

MILESTONES

Freek Ltd wins turnaround prize for small and medium-sized businesses

Choosing the Right Partner Affords Protection Against Disappointment.

While many small and medium-sized companies try to face global competition alone, the Menden-based producer of heating elements Freek Ltd has opted for co-operation.

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'As a lone wolf, our company would have been more and more edged out', explains Stefan Kaiser, one of Freek's managing directors. That is why his company co-operates closely with five other heater manufacturers in Germany, Spain, Italy, Ireland and the United States.

'At first we were worried about competition in the sensitive area of product development, but when we saw the enormous potential, those worries soon faded away', says the 34-year old, taking stock of his experience of international co-operation among small and mid-size companies. The combination of know-how and market access has offered each partner attractive potential for innovation, sales and synergy. Moreover, as a small company on its own has hardly the power to go poaching in somebody else's far-away hunting-ground, the risk of a partner's solo venture seemed to be limited. 'Besides, we didn't reveal our treasures right away, but expanded the co-operation on a step-by-step basis', says Stefan Kaiser.

Since the foundation of Eucopet, Freek's co-operation network, in 1997, Freek has scored a series of great sales successes both at home and abroad with a rejuvenated and highly improved product range. Its export share made a near standing jump to 35% and continues to show a strong upward tendency. Both turnover and income have risen markedly. Between 1997 and 2000, revenues increased by more than 130%. This rate corresponds to an average growth of more than 32% per year.

In 2001, the 45-strong company achieved an annual turnover of slightly more than five million euros. As for growth in 2002, Freek has zeroed in on the 10% mark, still seeing enormous potential for growth above all in the foreign market. The heater producer counts itself among a group of five globally competitive businesses. In the heater industry's market for high-tech products, Freek aspires to become market leader. The company supplies miniature nozzle heaters as well as industrial infrared radiators. These heaters are used in injection moulding (hot runner nozzles, hot channels and extruders), thermoforming and plastics welding machines. In addition to that, Freek's line includes heaters for tumble-driers.

The development of the world's smallest nozzle heater for miniature injection moulding systems was certainly a highlight in the firm's history. Its circular section measures 1.2 millimetres, and the dimensions of its rectangular cross section are 0.9 x 1.6 millimetres. A heater of this size can heat a nozzle body of a minimal diameter of 3.5 millimetres from outside, a feature that opened up unprecedented prospects for many customers and markets.

Until 1990, Freek Ltd was a supplier typical of its day: driven by the pioneering spirit of its former managing director Wilhelm Kaiser; specializing in market niches; sustained by motivated staff; and having little formalized organization. In the turbulent economic environment of the late nineties, Freek was in danger of being on the losing side like so many other small and medium-sized businesses.

On its own, Freek was too small to stand its ground against the ever-growing groups of companies. Where there had been three customers five years before, there was only one group left – a group that, instead of negotiating, dictated the rules of the game.

What is more, Freek depended on few clients of a single line of business, viz the household appliance industry, which was stagnant in its turn. The customers' size constituted a massive imbalance of power. Continuing concentration on the clients' part further reduced Freek's selling power. Turnover and income came under severe pressure. Between 1993 and 1996 alone, the turnover dropped by 34%.

How is it that horizontal co-operation constituted a way out of this crisis? Many approaches fail before even having left the starting-block, and numerous other alliances are discontinued owing to breaches of trust or contract.

Freek's key to success was its careful choice of co-operation partners. Not only was each candidate subjected to a close economic, technological and organizational scrutiny; the chemistry had to be right as

well. For Freek's two managing directors, the brothers Stefan and Wolfgang Kaiser, co-operation is 'primarily a socio-emotional rather than a purely technical phenomenon'.

A flat hierarchy also helps to improve the corporate culture. Freek has basically just two hierarchical levels, management and the level below it. Only the production departments have an interposed disciplinary superior, i. e. an operating manager. There are no statutory supervisory positions or status symbols. Every employee can contribute his talents and qualifications to both day-to-day operations and projects.

Freek's management acts according to the principle that nothing is as certain as change – and change is accelerating more and more. That is why the company banks fully on motivated and qualified employees who accept the challenge of lifelong learning and want to keep pace with change. The Kaiser brothers know exactly that their employees are their most important capital. They deserve to be heard and to work in an intact organizational environment that satisfies their individual needs – for without contented employees, no contented customers. Consequently, Freek gives top priority to in-house training, dynamic and differentiated forms of work organization, and incentive measures of all kinds.

The turbulent economic environment requires faster and faster adaptability. What was sure to succeed before, might soon lead to ruin. Thus business operations and value-added activities have to be called into question and, if need be, changed time and again.

To meet this new challenge, each of Freek's employees participates in project work. The underlying objective is to make one's own day-to-day operations easier by adapting them to the continual changes in the environment.

A small in-house service team helps with the implementation of ideas for improvement. This team is also in charge of system administration, trouble shooting and training.

With Chance Kooperation (available in German only), its manual published in September 2001, Freek's management offers other small and medium-sized companies a large part of its knowledge gained in the field of co-operation. The publication constitutes a practical guide to partnership-like co-operation, giving information on how to initiate, shape and cultivate co-operative relationships. In collaboration with an external management trainer, the industrious brothers also offer seminars on the 'Kaiser approach'.