



# GERMANY'S TRANSFORMATION CHAMPIONS

Spotlighting the most successful German business transformations of the last 5 years

# Executive Summary

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The Corona crisis has made many German companies painfully aware of how poorly prepared they are for disruptive change. In these trying times, companies must not only realign their core business but also develop new growth areas.

This presents leaders with a challenging task – both processes must happen simultaneously, often under cost pressure, and have different requirements and sometimes even contradictory goals. At Innosight, we call the balancing act of reposting the core business while creating new growth engines “Dual Transformation”.

Largely unnoted, several German firms have already risen to this challenge. **The Innosight German Transformation Champions study highlights eight organizations that have been driving dual transformation successfully by moving into entirely new business models or new markets while strengthening their core.**

Harvard Business manager

Change Management

**Meister der Transformation**

The full article can be found at [Harvard Business manager](#)

# Overview of Germany's Transformation Champions

	Company	Industry	Transformation summary	Share of new business <sup>1</sup>
#1	<b>Axel Springer</b>	Media	Declining print revenues spurred traditional printing company Axel Springer to transition into digital media and services. Their dual approach focused first on migrating the core news business online and second on acquiring digital advertising.	 70%
#2	<b>Rügenwalder Mühle</b>	Food	For 180 years, Rügenwalder sold exclusively meat products, but now is a global industry leader for meat-replacement alternatives. This new market, with new customers, now contributes over 1/3 <sup>rd</sup> of revenues.	 35%
#3	<b>SAP</b>	Software	Recognizing that their on-premise software systems were threatened by flexible, internet-based models, SAP launched a cloud-based platform (S/4HANA Cloud) with a new, 'as-a-service' business model, and has since seen strong platform adoption.	 25%
#4	<b>Nemetschek Group</b>	Software	Nemetschek's software revolutionized the construction industry. What began as software for architects has recently expanded to the new markets of building and managing construction, as well as media and entertainment, leading to impressive returns.	 44%
#5	<b>Evotec</b>	Biotech	Evotec spotted a white space opportunity in their value chain – bridging the funding gap for drug candidates between research and pharmaceutical product development – and developed an innovation business model to seize it.	 22%
#6	<b>Kaeser Kompressoren</b>	Industrials	Kaeser was a first mover in the IoT market when they used sensor technology in their compressors to enable predictive analytics. They have since leveraged this technology to transform their business to offer compressed-air-as-a-service.	 10%
#7	<b>ADVA</b>	Telecom	ADVA is an expert for telecommunication equipment. Building on the trend towards network virtualization, the company has expanded its product range to now also include software decoupled from its own hardware solutions.	 30%
#8	<b>KION Group</b>	Logistics	Realizing the shift towards e-commerce would significantly impact their core market, KION leveraged transformative M&A to grow capabilities in automated warehouse solutions to meet the needs of e-commerce warehouses.	 30%

1) FY2019 or latest available data on the transformative business

Sources: S&P Capital IQ, Company reports, Top Family Company, Innosight expert panel, Innosight analysis

# Three lessons for leaders emerge from studying these champions (1/2)

## 1 TRANSFORM PREEMPTIVELY

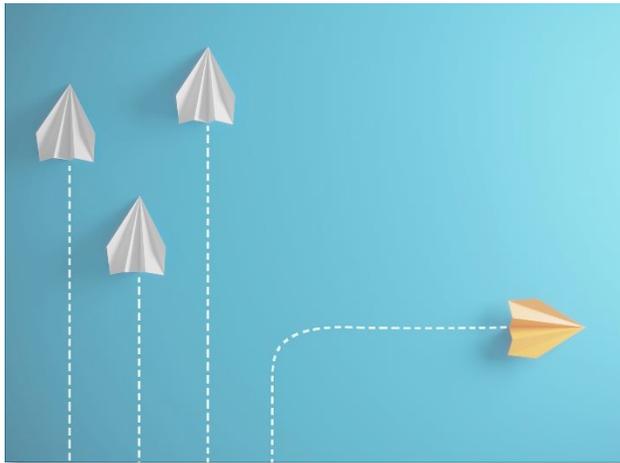
Transformation Champions transform preemptively, rather than in the face of disruption. In our sample, we found that this leads to higher TSR and revenue growth

## 2 BE CLEAR ON AMBITION

Transformation Champions clearly articulate a vision and the transformation's purpose, thereby providing a guiding "north star" for the organization

## 3 FOCUS TRANSFORMATION

Transformation Champions identify and align on a select number of attractive growth areas rather than "boiling the ocean"



# Three lessons for leaders emerge from studying these champions (2/2)

## 1 TRANSFORM PREEMPTIVELY

**NEMETSCHKE GROUP** **Nemetschek** expanded into new markets while its core business was still performing well – generating a 5-year TSR of over 1300%

**evotec** **Evotec** saw a white space opportunity in the drug discovery market and set up a new, transformative business while its core was still growing strongly

*"We ask ourselves all the time: Have we really done everything to meet the expectations of our customers?"*

Dr. Axel Kaufmann  
Chief Financial & Operations Officer,  
Nemetschek



## 2 BE CLEAR ON AMBITION



When **Rügenwalder Mühle** decided to offer meat-free products, the company made a clear, public commitment to pursuing this growth area



**Kaeser Kompressoren**, which transformed by launching a "as-a-service" business mode, set the bold ambition of reaching 30%-40% "as-a-service" revenues

*"We re-shape our industry because we are brave innovators with strong consumer focus."*

Michael Hähnel,  
Chief Executive Officer,  
Rügenwalder Mühle



## 3 FOCUS TRANSFORMATION



**SAP** focused its innovation efforts on the switch from on-premise to cloud-based software



**KION** pursued its transformation towards becoming the one-stop-shop for warehousing through the focused acquisition of DEMATIC

*"We have a five-finger pitch at the executive level – if you can't describe the strategy in five points or less, it's too complicated. Cloud was always the first priority."*

Maxwell Wessel,  
Chief Innovation Officer,  
SAP



# About Innosight and the authors

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## ABOUT INNOSIGHT

Innosight is the growth strategy arm of Huron, a U.S.-based professional services firm. Innosight combines creativity and analytical rigor to empower forward-thinking organizations to navigate disruptive change and own the future. It works with organizations to imagine and create new ways to grow in their core business and in markets that don't yet exist, build capabilities to seize new opportunities, and build organizational momentum to ensure long-term success. Founded in 2000, Innosight has offices in the United States, the United Kingdom, Singapore and Switzerland.

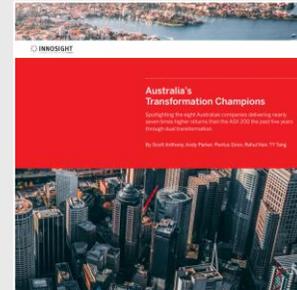
Innosight Europe has helped many German companies tackle dual transformation successfully. This report is part of Innosight's Transformation series of reports, which chronicles companies leading strategic transformations.

Discover how we can help your organization navigate disruption at [www.innosight.com](http://www.innosight.com).

*Our earlier reports include:*



**Global Transformation Champions**



**Australia's Transformation Champions**

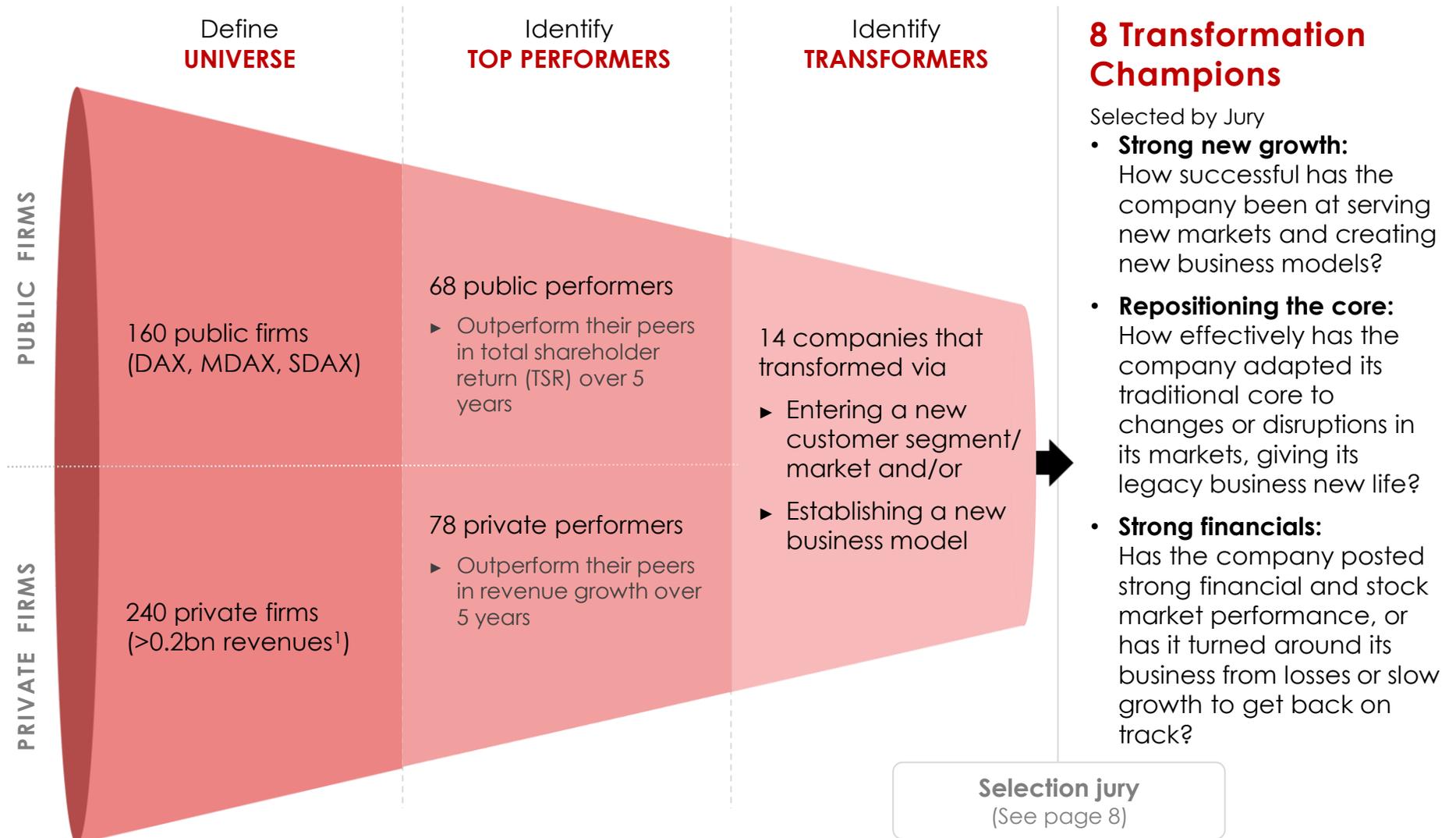


**ASEAN's Transformation Champions**

# 1. Methodology

Brief overview of the methodology

# Transformation Champions methodology summary



1) Exhaustive universe of companies with revenues >1bn; select universe of transformative companies with revenues 1bn-0.2bn

# Details on the Transformation Champions jury



**Prof. Dietmar Harhoff, Ph.D.**

Director, Innovation & Entrepreneurship Research



**Prof. Rita McGrath, Ph.D.**

Professor and Program Director:  
Leading Strategic Growth and Change



**Johannes Huth**

Head of KKR EMEA



**Rich Alton**

Director, Emerging Research



The expert **jury voted on the shortlist of 14 “Transformers”**. They scored each company along two criteria:

1. **Strategic transformation success**  
Evaluated on the extent to which companies repositioned their core business, addressed new markets or developed new business models, and demonstrated financial success
2. **Strategic transformation relevance**  
Evaluated on the extent to which this company could serve as a role model for other German companies

# 2. Transformation Champions

Deep dive on Transformation Champions

# #1 Axel Springer SE

## OVERVIEW

Axel Springer is Germany's largest media publishing house. It owns major publications including *Die Welt* and *Bild Zeitung* as well as online services such as the job search platform StepStone. The business is divided into three divisions: paid News Media, Marketing Media and Classified Ads.

**axel springer**

 **Founded**  
1946

 **Industry**  
Media

 **Revenues**  
€ 3.1 bn

 **Employees**  
16,350

 **CEO**  
Dr. Matthias  
Döpfner

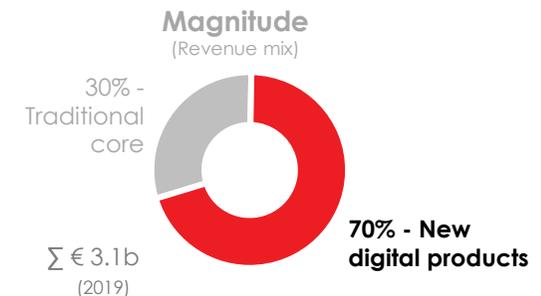
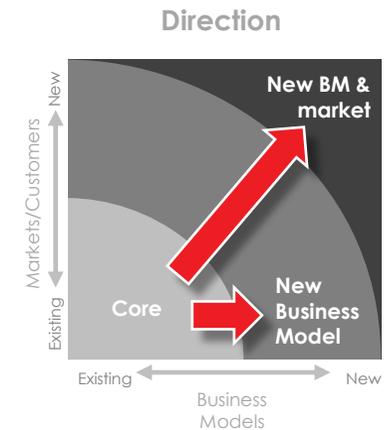
 **Ownership**  
Private

## Transforming from newspapers to digital content

With the core print business sales halving over the last ten years, Axel Springer was among the first publishers to pursue a transformational strategy pushing into digital media and services.

The company's dual approach focused on first migrating the core news business online, and on second acquiring new digital businesses. Together, these new digital businesses now account for 70% of revenues and over 80% of EBIT, helping to offset the challenging situation in the core news and print business. Axel Springer Digital Ventures has also successfully generated profits through pursuing transformative investments such as Airbnb, N26, MagicLeap, and WunderFlats.

In August 2019, Axel Springer partnered with private equity house KKR to take the company private, citing a desire to continue investing in long-term growth and transformation.



Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

# #2 Rügenwalder Mühle Carl Müller GmbH & Co. KG

## OVERVIEW

Rügenwalder Mühle is one of Germany's leading meat and meat-replacement producers. Despite being a mid-sized company, the brand is among the best-known 'homegrown' consumer brands with over 90% brand awareness. Rügenwalder Mühle has been family owned and operated since 1834.



**Founded**  
1834

**Industry**  
Food

**Revenues**  
€ ~200m

**Employees**  
550

**CEO**  
Michael Hähnel

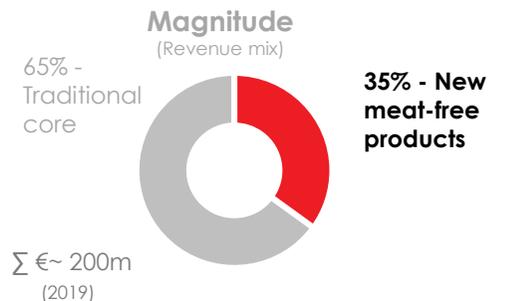
**Ownership**  
Private

## Transforming from meat producer to vegan options

For 180 years, Rügenwalder sold exclusively meat products, but now is a global industry leader for meat-replacement alternatives.

Recognizing the need to adapt to changing customer preferences for plant-based protein, Rügenwalder was among the first German meat producers to launch meat-replacement products in 2014. This new market, with new customers, now contributes over 1/3 of revenues while the traditional meat business is decreasing. The company also invested in maintaining the momentum in this new market, for example by significantly increasing meat-free production capacity.

In proactively embracing this fast-growing opportunity, Rügenwalder has positioned themselves to become a top player in the plant-based products market.



## TRANSFORMATION

Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

# #3 SAP SE

OVERVIEW

SAP is a German multinational enterprise software provider. Its focus is on ERP software which manages operations and customer relationships. The company has over 440,000 customers in over 180 countries.



**Founded**  
1972

**Industry**  
Software

**Revenues**  
€ 27.6 bn

**Employees**  
101,150

**CEO**  
Christian Klein

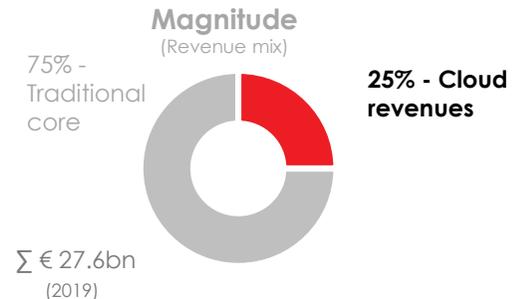
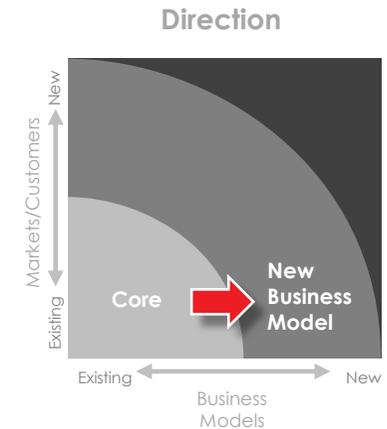
**Ownership**  
Public

## Transforming from on-premise to cloud software

Recognizing that their legacy on-premise software systems were threatened by flexible internet-based models, SAP launched a cloud-based platform (S/4HANA Cloud) with a new, 'as-a-service' business model.

Addressing disruption from internet-based players by developing a new, software-as-a-service business model has not only served to transition and retain existing customers, but also attract new ones, with over 1/3 of cloud adoption in 2018 and 2019 coming from net new customers. Cloud-based revenues have grown 30-40% year-over-year for the past years, reaching €7bn in 2020.

In addition, SAP is continuing to expand their offerings in this new business model by investing in open-source development, facilitating Hana adoption across Google Cloud, AWS and other cloud providers. They are also leveraging technology such as machine learning to provide innovative new services which offer proactive problem-solving for enterprise IT.



Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

TRANSFORMATION

# #4 Nemetschek Group SE

## OVERVIEW

Nemetschek Group is a vendor of software for architects, engineers, and the construction industry. The company develops solutions for designing, building, and managing buildings and real estate. The company operates as a holding structure with 16 distinct brands across four business segments: Design, Build, Manage, and Media & Entertainment.

**NEMETSCHKEK  
GROUP**

 **Founded**  
1963

 **Industry**  
Software

 **Revenues**  
€ 557 m

 **Employees**  
2,900

 **CEO**  
Dr. Axel  
Kaufmann

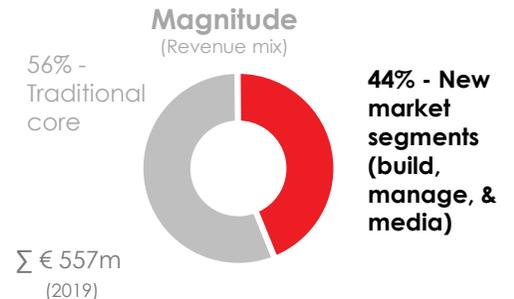
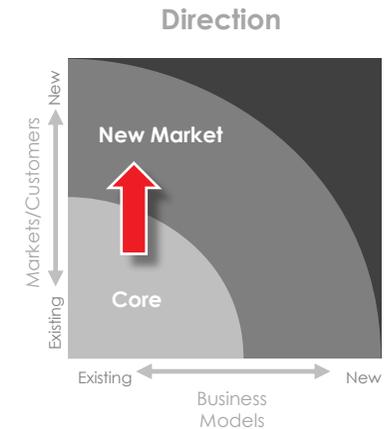
 **Ownership**  
Public

## Expanding to new markets to service the full ecosystem

Nemetschek software revolutionized the architecture, engineering, and construction (AEC) industry. What began as software for architects has recently expanded to the new markets of building and managing construction, as well as media and entertainment, leading to impressive returns.

Nemetschek's strategic expansion is focused on identifying opportunities to address unmet customer needs around productivity and efficiency along the AEC value chain. 7 of the 16 Nemetschek brands were acquired in the last 5 years to systematically develop and provide new offerings. Their business is set up to be "Mittelstand at scale", with each brand empowered to be a world leader in its discipline. Many of the brands have been the first to offer a digital solution in their respective market.

In proactively identifying and addressing these customer needs, Nemetschek's vision is to enable the digitalization of the AEC ecosystem.



Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

## TRANSFORMATION

# #5 Evotec SE

OVERVIEW

Evotec SE is a publicly listed drug discovery and development contract research organization that operates globally through alliances with pharmaceuticals, biotechnology, and academic institutions. Evotec helps their partners develop cutting-edge new drugs. The company joined the MDAX in 2018 and has been one of the strongest performing stocks of the last five years.



**Founded**  
1993

**Industry**  
Biotech

**Revenues**  
€ 446m

**Employees**  
3,000

**CEO**  
Dr. Werner Lanthaler

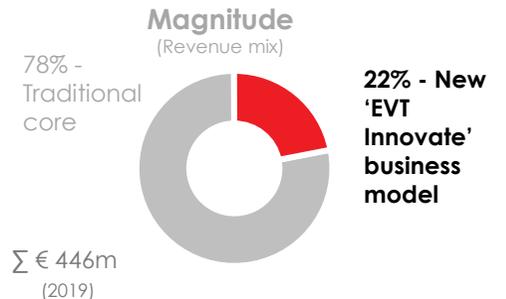
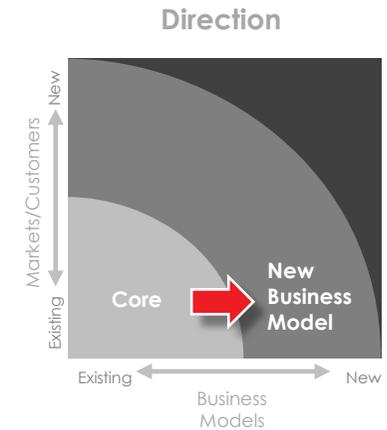
**Ownership**  
Public

## Expanding with new business models along the value chain

Evotec spotted a white space opportunity in their value chain – bridging the funding gap for drug candidates between research and pharmaceutical product development – and developed an innovative business model to seize it. This new business model enables outsourcing of drug testing and commercialization to Evotec, with the company co-owning the IP. This new business now contributes 22% of revenues and 28% of gross profit at Evotec.

To focus their expansion into this new business model, Evotec took a measured approach of focusing on a handful of key therapeutic areas (Respiratory, Neuronal Diseases, Diabetes & Complications, Fibrosis, Pain, Oncology, Anti-Infectives) which leveraged expertise from its core business.

Evotec aims to become the number one external innovation partner in drug discovery and development for biotech, pharma, and foundations, and plans to leverage its technology and novel approaches to achieve this goal.



Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

TRANSFORMATION

# #6 Kaeser Kompressoren SE

## OVERVIEW

Kaeser Kompressoren is the largest supplier of compressors and compressed air systems in Germany, with branch offices and distribution in over 100 countries. The company is a manufacturer and service provider for all compressed air needs in manufacturing.



**Founded**  
1919

**Industry**  
Industrials

**Revenues**  
€ 800m

**Employees**  
7,000

**CEO**  
Thomas  
Kaeser

**Ownership**  
Private

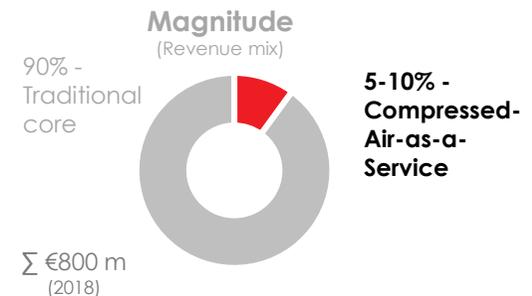
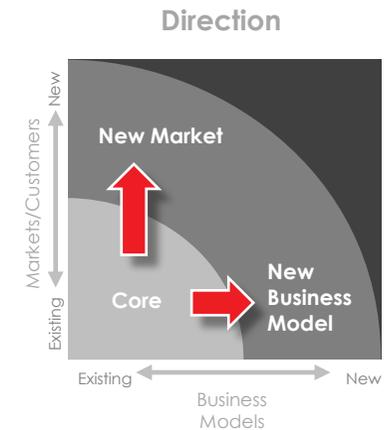
## TRANSFORMATION

### Transforming from hardware to 'as-a-service'-model

Kaeser was a first mover in the IoT market when they used sensor technology in their compressors to enter the predictive analytics market in 2001. In a second wave of transformation from 2017, they have leveraged this technology to transform their business model to offer compressed-air-as-a-service (pay per cubic meter) instead of selling machines.

These developments at Kaeser focus on providing more convenient and effective ways to address customer needs – their as-a-service business, for example, is already being adopted by several customers exhibiting a strong growth trajectory. CEO Thomas Kaeser has projected this new service could contribute 30-40% of revenues over the next 10 years.<sup>1</sup>

Kaeser is also investing into growing talent and fostering organizational innovation, for example by establishing new research and innovation centers.



1. [IndustrieAnzeiger](#) interview with Thomas Kaeser, CEO, 18.02.2019

Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

# #7 ADVA Optical Networking SE

OVERVIEW

ADVA Optical Networking is a European telecommunications vendor providing network hardware and software for data, storage, voice, and video services. Its technology has been deployed by more than 250 telecommunications carriers and 10,000 enterprises worldwide.



**Founded**  
1994

**Industry**  
Telecom

**Revenues**  
€ 556m

**Employees**  
1,900

**CEO**  
Brian Protiva

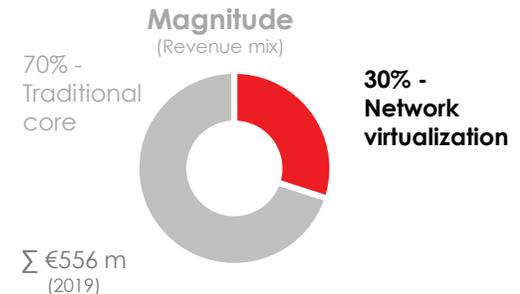
**Ownership**  
Public

## Expanding into virtualized (decoupled) products

ADVA is an expert for telecommunication equipment. Building on the trend towards network virtualization, the company has expanded its product range to now also include software decoupled from its own hardware solutions.

ADVA's approach has focused on shifting from coupled hardware and software to decoupled solutions with broad compatibility to appeal to new customer segments such as internet cloud providers. The network virtualization business, one of the critical decoupled business segments, is now growing at a rate nearly triple that of the traditional core business.

ADVA continues to invest in this promising area of transformation with the plan to grow network virtualization solutions to nearly half of the business. This transformation has also opened doors into additional markets and service offerings such as cybersecurity for enterprise IT and spectrum-as-a-service for telecoms providers.



TRANSFORMATION

Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

# #8 KION Group AG

OVERVIEW

KION Group is a German multinational manufacturer of materials handling equipment. Its principal products are intralogistics, warehouse solutions, and forklifts. KION Group was created by the 2006 demerger of The Linde Group's materials handling equipment operations. It is the world's second-largest manufacturer of forklifts measured by revenues.



**Founded**  
2006

**Industry**  
Logistics

**Revenues**  
€ 8.8bn

**Employees**  
34,000

**CEO**  
Gordon Riske

**Ownership**  
Public

## Expanding into holistic warehouse services

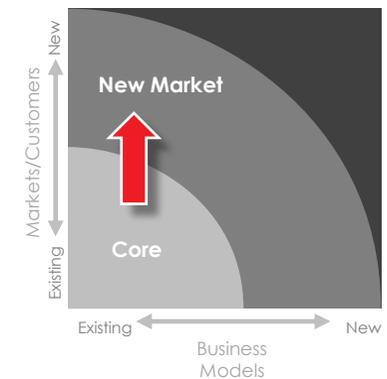
Realizing the shift towards e-commerce would significantly impact their core market, KION leveraged transformative M&A with the strategic acquisition of DEMATIC in late 2016 to grow capabilities in automated warehouse solutions.

Through this acquisition, KION extended their business from traditional forklifts to automated warehouse solutions, an increasingly relevant offering in an e-commerce dominated economy. Capital markets rewarded this future-focused expansion – after announcing the acquisition in mid 2016 the share price rose by over 50% over the next 12 months.

KION is continuing to pursue in this transformation, with the clear strategic goals of expanding market share in e-commerce logistic and positioning themselves to be the leading global warehouse solutions player.

TRANSFORMATION

Direction



Magnitude  
(Revenue mix)

70% -  
Traditional  
core



30% - New  
Supply  
Chain  
Solutions  
business

Σ € 8.8 bn  
(2019)

Note: Information based on outside-in Innosight assessment

Sources: Company data sourced from Capital IQ and company reports; when necessary supplemented with third party data (e.g., news, analyst reports, industry reports)

# Runner-ups – High performing firms with transformative initiatives

Company	Industry	Transformation summary	Share of new business <sup>1</sup>
<b>Bosch</b>	Industrials/ Automotive	Recognizing a decline in traditional automotive manufacturing (60% of their business) Bosch has begun investing heavily in supplying components for electromobility and autonomous cars.	1% 
<b>Hochtief</b>	Construction	Opportunities for growth in civil engineering projects have stagnated, particularly in Hochtief's traditional core market (Europe). In response, Hochtief expanded its business model to capture opportunities in Public-Private Partnerships as well as in post-construction building services.	44% 
<b>Mann + Hummel</b>	Automotive	Mann+Hummel's core business, the production of automotive filters, is highly dependent on the fate of combustion engines. The company has therefore started a capability-led expansion into new markets and into the transformational area of car-independent air & water filters.	10% 
<b>Marquardt</b>	Automotive	Around 2010, Marquardt management decided to expand into the e-mobility market. Using capabilities and customer feedback as the north star, the company decided to produce battery management systems.	10% 
<b>Max Bögl</b>	Construction	In 2010, Max Bögl decided it wanted to meaningfully combat the effects of climate change. The company therefore founded the wind turbine-manufacturer Max Bögl Wind AG, a now-successful subsidiary expanding into new markets around wind energy.	No data available
<b>Webasto</b>	Automotive	While Webasto's core business is by no means under immediate pressure - the company profited strongly from the boom in luxury, sunroof sporting, SUVs - it is pro-actively pursuing transformative growth opportunities around electromobility.	1% 

1) FY2019 or latest available data

2) Forward looking orders, not overall revenues

Sources: S&P Capital IQ, Company reports, Top Family Company, Innosight expert panel, Innosight analysis



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