weak points, fault finding, avoiding faults and implementing better solutions, all this needs strong and flexible teamwork.

Problems arise, faults can happen at any time.

The priority should be to take care by involving all responsible people, who cooperate actively to implement a quick solution instead of finding out who could be responsible for the problem or the fault.

**8) Finally: Relation between NEWTECH and NIEHOFF**

The special know-how and expertise of NEWTECH in designing, developing and producing competitive enamelling lines which can suit the international enamelling industry brought us together. Especially in overseas markets, the NIEHOFF sales and service network can support NEWTECH enamelling lines. This cooperation started some years ago in the Indian Market. We are proud of having already some positive results which show that we are on the right track. Our common target is to keep on developing this cooperation and to expand it also into other markets.

Thank you for your attention! If any questions are coming up, I am prepared to answer them - also after this symposium.