



Why and When are Stock-market Firms not Superior?: Lessons from the Strategy Field

Pétits-Déjeuners du Management: ESA Business School

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Chair of International Management and Strategic Management | Berlin Campus

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Are large firms dominating?

SMEs by Number of Enterprises (2016)

	Germany		France		UK	
	Number	Share	Number	Share	Number	Share
Micro	2,135,354	83.7%	2,958,722	95.7%	1,757,336	89.3%
Small	348,737	13.7%	110,746	3.6%	175,708	8.9%
Medium-sized	56,777	2.2%	17,643	0.6%	28,832	1.5%
SMEs*	2,540,868	99.6%	3,087,111	99.9%	1,961,876	99.7%
Large	11,022	0.4%	3,929	0.1%	6,482	0.3%
Total	2,551,890	100.0%	3,091,040	100.0%	1,968,358	100.0%

SMEs by Number of Employees (2016)

	Germany		France		UK	
	Number	Share	Number	Share	Number	Share
Micro	5,739,787	20.2%	4,982,386	31.9%	3,401,353	17.5%
Small	6,588,022	23.2%	2,749,510	17.6%	3,834,976	19.7%
Medium-sized	5,661,220	20.0%	2,142,033	13.7%	3,180,868	16.3%
SMEs*	17,989,029	63.4%	9,873,929	63.2%	10,417,197	53.5%
Large	10,374,615	36.6%	5,754,668	36.8%	9,060,255	46.5%
Total	28,363,644	100.0%	15,628,597	100.0%	19,477,452	100.0%

*SMEs comprise micro (no. of employees <9), small (employees <49) and medium-sized (employees <249) firms.

Source: European Commission (2017a, b, c)

What do these firms have in common?



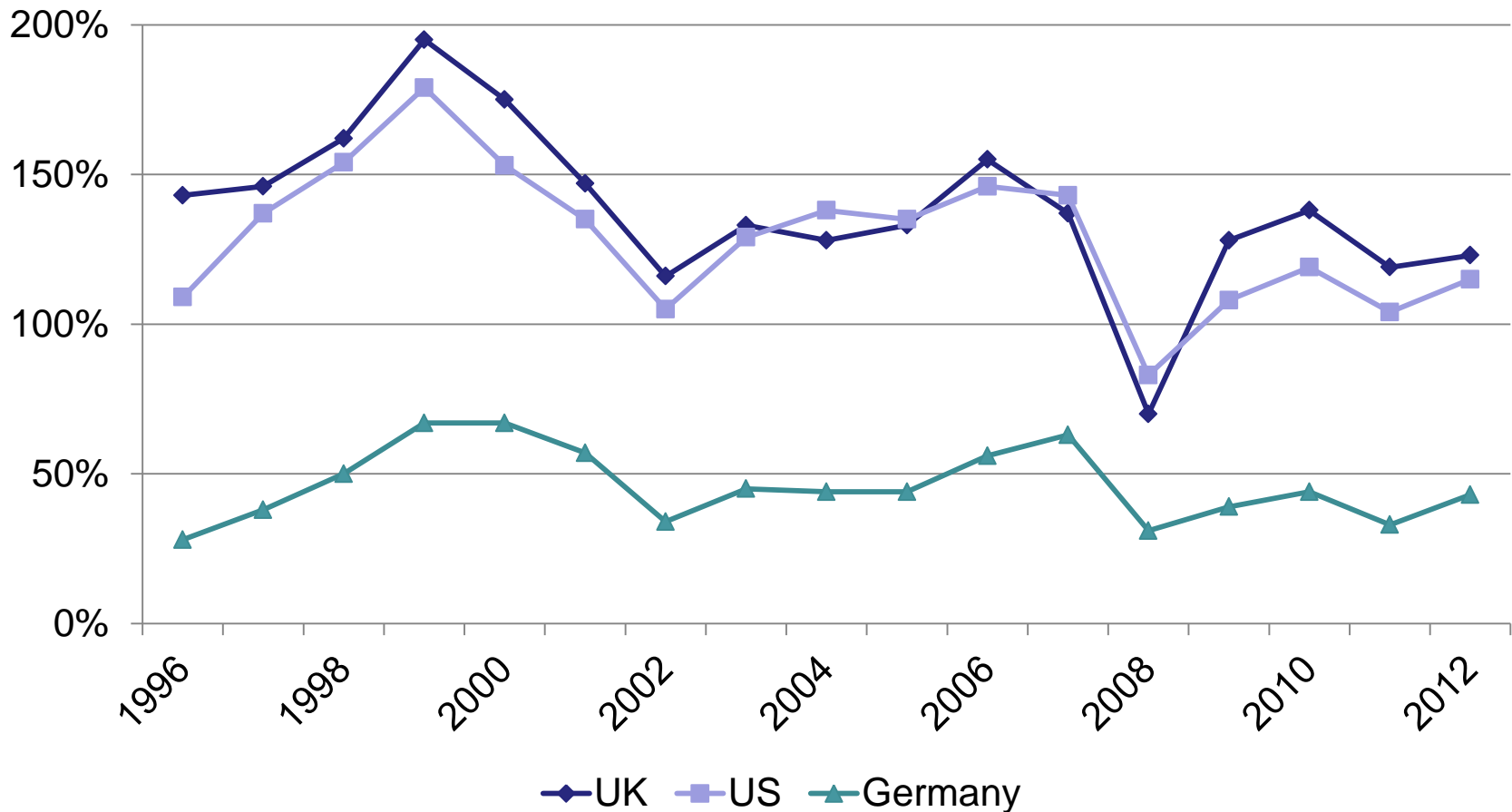
Characteristics of Hidden Champions (1)

- family-owned and often even family-managed
- a very long tradition (over generations)
- operating in or even dominating niche markets
- often concentrating on the B2B segment (machine equipment, electrical engineering, industrial products, car components etc.)
- putting an emphasis on production and operational effectiveness and efficiency
- preferring incremental innovation
- relying on organic (instead of inorganic) growth
- focusing on internal financing
- strong international orientation (export, greenfield)
- having built a unique corporate culture

Characteristics of Hidden Champions (2)

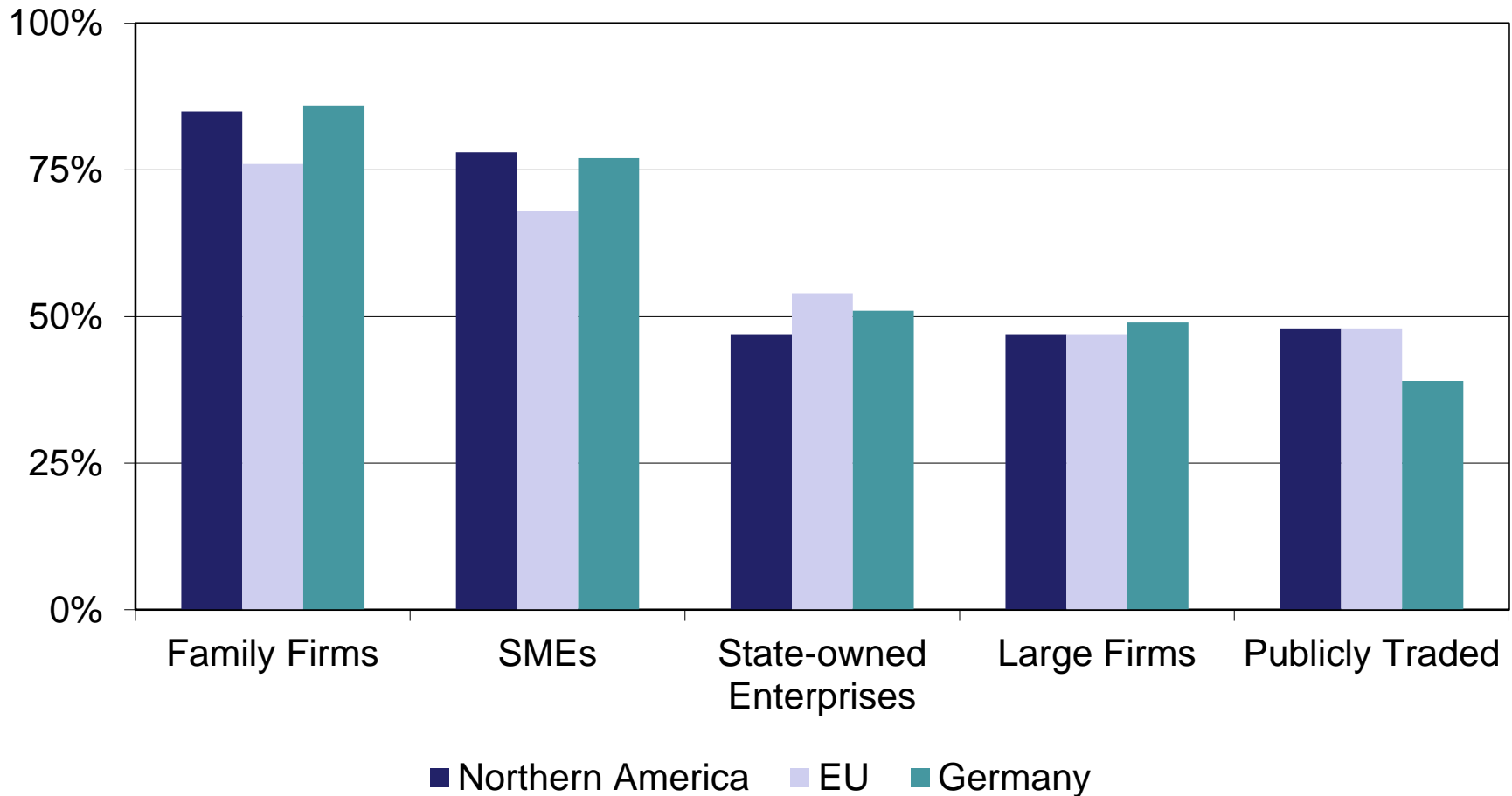
- long-term orientation not only in employee-relationships, but for the firm in general
- profit often not their ultimate goal, but rather a by-product of serving customers well
- very strong stakeholder-orientation
- despite international orientation emphasis on the local community
- trust and loyalty as key values
- leadership by role models
- sticking to traditional employment practices
- balancing conservatism with flexibility and innovation

Stock-market orientation in Germany



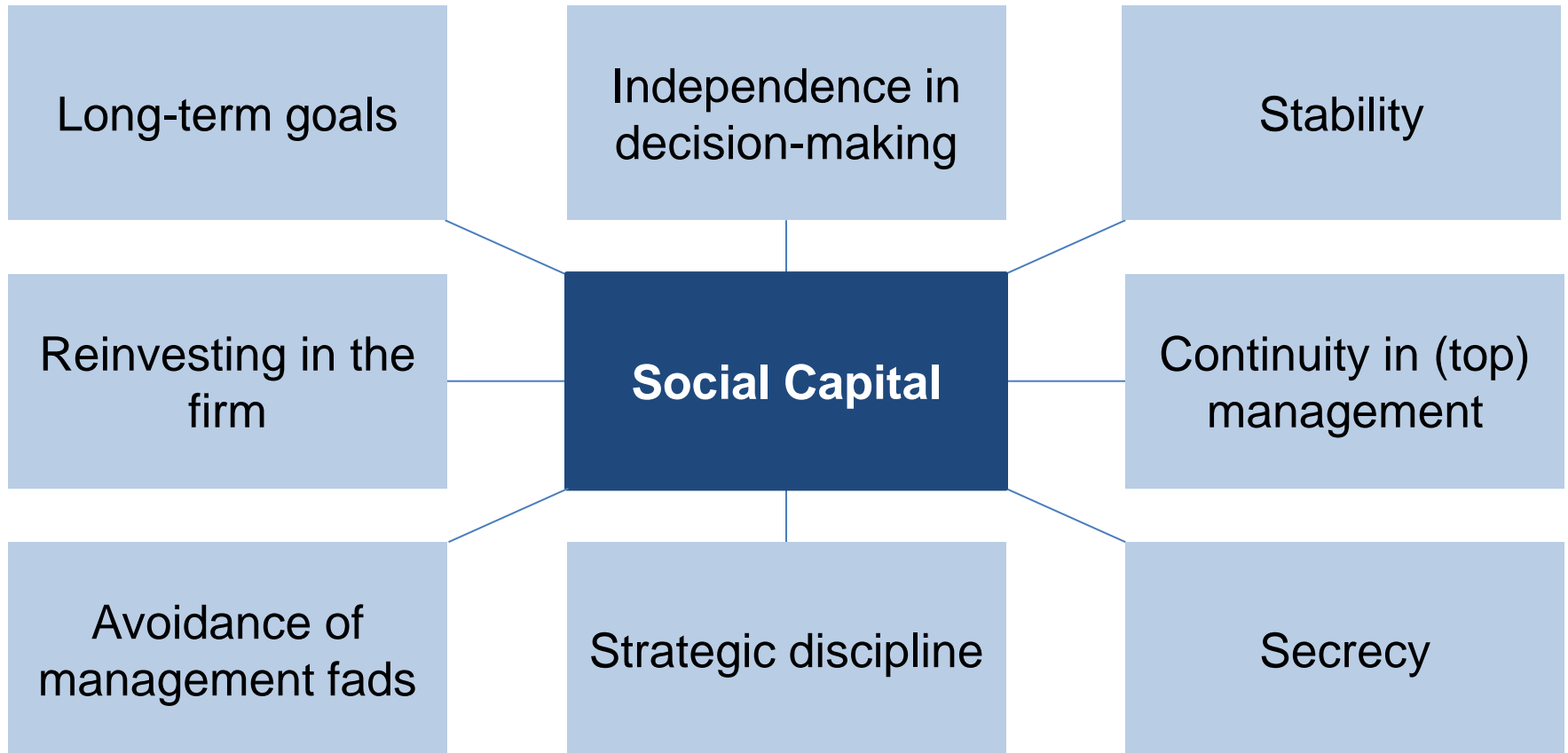
Source: Lehrer & Schmid (2015), data retrieved from World Bank (data.worldbank.org)

Trust in different types of firms



Source: Lehrer & Schmid (2015), based on Edelman Trust Barometer 2014

The advantages of not being stock market-oriented





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