

# **MENDEL UNIVERSITY IN BRNO**

**FACULTY OF BUSINESS AND ECONOMICS**

**Department of Management**

## **DIPLOMA THESIS**

**Selected aspects of strategy for BAUER GmbH.**

**Doc. Ing. Helena Chládková, Ph.D.**

**Bmstr. Dipl.-HTL-Ing. Hermann SCHRATTENTHALER, MBA**

**2016**



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### **Abstract**

The diploma thesis focuses on the situation of the company BAUER, and pays a specific attention to its African market. After analysing the environment of the company it focuses on proposal of a business strategy through the 7P approach, and then it describes a new organizational structure of the company, which should better reflect the current developments. African market is evaluated from the viewpoint of key market factors (potential, economic situation, legal framework, and competition). Within the discussion the thesis offers 6 premises, which should be the main drivers of the future company performance (e.g. employee initiative, appropriate decision making, communication).

**Key words:** sales performance, organisational structure, business strategy, organisational development, mechanical engineering.

### **Abstrakt**

Diplomová práce se zaměřuje na situaci firmy BAUER a věnuje pozornost jejímu africkému trhu. Po analýze prostředí firmy se práce zaměřuje na návrh obchodní strategie prostřednictvím přístupu 7P, a poté popisuje novou organizační strukturu firmy, která lépe odráží aktuální vývoj. Africký trh je hodnocen z pohledu klíčových tržních faktorů (potenciál, ekonomická situace, právní rámec a konkurence). V diskusi je navrženo 6 předpokladů, které by měly být hlavními předpoklady budoucí výkonnosti firmy (např. zapojení zaměstnanců, odpovídající nastavení rozhodovacího procesu, komunikace).

**Klíčová slova:** prodejní výkonnost, organizační struktura, obchodní strategie, organizační rozvoj, strojní inženýrství.



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## **Preamble**

Many of us have experienced the same: Being a passenger at Frankfurt airport and having the feeling that generally everything is working, but it is still partly chaotic. Long passages as the different buildings have been constructed over the years. Emphasis was not on functionality but on possibility and feasibility at the respective point in time. For passengers, certain processes and sequences seem confusing and not logically arrayed. Almost nothing is self-explanatory. Finding the restroom can become like running the gauntlet. One gets the impression that things could be done better!

If one compares above scenario with the new airport in Munich, one sees an entirely different picture. Ways are short, all buildings are bright and friendly – one distinctly follows the right ways. Processes seem to be arranged logically and functionality counts above everything else.

Of course everybody knows that Frankfurt airport has developed piece by piece over decades whereas Munich airport was built in the middle of the Nineties completely new – and quite literally ‘in the open countryside’ in the Erdinger Moos.

This can, however, not be an excuse in Frankfurt’s case – both are airports and offer the same product – one better than the other one!

Organizations meet the same fate: Some companies had their positions over decades and are suddenly pushed out of safe markets by new and innovative companies.

That does not mean that all past ideas were generally bad, old fashioned or less successful – but it should be a clear indication that we cannot rest on past achievements!

**“Not the big one eats the small one, no – the quick one eats the slow one!”**

Analysing processes of change and permanent questioning of the own organization is an important issue for securing the company’s future. “Change Management” is one of the key words in today’s Management discourse.

This has also increased sensitivity for the fact successfully coping with organizational challenges are a huge task which can very rarely only be achieved with simple respectively modified targets. Organizational changes can be compared to a surgical intervention into an organism – a living organism and without anaesthesia. Good surgeons have learnt that one does not cut without need. Only when all other means fail, then the knife will be used. This is the same for good managers. They never reorganize without the need – and if they have to do it, then only after best possible preparation and careful evaluation of the procedures under consideration of all flanking measures<sup>1</sup>.

Most important companions of reorganizational processes are the right sense of proportion as well as common sense and involving the employees under the consideration of active company culture.

Who keeps on changing and reorganizing just for the sake of it, risks a significant decrease of business results and triggers a wait-and-see position amongst his employees as well as lethargy and even fear. This is the least we want.

Thank you for submitting any further ideas or tips.

Hermann Schrattenthaler

January 2016

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<sup>1</sup> (Malik, 2006), p.193

## 1 Introduction

Companies are subject to permanent changes of their frame conditions.

Markets, customer requirements, competitor situations, legal regulations and even social values and norms are changing constantly with increasing dynamic and higher speed. In order to succeed on the long term, companies are forced to adjust to these new frame conditions.<sup>2</sup>

“Nothing is permanent except change” (Heraklit of Ephesus 540 - 480 BC) – that is certainly true and it is still within human’s nature to handle such change proactively.

If companies report that they are experiencing difficulties very suddenly and overnight, it is often only partly correct. Quite often indications have been clearly visible for a certain while.

Complacency, self-satisfaction, over-organization, lack of will for change, missing

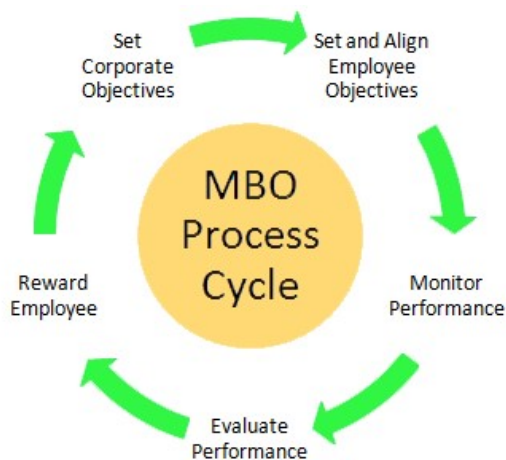


Fig. 1: Process cycle (Drucker, 2010)

leadership culture, are only a few reasons why we have difficulties in dealing with necessary change. Many managers control their company under the ‚principle of hope‘.

“We keep on doing what we do” strategies, or the “everything will be fine” strategy are generally not successful. They are merely the expression of missing self-evaluation.

Leading a company requires permanent fine adjustment and refocusing. It is necessary to never be entirely satisfied. Organizations have to scrutinize targets in a recurring cycle over and over again. They have to particularly assess their results with regards to how much impact did they have on the affected people. A plan has to be adjusted if the circumstances change, if there are good or bad results or if there is a surprise success leads or if a customer leads you to a

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<sup>2</sup> (Dillerup & Stoi, 2011), p. 585

different location than expected<sup>3</sup>. Changes are an integral part of a company and are always associated with renewing, bundling of powers and capacities as well as reorientation.

The Implementation of such new ideas or strategies often require organizational adjustments and alterations. As such, change is happening permanently and on all managerial level with different intensity and in different form. For a company, change means both chance and risk. Accordingly, the ability for transformation and innovation of a company becomes a critical factor of its competitiveness.

Introduction, creation and control of transformation processes are an important and crucial field of leadership. An important factor is to organize the change and not to only to change the organization.

A “more suitable” organisation has significant influence on the success of a company. The type of organization is expression of active company culture. Organizations should be clear and self-explanatory. A sensible and well-functioning connection of single organs to an integrated organism is an “Organization”.

**What is simple can be understood! What is understood will be done!**

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<sup>3</sup> (Drucker P. F., 1999), p. 52-56

## **2 Objective and methodology**

Objective of the thesis will be to formulate strategic recommendations for Bauer, GmbH., including possible specifics of selected national market. The objective will be achieved through analysis of external and internal environment of the company, which will serve as a basis for formulation of strategic recommendations. These will be formulated in a form of main theses, proposing key success factors and development directions emanating from the performed analyses.

Partial steps in achievement of the objective include:

- Getting an “approximate leitmotif”, respectively an approximate direction for the imminent sales reorganization. By documenting and describing a situation, problematic areas and improvement potentials can be identified better.
- Getting a proposal for a new structure within the sales division of BAUER Maschinen GmbH.
- Getting a basic outline for the ‘New’ sales organization to be set up in Africa.

This thesis primarily deals with the reorganization of the sales department of BAUER Maschinen GmbH. as a whole, coming from the inputs from own experience of the author, and a summary of opinions and repetitive remarks of BAUER managers. Conclusions in this respect are based on the theory of organisation, which is partly presented in the survey of literature, and partly in the results themselves.

Specific focus represents an application of the “7P model” (product, price, place, promotion, people, processes, and planning – Hanzelkova et al., 2009), conclusions of which actually serve as an input for the proposed organisational structure change. For a smooth functioning of a sales organization, there is a need for perfect interaction with the different functional areas as e.g. design, development, product management, process management, assembly departments, commercial management, HR department and certainly marketing – if existing (!).

During a “Status Quo analysis” it turned out that there are ‘legacies’ in these subareas, which have built up over the years and which need urgent remediation or divestiture. In the existing case it has to be assumed that the organizational units work according to plan – hence they are not a part of this analysis and considered in passing, they are a part of a separate examination.

Within the “Sales-Excellence-Project” for the entire sales department of Bauer, mainly six different work packages were defined:

1. Strategic market development
2. Sales organisation and leadership
3. Sales processes and related interfaces
4. Training / incentive & career system
5. IT-systems (CRM/SAP etc.)

This thesis mainly reflects on work package 2 – sales organisation and leadership, and starts with a detailed description of BAUER corporate culture, as well as presentation of the status quo of the entire sales organization. It ends with proposals for a new, possible sales structure and its operation in the future. Each organizational form is an expression of lived corporate culture and must suit the company. An isolated investigation of these points is impossible!

The “Sales-Excellence-Project” started in January 2015 with an analysis and will possibly be completed by July 2016.

### 3 Survey of literature

#### 3.1 Corporate culture

Understanding the terms leadership, management, strategy etc. differs from company to company, and it actually represents a part of its corporate culture. General considerations of BAUER in this respect are essential for its organization. Terms like organizational structure, corporate culture and business strategy (structure – culture – strategy) are interdependent with each other and determine the type of collaboration with each other at BAUER. Besides many individual factors, which are important for the success of a company, management system seems to be decisive. Bauer uses a system of an integrated and interconnected structure of interlocking wheels (see Fig. 2), which are all interdependent on each other. This starts with the personality and professional competence of the entrepreneur – the BAUER Group of Companies is still family managed – involves his ethical views, defines the clients' needs and leads to the capability of leading people and organizing work processes. And all these points require relatively prompt actions.

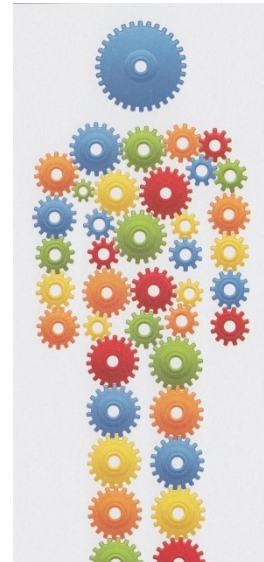


Fig. 2: The order in a company (Fournier, 2011)

***The effectiveness of the systems decides the company's success!***

Good company leadership is the goal-oriented creation of perceptible customer benefit in fast changing markets together with other people.

***Strategic management means to mainly concentrate on personal and entrepreneurial tasks!***

The human being as individual personality is the centre of the Management System at BAUER. From the centre point, he is surrounded by his four personal and professional main tasks in combination with the strategic management. In both cases the main tasks are divided between tasks on the consciousness level and the implementation level.

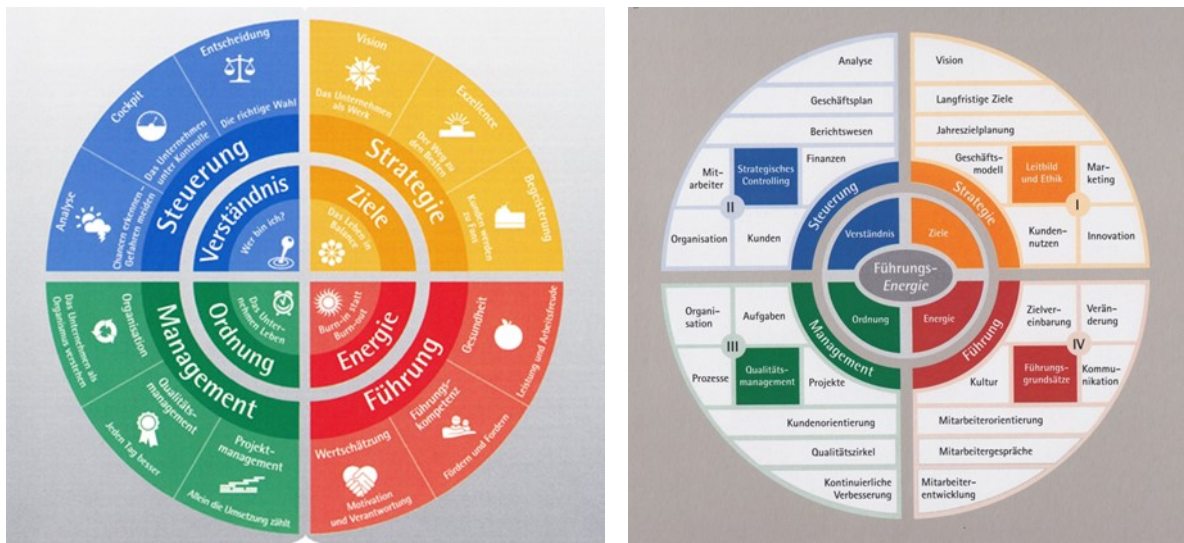


Fig. 3: Integral Management system (Fournier, 2011)

### 3.1.1 Personal tasks in strategic management

At BAUER there are four personal tasks in the sense of strategic management.

#### Goals/Clarity/Values

Clarity stands for the personal perception of the current situation (position) and also the self-control in the sense of a life-long ability to learn. Values define the personal motivation and results from it – in the sense of an effective lifestyle. For a definition of private goals, a prior and clear ‘position definition’ is essential.

#### Understanding

Understanding stands for personal and professional conditions that a person has to have in order to cope with a certain task and fulfil it. Do I understand the context, on a professional and personal level? What is to be done? What is my plan in order to reach my goals?

#### Energy

Energy stands for a personal work-life balance. Quite often negative vibes up to illnesses influence business management negatively. Personal dissatisfaction or even “Burn-Out” is the result.

#### Order

Order stands for the personal organization of tasks and time in the sense of an effective work methodology. How can I involve my personality into an organization in the best possible way without unbalancing my own life?



### **3.1.2 Main entrepreneurial tasks in strategic management**

Apart from main personal tasks, the “BAUER-Management System” also has to reflect on strategic management of “entrepreneurial tasks”.

#### **Strategy**

The strategy summarises the terms visions, goals and the mission statement, but also well prepared planning of the business model and the defined customer benefits up to a marketing concept, with which these objectives are to be implemented successfully on the market.

#### **Leadership**

Leadership is the most difficult task. To handle people and also to achieve the goals of the company with a lot of different talents. Leadership is the task to find the right people, to engage their talents, to challenge them and to let them work motivated. There is few tasks that are being as neglected as leader!

*An important principle at BAUER is: **“Leadership can be learnt!”***

#### **Management**

Management means that the system provides a simple and practicable organization as well as the related quality management. It is the task of the organization itself to organize the work flow. It is furthermore the task of the quality management to recognize deviations of management objectives of any kind ‘in time’. This point is currently very important for BAUER as we are developing from a pure process organization to process oriented organization.

#### **Controlling**

Controlling is the task to identify and implement new measures. It stands for transparent controlling in which the quantitative and qualitative goals are evaluated timely. How do we measure our success? Is our company on the ‘right path’? Each company has an existential need to know its numbers and to control them regularly. But the virtues of discipline and moderation do not count much if the cleverness of the entrepreneur is not added to it. Numbers on its own do not signify all too much. It is important to have the correct numbers and to interpret them correctly too. We are then talking about effectiveness and efficiency of controlling.

In order to emphasize the reference of this thesis to the sales management, the following thought can be mentioned at this point. If a sales man is asked the not

entirely serious questions who is his 'natural enemy', one gets surprising replies. Winning positions in the 'natural enemy statistics' of sales persons are controllers and financial managers.<sup>4</sup> The relationship between sales employees and sales managers to controllers and financial managers is quite often strained as they live in different worlds but are still dependent on each other. Sales personnel quite often feels completely 'misunderstood' of these 'number people'. They see it as their prime duty to recognize chances and to utilize them. The simplified logic in the sales department is to increase the activities, then be productive and only at the end of the process introduce the necessary quality.<sup>5</sup> This logic is exactly the opposite for controlling. Also controllers want to recognize chances, but have to avoid risks for the company in their function. It is very important for sales personnel and sales clerks to realize that a good controlling, which can provide current information which focuses on the essentials, can only be positive for all involved. There is no sustainable success without success control. Controlling, however, is significantly more than only accounting. Controlling is support for Management and Sales Departments within the framework of goal-oriented corporate governance. The more the accounting department cares about future tasks, the more it becomes the character of a controlling benefit.<sup>6</sup>

To know that one knows the numbers has an immensely liberating effect on the sales man. Within the scope of success control there are numerous interfaces between controlling and strategic decision-making process. The following graphic shows that the time focus of financial management resp. accounting is primarily in the past. The horizon of cost accounting focuses mainly on one financial year, whereas the cost accounting can focus on the past as well as on the future. Mainly when cost accounting shows a reference to the future, it is a central instrument of the operative controlling. Good figures from the operative and strategic controlling are important parameters at BAUER inter alia for sales pre-calculation. It enables a transparent reflection of the separate profit and loss statements of the different sales areas within the entire sales team. Key words are marginal return costs, sales costs, operating costs etc.

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<sup>4</sup> (Pinczolits, 2010), p.34

<sup>5</sup> (Pinczolits, 2010), p.35

<sup>6</sup> (Mussnig, Bleyer, & Giermaier, 2011), p.52

In this context, however, one has to be cautious of systematic bureaucracy, which can make the best control systems inefficient. The reason is that a sensible and simple principle is made into a complicated and bureaucratic system. For the involved managers, this means red tape and time consuming procedures. Even worse: it almost always results in the fact that form replaces content that the system counts more than is actually needed.<sup>7</sup>

The previous chairman of Deutsche Lufthansa AG, Jürgen Weber once said: *‘To lead a company only by financial numbers corresponds to following a soccer game via the scoreboard.’*

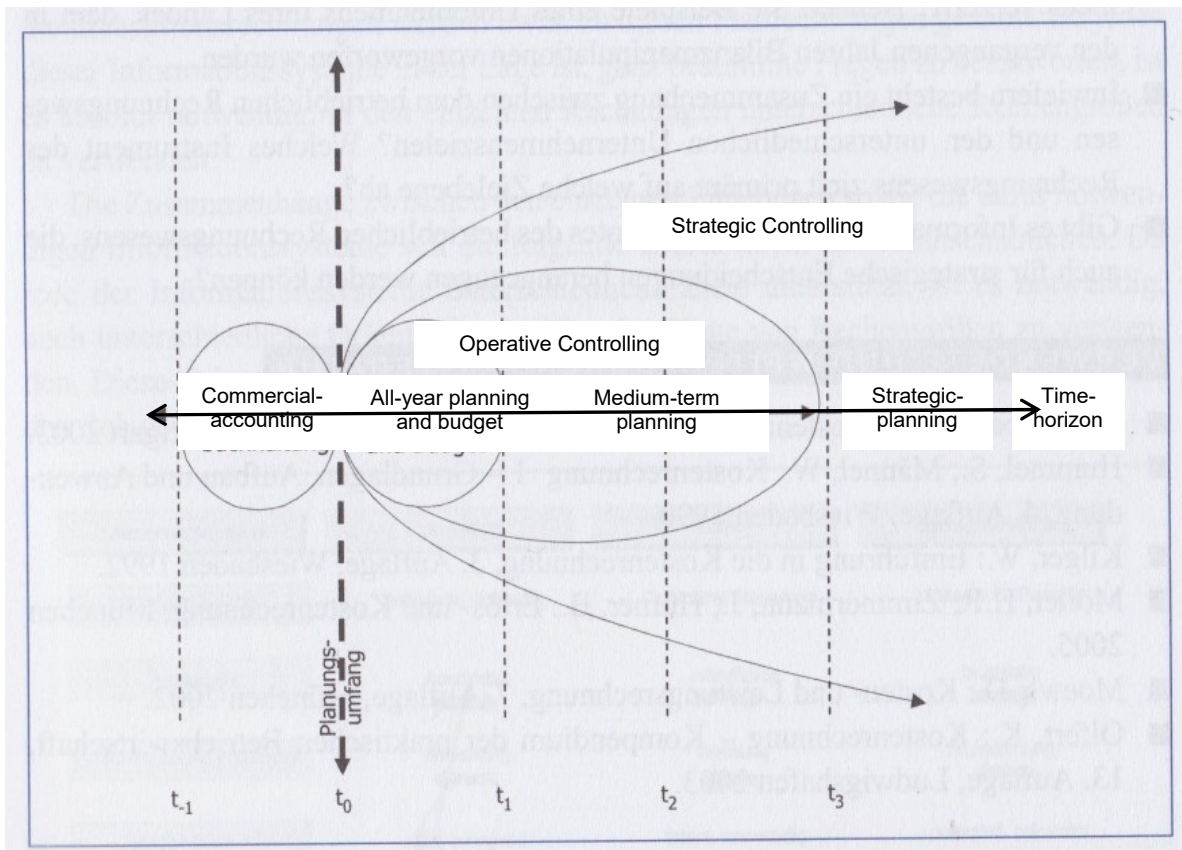


Fig. 4: Time horizon of a company information system (Mussnig et al., 2011)

### 3.2 Organizational structures

A central task in modern organisations, irrespective of the type of organisation, is the formal or informal coordination between two or more branches of the organisation. To ensure that the organisation does not lose its balance, coordination is always horizontal, and can be compared with the principle of the

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<sup>7</sup> (Malik, 2006), p.177

so-called “Fayol bridge”.<sup>8</sup> Fayol describes this direct horizontal connection in organisations in the context of his “Ninth management principle” as follows:

*“Applying the direct connection is simple, fast and safe. This way it is possible for the two employees F and P to deal with questions in one meeting or in a few*

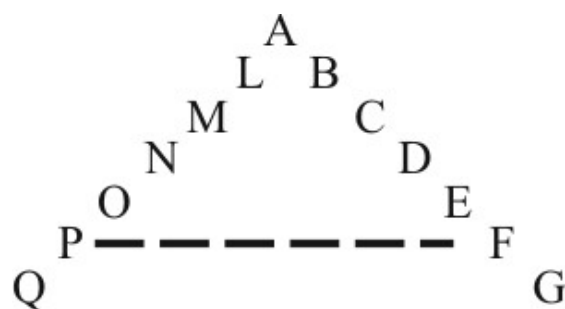


Fig. 5: "Fayol bridge" (Fayol, 1929)

*hours, which would otherwise, via the various ranks, take twenty transfers, involve many people, an enormous amount of paper work and weeks or months to find a solution, which will generally be less good than the one that can be achieved by putting F and P into*

*direct contact.”<sup>9</sup>*

The most frequent organisational structure in recent time is the matrix organisation, which uses this further developed form of horizontal coordination by cross-department teams and/or coordinating groups as a starting point. It is to be understood as a permanent structure whereas coordinating groups are usually of a temporary nature in the case of extensive projects, which have to be dealt with in addition to the daily work, and which are clearly limited in time. Similar coordination forms can also be found in companies, which have some big customers among many small ones, and who want to meet in particular the requirements of the former with regard to observing time limits and quality. However, if such cross department tasks occur regularly, and if the hierarchy cannot permanently manage the coordination required for the task, then regulated forms of horizontal coordination are usually introduced.

Based on theoretical and practical experience, new forms of organisation were developed, which put into the foreground especially the linking tasks, i.e. the cooperation of functions, departments, subsidiaries, etc. The matrix organisation became best known – a dual organisation, in which two lines of authority with more or less the same competences are confronting each other. The simultaneous use of two lines of authority with different directions for the same tasks led to the

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<sup>8</sup> Henri Fayol (\* 29<sup>th</sup> July 1841 in Constantinople; † 19<sup>th</sup> November 1925 in Paris)

<sup>9</sup> (Fayol, 1929); p.29

term matrix organisation, e.g. the performer and the objector organisations in one company. In most cases the classical performer organisation is orthogonally extended by an objector-orientated dimension, usually products.<sup>10</sup>

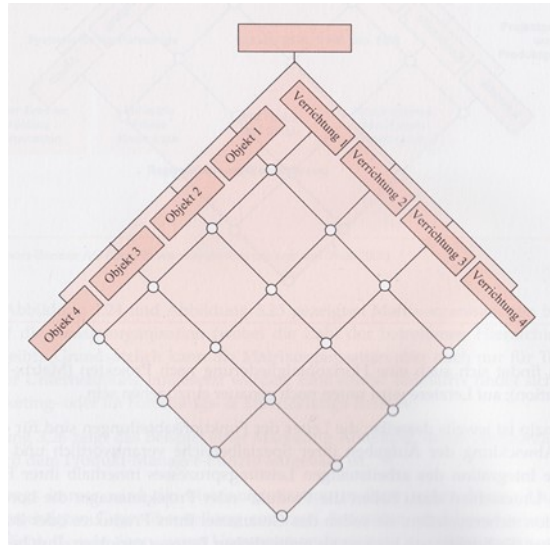


Fig. 6: Principle of a matrix organisation (Schreyögg, 2008)

### 3.2.1 Leadership model

The multitude of various leadership models also includes a three-dimensional situation-dependent leadership model according to Hersey/Blanchard (1969). Depending on the degree of maturity (know-how and motivation) of the staff members they are guided and managed in different ways (in an authoritarian, integrating, participating or delegating way). Tasks can be entirely delegated to very mature staff members and the prioritising of the individual tasks can be left to them. In this way, flexibility regarding the jobs is created but also the capacity to devote more time to the less experienced staff members.

The aim should be to concentrate on furthering the degree of maturity and to adjust the leadership style regularly to the respective staff members in case of progress. This may bring about improved motivation of all staff members, particularly of the competent and more mature staff members.

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<sup>10</sup> (Schreyögg, 2008), p. 149

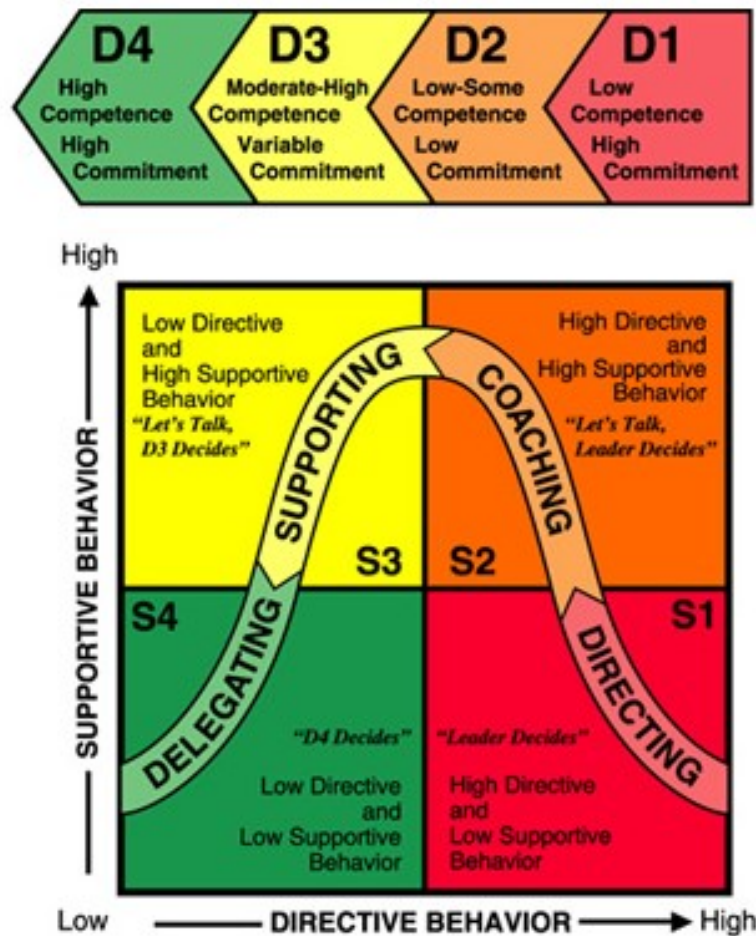


Fig. 7: Situational leadership theory (Hersey & Blanchard, 1969)

The staff member's degree of maturity with regard to his ability and willingness within the context of the recommended leadership styles:

- (S1)** The staff member is not able and not motivated with regard to the task at hand.  
 →Recommendation: direct leadership style, detailed instructions have to be given and strict control. "Telling – Leader decides!"
- (S2)** The staff member is not able but willing and motivated.  
 →Recommendation: Reasoning, decisions and instructions must be explained clearly, integrating, very individual and factually orientated. Leave space for clarification of questions! "Selling – Let's talk, but leader decides!"
- (S3)** The staff member is able and actually he can do "it" but he is not motivated.

→Recommendation: Participating, conveying ideas and encouraging to take decisions, transferring responsibility. Facilitating participation in decision making! “Let’s talk and YOU Decide!”.

**(S4)** The staff member is able and willing, i. e. he is very competent and highly motivated.

→Recommendation: Delegate, handing over the responsibility for decision making and execution to the staff member. In the case of very mature staff members task and involvement orientation can be withdrawn. They are left to work independently and to take responsibility for their decisions.

“YOU decide!”

The challenge is that in practice managers will have to apply at the same time four different leadership styles. This leadership style implies that considerably more communication is required. The superior will have to spend more time with his colleagues and staff members, listen to them and have personal discussions with them. It is important to be able to understand better the personal situation of the staff member as well as the situation in the company in order to ensure that things proceed smoothly at work and that better results are achieved.

From the point of view of the superior it has to be said that it should not just be about being in ‘control’ of things but to ensure that working conditions and human relations are pleasant in his company, which will bind staff members to the company over a longer period of time as experience has shown.

The degrees of maturity of staff members described in the Hersey/Blanchard model under (S3) and (S4) are best suited in a sales division for a ‘cooperative leadership style’. Frequently, the cooperative leadership style is also referred to as participating democratic leadership style. The aim is full identification of the staff members with the company as well as their endeavour to achieve set aims. The cooperative leadership style is characterised by having staff members participating in the decision making process and by their being clear about the aims. It offers them support in achieving these aims. They work together on the solution of problems. The staff members are target and performance orientated and the team or the team’s performance take centre stage. However, the course of action and

the allocation of work are determined by the group and will give the top sales person the highest autonomy possible.

In the case of the cooperative leadership style the leader has to be a very strong personality in the sense of being wise, experienced, having understanding for people and their motivation. This leadership style will only work if also the staff members have a certain 'maturity' (S3 + S4) and can handle the 'liberties' of this leadership style.

The high motivation of the staff members is a great advantage of this model. It promotes performance, independence and creativity. The cooperative leadership style, if applied correctly, will also relieve the superior and will promote the identification of the staff members with the company. Transferring responsibility brings about identification! Starting out from the assumption that all staff members are equally motivated, equally well educated and consequently highly qualified. It can happen that certain people do not wish to be involved in the decision making process and cannot cope with the demands. These people would feel happier if they were given clear instructions and rules to complete their tasks.

**Conclusion: There is no such thing as the “Best Leadership Style!”**

Every executive will have to lead the staff with all their differences, depending on the situation, with intuition and sensitivity: to recognise the potential of the staff, their strengths, inclinations, needs and expectations to be able to fully utilise their capabilities in the best way for the company but also for the purpose of their own satisfaction!

**3.2.2 Control is a leadership task which can NOT be delegated**

Directing the sales division and in particular the staff working in the field is an important and difficult leadership task. On the one hand, a high degree of responsibility and independence is expected of the staff and, on the other hand, it is absolutely necessary to ensure that the various activities in the field are in line with the overriding company aims and/or that the planned sales and results contribution can be secured. The topics in this context are representation of the company in the outside world, ethical behaviour regarding sales methods and/or in international business, dealing with other cultures, etc.



The execution of the planned activities has to be undertaken in a consistent way. Good time management is very helpful in this respect. A time schedule which has been jointly compiled may only be changed jointly. When delegating tasks, the aims and/or achievement of aims as well as the expected or planned results have to be communicated in a clear way. Tasks which have been further delegated are checked after their completion.

Control and execution of agreed activities will be consistently checked. This is one of the most unpopular and also most controversial tasks, but “there has to be control”!<sup>11</sup> The most important forms of control are the task execution control and the results control. The purpose of the two types of control is to intervene in time and to counteract but also to have an opportunity to praise. In the case of experienced staff members who have a high degree of responsibility, a results control is recommended (see maturity degree S4). In the case of new and not very experienced staff or staff with limited knowledge, control of the quality of the tasks completed is recommended.

The principle being:

**“Control is a leadership task which can NOT be delegated!”**

### **3.2.3 The optimum range of span of control**

When creating an organisation the question of determining a control range is raised.

Span of control means the number of staff who are directly under a manager or an executive authority. The size of an optimal control range is difficult to define and also depends on the industry and the exact field of tasks of the manager. In principle, one can say that the control range should be kept rather small. Whereas low hierarchies are introduced in many company sections, the sales division has not been really affected by this. On the one hand, this is due to a general uncertainty regarding rationalisation measures in the sales organisation and, on the other hand, because modern organisational principles cannot always be applied to a sales organisation. Selling cannot be as easily standardised as an industrial production process. Leadership is more demanding and has to be

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<sup>11</sup> (Malik, 2006), p.227

handled more individually. In the case of industrial production, the working processes are standardised to a much larger extent than this is possible in a sales organisation. It is also much easier to observe a staff member at work, to assess his performance and to give him a feedback. Also, the time spent on this stays within reasonable limits, and a manager can complete several activities of this kind within one day. This is a very different matter in a sales organisation.

It is considerably more difficult to assess the performance of a staff member in the sales division compared to other staff members. Sales results in the short term usually have limited indicative value regarding the sales performance of the staff members.

Majority of recent literature rather recommends establishing relatively low hierarchies. The deciding reasons given are a higher degree of flexibility, communication and closeness to the company target. In the case of hierarchies with many subdivisions, the negative factors stated are: sluggish flow of information, prone to interruptions, reduced reaction capacity, high “leadership costs” and a high amount of formalities within the organisation (red tape).

Management have to decide individually with which hierarchy and structure an optimal control range can be achieved in the company. At any rate, the control range has to be selected in such a way that the manager can also look after staff orientation beside performance orientation.

In the fifties, the psychologist George. A. Miller dedicated a scientific article to this important topic with the significant title “The Magical Number Seven Plus/Minus Two”. According to Malik one should arrange today rather for seven minus two instead of seven plus two things – this is what one can plan, what one can keep under control and what one can master.<sup>12</sup>

### **3.3 Processes – Systematically, Supported, Suitable**

Successful companies do not only define the processes but also concentrate on optimising every individual phase of the process. In every phase of a sales process specific requirements regarding the competence of the sales staff have to

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<sup>12</sup> (Malik, 2006), p.116ff

be met. The better the salesmen and sales staff know these requirements the more successful this process will be completed.

Intuition alone is no longer sufficient in today's sales environment. In other words: Either the aim is to keep a customer, to extend the service to him, or to win a new customer. Behind these plans are hidden different sales processes which will develop with different phases and steps and to which, to some extent, other "laws" will apply.

### **3.4 Change management**

Change and alteration are very complex procedures and serious interferences in a company. Careful preparation is an absolute must. With a look into relevant literature, one learns to understand how processes of change are executed and why certain things happen as they happen. Basic understanding of these theoretical basics is a must for a successful transformation process. It is essential for the Management, but also for the employees to actively organize change and transformation rather than only 'let it happen'.

#### ***Change yourself with courage before others do it for you!***

Transformation processes respectively company internal changes always range in an area of contrasting contexts<sup>13</sup> of

- **Need for transformation:** Extend of factual necessary transformation of the company, its sections and members.
- **Willingness for transformation:** Attitude and behaviour of all persons concerned and involved towards the goals and measures of such transformation.
- **Possibility for transformation:** Organizational and human competences for successful implementation of changes.

Task of the leaders of transformation processes is to reach a high consensus between these aspects. Each misunderstanding causes **difficulties in the transformation process:**

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<sup>13</sup> (Krüger, 2009), p. 27ff

- **Reform hold-up:** Will and capability is missing in order to recognize the need for transformation – or the need for transformation is not being acknowledged. Gradually, the necessity for transformation will increase.
- **Skills deficiency:** If requirements and willingness are there, non-existing skills must be acquired, e.g. in the form of trainings or external consultants.
- **Insufficient urge for transformation:** A latent will for transformation which does not tally with corresponding requirements nor skills can have multiple reasons, e.g. striving for power or a general discontentedness.
- **Misguided activities:** Different opinions within the company with regards to need for transformation. Transformation could be blocked due to infighting.
- **Idle potential of capabilities:** Capabilities, which are neither met by willingness nor necessity.
- **Willingness barriers:** Arising resistances have to be overcome so that the existing skills can be used.

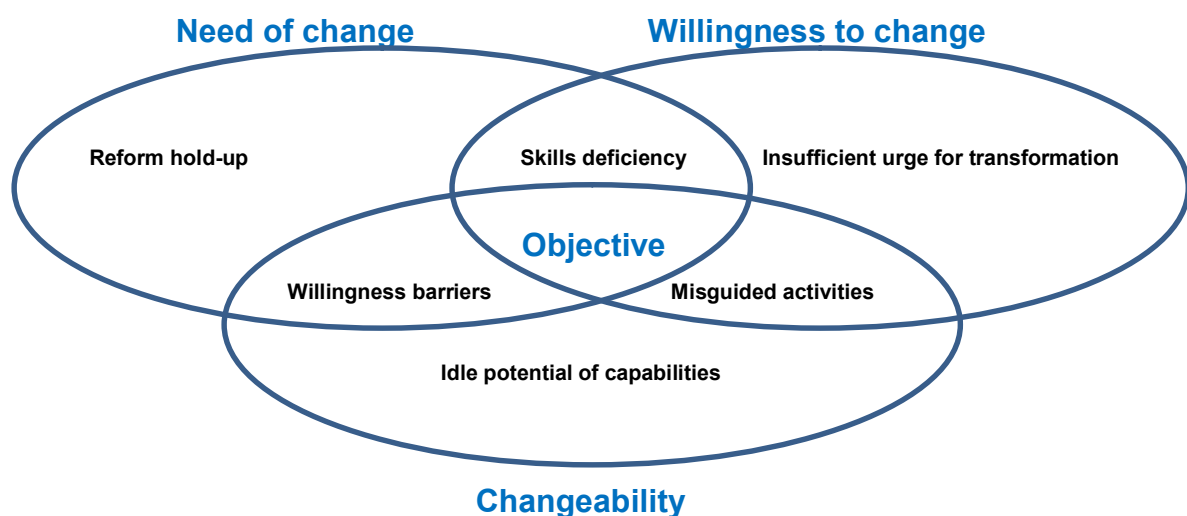


Fig. 8: Disparities and difficulties in the field of tension of change (Krüger, 2009)

Necessity, willingness and capabilities should generally correspond. In addition, the transformation should be factual and coherent with regards to HR resources. The factual coherency refers to the organization of the transformation process itself and the interaction of HR management, communication, project management and controlling. Tasks at hand have to be described and competences have to be determined ('who does what until when'). Coherency in HR matters refers to the interaction of the Management with the involved and affected staff. The

Management is, as promoter, the crucial force of transformation and should act trustworthy and responsible at all times.<sup>14</sup>

According to Lewin's field theory two different forces affect internal transformation. Driving forces urges for changes while being obstructed restraining forces. In order to ensure the existence of the company, these forces should be balanced in the long run. If driving forces prevail, the company will never be at peace. This results in internal uncertainties and instabilities. If retaining forces prevail, necessary changes do not take place or take place too late.<sup>15</sup>

At the starting point of transformation, these forces are balanced. For initiation the transformation process, this balance must be perturbed by strengthening the driving forces or by decreasing or reversing of the restraining forces.

Emphasis is on the reducing resistance. The instigated transformation process can be regarded as cyclic transition between two balance periods. In most of cases there comes a short decrease in efficiency and productivity compared to the starting point during the transformation process. Reasons are binding of resources and energy-sapping resistances. Only after the transformation process has been successfully completed can the company balance itself on a higher level which then has to be stabilized.<sup>16</sup>

Based on these findings, Levin (1963) has identified the following 3 phases of business transformation<sup>17</sup>:

- (1) **Unfreezing:** For a company to abandon its balanced condition, the Status Quo has to be "unfrozen". Willingness for change must be created amongst the employees in order to question old habits and to recognize existing need for change. The trigger for that can come from either inside (process analysis, improvement suggestions etc.) or from outside (customer complaints, falling share prices etc.). In order to support the change, the employees have to understand that changes are necessary. The immediate implementation of a change, e.g. a reorganization without prior 'unfreezing' is quite often reason for failure of transformation projects. (Bomb dropping strategy: With effect from 01.01.2016 the following is valid: ....)

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<sup>14</sup> (Krüger, 2009), p. 143ff

<sup>15</sup> (Lewin, 1963) (Staehe, 1999), p. 591

<sup>16</sup> (Lewin, 1963) (Staehe, 1999), p. 591ff

<sup>17</sup> (Dillerup & Stoi, 2011), p. 590ff

- (2) **Changing:** The second phase is about executing the transformation and moving towards a new balance on a higher performance level. During this phase, different alternatives are being tested and judged until new and suitable patterns evolve. By involving employees in this phase, affected employees should become involved employees.
- (3) **Refreezing:** In order for the changes to be permanent the system has to be refrozen again, i.e. stabilized. If this is not done, any arising difficulties or 'force habits' can lead to a fall back into old behaviour patterns. For the balance to settle in and in order to remove any uncertainties, especially communication can contribute to success.

Various descriptions about transformation (ref. e. g. Greiner, 1967; French/Bell, 1994; Kotter, 1996; Seidenschwarz, 2003; Krüger, 2009) vary with regards to the number of different phases as well as their austerity and structure of their procedures (sequential, iterative or simultaneous). Lewin's statements are, however, the main orientation. (ref. Lewin, 1963; Müller-Stewens/Lechner, 2005, S. 581f):

- Classification of the change process into clearly definable phases,
- Necessity to explicitly enter the change process,
- Change creates resistances which have to be overcome,
- Necessity for stabilizing the change.

After having analysed more than 100 transformation processes, Kotter recommends the following 8 steps for a successful change – see figure below.

Step	Actions
1. Inducing sense of urgency	<ul style="list-style-type: none"> <li>- Analysing market and competition</li> <li>- Identification of critical spots, risks or major opportunities and their discussion</li> </ul>
2. Setting-up a coalition of change	<ul style="list-style-type: none"> <li>- Creating a strong group of change management</li> <li>- Making the group work together as a team</li> </ul>
3. Formulating vision and strategy	<ul style="list-style-type: none"> <li>- Creating vision that helps to manage change</li> <li>- Developing strategy to reach the vision</li> </ul>
4. Communication of transformation vision	<ul style="list-style-type: none"> <li>- Using all available means for continuous communication of new vision and strategies</li> <li>- Leading coalition as a pattern of behaviour expected from employees</li> </ul>
5. Delegating	<ul style="list-style-type: none"> <li>- Removing obstacles</li> <li>- Change of systems or structures hindering transformation</li> <li>- Support of risky decisions, non-traditional thoughts, activities and procedures</li> </ul>
6. Creating short-term victories	<ul style="list-style-type: none"> <li>- Planning visible improvements or “victories”</li> <li>- Reaching these victories</li> <li>- Visible award of people enabling reaching these victories</li> </ul>
7. Utilization of results and support of further change	<ul style="list-style-type: none"> <li>- Using the growth of trust to change all systems, structures, and processes, which are not in accord and do not correspond with the transformation vision</li> <li>- Reviving the process by new transformation projects</li> </ul>
8. Anchoring new approaches in business culture	<ul style="list-style-type: none"> <li>- Reaching better results through customer-oriented behaviour</li> <li>- Showing connection between new behaviour patterns and business success</li> <li>- Developing means assuring training of managers and selection of suitable followers</li> </ul>

Fig. 9: Process of Change (Kotter, 2006)

According to his opinion, each of these steps is absolutely necessary and requires enough time. Skipping certain steps gives the illusion of a fast progress, but does not lead to a successful change.<sup>18</sup>

A larger scale restructuring process in Bauer is imminent respectively has already started. Decreasing sales numbers and permanently decreasing profit margins for

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<sup>18</sup> (Kotter & Rathgeber, 2006), p.141

a generally excellent product are only some reasons for that. In the past, open dissatisfaction, ill-feeling and protest against measures of the Senior Management occurred. In addition, the feeling arose that there is a dangerous communication vacuum exists between the different Area Sales Managers and the superordinate organizational level (Sales Management and General Management).

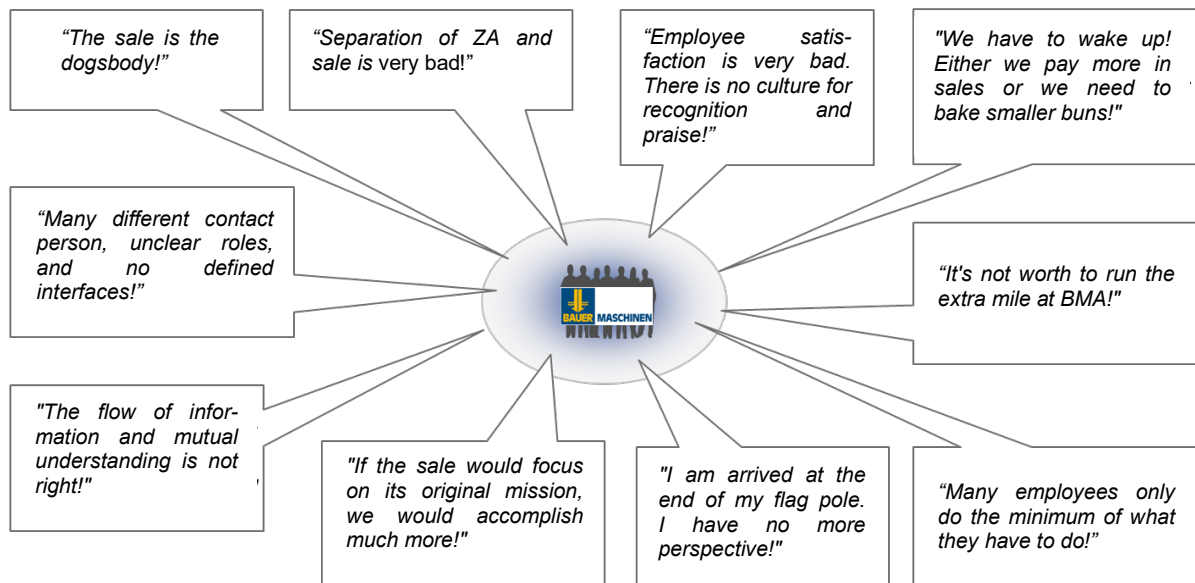


Fig. 10: Mood graphics, status-quo analysis by BAUER Maschinen/Simon Kucher

The whole dissatisfaction culminated in a so called 'sales list', which was single-handedly created by certain groups within the sales organization – not by all – 'without' involvement of the company management / management board. Content of this list is an overview of problematic areas and organizational respectively process deficits from a sales department point of view. Even though this list comprised a lot of points that would have stood up to an objective examination, the entire issue of 'not communicating with one voice' of the sales department respectively the non-integration of the company management / management board was problematic right from the start. The subsequent discussion was generally very emotional. The roles of the attacker (sales department) and the role of the protector (company management) were taken – an objective discussion was possible only under difficult conditions. The position and frustration of the sales department was justified in many ways. All rules and regulations of professional



communication under consideration of the existing organizational structure had been ignored respectively had not worked as planned.

Based on the urgency of the list's contents, the company management was forced to discuss the same on a superordinate level in order not to lose complete control over the process. After two months of discussion it was decided to engage the services of a Management Consultancy for a „Sales-Excellence-Project“ → This was most certainly not the target of the sales department and could most probably have been avoided by improving the internal communication strategy!

The engagement of Management Consultancies in companies has to be observed quite critical at all times. As described by Lewin too radical and abrupt changes can cause severe unbalances in the static of a company's organization. Unfortunately, an uncontrolled engagement of a Management Consultancy quite often completely upsets the company's dynamics. Especially if the company management is not entirely clear about what should to be achieved! With our Management Consultancy it was agreed that the transformation process at BAUER Maschinen should be organized and handled in coordination with the basic principles of the Kotter's change process.

## **4 Results**

### **4.1 BAUER group**

Business operations of the BAUER Group of Companies comprise three sectors: Construction, Equipment and Resources. The Construction Sector comprises services in the field of special foundation for building sites around the world inclusive project development as well as construction works in related sectors. In the Equipment Sector BAUER, as a world market leader, offers a wide range of equipment, machinery and tools for the special foundation industry. The segment Resources comprises activities in the area of mineral exploration, environmental technology, geothermal energy as well as material for water well drilling and installation (pump and drilling technique, filter and pipes).

In 1994 BAUER established the BAUER Aktiengesellschaft (BAUER AG) as umbrella company. After that, in 1996, the 'Deutsche Beteiligungs AG' received shares of the BAUER AG during an increase of capital. After having successfully overcome the Far East – crisis and despite a continuous crisis in the construction sector, BAUER felt strong enough to start a complete restructuring of the group in 2001 – a step which had been required for several years due to the rapid development in recent years.

Main step of the restructuring process of the BAUER group of companies was the removal of the so-called 'Business- Unit Equipment' from the BAUER Spezialtiefbau GmbH and the establishment of the BAUER Maschinen GmbH as individual company. This took place in May 2001 with retrospective effect to 1st of January 2001.

The BAUER AG, existing since 1994, received central administrative functions for Accounting, Human Resources, Data Processing, Legal Matters, Facility-Management, Marketing and HSE and hence became an active public company as umbrella organization for the operative companies.

On 4<sup>th</sup> of July 2006 BAUER Aktiengesellschaft went public.

The overall performance of the equipment sector of, i.e. BAUER Maschinen GmbH inclusive subsidiaries, was over 600 mil. EUR consolidated in the year 2015. At this point in time the company employed 3,038 employees of different nationalities.



Fig. 11: Group structure of the BAUER Group (BAUER, 2015)

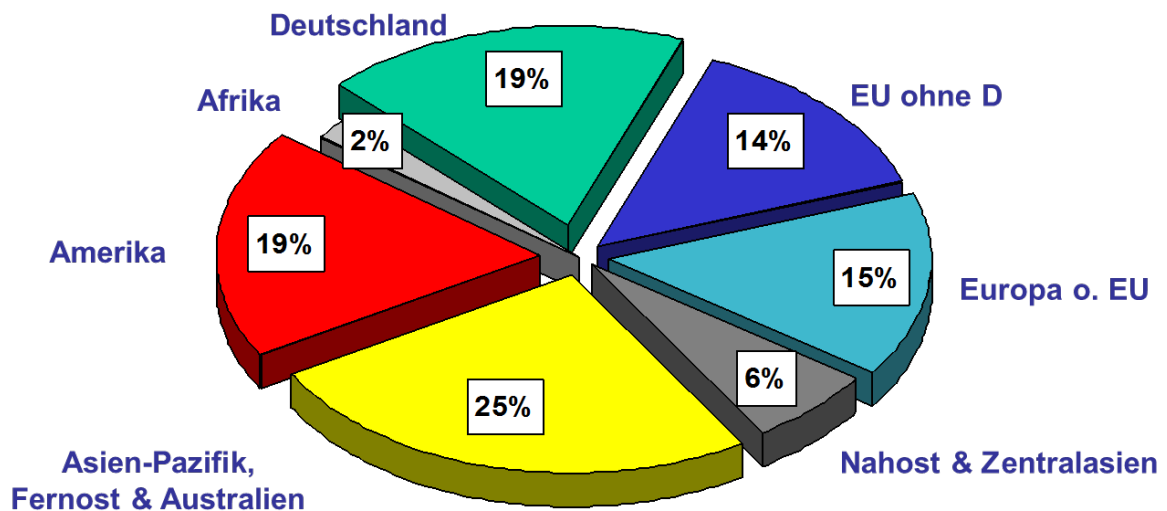


Fig. 12: Geographical distribution of company's performance (BAUER, 2015)

Building of machines and mechanical equipment, the industry to which the BAUER Maschinen GmbH belongs comprises without any doubt the biggest profiteers in a globalised world. BAUER Maschinen GmbH now produces in 28 different locations worldwide.

## **4.2 Equipment sales today**

Before looking at today's situation of the equipment sales, we should glance at the entire organization of BAUER Maschinen GmbH. The 'old organisation' followed the strict principle of a pure 'one-line organization'. After hierarchies have been established pyramid-shaped, such organizations always have an authority, which is responsible for coordination; ultimately this is the highest authority. With this system of rising regulatory authority the idea goes along that with increased responsibility the functional / technical knowledge increases as well, so that existing coordination problems can be understood and solved in a professional manner.<sup>19</sup> At the latest here the organizational problem of the currently existing structure of BAUER Maschinen starts.

Integration by hierarchy has, as far as agreement regulations are concerned, two faces. On the one hand it provides prevention regarding the responsibilities for disagreements in form of a general regulation, on the other hand it relies on individual instructions of the superior as regulatory mode, i.e. on case-by-case solutions. In other words, the hierarchy regulates the responsibility for solutions but not the content or the facts. Based on the fact that coordination problems often result in conflicts, the establishment of different levels is also regarded as instrument for conflict solution and conflict limitation. By establishing an authority succession it is stipulated who eventually decides about conflicts and often also what subject can generally even become an official conflict. Not every problem that is brought forward to a certain authority is being recognized by this authority as problem.

In order to guarantee a consistent responsibility system for coordination problems, a hierarchy must be arranged transitively. Main guarantor for that this above described one-line principle, which is based on the subject of placing orders, whereby one employee shall only have one authorizing („one man, one boss"). This does not apply in reverse form. One authority is usually above several subordinate positions. The hierarchical one-line system defines each position in the entire structure and its rank in relation to other positions is clearly defined.<sup>20</sup> At BAUER Maschinen GmbH the classical difficulties with this organizational form

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<sup>19</sup> (Schreyögg, 2008); p.131f

<sup>20</sup> (Schreyögg, 2008); p.132

became more and more apparent, primarily in the two years before the reorganization. It was interesting, however, that the problems went along with hugely increasing turnovers and excellent results.

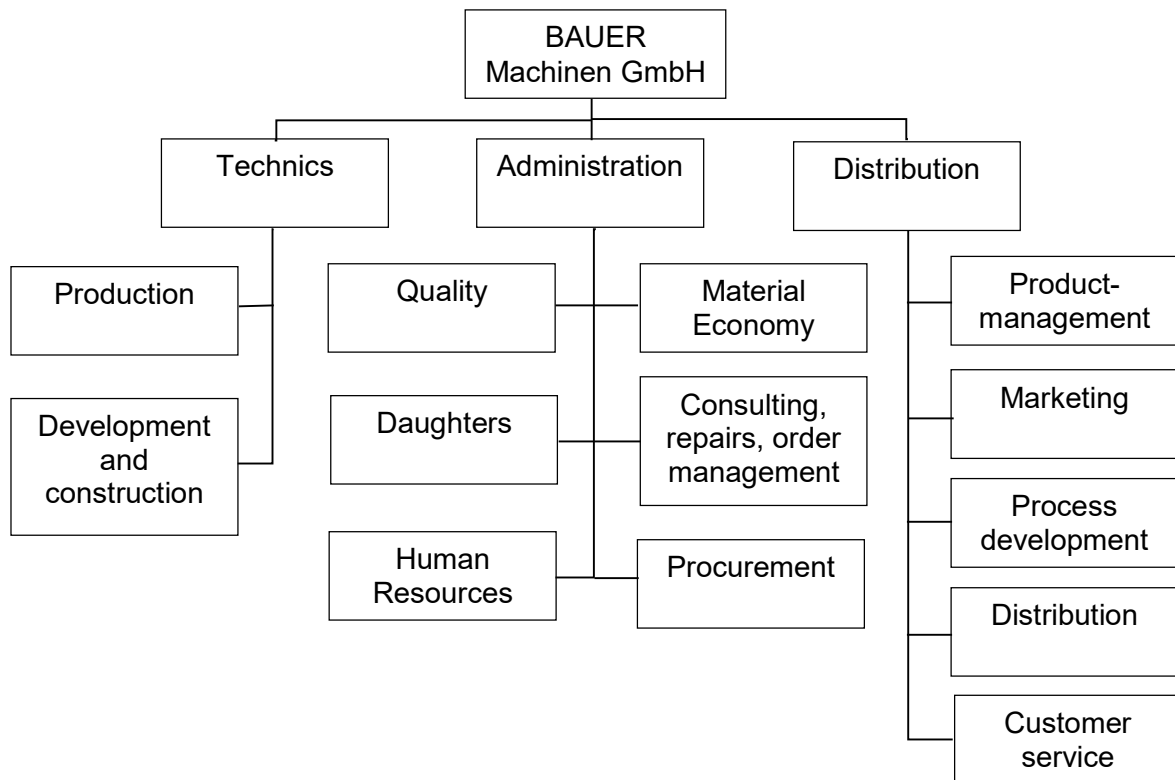


Fig. 13: Organization chart BAUER Maschinen GmbH before the re-organization (BAUER, 2014)

It appeared as if: The more turnover the better the result, the bigger the organizational problems. In order to cope with the problems, upon demand new 'buildings' were added to the organigram. Decision processes were far too slow and compacted classically 'like a bottle neck' towards the top. Accordingly, the organization could hardly be run any more. The stereotype comparison with an oil tanker suits the situation best – the feeling of security increased with increasing inertia of the organization. Individual actions, quick reactions and prompt decisions were hardly possible any more.

Within the last twenty years the turnover multiplied 32 times (!) from 50 mil. EUR (1991) to 1,590 mil. EUR (2015) – the organization, however, has generally remained the same. With excellent results the existing deficiencies could still easily be levelled out. When, however, turnovers and results dropped significantly

in January 2009 there was no way back. Too high fix costs in combination with a too sluggish organizational structure consumed almost the entire operation result when reaching the bottom in 2010. The financial year of 2011 until 2015 was only slightly better.

Slowly the awareness rose that things might have to change. The classic “one-line organization”, which was solemnly applied within the company, was considered as not temporary, and the company was less and less able to cope with the current challenges. At first with huge growth and then with huge drop in turnover and result. Whereas the focus of this thesis is equipment sales, the causal organizational relations within the entire structure of BAUER Maschinen GmbH are of essential importance in order to correctly understand the problem. The organigram of BAUER was divided into three big sections:

- **Technology T:** Production, Development/Design – span of control 3
- **Administration VW:** Materials Management, HR, Commercial Administration, Quality, Repair & Warehouse – span of control 5
- **Sales VT:** Product Management/Development for piling rigs, Mixing & Separating, Diaphragm Wall Cutters as well as Cranes & Hammers, Marketing, Method Development, After Sales as well as 14(!) Sales Areas as such (see figure above) – span of control 21 (!!!)

The organizational division were production-focused. All matters which did not go



Fig. 14: Comment of sales staff BAUER/Simon-Kucher

with Technology (T) or Administration (VW), was allocated to the Sales Department (VT). The actual equipment sales were classified in accordance with country groups. In replica we can say: „The sales director was a busy man that could hardly manage his sales activities because of his other duties!“ The task was not solvable by one person alone! According to Malik per definition, this was a so called Killer-Job. Killer-Jobs

are positions which kill people sometimes literally and otherwise figuratively. This

effect does not arise because of too much work but because the job has a high number of entirely different tasks, which no ordinary person can cope with.<sup>21</sup> In daily routine this meant that the sales department took care of everything which was not directly related with the actual production, the development or the administration. As a side note it should be mentioned that it is an absolute deadly sin from a marketing perspective to put the marketing department under the sales department. In reality, one has to admit, however, that the marketing department of BAUER Maschinen so far mainly dealt with the creation of brochures. Sales and marketing are two entirely different tasks which require entirely different skills that hardly come in one person. Selling essentially means to convince people to sign a sales contract. Marketing essentially means to change ideas in the heads of people.<sup>22</sup>

Based on the situation described above the equipment sales was basically leaderless. As long as turnovers and results were suitable this was essentially not a problem. Each sales department had its own little “administration department”, in order to handle huge company internal problems and conflicts with the area Technology (T). Customers which did not want a standard machine were dependent on a sales person that had “good contacts” to the development and production departments. Sooner or later each sales person had some of these good contacts and these departments were then forced to fulfil each and every customer wish, no matter how big. An economical consideration of the matter was only done in rare cases, nor did one invoice the client at least for the special design and production costs. Important capacities within the design and production department were tied by sometimes very abstruse modification requirements of clients – for free of course! Some sales men accepted every order, no matter how strange the customer requirements were.

On the other hand, however, the development, design and production departments internally charged their efforts onto the machine and onto projects. Deviations of up to 20% for one and the same machine type were not unusual.

The economic risk was only on the sales department’s side. The chaos grew and grew and when increasing turnovers failed to appear, it could not go on any more.

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<sup>21</sup> (Malik, 2006); p.302

<sup>22</sup> (Malik, 2006); p.302

The entire situation worsened and it is not surprising that the sales department was the first area that got under immense pressure. Of course this pressure was partly legitimate, but due to the non-existence of a functional leadership structure the sales employees were defenceless against the attacks of the other sectors. All of sudden the sales department was responsible for everything – not a nice situation for sales staff that would have generally wanted to continue selling with a good general mood. The unhappiness of the sales staff rose daily and, after some time, was not only focused on the ‘others’ from Technology and Administration but primarily also again the own sales leadership and the general sales management / sales directors.

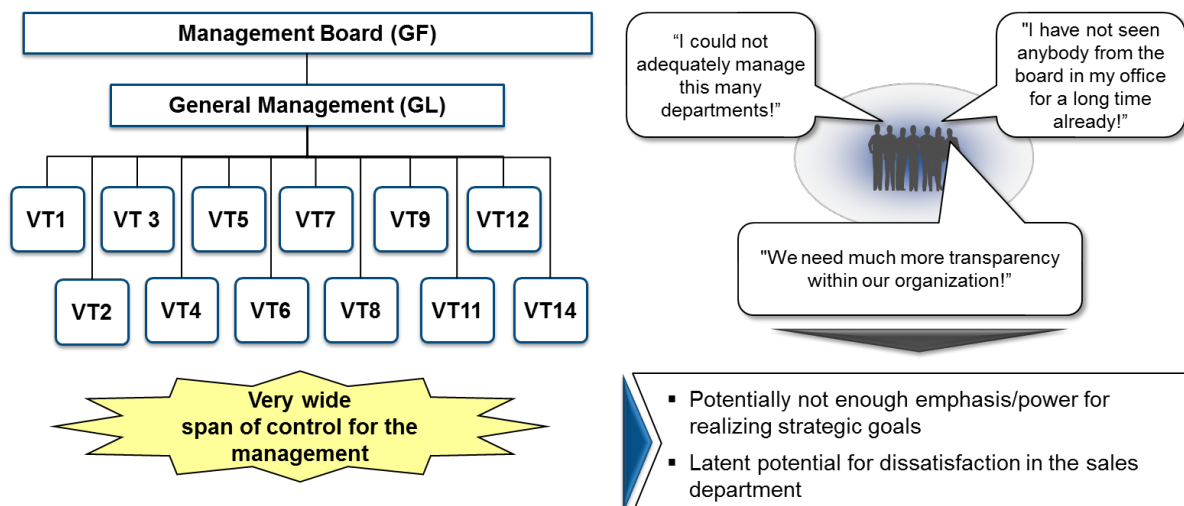


Fig. 15: “Old” Sales organization at BAUER Maschinen, Comments from sales staff, 2014, BAUER/Simon-Kucher

The entire dissatisfaction finally peaked in the ‘sales list’ described under point “1.2. cause and motivation”, which was created by some sales groups, solo and, without involvement of the general management. The result of this ‘sales list’ marks the start for the currently ongoing “Sales-Excellence-Project”. Reasons can be found in an old-fashioned organizational structure of BAUER Maschinen GmbH in general as well as a span of control situation that went loose in combination with a latent leadership vacuum within the sales department.

### 4.3 A business strategy for modern sales

Experience in the market, knowing the product, the right leadership attitude, planning and using modern technologies – these are essential factors which



distinguish a modern sales organisation. As a rule, the sales division holds the key position in a company. The success of the company depends in an essential way on the performance of the sales division. However, the medium and long-term success in a sales organisation also relies on a clear, transparent and consistent leadership style and well-conceived planning which should neither be too optimistic nor too conservative.

**Talent and personality create confidence.**

**Professionalism brings about results!<sup>23</sup>**

#### **4.3.1 Product – Mechanical engineering “Made in Germany”**

BAUER equipment company develops, builds and sells equipment, tools and machines for specialised civil engineering as well as for underground drilling, e. g. for mines, wells, geothermal, oil and gas. Essentially, BAUER's prepare the site for construction. The machines and installation sold by BAUER's are almost without exception products for the investment goods industry. As a rule, the product portfolio requires intensive advice and explanations. BAUER's customers expect that sales staff is not only competent with regard to the product but also in respect of the customers' business, their markets and their requirements. The greatest export hit of the export world champion, the Federal Republic of Germany, is still today: Made in Germany.

Building consistently service centres worldwide takes priority at BAUER and is seen as one of the strategic corner stones to be able to maintain their position in the market in a long-term and sustainable way and to expand their market position.

However, this trend is not only brought about by the customers. Also BAUER have good reasons to offer more than just perfect products. If one concentrates on increased success of one's customers one can offer performance bundles or individual configurations, which can no longer be easily compared with offers of the competition. Market transparency, which the customer desires, is successfully 'avoided' and direct competitive comparisons are made difficult or even impossible.

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<sup>23</sup> (Pinczolits, 2010); p.21ff

Also, other net product levels are covered so that additional profit potentials are opened up. All this is not only the sales person's task but the task of the entire company. But the sales person represents the decisive intersection point to the customer, which should be aware of the essential trends of the customers' markets.<sup>24</sup>

*What is locally expected from the supplier?*

*How will the markets change in the future?*

*What influences the purchasing decisions in these markets?*

*What is the positioning of one's customers and of the competitors?*

*What can one's customers do well, what not?*

Many sales staff members are not able to recognise the actual challenges of the customer, and the company is sometimes not able to work out customer specific solutions.<sup>25</sup> Depending on the sales potential and the required expenditure in time and money, which may be incurred for adequate customer care, a group of six to ten key accounts is recommended. With the so-called 3R approach the main tasks of a key account manager can be best described:

### ***Recruitment – Recovery – Retention!***

With BAUER's range of products and services it is in a permanent tension between technological advantage, high degree of price sensitivity by customers and keen competition. This is a fact which the customers are often well aware of, as well, making negotiations on price and performance more and more challenging. The central issue is a clear understanding of the customer's situation. By meticulous preparation for the customer meeting and active listening during the conversation, the arguments are adapted to the customer's situation (see figure below).

Only the right arguments in the right situation support the customer in his individual purchasing decision. A targeted selection of relevant arguments helps to demonstrate the value of the product and to make the added value measurable.

*What exactly is the challenge?*

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<sup>24</sup> (Dannenberg & Zupancic, 2008); p.15

<sup>25</sup> (Küng, Toscano, Schillong, & Willi, 2011), p.40f

*What does our customer want to do?  
For example, drilling to great depths?  
Is damage prevention important to him?*

The customer benefit in relation to the situation, therefore, becomes the focus of the conversation. The feature is the means to an end, namely to save the customer money in the long term. Our competitors argue with a EUR 100,000 discount, we argue with a EUR 150,000 savings potential on customer-specific total cost of ownership.

**It's not about the machines –**  
**It's about the benefits and the success for our customers!**

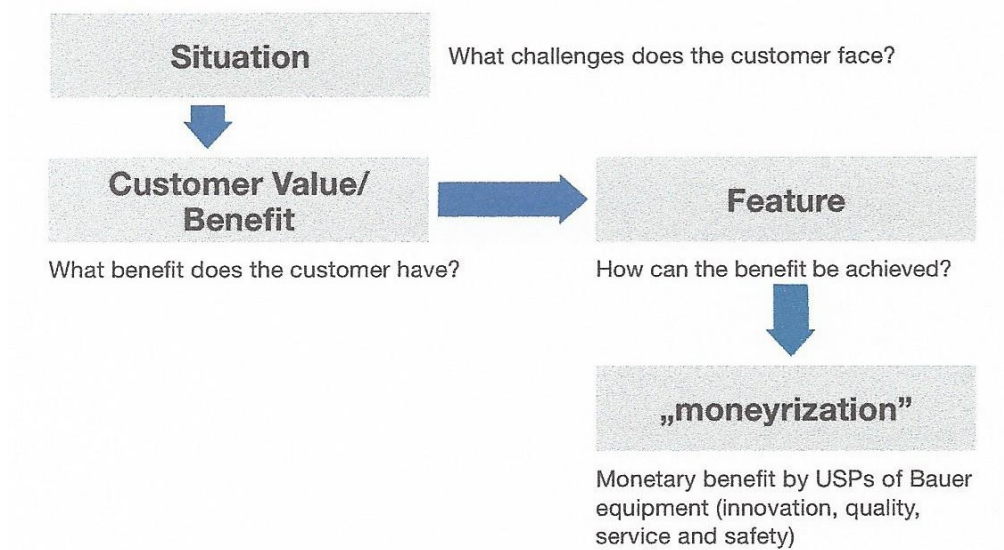


Fig. 16: Understanding the customer (own elaboration)

#### **4.3.2 Price**

BAUER's pricing strategy is very clearly a "Premium- or High-Price-Strategy". In the sales discussions with clients BAUER is very often facing the following questions:

*What are your machines worth?  
Why are you so much more expensive than your competition?  
What monetary benefit does a Bauer machine offer me?*

These have to be answered again and again, especially from clients who are intending to buy from us the first time. Consideration of these questions from a customer perspective and our appropriate preparation for it are of paramount importance.

BAUER's pricing strategy is defined by the following key points:



Fig. 17: BAUER's pricing strategy (own elaboration)

#### **4.3.3 Promotion – Systematic and documented customer planning**

Research has shown that the effective time spent by sales people actually discussing face to face with a customer amounts to only 20-25 % of the total working time – thus very little time! Time spent with the customer is the sales person's most precious asset and therefore has to be carefully planned in advance. Customers are getting more complex and sales processes more professional. Nothing is worse than squandering precious 'customer-sales person-time' with customer visits, which have not been planned. The sales success in the case of an individual customer is determined first of all by obtaining the right information at the right time. An analysis must establish how the purchasing processes work with a particular customer, what the criteria (rational and emotional) of the individual decision makers are, what their attitude towards

BAUER is, and what constitutes the relationship. Subsequently, it should be clarified, which decisions need to be influenced, when, and how. Who can do this best, taking which measures?

Selling happens between people. Customers prefer to buy from people they like, who they find pleasant. Therefore, sales people need good social skills – have to be willing and able to advise the customer, should not agree with everything, have their own opinion, and are prepared to contradict the customer – focusing on the personal success of the customer! Sales people with good social skills negotiate with their customers face to face, at eye level, they have integrity and are trustworthy. When technology plays an important role in the relations between customers and sales staff, then sales people are less needed.<sup>26</sup>

#### **4.3.4 Place – Sales channels and distribution**

There are numerous possibilities of forms in distribution, especially as the different elements can be combined in different ways. Depending on the number of phases, which can be included in the transaction chain from the producer to the customer one can distinguish between the two basic types of direct and indirect distribution.<sup>27</sup>

Chosen the sales path is a topic of central importance; a decisive factor in the business success of a product or a service on the market. One distinguishes between logistic sale (transport and storage) and acquiring sale, which is involved in forming the sales strategy and the sales processes.<sup>28</sup>

The instruments of the sales policy are used to determine the different measures for selling different products and services of a company on the market. Frequently the mistake is made that details pertaining to the market, the customers, the competition, cultural and country specific factors, etc. are available only in a very limited way.

**What works at home, also works in other places! - Mentality**

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<sup>26</sup> (Dannenberg & Zupancic, 2008), p.14

<sup>27</sup> (Specht & Fritz, 2005), p.162f

<sup>28</sup> (Homburg & Krohmer, 2009), p.25

When introducing a product or opening up a market it is advisable to compile a thorough SWOT analysis. With this method the strengths, weaknesses, chances and risks are considered and analysed. Thereafter a promising strategy and the sales policy can be defined and implemented. The pre-condition for success of the sales policy is the correct coordination of the instruments. The price policy influences the choice of sales routes and the reverse applies too. When sales are made via a sales assistant like a representative, an agent or contact dealer the sales policy of the sales assistant has to be taken into account. The sales assistant must find it interesting and attractive to be allowed to sell the products.

BAUER's often found local subsidiaries in markets, which have reached a certain size and where a certain sustainability can be expected, or uses other group internal companies to organise the sale of machines. In the case of sales activities of this nature we speak of direct sale. With this sale, the defined strategies and measures of the sales policy can be implemented much more easily because the parent company has the power of enforcement. This sales system is particularly suited for products of the investment goods industry, e. g. mechanical engineering industry. Selling goods of these industries almost always technical aspects of utilisation of performance are in the foreground to effect a sale. Sales people are supposed to be experts for the business of their customers. In the context of sales organisations of companies of the investment goods and supply industries one speaks of 'technical sales'. The demands made on the sales people from these organisations are totally different from those of sales people from the consumer goods industry.

The direct sales route is recommended for products which

- require explanations
- require intensive customer service
- require high transport costs.

The sales organisation at BAUER Maschinen GmbH uses almost exclusively direct sales routes in order to sell its machines in worldwide markets. This procedure is undermined only by 'sales agents', who are indispensable in some countries due to their local peculiarities.

#### **4.3.5 People - Staff in the environment of sales**

In the area of investment goods, as a rule, products are sold which require explanations. This requires skills and experience from sales staff in completely different areas. The technical knowledge of an engineer, the experience of a business management expert and/or marketing expert and the skills of a sales person are required. Depending on the company and the industry different methods are practiced. However, the aim is identical. The sales person has to primarily adjust his consulting work to problem solving for the customer or to the benefit of the customer and not to limit it to technical aspects. Some companies solve this by placing particular emphasis on sales talent when recruiting their staff, and by training them in respect of necessary technical expertise. Others train scientists with good social skills to become sales engineers. Training comprises, among other things, the fields of marketing, sales techniques and rhetoric. More and more frequently there are mixed sales teams, where knowledge and skills of their members complement one another.

The ideal sales person in the industry is a civil engineer or a mechanical engineer with some years of experience in acquisition, as a supervising engineer or project manager in classical civil engineering. With his customer he can:

- talk by looking him straight in the eye (“I was myself in the field for a long time...”)
- understand his problems (“I solved this in such a way...”)
- point out different solutions (“As an alternative one can...”)
- advise him as an expert (“In my opinion...”).

In BAUER, the customer purchases together with the machine an added value, which he can only quantify with difficulty. This is the only way to prevent being constantly involved in a ruinous price battle.

Many studies have shown that the so-called EVA factors (Eyes, Voice, Attitude) are frequently more important for conveying a message than the message content itself.<sup>29</sup> It will also become necessary to establish “learning on the job” as a model

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<sup>29</sup> (Dannenberg & Zupancic, 2008), p.18

so that it can develop and become a permanent task or a sustainable system in a company.<sup>30</sup>

BAUER has to a large extent a quality oriented organisation. Until recently there was no purposeful staff advancement strategy at BAUER. Promotions and further training measures were granted in a ‘Lord of the Manor’ way. The system was not transparent. Job satisfaction of sales staff was very poor. With the initiation of the ‘sales excellence project’ it was very quickly recognised that the topic ‘staff advancement’ required an immediate reorientation in order to be able to stop migration of technical and managerial staff to the local automobile industry (Audi & BMW). The new concept is based, for the first time, on transparency and uniformity. Staff members are aware that they have to attend various further



Fig. 18: Career System BAUER – Step Model Sales, 2015

training programmes in order to qualify for different career grades and/or promotions. Training and further training of a sales staff member should be adjusted to the requirements of his position as well as his strengths and weaknesses. It is typical for further training measures to include changes in the market and/or the products offered, e. g. legal changes, the introduction of new products, techniques of presentation, etc. It is advisable to

compile at least once a year a further training plan and to establish the demand for qualifications. Personal consulting in respect of advancement and training plays a prominent role in the new concept. Advancement at BAUER has recently become more open to be influenced by the staff member and is no longer linked only to personal connections, performance and results. The new system has been in operation since October 2012. First feedbacks among sales staff show that the new system is clearly considered more attractive and, above all, fairer.

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<sup>30</sup> (Jesenberger, 2006), p.211



A sales task must absolutely be attractive for the sales staff because they need to visualise the aim. Good sales staff want to be successful. However, to achieve the annual sales targets does not give them satisfaction. More and more often they are looking for personal recognition and possibilities to develop their potential.

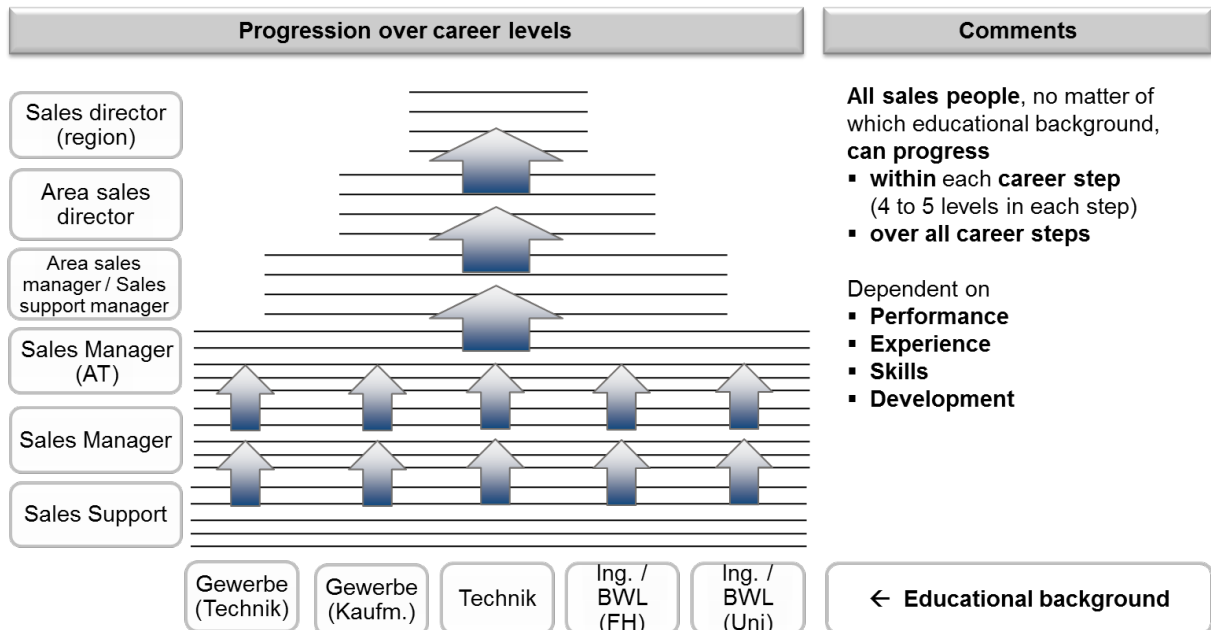


Fig. 19: Step-model/ -principle (Concept) incl. various intermediate steps, 2014, BAUER

For the purpose of orientation and conveying expectations individual targets are set down with the sales staff based on the vision and aims of the company. Frequently, sales and returns levels, the number of new customers, etc. for the field service of the sales division are defined in these partial aims. These aims have to be discussed with the staff and must be recorded. Above all, they have to be SMART – „**S**pecific **M**easurable **A**ccepted **R**ealistic **T**imely“. <sup>31</sup>

- S** Specific; Targets have to be defined unambiguously (not vague, as precise as possible).
- M** Measurable; Targets must be measurable (measurability criteria).
- A** Accepted; Targets must be accepted by the recipients (also adequate, attractive, feasible or exacting)
- R** Realistic; Targets must be achievable.

<sup>31</sup> (Doran, 1981); p. 35f

**T** Terminable; Every target must have a clear time limit within which it has to be achieved.

**Selling begins in the head – Attitude is EVERYTHING!**

Incentives are a good means for motivating sales staff. To win a trip together to an attractive destination for having achieved a target is always something special. It is important to bear in mind that the incentives given are in line with the image which the company wants to project and/or the ethical concepts of the company. A sales person who wins a Ferrari or has his visits to a nightclub sponsored may create a dubious effect in public – and therefore on the customer.

The variable salary parts will then have the following components:

- Individual component:  
Cover for individual performance and/or achieving the target (turnover and results), taking personal skills and personal commitment for defined tasks within the sphere of responsibility into consideration
- Team component:  
In order to prevent egocentric behaviour, the team component is of great importance within an incentive system to promote team work. The team component also includes the achievement of the targets of the department such as punctuality, tidiness at the work place, health and safety, etc.
- Company component:  
The overall success of the company has to be part of a well-balanced variable remuneration. In good times the staff member profits more than proportionally from a positive business development. In a downward trend this component is used to handle costs.

According to the Kienbaum study “Außendienstvergütung 2008” (Remuneration for work in the field in 2008) 90 % (!) of all sales people in the field receive salaries including portions based on success. The variable salary portion for the sales people amounts on average to between 20 and 40% of the total salary. In this context, one can speak of a considerable control effect. Due to the remuneration in the field, the sales person in the field concentrates above all on fulfilling the defined evaluation criteria for establishing his variable share. Overriding targets or

long-term strategies which are not part of the evaluation basis are not taken sufficiently into account.

The demands made on a sale in the investment goods industry are very complex. Therefore it is not surprising, as already mentioned, that it is very difficult to find good staff particularly in the international field. A particular handicap is very often the high expert demands which good sales staff has to provide in the field of engineering and technology as well as in business management.

Generally, good staff in the field cannot be found easily and are quite expensive. With interesting remuneration strategies which represent an attractive pay package for the staff member, on the one hand, and take the success of the company into account, on the other hand, there is a chance of a “win-win situation” for staff member and the company.

There is a saying:

**If you pay peanuts you get monkeys!**

The variable components could include incentives, various results bonuses, additional time off, flexible working hours, health check-ups, etc.

Variable remuneration is also very appropriate as a control system in the case of considerable changes in the market which may cause a temporary economic crisis. In this case, the results frequently differ from the planned sales and cover contributions. Variable salary components are a good possibility of lowering costs in difficult.

#### **4.3.6 Planning**

In successful companies, sales are regarded as the key function and are recognised as such. This point is of central importance and probably the most important point of all! In the BAUER company this success factor is totally underrepresented in the current sales division! The sales organisation has a very poor image and is mainly seen as distribution and cost factor. Already the name used in BAUER – “distribution” instead of “sales” – is quite an indication. In particular sales personnel with an engineering background are annoyed by the term ‘sales’. They are worried to be referred to in the same way as a salesman of

vacuum cleaners. Within the context of BAUER machines additional resources are always made available in the administrative departments – very rarely in the sales division. Too little value is placed on the selection of professional sales staff. A career from mechanic to salesman (via the intermediate position of central handling of orders) is nothing out of the ordinary in the BAUER company although the profile of both professional groups is completely different.

Image problems will impact considerably on the development of business. Some negative examples in this respect:

- Shell: Sinking of the oil platform Brent-Spa in the North Sea
- Apple: Production at Fox Industries in China under inhuman conditions
- Nike: Child labour in shoe production in the Far East
- Nestle: Gagging contracts with farmers from Zimbabwe

Image is formed primarily affectively on the emotional level and gives rise to positive as well as negative associations. The information or perceptions of others may well influence the overall impression.



Fig. 20: BAUER Value Catalogue „internal“ the company BAUER, 2014

The image is very important for sales of BAUER products and is based on the values and principles in the following outline:

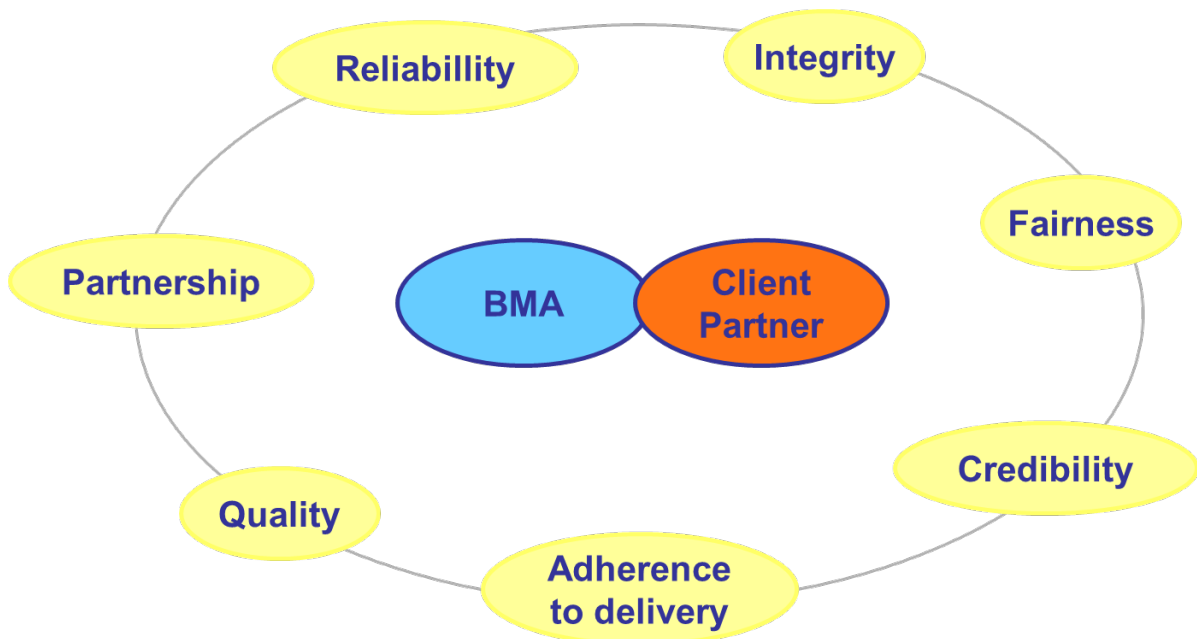


Fig. 21: BAUER Image „outside“ the company (own elaboration)

The image is the central function of a model directed inward, into the organisation, but also directed outward to BAUER customers and environment.

BAUER image and value programme should answer the following questions of our staff members and customers:

*“What do we stand for as a community?” (vision/ original cause)*

*“What do we want to achieve together?” (mission, task)*

*“Which values and principles should guide our actions?” (What? How?)*

As these questions can always be answered attractively, a positive image is linked to the hope of a positive motivation of the staff members. Positive public relations work is, on the other hand, the function of a rather positive image directed outward.

It is to answer for customers, citizens and opinion makers the following question linked with a positive image effect:

*“What does this organisation stand for?”*

The development of models is frequently the starting point or part of transformation processes. By describing a positive model, the foundations for positive change and further development of the organisation is to be laid.

Only when the selling activity has an excellent image and when the professional status of the sales person is held in esteem will we succeed in focusing the entire company on the customer and on working the market.<sup>32</sup>

At BAUER'S the leadership principle of the developed, three dimensional situation-dependent leadership model according to Hersey/Blanchard has proved to work in the case of the above mentioned objective. The challenge is that in practice managers will have to apply at the same time four different leadership styles. Internal training sessions with specially equipped trainers help managers at BAUER'S to cope with these tasks.

This leadership style implies that considerably more communication is required. The superior will have to spend more time with his colleagues and staff members, listen to them and have personal discussions with them. It is important to be able to understand better the personal situation of the staff member as well as the situation in the company in order to ensure that things proceed smoothly at work and that better results are achieved.

This leadership principle forms an integral part of the company culture at BAUER'S worldwide.

*What do we want as an enterprise and what do we not want?*

*How do we deal or do not deal as an enterprise / staff members with one another?*

*What do we stand for as a company?*

Directing the sales division and in particular the staff working in the field is an important and difficult leadership task. On the one hand, a high degree of responsibility and independence is expected of the staff and, on the other hand, it is absolutely necessary to ensure that the various activities in the field are in line with the overriding company aims and/or that the planned sales and results contribution can be secured. The topics in this context are representation of the company in the outside world, ethical behaviour regarding sales methods and/or in international business, dealing with other cultures, etc.

The execution of the planned activities has to be undertaken in a consistent way. Good time management is very helpful in this respect. A time schedule which has

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<sup>32</sup> (Dannenbergs & Zupancic, 2008), p.10

been jointly compiled may only be changed jointly. When delegating tasks, the aims and/or achievement of aims as well as the expected or planned results have to be communicated in a clear way. Tasks which have been further delegated are checked after their completion. Excuses will not be accepted!

Control and execution of agreed activities will be consistently checked. This is one of the most unpopular and also most controversial tasks, but “there has to be control”!<sup>33</sup> The most important forms of control are the task execution control and the results control. The purpose of the two types of control is to intervene in time and to counteract but also to have an opportunity to praise. In the case of experienced staff members who have a high degree of responsibility, a results control is recommended (see maturity degree S4). In the case of new and not very experienced staff or staff with limited knowledge, control of the quality of the tasks completed is recommended.

The principle being:

**Control is a leadership task, which can NOT be delegated!**

Determining a control range at BAUER was a part of the “Sales Excellence Project” described above.

Executives in the sales division have to invest considerably more time to assess the performance of their staff than their colleagues in other sections of the company. For example, they have to accompany their staff to customer contacts.

Usually, a full day is required for such a contact. At BAUER with international machine sales, several days will be needed. If a sales manager wants to accompany ten staff members in one month, 50 % of his time capacity would already have been used. Even if one assumes that not every sales person has to be accompanied once a month, this important task takes up a substantial part of the managerial capacity. Also, sales managers have in addition to their leadership work their own customer responsibilities and work in customer care. The analysis of work results, developing customer relations, understanding markets and competition activities require more time than in many internal leadership positions.<sup>34</sup>

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<sup>33</sup> (Malik, 2006), p.227

<sup>34</sup> (Dannenberg & Zupancic, 2008), p.204f

#### **4.3.7 Processes – Systematically, Supported, Suitable**

Sales process at BAUER is started as soon as the actual order is placed with the company. At the moment this is still relatively complicated and tedious at BAUER because currently the respective sales person has to complete up to six (!) different sales process lists:

- order form (105 number)
- staff requirement for equipment training
- sales requirement for central order handling
- requirement: machine documentation
- requirement: commercial admin. / accounting
- order: development construction.

For the different sections of the company obviously the most different information will be required in order to process a sale in the company successfully and on time. However, the schedules listed above do not work well, are never up to date, and looking after them is very time-consuming for the sales staff. The plan for the future is a “central master schedule” filed in the company’s network which the different departments with authorised management can access. The important point is that the sales staff has no longer an ‘obligation to bring’ the missing information but that all individual departments involved in the process will be fully responsible for the respective information of their part. For the information required by the individual sections in future the “obligation-to-obtain principle” will apply. The success of the process will be the collective responsibility of all persons involved in processing an order.

Intuition alone is no longer sufficient in today’s sales environment. In other words: Either the aim is to keep a customer, to extend the service to him, or to win a new customer. Behind these plans are hidden different sales processes, which will develop with different phases and steps and to which, to some extent, other “laws” will apply. Whereas such a process orientation has been standard procedure in other company sectors for some time, for example in production, sales teams frequently still continue to work largely in an unstructured way.

This does not mean that they do not have good personal sales abilities. But it is rather doubtful whether they are deploying them in an optimal way.

- Who talks when and with whom?



- Who has the authority to promise something?
- Who stipulates the prices/discounts?
- Who submits an offer?
- What does the customer really need?
- Is the customer's sales background known?
- Is the customer a key account holder?

Sales processes are fundamentally different from other company processes. There are no files, business dealings or products dealt with in a sales process but customers who will also be dealt with by a competitor between the individual contact phases. This results in decreasing success probabilities in all phases. In the end, there remain less and less customers compared to the originally targeted customers. If this is not taken into consideration, meaningful capacity and purposeful activity planning will not be possible. Without any activity planning it will be difficult to recognise in time undesirable trends and to counter them.

In the BAUER company this process has been relatively clearly regulated in the individual sales divisions. The only fault one could find is that authorisation is given mainly across different stepped hierarchies. A strengthened culture of confidence in the team of the sales staff will bring about additional motivation and/or increased personal initiative and more self-responsibility within the individual sales divisions. In some sales divisions it may not always be possible for the sales director to be personally present, due to his travel commitments, to check and/or sign off offers. In such cases these tasks are sometimes completed collectively by staff at the office in their own responsibility. The checks to be carried out by staff in such a case have to be clearly laid down at the outset and will be supplemented by a consistently applied "four eyes principle". However, the ultimate responsibility for this procedure rests, of course, with the sales director in accordance with the principle, liberally rendered, that control is a leadership task which cannot be delegated.

"Cross selling" and "strategic partnerships" represent current challenges. Sales people should optimise customer processes and make customers more successful in their standard of performance. Usually the knowledge of the individual sales person is not sufficient to achieve this, and more specialists need to be involved.

In the BAUER company this has been a standard procedure in recent years. Due to the product diversity of our company and the necessary expert knowledge, customer service would not be possible otherwise. However, this is not everywhere the case because the sales staff also lose their monopoly in their customer relationship, when other departments overlap towards the customer care. Subjectively, this often causes them to feel a loss of power and influence. In spite of all openness with regard to the monopoly in customer relations, there persists at BAUER the principle of a “single point of contact” for the customer.

Even if sales can be developed in this direction, this will not help if other structures in the company are not adjusted accordingly. The flexible access of sales at BAUER to for example product management and process development makes it possible to look after the customer at any time individually and ‘first class’.

The aim must be directed to the so-called called “slice of cake tactics”. For every business process the customer is given individual service, if possible. He also has the possibility to talk directly to the different relevant departments in a transparent business process.

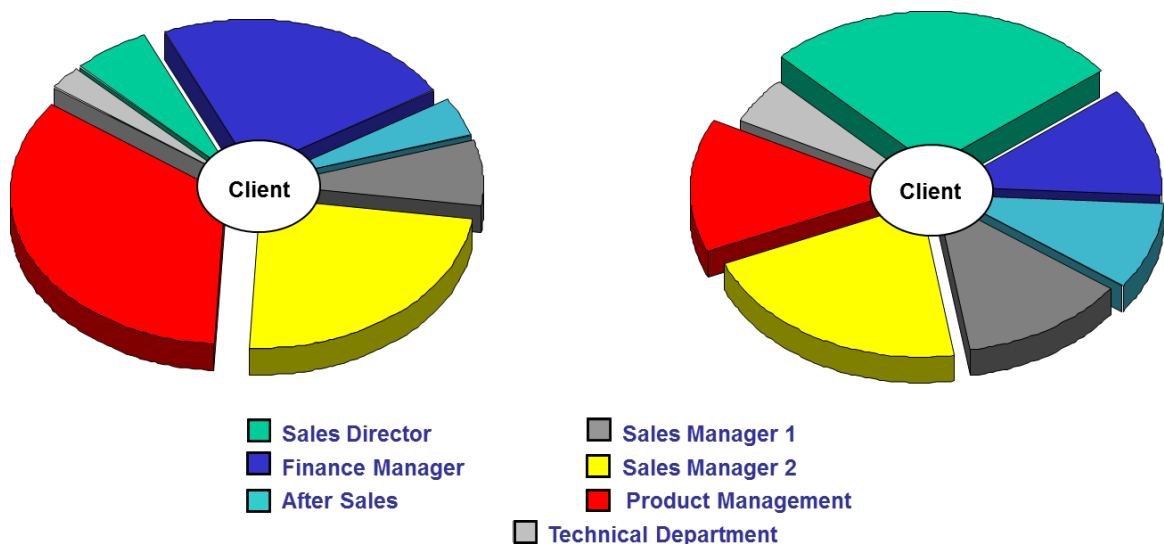


Fig. 22: Slice-of-cake-tactics SCT (own elaboration)

#### **4.4 Customer Relationship Management System (CRM)**

As customers and customer relationships are becoming more demanding and more complex considerably more market and customer data than in former times need to be captured, evaluated and communicated. Sales intuition has to be

combined with analytical procedures and the use of tools. To process such quantities of data one cannot really do without electronic systems. However, one should be very careful when believing in an automatic control effect of CRM systems.

At the moment data from SAP R3, SAP Business One, various address data banks and also our own programmes are used on access basis. The individual systems are not linked or not well linked. The SAP system is an excellent programme but entirely based on production and the administration required for it. Sales are of secondary importance. Within the context of the “sales excellence project” BAUER decided on 01/2015 to introduce the CRM system Microsoft Dynamics.

Apart from the fact that a modern company of this size can no longer do without such an efficient system, thinking in this direction was based on the concept of future sales directions of BAUER Maschinen GmbH and its subsidiaries. The sales person is changing more and more from being an individual fighter to becoming a customer manager. As already mentioned, “cross selling” and “strategic partnerships” are the terms of current challenges. The knowledge of the individual sales person is not sufficient for this. He has to integrate many more specialists from his company in customer service. If different departments in the company are in contact with the customer it is important and cannot be avoided that all involved have direct access to the information obtained. A well-functioning CRM system is a very effective instrument for the increase of sales. It makes an absolutely individualised customer approach possible. All communication to and from customers will be available to the staff instantly, including the most recent offers as well as unsettled accounts.

The introduction of a CRM system is an endurance test for a company and a very difficult process. It can be compared with the first introduction of SAP in a company. However, the presentation to the customer will increase considerably in professionalism. The more professional the customer relationship is the closer one can get to the customer (advisory status). The closer one gets to the customer, the greater the possibility to conclude a business contract. The backing received from

management will be the decisive factor in the answer to the question whether the introduction of a CRM system in a company is successful.<sup>35</sup>

### **Eight deadly sins when implementing CRM / CAS systems<sup>36</sup>**

- 1) Management is not supportive of project**
  - project needs to be given top priority
  - Sales Director needs to be a good example
  - Project to be led by sales department
  - field crew needs to be involved
- 2) Efforts and costs are underestimated**
  - CRM project tender on basis of a system specification
  - Information exchange with reference customers
  - Allow for ample training time
  - Request first update as free service
- 3) Project leader comes from IT department**
  - Involve IT department but not as project leader
- 4) Users are not involved in project**
  - Involve users in project right from the start
- 5) The current state is being continued (Electrification of current state)**
  - Update marketing, sales and service strategy before implementation of system
- 6) System should solve all problems right from the start**
  - Determine priorities for different steps of extension
  - Start with a partial section only
- 7) Random selection of software**
  - Systematic market research, e.g. via CRM report and internet
  - Get references
- 8) No test version before purchase**
  - four weeks of test phase with own data
  - do test runs with two providers if possible
  - involve employees, circulate test report

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<sup>35</sup> (Winkelmann, 2012), p. 287

<sup>36</sup> (Sales Profi, 1999)

Within the context of the planned introduction of the CRM system new sales indication figures are being defined in order to complete an effective performance control. Indication figure systems have to be checked regularly according to the saying “ what one cannot measure, one cannot check.”<sup>37</sup>

Possible new sales indication figures in addition to sales and cover contribution schedules could be:

- The number of submitted offers according to countries
- The number of customer visits per period of time (month/quarter?)
- Cost per customer visit/travel in €
- Number of travels/km by air, km per customer
- Number of new customers of all customers of the sales division in %
- Number of visits per new customer until conclusion of first contract
- Number of customer care visits of all visits in %
- Market share in the region (customers / potential customers) in %
- Number of visits, “did not meet”, in %
- Share of costs related to sales in %
- Cover contribution 2 in million € per sales region.

#### **4.5 Considerations for organizational development**

A good organisation does not only distinguish itself by ‘hard factors’ such as technical and administrative structures and processes but also by so-called ‘soft factors’ such as staff motivation, leadership style, flow of information, ability to change and other things. These factors which relate to thoughts and actions are summed up in the concept of ‘culture’. The aims of modern thoughts of strategy and structure will run in the direction of an organisational development, which will make a rather low hierarchy possible, and will result in high independence of the organisational units. In the BAUER culture, as has already been described, the primary control characteristic is the development of a self-controlling organisation. Central to self-regulatory theories is always the target concept. Aims are looked at as consciously aspired states, which gain cognitive control of the individual

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<sup>37</sup> (Malik, 2006), p. 238

behaviour. An intention has to gain a certain strength first before it can become an aim in this sense. The idea is that aims put a selective structure into the enormous variety of possibilities, and thereby concentrate attention and energy on a few reference points. Thus aims focus on attention and mobilise activities to achieve the aim.<sup>38</sup> Overall control occurs via these common aims and strategies.

Self-control of organisational units requires a great amount of communication and cooperation within the individual groups. Also, the capacity for genuine teamwork is a pre-condition for success. Everywhere, thinking has to be business orientated, and actions have to be in the general interest. Therefore, open and lively communication forms the basis of control and self-regulation in the company. However, it is important to stress that today open relations and communication are frequently confused with being more democratic. Everyone wants to be involved in everything and wishes to be consulted. Frequently, no decisions are made.

Nobody feels responsible and/or does not want to be the responsible person in the matter. Today, companies need clear structures and laid-down spheres of competence - more so than ever before. Only in this way it can be ensured that the customer gets fast, efficient and professional service. Also, a clear organisation structure will shorten the decision-making processes and can be a great help in handling market matters.

When we examine organisations more closely it becomes very quickly clear that they are based on different regulations. Organisational rules are rules, which have been introduced, and they serve the purpose of laying down the rights of signing, defining spheres of competence, distributing tasks, assigning authority to issue directives, stipulating procedural rules to maintain order within the system. Normally, order created by rules in a social system is referred to as an organisational structure. Organisational regulations are not only to ensure an efficient execution of tasks but also to direct conflicts into the right channels, to create pathways for new ideas or to organise the appearance of the company "outside" in a uniform way.<sup>39</sup>

Formal organisations have been established in a 'deliberate' and rational way, and are usually documented, e.g. the organigram of a company. Formal organisational

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<sup>38</sup> (Steinmann & Schreyögg, 2005), p. 547

<sup>39</sup> (Schreyögg & Koch, 2010), p. 439

structures are therefore also directed to the members of the organisation and lay down their ways of action – in an official, written form by management.

But not all regulations in a company are officially issued. Frequently, regulations materialise from actions that have proved successful in daily work. Informal structures of organisation develop “independently”, and may strengthen the formal organisational structure or may be a handicap and weaken it. They result from staff members in a company and are formed by communication, power, interests and needs. Informal structures of organisation are often very difficult to detect because they are, in most cases, based on excellent personal relationships.

They have often arisen spontaneously from a certain situation and have since proved to be successful in the ordinary work of the company, e.g. the production section of a company developed independently a routine, in which all in a particular group are working. But this had never been officially introduced. When enquiring why a process is done in a certain way, one very often hears “I don’t know”.

Informal structures of organisation can also be reflected in group dynamics. E.g. a new department manager is employed from outside. Right at the start he informs his staff members of his ideas, and what he intends to do and in which way in the future, etc. In spite of the fact that he is the superior of his staff members and the routes of information, decision-making and competences are clearly regulated in his new company, he will meet with the opposition of his staff, he will be unable to complete projects successfully because he will not receive the required information. When investigating he will find out that all his staff members listen to Mr ‘A’ who represents the ‘power behind the throne’ due to his long employment in the company and his technical know-how. When he had just started in the company, the department manager had made the mistake to walk over to him with his ideas and did not pay any attention to him. Now he has to try to get his cooperation. His first step should have been to have a close look at the structure of his group, and to find out who the different players are (the initiator, the ‘power behind the throne’, the general staff and the opponents) to be able to direct them competently.

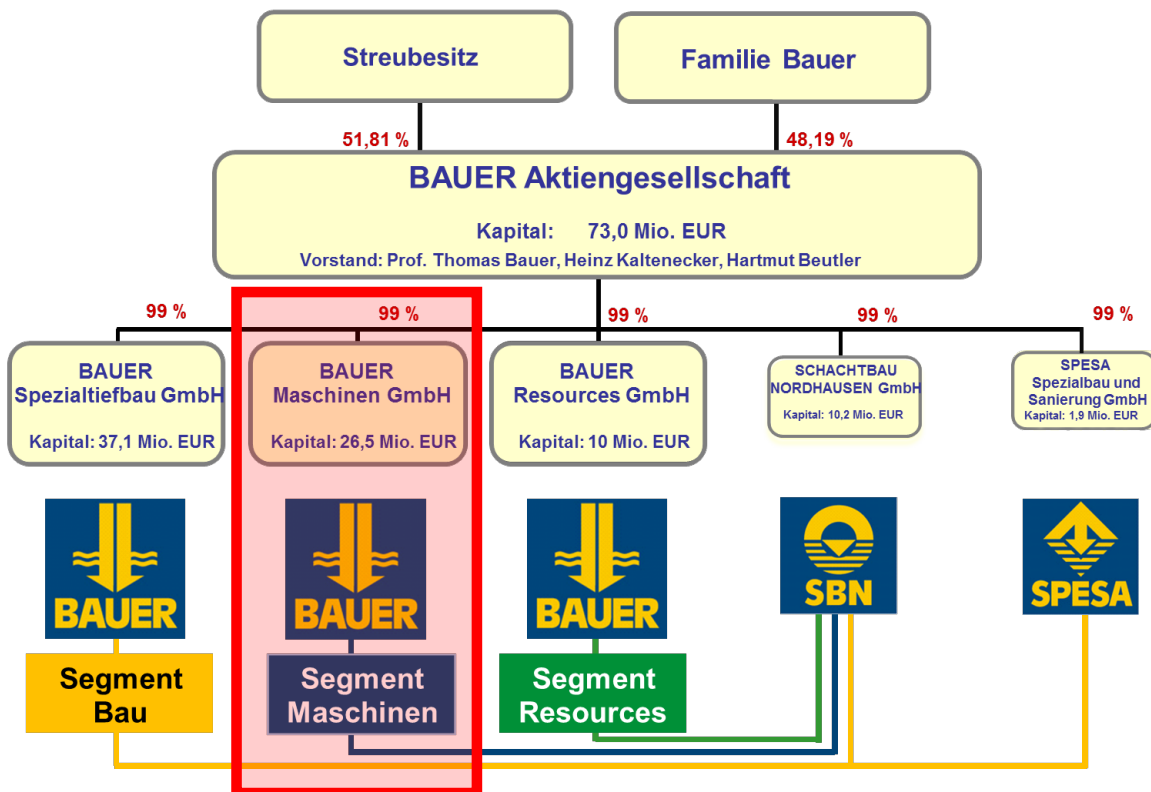


Fig. 23: BAUER Group structure, Share distribution, (Bauer, 2015)

Informal organisations are of great importance for achieving the company's aims. By not paying attention to them the results may be tension, diminished performance of staff, reduced motivation and many other things. However competent a new staff member or a new manager may be, if he does not recognise the informal organisation, nor understand how to use it or to adjust staff orientation accordingly, he will fail. He will continue to run his head against invisible wall. However, if one understands how to use it in one's favour, aims may be achieved more easily and faster. An informal organisation helps to make aims understandable also on lower levels and to consider them worth the effort. Consequently, it is absolutely necessary for every new staff member and, in particular, for every manager to first get a clear picture of the informal organisation.

The entrepreneurial family corresponds with the characteristic of a family enterprise. Due to a complicated structures comprising shares of the entrepreneurial family in the various subsidiaries, together with the necessary blocking minorities a hostile take-over is practically impossible. In the Stock Exchange-orientated Bauer family enterprise informal structures of organisation,



some of which having developed over generations, play a very important role. This thesis predominantly deals with BAUER Maschinen GmbH (red square in the figure above), but the notes referring to the subject matter of organisation apply, of course, to the entire group of enterprises.

From the point of view of a sales organisation most organigrams have a serious shortcoming - they are too self-centred.

But an organisation must not be an end in itself. An efficient organisation should make daily work easier and not more

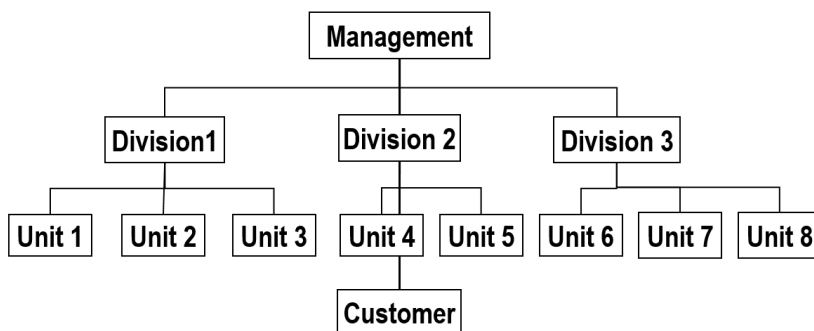


Fig. 25: The “typical” organigram, (Fournier, 2014)

difficult and should place the customer in the centre. Unfortunately, this is not so in most cases. Not so in the BAUER organigrams either! The following reflections give a completely different perspective of the organisational understanding. If one allocates a place to the customer in a so-called typical organigram, i.e. a small

box, and, after all, it should all be about the customer, one gets the feeling that the implied understanding of the roles is not the best.

At the same time it

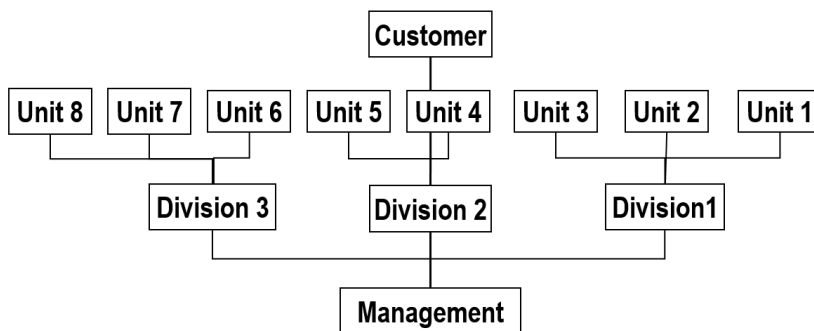


Fig. 24: The “customer orientated” organigram (Fournier, 2014)

opens up a completely new view of the concept of “leadership”. In a typical organigram the managing director is seated right on top of everything, followed by the managers on the next level, under them the staff distributed across several levels. Somewhere below the staff is the customer – although in most official organigrams he is not present at all. If the organigram is turned around, the customer will be on top! The staff at the bottom is suddenly visible as the most important link to the market. Ultimately, the new positioning underlines and illustrates the new positioning of management and/or the managing director on the

ground level of the organigram and their most important task to serve the company with all their strength and not, as some managers seem to think, have everybody serving them.

**Leadership is not a privilege!**

Every sales effort has to be efficiently organised. The processes to attain optimal customer satisfaction, e.g. compiling an offer, are internally checked. It would be advisable to determine carefully which internal activities really should and have to be undertaken by the sales staff in the field. The sales management needs to ensure that sales staff in the field has as much time as possible for active sales work for the customer. The following fundamental question should be asked when building up and changing an organisation<sup>40</sup>: How should we organise ourselves so that what ...

- the customer pays us for is the centre of attention and does not disappear from there?
- we pay our staff for can be actually done by them?
- the top management is paid for can also actually be done by them?

A good organisation is always in a sense the bridge between these questions. With the increasing size of companies, an increasing specialisation of knowledge and progressing internationalisation of business the tendency for departments and functions to become independent gathers momentum. This can cause problems internally and externally. From an internal perspective the numerous problems of connection were in the foreground. The very specific views and visions of the individual departments, different priorities and the resulting lack of understanding for one another became problematic for integration. These problems became particularly noticeable not where routine cooperation was involved, but in the areas of new developments or there where tasks had to be completed with a fixed time limit.

Such high degree of divergence in outside dealings became problematic. Customers and clients were confused and annoyed. To conclude a business or

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<sup>40</sup> (Malik, Führen Leisten Leben, 2006), p. 195f

negotiate a contract required more and more the involvement of several specialised departments and specialists, quite frequently representing different opinions. Traditional coordination instruments, particularly the functional organisation, could not cope with this high degree of internal complexity. Quite frequently the customers themselves demanded in the end a reduction of contact partners and a re-organisation of the system.

The principle of unity of management, as well as the iron principle of hierarchy has to be abandoned in order to accommodate another organisational logic.<sup>41</sup>

If organisations have to adjust to changing conditions, this happens in a parallel way in many different places within an organisation and at the same time. The signs of transformation processes, visible externally and internally, are changes in the organigrams. At BAUER Maschinen GmbH the pressure on taking action due to the problems described in previous chapters, was enormous. The urgency to do something did not only come from outside, but above all from inside the company, and affected the entire BAUER Maschinen GmbH, not only the sales division. For the BAUER Maschinen GmbH as a whole, fundamental considerations regarding the form of organisation to be chosen were necessary in the preparatory stage.

It was clear that there will be a turning away from the pure “single point of contact organisation”. It had proven to be no longer practical and safe for the future if applied by itself in the company.

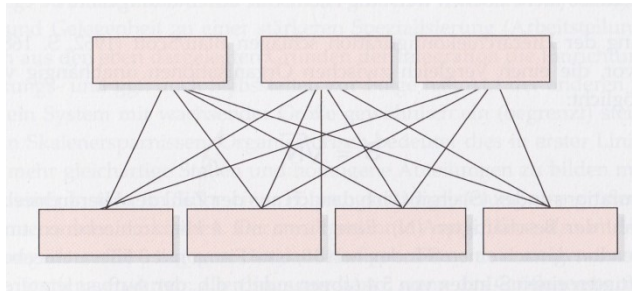
The opposite type to the structural type of a “single-point-of-contact organisation” is the “multiple-points-of-contact organisation”. This is also a hierarchically conceived system, but it is based on the specialisation principle, and distributes the task of coordination among several specialised units with the result that one section has to report to several offices with authorisation to give directives, i.e. one staff member reports to several superiors. The concept of the “multiple points of contact principle” found a particularly clear form in the function master system by F. W. Taylor. By means of function specialisation, similar to the implementation units, practice advantages and shortening of training periods are to be achieved. Such an organisation principle was quite conceivable for BAUER in the areas of

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<sup>41</sup> (Schreyögg, 2008), p.148

administration, development, construction and production, but it was not practical at all for world-wide sales.

The idea to structure the hierarchy according to the ‘multiple points of contact system’ in practice has not been well received for a long time because of the



inherent danger of inconsistencies. The clear competence in the case of coordination problems is lost, there is no longer a self-contained structure, integration has not been

Fig. 26: Principle of a Multiple-Line-Structure (Schreyögg, 2008)

conclusively determined. However, more broadly accepted models, which are based on the ‘multiple points of contact system’ have been found in recent times.<sup>42</sup>

After intensive discussions the decision at BAUER was in favour of a combined solution. The new BMA organisation was again to have three pillars, but with a different structure. The new product areas (business areas) as well as the administrative areas (function areas) were to be managed according to the principles of a matrix organisation. The sales division was completely “cleared out” but was to be managed unchanged as a clear “Single-Line-Organisation”.

Implementing the organisational changes, it was decided to start with the business and function units and to look at the remaining, cleaned-up sales division within the context of a separate ‘sales excellence project’. The first reorganisation project in respect of business and function areas was completed in its essential aspects at the end of 2014. The transformation project of the actual sales departments starts in January 2016 and will presumably continue until July 2016.

Before such far-reaching changes are made it is very important that staff has been sufficiently informed about the imminent process, or even better, has been involved. When such changes are made it will be impossible to completely avoid a state of disquiet and irritation among the staff. But the staff has to accept that such changes in the organisation have nothing to do with democratic processes and actually are necessary and cannot be postponed because they serve the purpose of securing the future of the company. Once the aims and measures have been

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<sup>42</sup> (Schreyögg, 2008); p.133

clearly communicated to the staff members, they will understand that this is done also in their own interest.

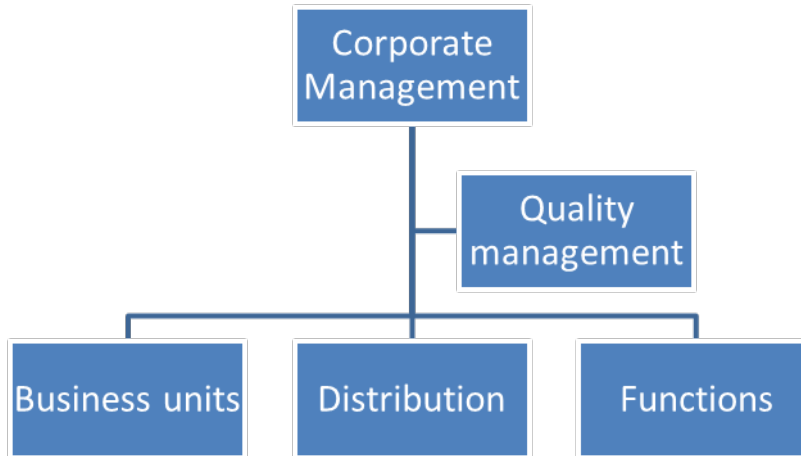


Fig. 27: Draft scheme of the "NEW" management structure of BAUER Maschinen GmbH (BAUER, 2015)

#### **4.5.1 A brief digression from this topic: Taking decisions!**

It is much better to take the wrong decision than no decision at all! A wrong decision may be corrected later, if necessary – but not deciding cannot be corrected. It is important that the different levels in an organigram are equipped with the required competences so that decisions may and can be taken. ‘On the paper’ functions in an organigram need to be eliminated because they contradict the concept of transparency, clarity and organisation, which is self-explanatory. All three are attributes, which are enormously important for the acceptance of organisations as wholes, and of the specific company organigrams.

#### **4.5.2 The new business units**

The new business areas are divided into different product groups – in a classical way according to the matrix principle (see the previous chapter). A manager is in charge of each of the ten business areas. He reports to the member of management who is responsible for his business area. The entire product knowhow, regarding machines and their use, is brought together in these business areas. The different technical and control categories of the individual staff members in the business areas are clearly marked in different colours in the following figure.

Colour scheme:

- Blue** – professional superiority
- Red** – disciplinary superiority
- Violet** – functional superiority
- Yellow** – no superiority

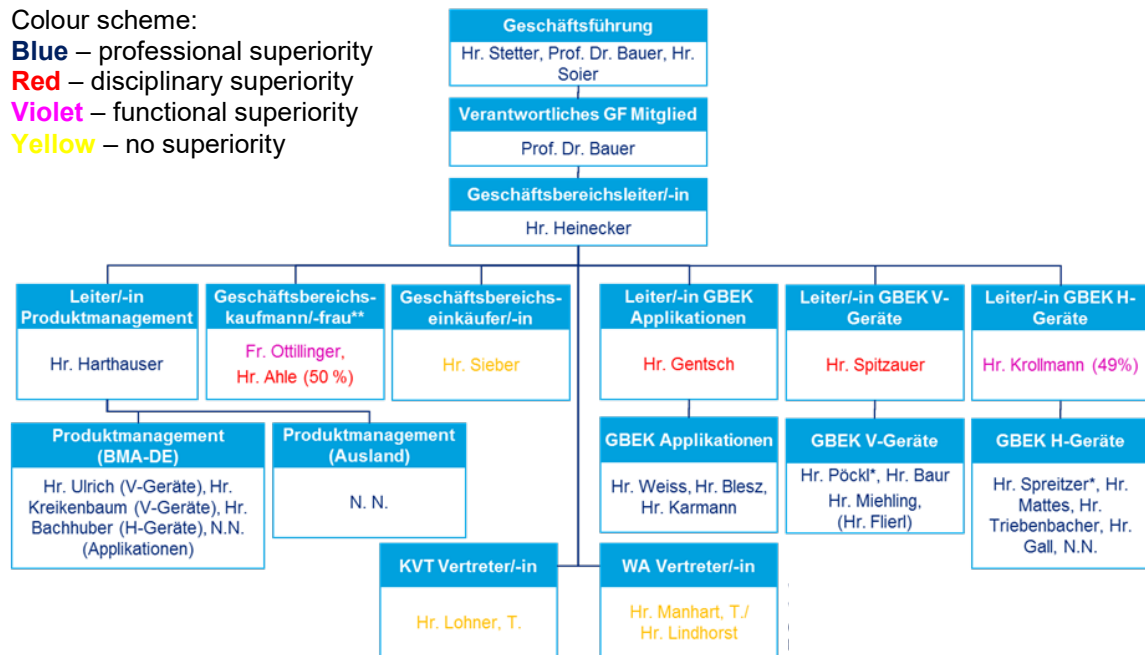


Fig. 28: Organigram business unit "Premium Line", 2015, BAUER

The decisive factor in a business organisation based on different products was the product development process. As explained above, it is more and more difficult to plan a sensible product development due to the continuous and uncontrollable influences on development and construction by sales staff and customers. The new structure restricts this possibility practically completely to the benefit of all involved. The new point of intersection between sales/customers and product development is the business area responsible for the product according to the 'single point of contact' principle. If a customer or a member of the sales staff has a special request regarding a change in the specification of a piece of equipment, if he has an idea to improve the product or other requests for adjustments, whether against payment or not, all communication has to go exclusively via the relevant business area. Then it will be decided under the leadership of the business area and in agreement with the sales division, development and construction as well as production whether the change is economically feasible or whether it may be of strategic importance or might contribute towards an improvement of the equipment. After the decision has been taken, depending on the importance of such adjustments, a graded product development process will start. Every business area has to a small extent its own construction capacity in order to be able to implement small adjustments and adaptations in an

uncomplicated way and fast, to the customer's satisfaction. If more extensive changes or adaptations are necessary, the different business areas will use the capacities of central development and construction.

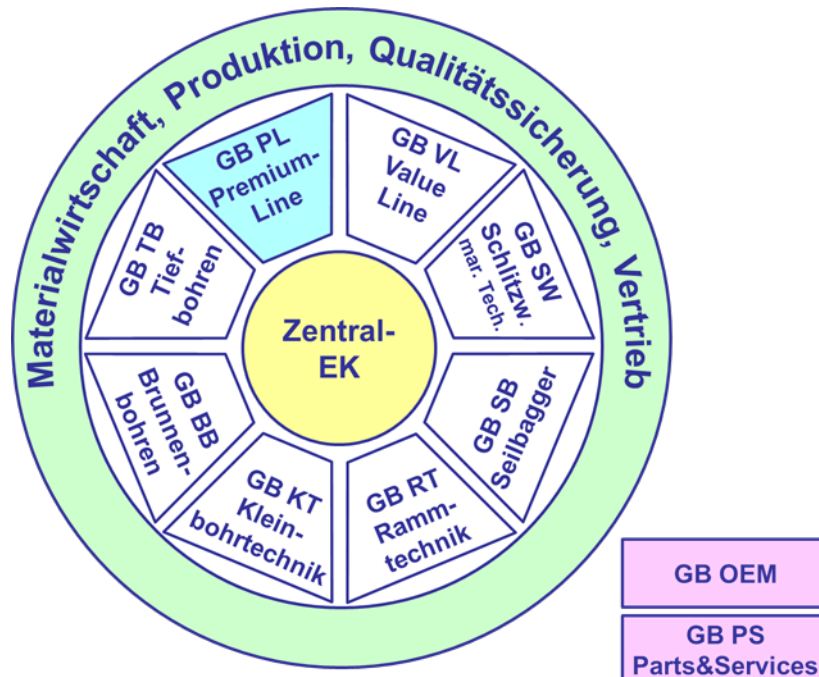


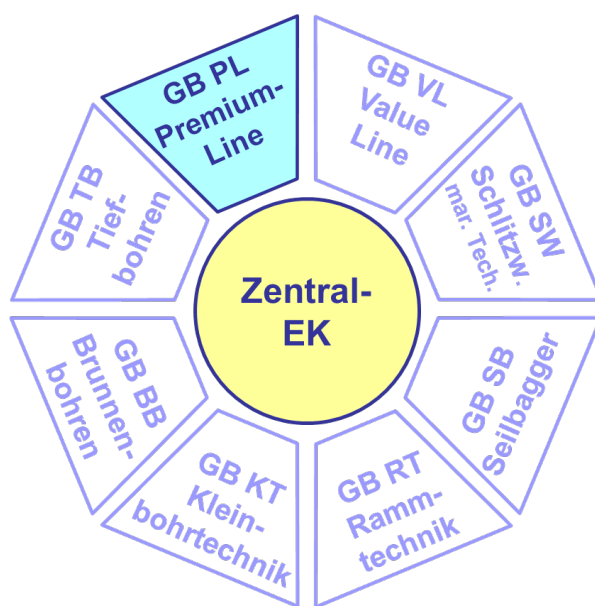
Fig. 29: Structure BAUER - "Single Point of Entry -Principles", 2015, BAUER

In the case of central development and construction according to BAUER this is a function area, which is assigned to central DC in respect of organisation and discipline. Accordingly, central development and construction is not a business area although substantial work is done by it for them.

The great advantage for the sales division is that all internal agreement confusion falls away and it can fully concentrate on its actual task of dealing with the market. Beyond this, the sales division 'buys' the required equipment from the business units at an internally fixed price. The economic risk for purchase, construction and production lies with the business area, as well as product sovereignty and product development. All information and perceptions of marketing and sales regarding the market and the competition flow centrally via the business areas back into product development of the business area and thereafter into development and construction.

### 4.5.3 The new function units

All function-relevant areas of the company, such as commercial administration, materials economics, purchase, development/construction, production and factory departments, quality assurance, customer service, equipment repair, stores administration or the process group pricing and strategy have been put together in the pillar function areas. These are linked in the matrix way to the business areas. There is an analogue situation regarding commercial administration, also



regarding the customer service department.

Fig. 30: Relation between Business- and Functional units, 2015, BAUER

### 4.5.4 The new sales organization

A fundamental change to the old organigram is the new value of the actual sales organisation within the transformed organisation. In the past the sales division was mainly seen as a cost and/or necessary distribution factor. Frequently the following comments were made:

*We have super products which sell themselves!*  
*Who comes first is served first! Or: we do not serve everybody!*  
*Flying around the world and incurring expenses!*  
*I am an engineer and not a vacuum salesman!*  
*If the customers want something they will have to come!*  
*The sales staff is a group of chaotic people!*



The sales image was poor and got worse in the difficult years 2009-2013, as described above. At the same time most of the people involved had a thinking that there were enormous structural problems in the company, which could not have anything to do with the sales organisation. Product development was too slow, manufacturing had frequent quality problems, and the competitors believed to be far away were about to overtake.

“The sales image within the company should be good” reads one of the success factors for top performance in the sales division. The start of the “sales excellence project” was based on this principle. The sales staff and selling are seen as key functions for the company’s success and are recognised as such. The new sales division was to concentrate, above all, on selling and, if somehow possible, on nothing else. Reorganisation of the other company areas had been completed in broad outlines. The sales division now lagging behind is used to make the one or the other correction to the original concept. The most far-reaching correction concerns marketing, this will be separated from sales in the future. In the past, this section practically existed only on paper. “What do we need this for? It only costs money! What do we have our sales people for?” Just one of the comments, which could have been heard repeatedly. According to Malik (2007) the combination of sales and marketing is a classical killer job. The consequence of this killer job is almost always that one is either excellent in sales but ‘lousy’ in marketing, or the other way round, that one is brilliant in marketing but poor in sales. And quite frequently people are neither good in sales nor in marketing. These are all different but sure ways for the downfall of a company. To get away from the mistakes and arrive at the positive: jobs have to be big; they must get people to concentrate and focus; they must have internal coherence, and must not be simply an aggregation of disconnected activities; they must allow results; they must be conceived for ordinary people who have been selected according to their strengths.<sup>43</sup>

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<sup>43</sup> (Malik, 2006); p.302f

The sales division is to be structured in future, even if there are some changes, according to the principles of a 'single contact point organisation'. Considerations, which include worldwide presence and an increasingly high daily need for agreement, exclude all other forms of organisation. However, the principle of regional distribution is maintained.

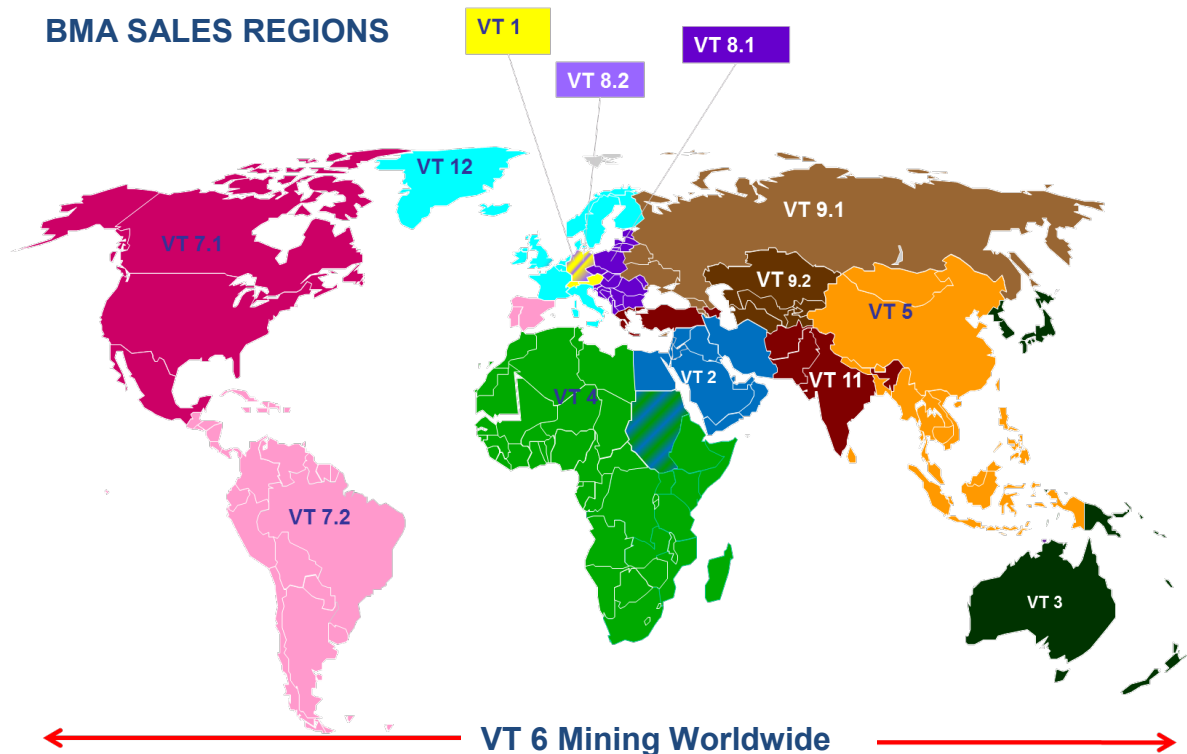


Fig. 31: Layout of worldwide sales of BAUER Maschinen GmbH (BAUER, 2015)

In order to reduce the currently high control range in the area of overall sales management and to give the new organisation space for further growth the whole sales at BAUER Maschinen will be split into three parts in future. The higher level of reporting is directly the responsible member of management. Marketing will be located as a completely independent department on the same level of hierarchy as the three sales managers/heads of sales. The new manager/ head of marketing

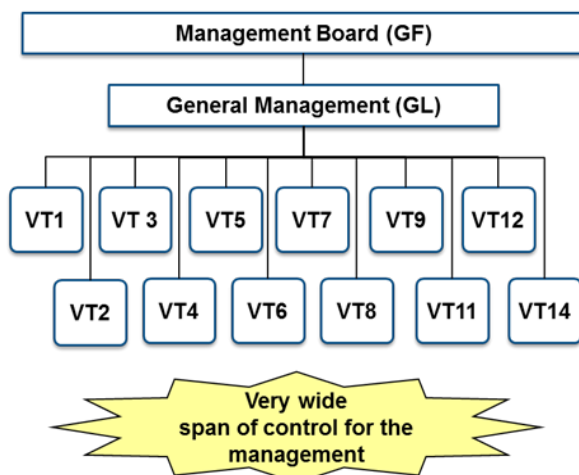


Fig. 32: Current situation BAUER sales division, 2014

will work worldwide, and will report to the same management member as the three sales managers.



Fig. 33: The new tri-partition / quartering of BAUER's worldwide sales (BAUER, 2015)

The new organisation and optimisation of the sales organisation is based on the following fundamental considerations of top management. These “Golden Rules” have strategic character and have been agreed upon in a binding way.

- Sales and marketing are **strictly** separated.
- Marketing will become an independent business unit on sales mgmt. level.
- Marketing and sales will report to the same management member.
- The separation of sales into three parts is due to taking into account the requirements of the different time zones.
- There is only one clearly visible number of regions and/or sub-regions. The control range must not exceed the “magic number 7”.
- The sales department worldwide is struck off and the department’s activities are divided among the respective sales departments.

- Similar income and/or growth and/or distribution of potential in the different regions or sub-regions.
- Only minimal conflict potential on the highest level.
- Clear hierarchical structure and clear report and reporting channels.
- Only very competent and motivated managing staff will be in key positions.

**Concept of “New” Sales Structure at BAUER Maschinen GmbH**

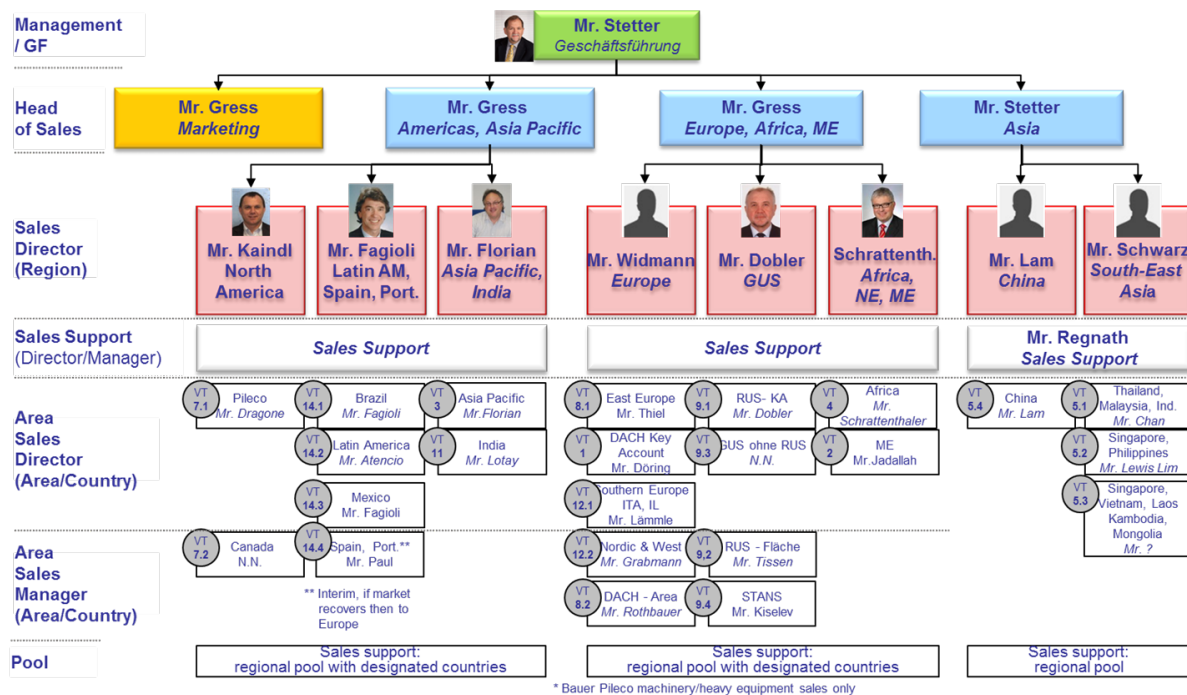


Fig. 34: Concept of “New” sales structure at BAUER Maschinen GmbH, (BAUER, 2015)

At the moment the positions of the three heads of sales are not filled and, will be occupied for the next six months by members of the executive management or all the executive members together. But according to communication, one person from the respective regional departments will be promoted to the new position. The background for this is that the organisational changes caused considerable upheaval in the company and it would be desirable that the new structures first consolidate. There is also the possibility that daily work over the next months could bring about some adjustments of the organisational structure, which may affect filling the respective sales management positions.

#### 4.5.5 Regions and sizes of sales divisions

In structuring the individual regions, particularly all similar sales capacities and distributions of potential have played an important role, apart from cultural considerations. The aim was to prevent by all means that the departments are too small on the one hand, or on the other hand, that they are so big already at the start that organisational growth from the regions is not possible.

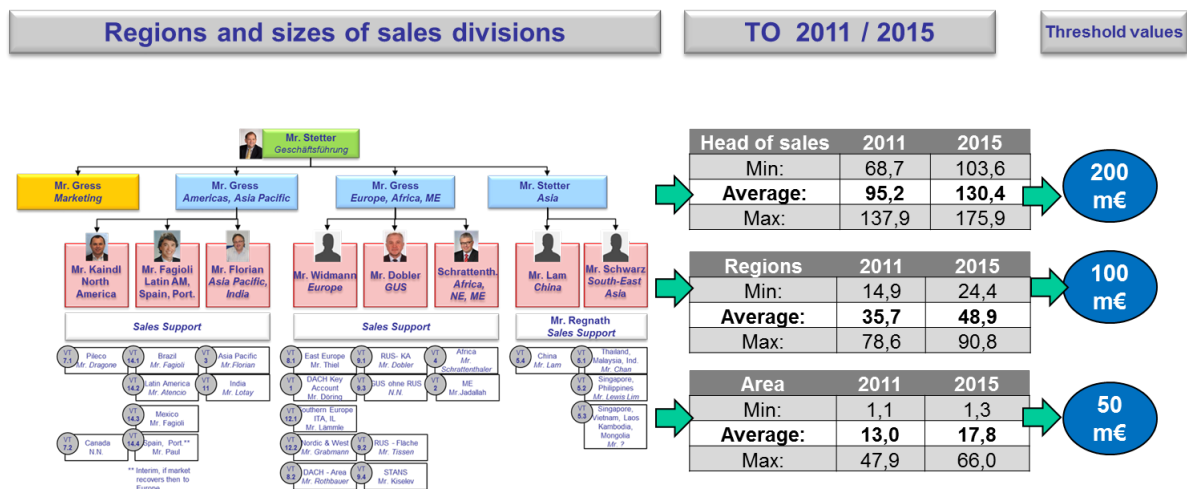


Fig. 35: Sizes of sales divisions acc. Turnover incl. thresholds 2011/2015, (BAUER, 2015)

In order to be able to support the organisational structure in an optimal way the sales staff in certain regions needs to be adapted in accordance with a clear and transparent logic until 2016 at the latest, which has to be taken into account in the organisational setup.

This means for the sales staff:

- As a growing company the sales department offers interesting professional prospects.
- Depending on the development of sales and results 'new' boxes/ regions/ areas are to be created (see threshold values in figure above).

#### 4.5.6 Distribution of BMA sales recourses

In the past the resources within sales were distributed very unequally. The distribution was very Europe orientated. Up to 50 % of the entire sales staff is involved in the European market. The corresponding sales and results

development shows a different picture. On the other hand, in the regions of the future, like South America, India or Africa, only three to four people are involved.

The reason for this unfortunate trend is not only a failure of management but above all a lack of flexibility of the staff travelling abroad as well as non-existent knowledge of foreign languages and laziness. This attitude of many sales persons had been tolerated by management for years, and it is now very difficult to change this.

In this context one can only hope that the staff selection process, the new incentive system as well as the new staff development models will be given the necessary space to correct these dangerous developments.

The immediate aim is that the distribution of resources is orientated in the future according to the following parameters:

- Company strategy
- Sales and results
- Growth of sales and results development
- Current and future market potentials
- Size of countries.

Management actions will again and again have to be based on intuition and instinct but not exclusively. An efficient CRM system can be a big help in such decision-making processes if the required market and customer data have been practically prepared and are available beforehand.

The following catalogue of measures concerning the distribution of resources should be implemented without delay:

- Increase and/or doubling of resources for the growing markets such as South America, the Middle East and Asia.
- 50 % reduction of resources in Europe and possibly a transfer to other sales departments and pushing for alternative sales routes (agents, contract dealers or representatives)
- Checking the transfer of resources from the central department to the regions – including regional management!

#### **4.6 Equipment sales using the example of Africa**

BAUER has already sold the first rotary piling rigs to Africa some 40 years ago, but never really pursued the business. Most business activities took place in Egypt and Libya. Most certainly one reason is that Africa is still 'the big unknown continent' for most people. They have no conception of the vast dimensions of this continent.

The area of the African continent comprises 30.3 mil. km<sup>2</sup>. This corresponds to 22 % of the entire landmass of the earth and is 85x bigger than the Federal Republic of Germany. There are 54 countries on the Africa continent, and more than 1 billion people (status of 2009), thereof approx. 210 mil. north of the Sahara Desert, mainly Berber and Arabs. Therewith this continent is the second biggest part of the earth in terms of its dimensions and population. The entire length of the coastline is 30,490 km. Biggest countries are in decreasing order: Algeria, the Democratic Republic of Congo, and Sudan. Also all other figures are enormous and make it difficult to adumbrate how a sales structure can be organized in such an environment. The most populated country is Nigeria with an estimated population of 140 mil. people, the least populated country are the Seychelles islands with 80,000 inhabitants. Africa is home to huge metropolises. Biggest cities are Cairo with 15.8 mil., Lagos with 11.2 mil. and Kinshasa with 8.1 mil. people. Climatic change and numerous armed conflicts have caused a dramatic rural exodus in Africa since the turn of the millennium. Nowhere else in the world does the number of urbanites grow as fast as in Africa. The growth since the year 2000 was on average 4.3 % – compared to 1.2 % in Europe. By 2015 there were around 40 cities with more than 1 mil. people. In the seventies there were only four – Cape town, Johannesburg, Kinshasa and Lagos. Mainly the age group of the 18 to 25 year olds, which forms the majority of the population in Africa, moves to the urban areas in hope of a better future.<sup>44</sup>

Africa is the continent of tribalism. However, lingual or cultural barriers are mainly pretended arguments. Until today, major conflicts can be followed up to the drawing of frontiers by colonial powers. The porous borders are not, as in European history, demarcation lines of sovereign states, which can be defended

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<sup>44</sup> (Gresh, Radwany, Rekecewicz, Samary, & Vidal, 2010), p.138

with violence. Only the split-up of Africa by the colonial forces has scattered people, territories and countries to the four winds.

Africa has approximately 2 thousand African languages. Fifty of them are spoken by more than 1 mil. people. The most important languages are Swahili, Igbo, Hausa and Afrikaans in Southern Africa. Most of these languages are not official languages. The official languages are mainly the languages of the old colonial forces. Naturally many of the locals do not speak this language and can participate in economic life only with difficulties. When choosing sales staff, the variety of languages represents a huge problem. Employees, who meet these requirements can hardly be found. The official languages of Africa are shown in the figure below.

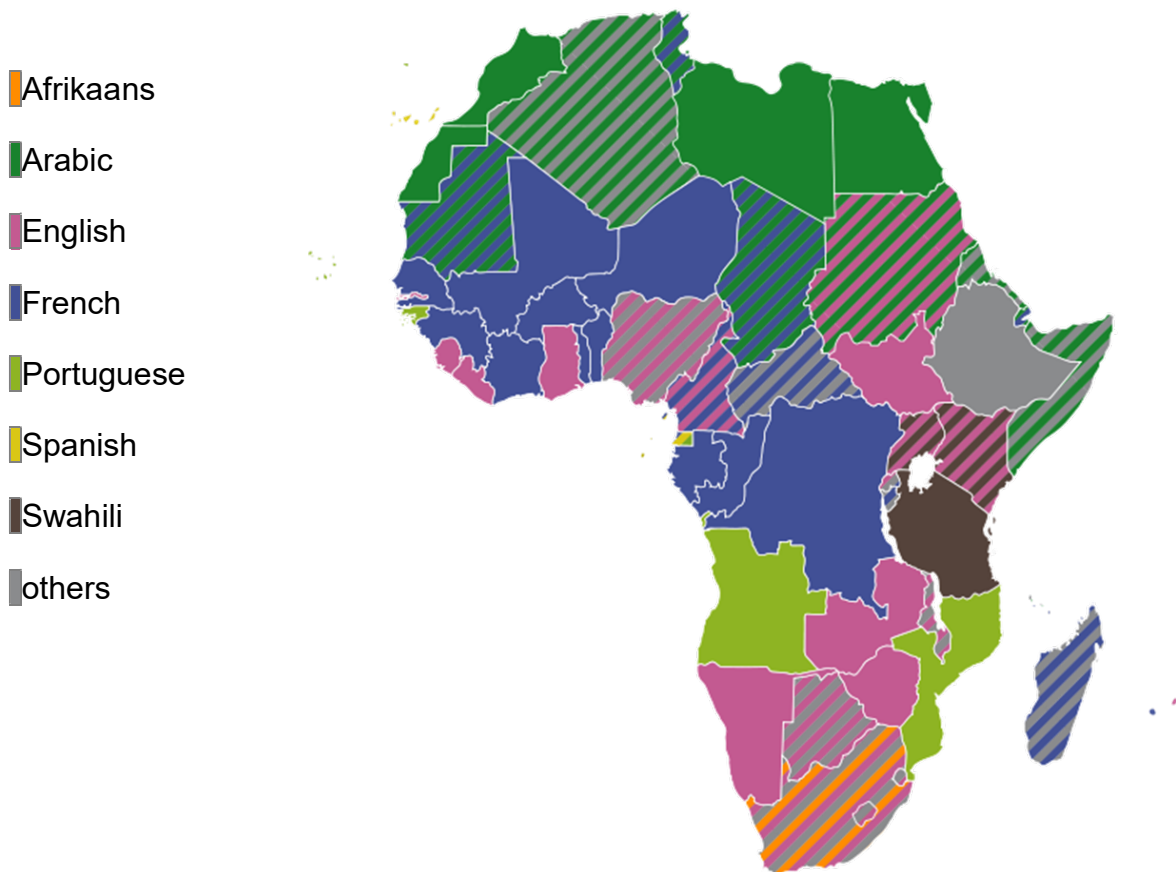


Fig. 36: Official languages in Africa, 2013, NordNordWest

Religion in Africa is an essential part of the cultural life. It encompasses almost all aspects of life and plays a central role for the people in all areas of life. In a European context it is unthinkable that the religion of employees has any influence on them being employed or not. Not so in Africa. The personal and religious background of a salesman, his belonging to a certain tribe or a certain family, can



be of significant for him and cannot be ignored from a business interest perspective. When handling a market or when choosing local employees one has to meticulously pay attention not to break any unwritten rules out of unthoughtfulness and to choose an employee who only offers the professional knowledge for the task at hand. Out of own experience of the author it is recommendable to have mixed sales teams in order to be able to cover the entire spectrum. Against this background the huge significance of a coherent company culture and employee management can be explained, which should mainly be influenced by tolerance and self-control. Like this, sales employees of different ethnic backgrounds are in a position to successfully manage sales tasks.

The huge majority of Africans are either Christians or Muslims (approx. 43 % Islam, 42 % Christianity and 15 % Animism), where Islam dominates in the northern countries of the continent, in West Africa and on the shores of East Africa, whereas in the centre and in the South Christianity is the main religion. Apart from these two religions a number of traditional religions of different forms have survived.

In sub-Sahara Africa, where there is an equal number of Muslims and Christians, both religions are gaining strength. Experts see this strengthening as an attempt to overcome spiritual uncertainty that came with independence. Mainly in cities, people are looking for new possibilities that give them security, and that tie with old traditions of communal life.

Africa has a phase of immense change behind it. It started with democratic processes after 1989 and ended at the beginning of the new millennium with the failure of structural adjustment programs prescribed to the continent. Between 1989 and 1999 Africa largely experienced the collapse of its political and economic structures. The end of the Cold War eased some conflicts that were mainly stirred from abroad (Angola, Mozambique etc.). Crypto communist regimes disappeared, or avowed themselves to free market economy (Ghana, Benin and Ethiopia). The abolishment of apartheid in South Africa marked the final end of the colonial times. Until two years ago equipment sales in Africa was a matter of coincidence. Market approach was limited to South Africa and parts of the MAGHREB region as well as Egypt. The yearly achieved turnovers were volatile and ranged between 0 and 6 mil. Euro per year.

At the beginning of 2012 it was decided that Africa as market of the future will be paid more regard. An independent small sales area with 4 employees was established. It was not long before the success came as already in the first year of concentrated market approach in 2012 – the turnover barrier of 10 mil. EUR could be overcome.

In the current business year yet another significant turnover and result increase is beginning to show in comparison with the previous year. By the end of the year the turnover should reach around 17 mil. EUR Within the framework of the 'Sales-Excellence-Project' after careful analysis, serious lack of staff in the African sales area was confirmed. At the same time, from a practical point of view as well as from a cost point of view, it does not seem sensible to build up the missing resources only in Germany and therefore increase the already high travel demand in this area. Furthermore, a "local market approach" has a lot of advantages for direct customers.

#### **4.6.1 Market potential**

Africa has – more than in previous years – good chances to partake in positive developments, as many countries with their gigantic mineral resources (rare earths among others) have a good potential for growth. However, Africa is completely dependent on these resources, which will cause a lot of economic problems in the long run. Foreign direct investment on the African continent with the clear intention to secure resource supply in the long run for their own countries, mainly from China, intensifies these very problematic interdependencies. In this context it is often spoken about the "new colonial masters from China". This topic is not a part of this thesis and requires separate investigation. Also for the BAUER group the market potential is enormous. Only for the equipment sector the yearly turnover potential is estimated to be 100 mil. EUR.

From BAUER's point of view there are hardly any markets in Africa as defined by common standards. Such a market is an area, mainly confined by country borders, with a yearly required volume of machinery and equipment. By nature, the sales task is to acquire as much as possible of the existing market volume. Beginnings of such 'markets' are only existing in South Africa and parts of North Africa as well as Egypt and Morocco. Apart from that, the equipment business in Africa for



by 5.3 % in 2012, similarly as in 2013. There are huge investment programs, mainly in the areas of basic infrastructure for roads, bridges and energy supply. The entire road network of Africa comprises currently 56,683 km and only approximately 50 % of it is paved and hence accessible throughout the year. Functional road connections and acceptable energy supply are, however, the beginning of each economic prosperity and are a basis for the creation of a more diversified overall economy.

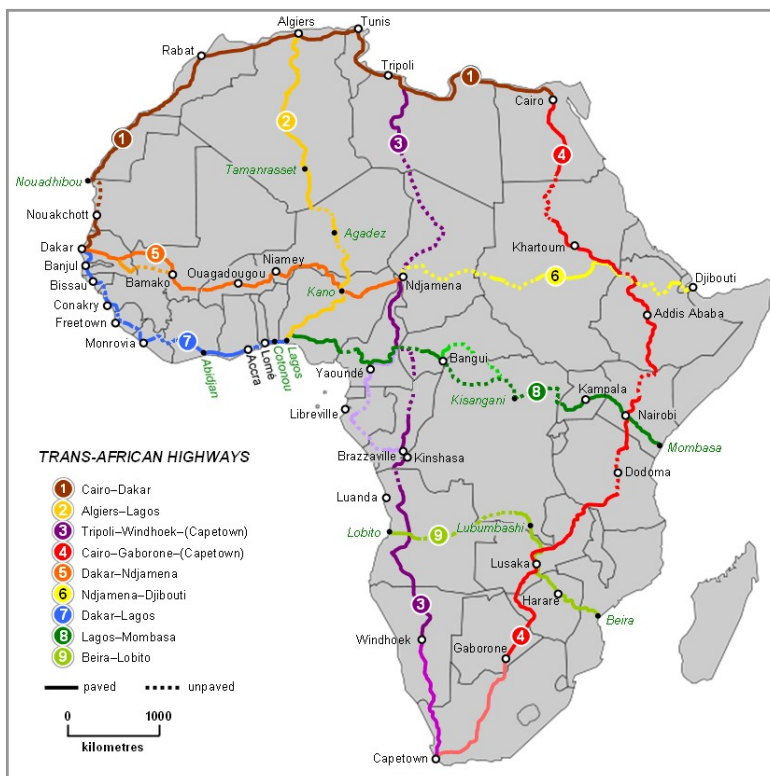


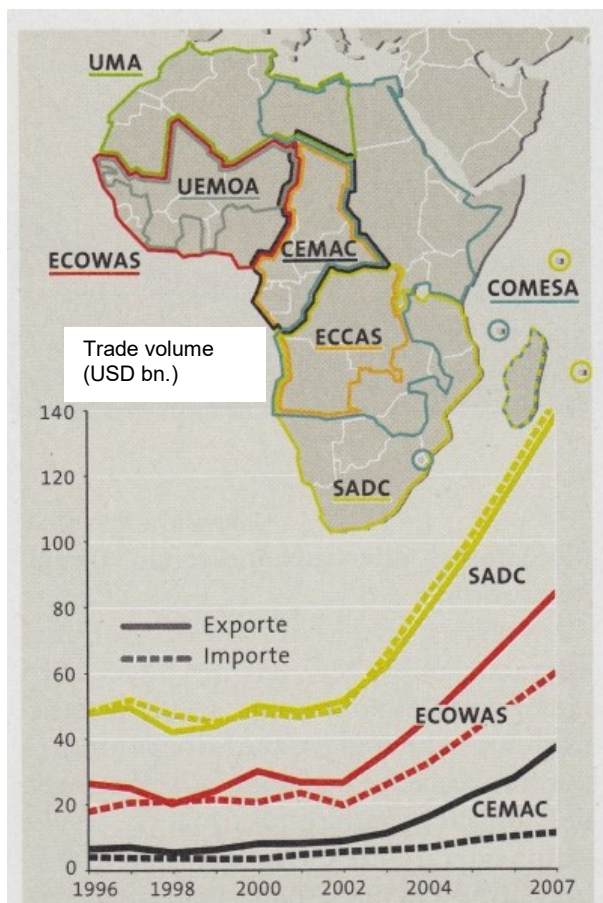
Fig. 38: Trans African Highways, 2007, Rex Perry

#### 4.6.3 Legal framework, alliances

The legal framework in Africa is very different from country to country. One can mostly name a Francophone and an Anglo-Saxon jurisdiction, depending on which colonial power occupied the respective territory in the past.

In order to accelerate the absolutely necessary diversification of the African economy, different African countries have been trying to create supra-regional economic, customs and currency unions since the eighties, following the example of the European Economic Area. The efforts are, apart from SADC, still in the early days and economic integration is still quite weak. Also within these different unions there are huge differences in the economic structures and in the income level;

especially between wealthy countries at the coast and the countries in the centre of the continent or the Sahel zone. For the organizational structure of an equipment sales set-up such considerations are of huge significance; as they allow us to span a local network over carefully chosen locations on the continent for the future. Currently bureaucratic efforts in order to e.g. bring goods from one African country to another are complicated and time consuming. In the SADC region this common economic area exists already. Until 2008 a free trade zone was created, by 2010 a SADC customs union. Target is to create a common market by 2015 and by 2016 an economic union. Implementation of a common currency is planned for 2018.



UMA: Arabic Maghreb-Union  
ECOWAS: West-African Economic Union  
UEMOA: West-African Economic and Monetary Union  
CEMAC: Central-African Economic and Monetary Partnership  
ECCAS: Central-African Economic Partnership  
COMESA: Common market for Eastern and Souther Africa  
SADC: South-African Development Union

Fig. 39: African Economic Unions, 2009, AfDB

#### **4.6.4 BAUER's competition in Africa**

Even in the segment of special foundation machines, as manufactured by BAUER, there are certainly international competitors on the African markets. They mainly come from the People's Republic of China, like the company „SANY“<sup>45</sup>, as well as SOILMEC<sup>46</sup> and Casagrande<sup>47</sup> from Italy. All three manufacturers are serious competitors for BAUER and mainly supply the low price segment of the industry. Each of these competitors is always and forever in a position to undergo a price offer from BAUER. As such, it promises little success to enter a ruinous price fight with these manufacturers. BAUER's strength can be found in the quality and in an excellent service – the difference is in the constantly high quality demand, excellent consulting competency and consistent expansion of the local market presence. These are the only possibilities to play off the BAUER strengths. By not only selling a machine to the client but by assisting and advising him locally with staff BAUER reach a consultative status and therefore a special bond of trust with the client. BAUER's competence does not only refer to the sold product but very clearly also to the daily topics of the execution of construction sites within the special foundation sector.

BAUER tightens the trust to its clients by an 'error and service culture' that focuses exclusively on quick problem solutions.

#### **4.6.5 Market appearance in Africa**

In order to ensure a sustainable handling of the markets, Africa will be divided into five local sales areas. The composition of the separate regions will be done in accordance with the previously explained insights, in line with cultural belonging, language and population group. If possible, the separate sales organizations must be managed locally. Leadership of these regions should, at all cost, be carried out by qualified local staff. Until such time as suitable local BAUER staff has been

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<sup>45</sup> Sany group is a mechanical engineering company founded in 1989, with its headquarters in Changsha, China. The the Sany group focuses in the area of construction machines, cranes and wind turbines. The turnover was 12.7 billion dollars (!) in 2011 and 7,6 in 2014

<sup>46</sup> The Soilmec s.p.a is an Italian manufacturer of machinery and construction equipment. The company, based in Cesena, 2008 achieved a turnover of 346 million euros. Soilmec is a subsidiary of the Italian TreviGroup.

<sup>47</sup> The Casagrande Group s.p.a is an Italian manufacturer of machinery and construction equipment. The turnover was 2011 93.7 million euros in the year. The registered office is in Fontanafredda

trained, compromises in the first years can be tolerated. Long-term success in these regions is, however, only possible by locally rooted management team.

Within the separate sales regions, the sale itself should be a direct sale. The regional bases will be consistently expanded as full local service centres. Each and every client contact regarding after-sales service, will be handled via these service centres and from there onwards to the headquarters. The expansion of these service centres has utmost priority, and is a strategic pillar for long-term and sustainable market success. The local bases should have a sales department as well as complete spare part and repair logistics, as well as an equipment rental park for the local market. In accordance with the BAUER networking strategy (“Growth within the network out of own strength”) the different regions support each other with full efforts. An indirect sales organization via dealer networks is not constructive in the long-term as the sustainable quality, which a consultancy intensive sale of investment goods requires, cannot be guaranteed.

In certain countries it may be necessary to engage the services of sales agents. These ‘sales helpers’ will be paid on a commission basis in accordance with their success. In certain African countries they are essential as ‘door opener’.

The regional subdivisions, according to the figure above, are prioritised as follows in ascending order:

<u>Southern Africa:</u>	Regional base Johannesburg
<u>East Africa:</u>	Regional base Addis Ababa/Ethiopia or Nairobi/Kenya
<u>MAGHREB:</u>	Regional base Casablanca/Morocco or Tunis/Tunisia
<u>West Africa:</u>	Regional base Accra/Ghana
<u>Central Africa:</u>	Regional base Libreville/Gabon

In comparison with European working costs such a sales structure is hardly feasible economically. By using local resources one can make the financial feasibility possible on the one hand, and on the other hand one can adjust long-term to these markets by giving the company a ‘local face’.

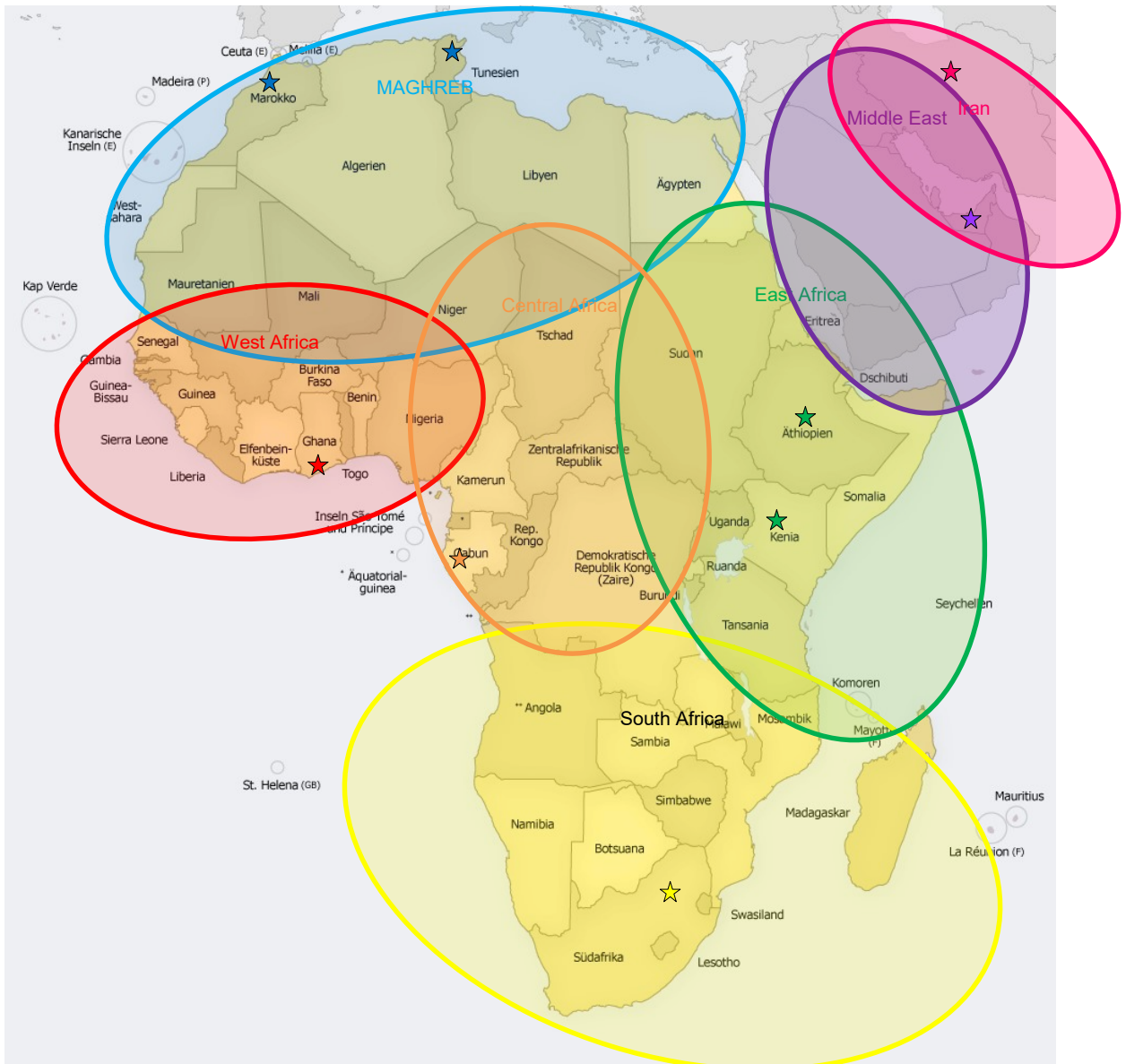


Fig. 40: Hotspot concept for market development in Africa and the Middle East, 2015 (own elaboration)



## **5 Discussion**

Despite undisputed necessity, reorganizations are quite often not executed for the good of the people involved and quite often the situation within the companies is worse afterwards than it was before. It does not have to be like that! Often such misguided processes conceal a latent lack of leadership of the decision makers. They are often lacking in communication skills, trust and belief in their own employees and willingness to delegate.

### **5.1 Thesis 1: Willingness to change requires initiative**

Leading an organization requires permanent fine adjustment and re-focusing; it is essential to never be entirely justified. Organizations need to question progress in following and reaching goals in ever repeating cycles. Change is an integral part of a company and is always related with reformation, pooling of capacities or strategic realignment. The ability for transformation and innovation of a company becomes a more and more decisive competitive factor. It is the task of the management to recognize the necessity for change within the different sections of the company in time. Change always means chance and risk for a company. Willingness to change requires an active approach of a manager matter and means to be positively proactive, to take over the responsibility and consequences without letting too much time elapse for the start of the necessary change processes. To leave things as they are out of convenience – is no alternative.

*“I can certainly not say whether matters will improve if they change; but I can say:*

*Matters have to change if they should be good!”*

*(Georg Christoph Lichtenberg; German Mathematician)<sup>48</sup>*

### **5.2 Thesis 2: There is no perfect organization**

The organization with all related tasks takes care that all defined company goals can be achieved with a minimum effort of time and money. This logic does not automatically lead to profit. In order to be able to generate profit with low costs,

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<sup>48</sup> Georg Christoph Lichtenberg (\* 1<sup>st</sup> July 1742 in Ober-Ramstadt bei Darmstadt; † 24<sup>th</sup> February 1799 in Göttingen) was a mathematician and the first German Professor of experimental physics

processes and structures are necessary that allow the company to do so. The better an organization is set up and the better tasks are realized, the more cost-efficient goods and services can be offered and the higher the profit will be. However, organizations will never be perfect as they are always affected by certain opinions and views – sometimes even in accordance with current ‘trends’ that the Management follows. A possible approach could be to organize 80 % as perfectly as possible and to leave 20 % to the powers of self-control. Self-control within organizational units requires a high degree of communication and cooperation within the different groups. Furthermore, the ability of real teamwork is a condition for success. Everyone has to think entrepreneurial, and has to act in accordance with the overall interest. Accordingly, an open and lively communication is the basis for successful self-control within a company.

A ‘better suitable’ organization contributes crucially to the success of a company. The type of organization is an expression of active corporate culture. Organizations should be clear and organigrams should be self-explanatory. If matters are simple, they will be understood and if matters are understood, they will be done!

*“The ‘only right form of organization’ has already changed more than once.*

*- But the search for it continues.”*

*(Peter F. Drucker; 2010, p. 99)*

### **5.3 Thesis 3: Skilled and motivated employees are the key**

A successful HR policy reflects directly in an active company culture as well as in the motivation of the employees. The person has to take centre stage. Much too often we focus on the weaknesses of employees in line with a ‘manoeuvre tactic’. Amongst all the negative things, there is certainly something that went well. Reprehension often has the character of a tribunal. As managers we tolerate hereby that the respective employees get demotivated and negatively conditioned due to permanent criticism. How can they work successfully under such circumstances? Modern management methods are mainly based on potentials of employees and their motivation. With all understanding for a certain irritation over errors, all managers must take every opportunity to coach, develop and compliment their employees. Nowadays, the manner how employees are being

managed, influences the success more than ever before. The basic principle has to be:

- Catch your employees when they are good! *or*
- Who wants to be successful must make his employees successful!

Mistakes or wrong decisions when filling vacancies can have far-reaching consequences, and can be very time- and cost-consuming. Quite often the top management is not aware of the consequences of a too high staff fluctuation. The main reasons can be found in inadequate leadership and an unsatisfactory strategy for personnel recruitment. Search for suitable employees represents one of the most important tasks of management and does not allow any compromises. To have good and motivated employees is one of the pillars to secure a company's long-term continuance!

*“The most important decisions of a manager are personnel decisions as the efficiency and productivity of the organization depends on them. As such, all necessary must be done to guarantee the quality of this decision.”*

*(Peter F. Drucker; 2010, p. 159)*

#### **5.4 Thesis 4: Leadership is no privilege**

The classic: ‘Preach water and drink wine!’ – A manager is always an example! First of all a manager has to be an example with regards to his expertise. Incompetent people cannot encourage and develop others, purely because they have no credibility. Secondly the manager has to be a person, who fulfils his tasks and takes over responsibility for them. Thirdly a manager needs to be a character of integrity. Morally and mentally corrupt people cannot develop others.<sup>49</sup> Whoever puts leadership on the same level with status and rank will never be a good manager. Status and privileges are accompaniments of leadership but are not its essence. They are mostly an obstacle for the professionalism of managers. They are attempts which easily end in pomp, views far from reality and an ego trip. Leadership must be understood by its function. Tasks have to be accomplished,

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<sup>49</sup> (Malik, 2006); p.250f

work needs to be done, a contribution has to be made. To be important only is no contribution. Personality cult has no place in Management.<sup>50</sup>

*“Make me capable, upright and honest men!”*

- ‘order’ of Empress Maria Theresia in 1745 to one of the generals.

### **5.5 Thesis 5: Decide what has to be decided**

It has come into fashion in a lot of companies nowadays to make decisions in an ever growing democratic frame. Consensus is above everything. This phenomenon does not only affect the lower and middle management levels, but particularly and mainly the top management. Accordingly, the result with regards to decisions is an accumulation of half-hearted decisions, with which the employees on lower levels cannot do anything concrete. Consensual or so called broad agreement decisions furthermore bear the difficulty that they may need a long time as it takes a long time to reach this consensus. The result is an adjournment culture, in which quite often nothing is decided. It is of essence, however, that the different levels within the organigram are provided with the necessary authority for decision making. ‘Decide for yourself what has to be decided!’ Wherever possible, decisions should be made on the respective level, where they are needed. This demand encourages employees to try on their own and to take over responsibility for their own sphere of action. In most cases it is better to make a wrong decision than no decision. A wrong decision could possibly be rectified later on – whereas a non-existent decision cannot be rectified.

*“Who insists on reviewing all factors before making a decision,  
will never make a decision.”*

*Henri-Frédéric Amiel<sup>51</sup>*

### **5.6 Thesis 6: Communication can tear down walls**

Generally, there is too little communication between employee and manager. Whereas the formal, yearly employee appraisal can be encountered more and more, the intervals are generally too long and the course of discussion is too static. Ideas, phantasies and worries of the employee remain mainly concealed from the manager. A possible way out are regular, informal and spontaneous

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<sup>50</sup> (Malik, 2007); p.24

<sup>51</sup> Henri-Frédéric Amiel (\* 27<sup>th</sup> September 1821 in Genf; † 11<sup>th</sup> May 1881 in Genf) was a French-speaking Swiss writer and philosopher.

chats without appointment and agenda. This procedure creates trust and is an addition to the formal employee appraisal. Basic principle: The boss must take the initial initiative to break the ice! Correspondingly this also applies to intra-department cooperation. In many companies, sensible teamwork looks more like a landscape full of fortresses. Frequently so-called 'princelands' have 'sub-divided' in the middle management, and hence it is no wonder that employees keep within the walls of their own camp – in their own 'sub-division' when thinking and acting. In terms of an improved and more efficient teamwork, such internal fortresses must be torn down at all expense, but not from one side. Goal has to be to create trust by clear communication and to strengthen the wish for teamwork amongst the different departments for the general good of the company. It is important to consider that the strongest force of communication is listening.

## 6 Conclusion

Change is never easy and will always face resistance and rejection! Out of natural reaction and convenience people aim for consistency and continuity. To go other, new ways does only seldom fit into the picture.

Good managers never reorganize without necessity! However, if the necessity has been established it is the task of a responsible manager to act accordingly and to start a process of change.

Employees have to accept that such changes have got nothing to do with a democratic process but are eventually a 'not-to-be-delayed' necessity in order to secure the future of the company.

It is the task of management to involve as many employees as possible and to take care that changes can also be considered as chances. As a manager, however, one can never expect to win everyone for one's plans and intentions; apart for the ones that hurt nobody.<sup>52</sup> Active requests to get involved turns change into a project of the entire company. By clear communication of goals and measures, also the employees will understand that those are in their own best interest. To win over the employees to participate is the most important success factor for a successful process of change – motivation is the key!

*'If you want to build a ship, then do not gather the men to get wood, to distribute the tasks and to divide the works, but teach them the longing for the wide and endless sea.'*

*(Antoine de Saint-Exupery; The city in the desert)*

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<sup>52</sup> (Malik, Management, 2007) p.298

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