

What can Asian businesses learn from the German Mittelstand model?

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Germany's massive ecosystem of small and medium-sized family-run companies, known as the Mittelstand, has long been attributed to helping Germany maintain its strong economy.

The Mittelstand companies dominate Germany -- 95 percent of all the country's companies are part of the group -- and they also have a commanding presence in the export market as well thanks to their sustained and cautiously planned global strategies.

The companies steadily build their competitive advantage through delivering innovative and high quality products and services by strengthening their technical skills.



Munshi Ahmed | Bloomberg | Getty Images

Mittelstand businesses also forge strong ties with their local community - working with schools and colleges, local government, suppliers, community banks and other organisations.

So, given that so many of the growing companies in Asia are also family-owned and export-oriented, can the German Mittelstand model be exported to this region?

We believe that many of East and South-east Asia's (SEA's) business families are already working towards that goal. In an inaugural survey conducted by the Business Families Institute (BFI) at the Singapore Management University (SMU) in

collaboration with Deloitte Southeast Asia, these business families indicated that their business priority in the next three to five years is to enhance the area of research development and innovation to improve their businesses and competitive edge.

Many of these Asian family businesses share common attributes with the Mittelstand families; such as the strong emphasis on families of their respective cultures and the sense of social responsibility towards employees and community. Additionally, many of Asia's family businesses are privately held and hence in a better position to plan and execute their strategies over a longer horizon.

But family ties are not strong enough for a company to become a powerful economic force.

Too many of Asia's business families are diversified in their area of business and are under a family holding group that houses several operating units. To build product and service niches into global players, consolidation of the business entities and focus on resources is needed.

While German Mittelstand companies might be in their third or fourth generation of managers from the same family, large parts of Asia might be only be seeing the CEO's son taking the lead. In China, most of these family firms are only just beginning,

To develop the business, Asian family-owned entities have to build sustainability in both family and company governance along with a credible brand to attract talented professionals.

To help Asian companies make the transition to the Mittelstand model, a helping hand is needed when it comes to education, outreach and research to link family businesses across the different Asian countries and outside of Asia on learning journeys together.

Many of Asia's government agencies are just beginning to set their sights on helping these Asian family businesses. This phenomenon is in its infancy as there are only over a hundred Asian firms (outside Japan and South Korea) more than 100 years of history. Therefore, the potential to adapt the Mittelstand model has yet to be realised and the SEA families are diligent about professionalising both their family and the business.

We look forward to many of SEA family businesses becoming the hidden champions that German's family firms are known for.

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