

Nürnberger Edition zum Internationalen Management



Edited by  
Prof. Dr. Dirk Holtbrügge | Prof. Dr. Helmut Haussmann

Dirk Holtbrügge | Helmut Haussmann [Eds.]

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# The Internationalization of Firms

Case Studies from the  
Nürnberg Metropolitan Region

3rd Edition



**Nomos**

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Volume 7

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**The Deutsche Nationalbibliothek** lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at <http://dnb.d-nb.de>

ISBN 978-3-98542-100-8 (Print)  
978-3-95710-501-1 (ePDF)

**British Library Cataloguing-in-Publication Data**

A catalogue record for this book is available from the British Library.

ISBN 978-3-98542-100-8 (Print)  
978-3-95710-501-1 (ePDF)

**Library of Congress Cataloging-in-Publication Data**

Holtbrügge, Dirk | Haussmann, Helmut  
The Internationalization of Firms  
Case Studies from the Nürnberg Metropolitan Region  
Dirk Holtbrügge | Helmut Haussmann [Eds.]  
319 pp.  
Includes bibliographic references and index.

ISBN 978-3-98542-100-8 (Print)  
978-3-95710-501-1 (ePDF)



Onlineversion  
Nomos eLibrary

3rd Edition 2024

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## Preface

The Nürnberg Metropolitan Region is one of the most powerful economic regions in Europe. The gross domestic product of nearly 147 bn. € is higher than that of the Czech Republic or Singapore. Around 1.35 million people are employed in 170,000 companies. Several large and renowned multinational corporations, like Adidas, Puma, Schaeffler and Siemens, as well as many impressive family-owned firms and hidden champions have their headquarters here. With an average export rate of 49%, their international presence is very strong.

This volume contains 18 case studies of companies based in the Nürnberg Metropolitan Region and their international operations with a particular focus on their market entry strategies, marketing activities, human resource management and corporate social responsibility policies. The scope of this volume extends from the early internationalization strategies of the Tucher in the Middle Ages to the consequences of the COVID-19 pandemic and the Russian war against Ukraine on current business activities. The case studies cover an extensive range of industries, from high-tech and industrial sectors to service providers, non-profit organizations and university spin-offs. For the third edition, all case studies were revised and updated, and two new case studies were added.

This volume would not have been possible without the generous support of various people. First of all, we would like to express our gratitude to the following top executives who have shared their first-hand and valuable experience with us over the last years: Herbert Hainer and Roland Auschel (Adidas), Prof. Dr. Christian Rödl and Matthias Weber (Roedl & Partner), Hans Overdiek (Pfleiderer), Dr. Gerd Lenga (Knauf), Eike Scholl (NürnbergMesse), Dr. Jürgen Geißinger and Corinna Schittenhelm (Schaeffler), Dr. Andreas Brand and Dr. Klaus Probst (Leoni), Matthias Hartmann, Joshua Hubbert and Prof. Dr. Klaus Wübbenhorst (GfK), Joe Kaeser and Prof. Dr. Heinrich von Pierer (Siemens), Katharina Le Thierry d'Ennequin (Uvex), Dr. Ulrich Maly (former Lord Mayor of the City of Nürnberg) and Prof. Dr. Siegfried Balleis (former Lord Mayor of the City of Erlangen). We also would like to thank Dr. Franziska Altendorf, Theresa Bernhard, Dr. Marcus Conrad, Prof. Dr. Ritam Garg, Maxim Grib, Dr. Christina Heidemann, Dr. Laura Kirste, Dr. Daniel Maderer, Prof. Dr. Marc Oberhauser, Nikhila Raghavan, Prof. Dr. Helen Rogers, Prof. Dr. Tassilo Schuster and Luisa Wicht for their continuous support and enthusiasm. Aisha Munir assisted us by proofreading the manuscript. Finally, we would like to thank

all students at the School of Business, Economics and Society at the Friedrich-Alexander-University Erlangen-Nürnberg for their valuable comments on earlier versions of the case studies.

Nürnberg, March 2024

Prof. Dr. Dirk Holtbrügge & Prof. Dr. Helmut Haussmann

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*Dirk Holtbrügge & Sue Claire Trage*

**The Internationalization of a Medieval Family  
Business. The Case of Tucher**

*“Almost all Tucher were devoted to the long-distance trade.  
Education and training were entirely geared to this profession.”  
(Grote, 1961)*

1. Nürnberg in the Middle Ages and Renaissance – The Economic Capital of Europe .....	11
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**1. Nürnberg in the Middle Ages and Renaissance – The Economic Capital of Europe**

Since its first documentary mention in 1050, the city of Nürnberg rose rapidly to one of the wealthiest and most important European cities in the Middle Ages and Renaissance (Table 1). Nürnberg is often referred to as having been the unofficial capital of the Holy Roman Empire, particularly because Imperial Diet and courts met at the Nürnberg Castle. The increasing demand of the royal court and the growing population attracted trade and commerce to the city. In 1219, Frederick II granted the city town rights, Imperial immediacy, the privilege to mint coins, and an independent customs policy. With this Great Letter of Freedom and its privileged location at the junction of important trade routes, Nürnberg soon became, alongside Augsburg, one of the two most important trade centers on the trade route from Italy to Northern Europe (Braudel, 1982).

*Table 1. Important Dates in the History of Nürnberg from the Middle Ages to the End of Independence*

1050	Nürnberg first mentioned in an official document (Sigena Charter)
1219	Emperor Frederick II appoints Nürnberg a Free Imperial City
1349	First pogrom and destruction of the Jewish ghetto on the site of today's Market Square (Hauptmarkt)
1356	Emperor Charles IV issues the Golden Bull
1471-1528	Albrecht Dürer
1493	Hartmann Schedel's World Chronicle published
around 1500	With 30,000-40,000 inhabitants, Nürnberg is the second largest city in Germany after Cologne
1524	Tenets of the Reformation adopted in Nürnberg
1575	University of Altdorf founded
1649/1650	Congress for the implementation of the Peace of Westphalia (ending the Thirty Years War) held in Nürnberg
1806	Nürnberg loses its imperial privileges and becomes part of the Kingdom of Bavaria

Source: Compiled from Diefenbacher, Beyerstedt & Bauernfeind (2012)

Trade relations between Nürnberg and Venice were probably initiated in the second half of the 13th century. Later on, other cities in Italy, Southern France, Northern Spain and Bohemia followed. In the 13th and 14th century, merchants from Nürnberg had trade relations with almost the entire known world at the time. Foreign trade did not only serve to supply the domestic population with food, clothes and luxury goods (such as textiles, fish, grain, meat, salt, wine, spices, tropical fruits, furs and wax), but also local crafts with resources like metals, wood and dyes. In turn, goods made in the city, such as metal goods, textiles, and weapons were exported. Around 1500, family businesses in Nürnberg had monopolies in several areas, for example, in the trade with saffron, calamine, copper, iron ore and amber (Roth, 1800; Müller, 1908).

Charles IV's Golden Bull of 1356 named Nürnberg as the city where newly elected kings of Germany must hold their first Imperial Diet. The royal and imperial connection was strengthened when Sigismund of Luxembourg granted the Imperial regalia to be kept permanently in Nürnberg in 1423, where they remained until 1796. After the castle had been destroyed by fire in 1420, the ruins and the forest belonging to the castle were purchased by the city. Through these and other acquisitions the city accumulated considerable territory. Around 1500, Nürnberg had 30,000 to 40,000 inhabitants and was the second largest city in Germany after Cologne (Smith, 1983).

The cultural flowering of Nürnberg in the 15th and 16th centuries made it the center of the German Renaissance and home to many renowned artisans, such as painter and printmaker Albrecht Dürer, wood carver Veit Stoß, bronze master Peter Vischer, and sculptor Adam Kraft. In 1493, the physician, humanist, historian and cartographer Hartmann Schedel published his 'World Chronicle' with the first ever illustrations of many cities and countries of the world. The 'Erdapfel' created by the textile merchant and cartographer Martin Behaim from 1490-1492 is the oldest surviving terrestrial globe in the world (Ravenstein 1908). It is now displayed in the Germanic National Museum Nürnberg and was admitted to UNESCO's Memory of the World Register in 2023 (Germanic National Museum Nürnberg, 2023).

In 1525, Nürnberg accepted the Protestant Reformation, and in 1532, the religious Peace of Nürnberg, by which the Lutherans gained important concessions, was signed here. In 1575, the city council established an institute of higher education in the neighboring city of Altdorf. The University of Altdorf received university privileges in 1622 and acted as the Free Imperial City's university until its dissolution in 1809.

After the end of the Thirty Years' War (1618-1648), Nürnberg gradually lost its position as a leading trade center. The costs of the war and the cessation of trade caused great damage to the city and led to a bisection of the population. Both Bavaria and Prussia claimed parts of the territory. In 1806, Nürnberg finally became part of the Kingdom of Bavaria that took over the city's enormous public debt.

## **2. History of the Tucher Family**

Since the middle of the 13th century, the administration of Nürnberg was entrusted to a council with rights and privileges equal to that of the sovereign and territorial lords. The city council was dominated by the patricians – families which had become rich through trade. One of these patrician families was the Tucher who played an important role in Nürnberg's politics, economy and culture for nearly 700 years (Meyer, 1928).

The history of the Tucher family dates back to the beginning of the 14th century (for the following, see Grote, 1961). While the early days of the Tucher are not known in large parts, the family name suggests an origin from the craft of cloth-weaving. The acquisition of citizenship by Bertholdus Tucher in 1309 is the first written evidence of their presence in Nürnberg. Konrad Tucher, who died in 1326, is considered the actual progenitor of the family (Table 2).

Although the Tucher did not actually belong to the oldest families of Nürnberg, their steep rise in the city council in the first half of the 14th century is remarkable. Between 1340 and 1806, the family was present in the administration of the city in multiple occupations. As common in the Nürnberg patriciate of the time, the members of the Tucher family allied with other leading families by marriage. For instance, the daughters of Berthold I. Tucher (about 1310–1379) married into the families of Groland, Vorchtel, Haller, and Tetzl. The Tucher did not only play a leading role in Nürnberg's politics and business, but were also active in other areas. One example is Sixtus Tucher (1459–1507) who acted as a provost at St. Lorenz and professor of canon law at the University of Ingolstadt (Landois, 2014).

*Table 2. Famous Members of the Tucher Family*

Bertholdus Tucher, 1309 first written evidence for the occurrence of Tucher in Nürnberg
Konrad Tucher (-1326), progenitor of the Tucher family
Endres Tucher (1423–1507), master-builder
Hans Tucher (1428–1491), author of a popular pilgrimage travelogue
Lorenz I. Tucher (1447–1503), provost at St. Lorenz, founder of the Dr.-Lorenz-Tucher-Foundation
Anton Tucher (1457–1524), merchant and councilor (one of three councilors who kept the keys to the Imperial Regalia), patron of the arts
Sixtus Tucher (1459–1507), provost at St. Lorenz, professor of canon law
Elsbeth Tucher (1473–1517), portrayed by Albrecht Dürer in 1499, reproduced on 20 DM note
Linhart Tucher (1487–1568), councilor and merchant, diplomat
Lazarus Tucher (1491–1563), imperial council and merchant in Antwerp
Hieronymus Tucher (1504–1540), merchant
Paulus XII. Tucher (1656–1709), field marshal
Jobst von Tucher (1762–1813), major, father of Marie von Tucher
Marie von Tucher (1791–1855), daughter of Jobst von Tucher, wife of Georg Wilhelm Friedrich Hegel
Siegmund von Tucher (1794–1871), merchant, founder of Tucher brewery
Christoph Carl Gottlieb Siegmund von Tucher (1798–1877), lawyer, brother of Marie von Tucher, guardian of Kaspar Hauser, collector of old sacred music
Heinrich von Tucher (1853–1925), diplomat and Bavarian Envoy in Rome (Quirinale)
Heinrich von Tucher (1875–1962), diplomat and attaché
Hans Christoph von Tucher (1904–1968), lawyer, Spokesman of the board Bayerische Vereinsbank, chairman of the board Germanisches Nationalmuseums, member of the supervisory board Siemens & Halske, Allianz Versicherung, Vereinsbank Hamburg and Norddeutsche Kreditbank; confidante of Federal President Theodor Heuss
Eleonore von Tucher (1916–2007), managing director

Source: Compiled from Grote (1961); Kirchhoff (2016)

Their economic success in the 15th and 16th century in the long-distance trade enabled the Tucher to acquire extensive property and real estate in Nürnberg (Kuhn, 2000a). One of the most remarkable examples is the Tucher Mansion in today's Hirschelgasse which was built by Lorenz II. Tucher between 1533 and 1544. It was considered to have the most important

Renaissance interior north of the Alps. In their heyday, the Tucher family also put great efforts into their representation and memorabilia. Lorenz I. Tucher established a foundation named after him in the year of his death in 1503 that aims to maintain the Tucher cultural inventory. The Great Tucher Book of 1606 is the most glorious of a great number of pedigree books of the Nürnberg patriciate that were published in the 16th and 17th century (Stadtarchiv Nürnberg, 2004).

In the 17th and the 18th century, the economic relevance of the Tucher diminished and their trading company perished. The economic decline was manifested, for example, in the over-indebtedness of Sebald XI. Tucher (1583-1649) which led to his exclusion from the city council in 1636. However, even after the end of the Imperial period, the Tucher were prominent in Nürnberg politics. In 1815, they were enrolled in the Bavarian baronetcy, and representatives of the family held many offices in the Bavarian administration in the 19th and 20th centuries.

### **3. The Tucher Business Imperium**

The Tucher'sche Handelsgesellschaft (Tucher Trading Company) was first mentioned in 1440. Even though the Tucher established their own trading company relatively late as compared to other patricians, they soon ascended to become one of the wealthiest families in Nürnberg. Their geographic focus was on Middle Germany (Leipzig) and Posen, Hungary and Austria, Upper Italy (Venice) and the area of Lake Constance. They went to trade fairs in Antwerp, Geneva and Lyon, extended their trade relations to cities in Burgundy, Savoy, Rhone landscape and Aquitaine, and expanded till Spain (Figure 1).

Their assortment of goods originally encompassed canvas and other cloths, silk fabrics, velvet, spices, tropical fruits, metal goods, leather, furs and skins. Later, they also exported small metal hardware items, were active in spice, coal and steel trade, and had their own wire manufactories, shares of mines, refiners and remelters.

A major activity of the Tucher was the import of spices, drugs and fruit, such as pepper, saffron, ginger, raisins, almonds, pomegranates, cinnamon, dates, canella, cloves, galingale, and sugar from Venice. At the beginning of the Middle Ages, these spices grew almost exclusively on the Indian subcontinent and the Southeast Asian archipelago. The main transportation route ran across the Indian Ocean to Syria and Egypt. From there, caravans transported the goods across the Isthmus of Suez on the overland route to Alexandria where the ships of the Italian city republics anchored. Their

Figure 1. Trade Routes of the Tucher



Source: Diefenbacher & Kley (2008)

goal was either Venice or the Western European port cities. The goods were reloaded here and brought on arduous trails over the Alps. At the end of the Middle Ages, the Tucher controlled this transalpine trade together with the Fugger and Welser from Augsburg. The sale of the coveted and expensive spices brought them not only enormous wealth, but also the dubious fame as *Pfeffersäcke* (moneybags, literally 'pepper sacks') (Brodersen, Oster, Scharff & Schneider, 2008).

In the middle of the 17th century, the turmoil of the Thirty Years' War, the devaluation of the domestic currency and mercantilism made interna-



tional trade unprofitable. Like many other patrician families, the Tucher therefore resolved their trading company in 1648 and diversified into other sectors (Diefenbacher, 2007).

One example is their activities in the brewery industry. In 1672, a brewery known as *Städtisches Weizenbrauhaus* (Municipal Wheat-beer Brewery) was founded where wheat beer was brewed for the first time in Nürnberg. When Nürnberg was annexed by the Kingdom of Bavaria in 1806, the brewery was renamed *Königliches Weizenbrauhaus* (Royal Wheat-beer Brewery). The Tucher family purchased the brewery in 1855, renamed it *Freiherrlich von Tucher'sche Brauerei* (Baron von Tucher Brewery) and incorporated the Moor's head from their family emblem into the brand logo (Figure 2).

*Figure 2. Family emblem*



#### **4. Management of International Activities**

The internationalization of activities required frequent business travels to foreign trading partners, trade fairs and branches. Members of the family stayed regularly in Venice where the Tucher rented chambers and storage

rooms in the Fondaco dei Tedeschi from 1440 to 1575 (Grote, 1961). Another important location that was frequently visited was Lyon, the center of saffron trade, where the Tucher operated a large branch office.

Young male members of the Tucher family also spent considerable parts of their education abroad to prepare themselves for future international activities. At an early age they were sent to the overseas branches in order to learn foreign languages and local business practices. Langhans Tucher was the first family member who went for education to Geneva and Lyon in 1465 (Berninger, Stadler & Swoboda, 2012; Grote, 1961). Hans Tucher (1456–1526), educated in commerce and trade like his father, was sent to Venice in order to learn Italian and prepare himself to take over his father's position (Herz, 2002). Linhart Tucher (1487–1568) sent his son Herdegen (1533–1614) against his will to the subsidiary in Lyon and his nephew Anton V. (1510–1569) to Orléans (Diefenbacher, 2007).

The entire education of the male descendants was oriented towards their later profession as merchants. Already at a very early age, all sons had to learn Latin, which was the Pan-European lingua franca of the time. At the age of around 12 to 14 years they were sent to foreign branches, preferably in Italy or France, sometimes complemented by a longer stay in Spain. Here they often completed an apprenticeship with their business partners. They had to take care of horses, help in the household and serve smaller customers. Private tutors were responsible for language training. Some of the younger Tucher stayed abroad for more than a decade (Grote, 1961).

Although the education in other countries was regarded fundamental to learn new business practices and to really master foreign languages, foreign stays also involved numerous dangers. Some of the young family members died during their stays and had to be buried abroad. Moreover, foreign apprenticeships were increasingly regarded as non-aristocratic. In later times they were therefore more and more replaced by shorter cavalier tours to famous Italian cities (Kuhn, 2010b).

## **5. Remains of a Global Business Imperium**

The Tucher played an important role in Nürnberg's history for more than 700 years. They belong to the 13 of around 40 patrician families of the Middle Ages who exist until today, and have their residence in their old home city or feel connected with it.

Several buildings in and around Nürnberg are associated with the name of the family. The most prominent one is the Tucher Mansion in Hirschelgasse. Since its reconstruction after World War II, it has been reopened

as a museum, housing some furniture, carpets and original wall paneling from the time of its construction. The reconstructed Hirsvogel Hall in the adjacent garden is used for festivities and felicitations, for example, by the adjoining School of Business, Economics & Society of the Friedrich-Alexander-University Erlangen-Nürnberg.

The Dr.-Lorenz-Tucher Foundation established in 1503 is one of the oldest family foundations in Germany still active today. It aims to maintain the cultural inventory of the Tucher and supports other social goals. And finally, the name of the family is present in the Tucher Brewery. Purchased in 1855 by the Dr.-Lorenz-Tucher Foundation, it belonged to the family until it was finally sold to the Oetker Group in 2004. The brand name Tucher Bräu and the Moor's head, as part of the brand logo, however, remain until today (Tucher, 2024).

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*Dirk Holtbrügge & Tassilo Schuster*

## **The Internationalization Strategy of adidas**

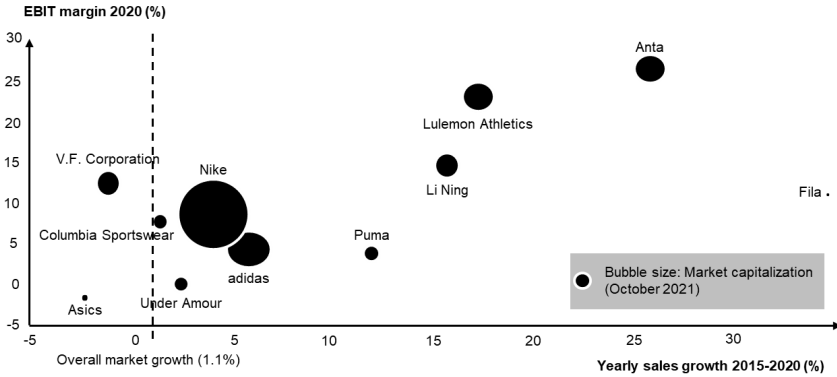
*“The needs in China might be different to those in Germany or in North America (...).  
We need to listen to what our consumers want from us. Yes, they are influenced by  
global athletes, global celebrities, and global products, but we also need to accept that  
there are local influences. We need to find that balance.”  
Björn Gulden, CEO of the adidas Group*

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### **1. The Sporting Goods Industry: Market Structure and Global Trends**

The sporting goods industry is comprised of numerous companies engaged in the manufacturing and retailing of footwear, apparel, and hardware. Nike (USA) is the global market leader with revenues of 44.5 bn. \$ in 2022, followed by adidas (Germany) with revenues of 23.5 bn. \$. Other major companies are Puma (Germany, 6.2 bn. \$), Under Armour (USA, 4.5 bn. \$), New Balance (USA, 4.1 bn. \$), Lulemon Athletica (Canada, 3.3 bn. \$), Asics (Japan, 3.2 bn. \$), Columbia Sportswear (USA, 2.6 bn. \$), Fila (Italy, 2.6 bn. \$) and Reebok (USA, 1.8 bn. \$). The greatest sales growth rates are shown by the Chinese companies Anta and Li Ning (Figure 1).

Figure 1. EBIT Margin and Sales Growth of the Largest Sporting Goods Companies in the World



Source: McKinsey & Company, 2022, p. 19

The global sports industry is currently undergoing major structural change (McKinsey & Company, 2023). The COVID-19 pandemic triggered significant shifts in physical activity levels, with many people becoming more active, while a large proportion of the population engages less in physical activity. Moreover, the boundary between work and leisure time has blurred as a result of the pandemic. For example, casual clothes and sportswear are increasingly accepted in professional environments. At the same time, sporting goods companies are faced with new challenges due to the impact of inflation and slowed economic growth. This applies above all to the saturated markets in Europe and North America where children and teenagers prefer playing video games to sports. At the same time, sports and a healthy lifestyle are increasingly becoming a significant part of people's daily lives in emerging markets, such as China and India. Even though this high fragmentation triggers a fierce competition, substantial opportunities exist due to strong product demands in three market segments: apparel, footwear and hardware.

## **2. Company Background**

### *2.1 The History of the adidas Group*

The history of adidas dates back to 1924, when Adolf (Adi) and his brother Rudolf founded the Gebrüder Dassler Schuhfabrik (Dassler Brothers Shoe Factory) with a simple idea in mind: to give athletes the best possible equipment for high performance (for the following, see adidas 2023a; Karlsch et al., 2018). At the 1928 Summer Olympics in Amsterdam, they started to build up a reputation among elite athletes. By the 1936 Berlin Olympics, the Dassler Brothers had already convinced quadruple gold medal winner Jesse Owens (USA) to wear their shoes. By 1937, the product range covered 30 different shoes for 11 different sports.

After World War II, the brothers were hopelessly at odds with each other (Smit, Schuhmacher & Schwarzer, 2005). Rudolf decided to leave the company and to start Puma, a rival shoe company. Adi Dassler renamed the Dassler Brothers Shoe Factory to adidas, referring to his nickname, ADI, and his surname DASsler. The company grew steadily as its shoes gained worldwide recognition, especially because of its distinctive three-stripe logo. Despite fierce competition in the sporting goods industry during the 1950s and 1960s, both companies benefitted greatly from the rise of sports as an important economic sector.

To secure further growth opportunities, both companies started to internationalize. Puma established subsidiaries in Austria in 1964 and in France in 1967. The company expanded its international scope to Hong Kong and the United States by launching foreign subsidiaries in 1978 and 1979. Contrary to Puma, adidas began its internationalization process with exports to Canada, Scandinavia and Switzerland in 1950. By 1955, it was exporting to 40 different nations. The next internationalization step came in 1958 with the first adidas foreign subsidiary in Canada. This was followed by a French subsidiary in 1959 and one in South Africa in 1972. The company continued to grow in the 1970s and maintained a leading position in sports footwear.

Up until the 1970s, adidas influenced the athletic shoe market with its product originality and was the dominant brand with a market share of around 70% (Jones, Norris & Kim, 2015). In the late 1970s, rising competitors Nike and Reebok changed the dynamics of the market by offering fashion-oriented footwear in contrast to adidas' performance-oriented footwear. Production was assigned to suppliers in low-cost Asian countries such as Taiwan and South Korea. By 1980, Nike claimed a 50% market share in the US athletic shoe market. Throughout the 1980s, Nike expanded its product line to cover many other sports and regions across the world.

After the death of Adi Dassler in 1978, his son Horst Dassler took over the management. Horst Dassler died in 1987, ending the era of the Dassler family in the company's top management, which had lasted for almost 70 years. The company's legal form was then changed into a joint-stock company (Aktiengesellschaft) in 1989, although family members retained a controlling ownership. The new leadership made questionable strategic decisions during this period, resulting in a record loss in 1992 that almost bankrupted the company. The French businessman, politician and owner of the Olympique de Marseille football club, Bernard Tapie, bought the company the following year and subsequently sold it to Robert-Louis Dreyfus and Christian Torres. After resigning from the British advertising agency Saatchi & Saatchi, the French businessman Dreyfus became the CEO and radically changed the company's strategy as adidas was losing more than 100 mn. \$ per year. Due to the various initiatives taken by him, revenues increased from 1.7 bn. \$ in 1992 to 2.8 bn. \$ in 1996.

An important part of the new strategy included the shift of the geographical distribution of value activities (Figure 2). For many years, adidas had manufactured shoes at several factories across Europe. Under Dreyfus's leadership, adidas started to focus on product design and brand marketing, while outsourcing manufacturing to a network of independent suppliers in Asia. During the Dreyfus era, adidas also acquired the Salomon-Group in 1997 along with its brands Arc'teryx, Bonfire, Cliché, Mavic, Salomon, and Taylor-Made, changing the group name to adidas-Salomon AG. adidas paid approximately 1.2 bn. € for the acquisition of the Salomon-Group and became the second largest sporting-goods producer in the world.

In 2001, Herbert Hainer became CEO and Chairman of the Executive Board. Under his leadership, various efforts were made to run Salomon as profitably as adidas and to attain favorable cost and scale effects from this acquisition. As Salomon performed weaker than anticipated, the Salomon business segment, including the related subsidiaries and brands Arc'teryx, Bonfire, Cliché, Mavic, and Salomon was sold to Finnish Amer Sports Corporation for 625 mn. \$ in 2005. Only the former Salomon golf brand Taylor-Made remained in the adidas portfolio until 2017. With the sale of Salomon, the group's name was changed back to adidas AG.

In 2005, adidas announced the acquisition of the American fitness footwear and clothing company Reebok International Ltd., one of its main competitors in North America at that time. This acquisition was the biggest transaction within the sporting goods industry of all time with a value of around 3.1 bn. €. It was aimed to strengthen adidas' position in North America and Asia, so that the company could compete more successfully against Nike. In particular, adidas intended to leverage Reebok's U.S. distri-



*Figure 2. Changes Made by Robert-Louis Dreyfus***Selling Factories and Outsourcing Production**

In order to become more competitive, Louis-Dreyfus not only needed to improve services to distributors and retailers, but he also needed to reduce the cost of goods produced. He sold the remaining adidas-owned factories but maintained a small German footwear factory unit near the adidas headquarters in Scheinfeld. The factory produced customized shoes for sponsored athletes and limited series shoes for specific sports. The Scheinfeld production unit also tested prototypes before sending them for mass production in Asia. All the textile production and 96% of the footwear production were outsourced. In 1996, 55 million pairs of athletic shoes and 65 million units of clothing were outsourced. The outsourced footwear production was divided between Asia, Europe, and North Africa:

**Taking Control of Distribution**

Louis-Dreyfus wanted to control the image, positioning, and quality of adidas products. This was only possible if adidas controlled wholesaler distribution. Consequently, he decided to replace licensees with joint ventures or new subsidiaries. Whenever possible, adidas developed joint ventures with former licensees and distributors. adidas invested at least 50% with the overall objective of maintaining control. The contract was unlimited over time but had a call option. After an agreed time period, adidas had the possibility of buying the remaining shares at a fixed price. The period would vary from three to ten years, depending on the partner. At least one senior adidas manager was appointed to the managerial board of the joint venture. adidas contributed the company's trademark and guaranteed the same purchase conditions as for the company's own subsidiaries. The partner contributed local experience and knowledge of the market, customers, and in certain cases, a percentage of the assets. From 1993 and 1997, adidas developed numerous joint ventures in Europe, the Asia Pacific, and Australia/New Zealand. New subsidiaries were set up in Lebanon, Egypt, Israel, Dubai, Panama, Chile, and Venezuela. adidas took 100% control of the Australian and New Zealand subsidiaries. By the end of 1997, there were 36 adidas subsidiaries and 9 joint ventures worldwide. To co-ordinate the emerging Chinese market, adidas opened two exclusive adidas shops and an adidas Representative Office in China. In Japan, there was still a licensee contract with one of the major Japanese footwear and apparel manufacturers, Descente. This contract would expire in 1998, and a decision was taken to control the distribution at a regional level. Regionalized distribution management units were also established in Panama (to co-ordinate Latin America) in Hong Kong (Asia Pacific), in Oregon, USA (North America) and in Herzogenaurach, Germany (Europe).

Source: Boissonnas & Hilliard 2003, p.6

bution channels, its relations to retailers and sponsoring contracts with U.S. professional sports leagues, such as the NBA, NFL, NHL and MLB, and its knowledge of female and leisure-oriented athletes (Rygl, Dennerlein & Joyette, 2006). Herbert Hainer praised this step as the beginning of “a new chapter in the history of our Group” and promised that the new adidas Group would benefit from strong strategic advantages. These advantages would include “a more competitive worldwide platform, well-defined and complementary brand identities, a wider range of products, and a stronger presence across teams, athletes, events and leagues” (adidas 2006a, pp. 21).

However, the high expectations were never fulfilled. This was mainly due to cultural differences between the two companies. adidas was said to have a rather German mentality, focusing on control, ‘Franconian Craftsmanship’ and technological innovations, whereas Reebok was known for its U.S. mentality of emphasizing marketing and sales (Schmid et al., 2018). After the sales of Reebok fell by 19% to 1.41 bn. € in 2020, adidas announced that it would sell Reebok to Authentic Brands Group (ABG) for a total

consideration of up to 2.1 bn. €, i.e. only approximately 67% of the original purchase price (adidas, 2021). The deal was completed in March 2022.

On October 1, 2016, Kasper Rørsted replaced Herbert Hainer as CEO. Unlike Hainer, who spend more than 15 years at the helm of the company, Rørsted was an outsider to the sports and fashion industry. Before entering adidas, the 53-year-old Dane had reigned the consumer goods group Henkel for eight years. Copenhagen Business School graduate Rørsted announced that his particular focus would be North America, where adidas had lost market share to Nike and new rival Under Armour.

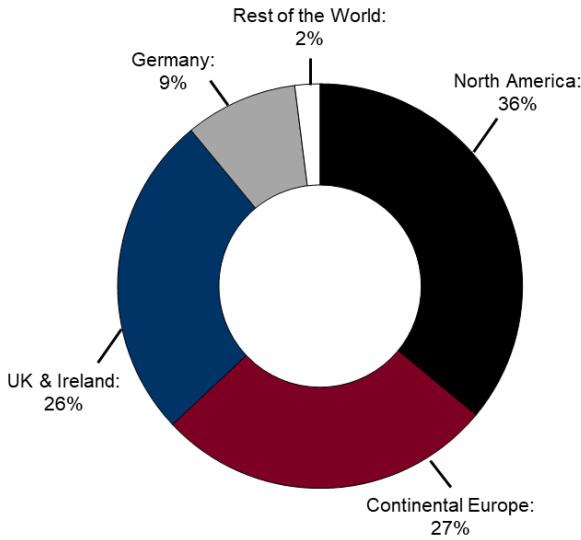
After seeing a steady increase in stock value during the early years of Rørsted's tenure as CEO, adidas faced many challenges due to the Covid-19 pandemic. Particularly, revenue declines in China, adidas' largest market in 2021, led to his replacement by Bjørn Gulden in 2023. Before his appointment as adidas CEO, the Norwegian has been the CEO of Puma since 2013. Gulden also looks back at a tenure at adidas as, amongst others, Senior Vice President of Apparel and Accessories from 1992 to 1999. Before that, Gulden was a professional football player who has played, among others, for the 1. FC Nürnberg in the German 2. Bundesliga (adidas, 2022b).

## *2.2 Company Profile and Performance*

The adidas Group is a multinational corporation that offers a broad portfolio of products available in virtually every country in the world. The activities of the Group, with its 120 consolidated subsidiaries, are directed from the headquarters in Herzogenaurach, Germany, and additional key locations around the world, which correspond to specific business activities in these regions.

As a result of its diversification and internationalization strategy, adidas has developed a broad and diverse portfolio in the sport performance and sport inspired categories. The product portfolio includes more than 20,000 items, ranging from soccer and running shoes, t-shirts, hoodies, shorts and tracksuits to outdoor jackets and snowboards with thousands of product variations. In 2022, the footwear segment accounted for 54.8% of the global net sales of 22.511 bn. €, followed by the apparel segment (38.6%) and the accessories and gear segment (6.6%). To keep up with market demand and competition, the company changes its product range twice a year. adidas also designs products for local, vertical and niche markets.

Similar to its global presence of business activities, adidas also possesses a strong international investor base (Figure 3). Institutional investors represent the largest investor group, holding 80% of shares outstanding. 36% of institutional shareholdings are from North America, followed by

*Figure 3. Shareholder Structure by Region (2022)*

Source: adidas 2023b, p. 49

the UK and Ireland with 26%. Identified German investors hold 9% of institutional shareholdings. Institutional investors from other continental European countries account for 27%, and institutional shareholders from other regions of the world hold 2%.

In 2022, the adidas Group recorded a poor financial performance (Table 1). While net sales increased moderately by 6%, EBITDA and operating profit fell sharply by 39% and 66% respectively. A main reason for this was the strong decline in sales in China (-36%). As a result, the share price fell by around 50%. At the end of 2022, adidas employed 59,258 people, a decrease of 3% from the previous year. This was mainly due to layoffs in adidas' own retail stores and the decision to wind down business in Russia. In the words of the CEO Bjørn Gulden: "You look at the numbers and it's obvious that we're not performing the way we should (...). We know 2022 was a difficult year and 2023 won't be much easier. Our entire industry has suffered from high inventory levels and, as a result, there is a lot of discounting going on in the marketplace" (cited in adidas, 2023b, p. 11).

Table 1. *adidas at a Glance*

	2022	2021	Change
<b>Operating Highlights (in mn. €)</b>			
Net sales	22,511	21,234	6%
EBITDA	1,874	3,066	-39%
Operating profit	669	1,986	-66%
<b>Key Ratios</b>			
Gross margin	47.3%	50.7%	-3.4pp
Operating margin	3.0%	9.4%	-6.4pp
Return on Equity	12.3%	28.1%	-15.9pp
<b>Balance Sheet and Cash Flow Data (in mn. €)</b>			
Total assets	20,296	22,137	-8%
Inventories	5,973	4,009	49%
Working capital	5,594	3,890	44%
<b>Other (at year-end)</b>			
Share price	127.46	253.20	-50%
Number of employees	59,258	61,401	-3%

Source: adidas 2023b, p. 4

### 3. Geographic Configuration of Value Activities

#### 3.1 Research and Development

adidas has always placed great emphasis on technological innovations in its products and processes. In line with the strategic and long-term visions and distinctive positioning, each brand runs its own research & development (R&D) activities. However, fundamental research as well as expertise and competencies in sustainable product creation are centralized in the global development centers in Herzogenaurach and Portland, Oregon.

In addition to its internal R&D efforts, adidas also cooperates with several well-established research partners. Collaborations are usually long-term and exclusive. Major adidas relationships exist with the University of Calgary (Canada), the University of Michigan and Oregon State University (USA), the University of Loughborough (UK), the Friedrich-Alexander-University Erlangen-Nürnberg, RWTH Aachen, the University of Bayreuth and the University of Freiburg (Germany).

*Figure 4. The Dilemma of Sourcing Globally*

Since its early beginnings in the late 18th century, the apparel and footwear industry has developed exponentially and now forms a major part of manufacturing production, employment and trade in many developing countries. This huge development meant and still means job creation, as apparel and, to a certain extent, footwear production still primarily requires manual work. Consequently, millions of job opportunities were opened, especially for women – approximately 80% of the workforce in the adidas Group supply chain for instance is female.

But why do some countries become interesting sourcing territories while other countries don't? The manufacturing of basic clothing could potentially get started in many developing countries. Key factors for decisions on where to source products usually include infrastructure, innovation, competitive price structures and political stability. International trade also has an impact. Cambodia, for example, became an interesting sourcing place thanks to trade agreements which made it easier for products manufactured there to be exported to Europe or the US. Similar things can be said for other countries such as Laos, Vietnam and Pakistan. These trade agreements more and more contain human rights clauses, meaning that for a country to be able to benefit from duty relief, some preconditions need to be in place, such as the respect of human rights, etc. Accordingly, Myanmar (Burma) has recently started to benefit from an advantageous trade arrangement with the European Union following the country's efforts to improve its political, social and labor environment.

Provided that the above-mentioned relevant conditions are in place, sourcing countries not only benefit from the creation of jobs and economic growth based on the apparel and footwear industry. Often, the evolution of this basic industry paves the way for a more diversified production and economy at a later stage. Taiwan is a clear example of this evolution: from an apparel-based economy, the country has now moved to more complex electronic and financial services. However, the apparel and footwear manufacturing sector also faces numerous challenges as it is often associated with human rights abuses, poor environmental performance as well as questionable purchasing practices – challenges that sometimes dwarf the millions of jobs created by the industry and its contribution to the country's economy.

Source: adidas 2016a

### 3.2 Sourcing and Manufacturing

To minimize production costs, adidas outsources almost 100% of its production to independent third-party suppliers (Figure 4). The majority (71%) of suppliers are located in Asia.

In 2022, adidas worked with 117 independent manufacturing partners that were producing in 259 manufacturing facilities (Figure 5). 72% of these independent manufacturing partners have worked with adidas for at least ten years, and 37% have a tenure of more than 20 years.

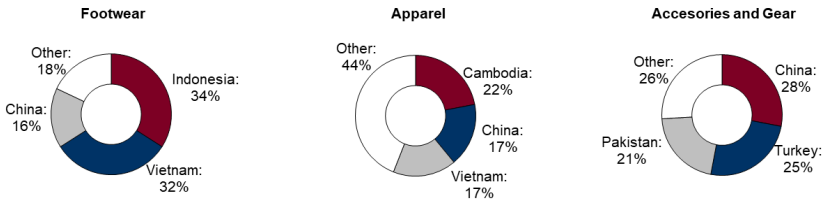
Indonesia was the largest sourcing country for footwear in 2022 with 34% of the total volume, followed by Vietnam with 32% and China with 16% (2021: 15%). Overall, 97% of the total footwear volume was produced in Asia.

Cambodia was the largest sourcing country for apparel in 2022, representing 22% of the produced volume, followed by China and Vietnam with 17% each. Overall, 91% of the total apparel volume was sourced from Asia, with the largest apparel factory accounting for approximately 9% of the entire apparel volume.

In 2022, 72% of accessories and gear, such as balls and bags, were produced in Asia, with the largest factory accounting for 20% of production.

China remained the largest sourcing country with 28% of the sourced volume, followed by Turkey with 25% and Pakistan with 21%.

Figure 5. Worldwide Production Volumes by Category and Country 2022



Source: adidas 2023b, p. 64

The global and multi-layered supply chain comprises three different sourcing models – direct sourcing, indirect sourcing and local market production (Figure 6):

- *Direct sourcing model:* adidas holds direct contractual relationships with its core suppliers that are centrally supervised by Global Operations. Global Operations is a Group function which manages major parts of the product development, commercialization, distribution and supervision of the manufacture of apparel, footwear and hardware.
- *Indirect sourcing model:* A minor part of the adidas product volume is sourced from agents or made under license. While agents place orders with their preferred suppliers, licensees can choose to place orders either directly with their suppliers or via agents as intermediaries. The indirect supply chain complements direct sourcing by meeting specific requirements that cannot be serviced through Global Operations.
- *Local market production:* In order to quickly seize short-term opportunities in local markets, to satisfy a niche market requirement or in some cases to react to certain trade regulations, adidas subsidiaries may also source from local suppliers in a specific country. This form of sourcing is not overseen by Global Operations, but these suppliers require authorization from the Social and Environmental Affairs team for production.