

# Living forever: Security in uncertain times

With Stefan Gössel , Prof. Dr. Christian Johner

## Transcript

00:00:00 Speaker 1

If I want to survive as a company in the long term, then the first requirement is that I don't die.

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„Don't die“, as they say.

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Medical Device Insights.

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A podcast by the Johner Institute for medical device manufacturers, authorities and notified bodies.

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We are in increasingly turbulent times.

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And we notice that such a tectonic shift is on the horizon.

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we see it with the medical device manufacturers, but we also see it with ourselves.

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So maybe first to the medical device manufacturers.

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We have already reported that the number of products, the new products, entering the market has collapsed.

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We have had to observe very, very many MDR corpses, as it has often been called.

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Startups that go bankrupt, even large manufacturers that radically slash their product portfolios, slash budgets.

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And we have

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in our own case also a lot of indicators.

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For example, we are noticing that we are receiving more and more applications from competitors, from other development service providers, but also from the manufacturers themselves.

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We hear how competitors get into trouble, sometimes go bankrupt and then bring customers to us.

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And we notice that investor activity is picking up more and more momentum and we are also getting constant inquiries.

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With all this

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Uncertainty, however, we are growing very stably and of course the question arises, how can that be and how can others also benefit from this stability?

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That's why I invited my co-partner, Stefan Gößl, with me today, who has been in the business sector for a very long time, who has had his own companies for a very long time, who has worked in companies, has seen a lot and whom I want to ask right away.

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Stefan,

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from your point of view, from what you have seen so far in the last 20 years, what distinguishes companies that get into such an imbalance, that slip or at least threaten to slip?

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So what are visible effects?

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Yes, first of all, we have visible effects, which we are currently experiencing more and more in Germany.

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Large companies in various industries are affected, and many medium-sized companies are also affected.

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And quite banally, we see red numbers as the first indication.

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But everyone can be in the red for a short time.

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Of course, if this is an afterthought, then it will be difficult.

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At some point, there will be more insolvencies.

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Business units are being scaled back, locations are being closed, and locations are also being relocated abroad.

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You have to think about it.

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And in the end, employees who are perhaps least responsible for it are dismissed.

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And the employees are getting more and more pressure from above, which is usually not justified and where I can't do that much as an individual employee.

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I think these are the visible effects and the question is ultimately what the causes are.

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What we believe and where I think we are very well coordinated,

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A central cause is simply when I treat financial figures as an absolute focus, in the worst case even as a short-term focus, when quarterly reports become more important than customers, successful projects,

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if there are only numbers in all goals, in all meetings, in communication, then it becomes difficult relatively quickly.

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Then it is often no longer about the customers and the raison d'être of a company is to solve the problems of customers.

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And if there is no mission at all for the company, i.e. a reason why the company exists in the first place, then it becomes very, very fast

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difficult.

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We then see short-term actionism.

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The teams are given top-down guidelines that they can no longer understand at all, that they can no longer stand behind.

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And in the end, it reminds me a bit of work like 20 or 30 years ago.

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There is no scaling at all anymore.

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So if I want to achieve 5% more, then the employees simply have to achieve 5% more

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Stepping on the gas and that's difficult, if there is a dent, then I've built up these employees, I've built up the costs, I have the overhead and then suddenly the sales no longer fit in, then it's difficult.

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On the other hand, which we are unfortunately also seeing very strongly at the moment, innovations are simply being scaled back and if there are still difficult regulatory framework conditions, they may be scaled back even further.

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And without innovation, it's difficult very quickly.

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You can't get out of it because you can't make up for it.

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And then you just become reactive in your measures, in your actions, maybe bring in a top management consultant, as we are seeing more and more in the automotive world, I think.

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Mostly so that they don't have to make hard decisions themselves that they probably should have made years ago.

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And in the worst case, something like this ends in manipulation when you as an employee get so much pressure from above that you do things that are absolutely no longer in order.

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And this results in various scandals, of which we have no shortage in our landscape.

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That, I think, is the gross cause of the whole thing.

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You have

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had now also addressed the topic of money.

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Some also get the money from investors.

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How do you assess that?

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So once I have an investor in it, I'll never get out again.

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I think that's something you have to understand.

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If I have an investor in it, the question is always what are the goals of the investor and can I compare them with my goals?

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And we see in many cases and address a lot of investors, in many cases

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set the goals they supposedly have.

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And if you do a little research, you realize that they don't have these goals at all, but that they are purely profit-driven for a short period of time from our point of view.

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So it is usually two to five years, where you have to achieve a certain return to your lenders.

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I think you've already lost if you have a long-term mission and work with short-term investors.

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Much of what you are reporting right now, including my times as an employee, where there was also this pressure, mistrust of each other, then people who actually just looked at what the boss wanted, whether it made any sense at all or not.

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It was then a melon reporting, he always reported, yes everything was great and knew that the company was moving further and further away from the customer and that they were only revolving around themselves,

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then reported things that were somehow not quite true.

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So we called it budget cosmetics together and actually had the opposite of what we have here at the institute.

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So with us we have such a credo and our managing director Markus always says that, we need a togetherness and a support for each other.

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And exactly the opposite was daily practice in many of these companies, if you can call it practice at all.

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And with all the consequences that you are watching right now

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that the companies are getting into difficulties as a result.

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I think this topic of culture, you have now mentioned a lot of factors, this focus on money, the topic of investors, this scaling back of innovation, many, many points.

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I just see that a good culture is the prerequisite for everything.

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It is not sufficient.

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So of course you can also, we have always called it our Swiss friends, the happy people on a thinking boat, that doesn't get us anywhere either,

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But if we don't have a culture, then the rest won't get much better.

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Now you can only say that we have to negate everything, yes, from the negative, then we are already in the positive.

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What else do you see as an important point to become stable, maybe even to become stable, that is, to become more stable and not more unstable with increasing pressure.

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Yes, I think it all starts with the mindset, i.e. ultimately the owners of the company.

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must be aware that companies do not survive on their own in the long term.

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Even the largest companies in the S&P 500 usually die after 20 or 30 years, and you have to spend an incredible amount of energy to have any long-term chance of survival.

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And if I want to survive as a company in the long term, then the first prerequisite is that I don't die.

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Don't those, as they say.

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That sounds very, very banal, but in the end I can start from the observation, can I work backwards and say: Okay, what can lead to me dying?

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And I can minimize my risk of dying through various measures and through the right mindset.

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And what typically happens, i.e. how does a company die?

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In most cases, it is illiquid.

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This means that there are no longer enough funds to continue the company.

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There are scandals that can throw a company off track.

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There is a disruption that companies are simply obsolete due to new technologies.

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Or there is, let's say, a dispute in the management team that the company is simply no longer able to work or is no longer able to act.

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And that means that in order to avoid something like that, I have to design all big decisions for infinity,

let's say, for the long term.

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That is, I don't start optimizing anywhere locally and say,

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If we do this and that, then we have a better quarter, although neither the customer nor society benefits from it, but simply some number is better in the short term.

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In the end, what is necessary to act in this way is wisdom.

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That sounds like a very big word now.

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Wisdom, however, simply means having a long-term horizon in one's decisions.

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So what happens because of this decision that I'm making now,

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in a year, what will happen in ten years, what might happen in 50 years?

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And I believe that if you adopt this mindset in your strategic decisions, then you have already gained a lot.

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I think that's the way it is with us, we are very impatient with action.

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So we want to take action.

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Without action, nothing happens.

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And we are very, very patient with results, with results from this action.

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Ultimately, what we have been experiencing very strongly over decades now, that simply acting consistently in the interests of the customer leads to effects that compound, i.e. that simply become stronger and stronger.

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And that means that the longer I survive in this game and act consistently, the better results I have in the

end.

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But you just have to be patient.

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And we also have a lot of

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Had situations in which sometimes the team didn't have the patience or individual people and that didn't go our way, which we put an end to very quickly, yes.

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So this longevity, of course, is due to both of us, I think, one of the central thought patterns we have.

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So always trim the whole company for infinity.

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You had nicely reported that a prerequisite for infinite life is that one does not die and now in the case after

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as a company, because we're both going to die, but we want the company to outlast our lives.

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Another factor I see is the willingness or perhaps the need to invest sematically.

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What do you think are important areas to invest?

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What is perhaps still a basic pattern is that we take a lot of small risks that, if they fail,

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which are not a problem for the overall stability, but which, when they work, have a very large upside.

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So I think Amazon is the world champion in doing that.

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And what we do is, we start at the beginning and say, okay, we have a mission and what problems do we have to solve to serve that mission?

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In my view, this means that we are doing targeted application-oriented research,

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we operate.

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I think we are investing a lot of resources there by our standards.

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As soon as we have solutions there, we roll them out and continue to invest in the implementation so that the whole thing later leads to a commercial product, a service that customers can buy.

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And we systematically build intellectual property.

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So that is, this thought,

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Thank you for being a thought leader, which I think is also confirmed to us in the market.

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We do this out of curiosity, out of ourselves.

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But it is also an absolute core of our business model for us.

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This means that we want to help the customer with knowledge and with applicable research and with corresponding products that also differ on the market, and we want to live up to our mission there.

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Absolutely.

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Maybe add where we invest in talent.

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I like to call it increasing talent density.

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Then we really take the time to look for the right people, build them up and make them the best in the world.

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We really have a lot of these world champions in the team and you don't get them for free, you can't buy them anywhere, but we help build them up and we also invest a lot in our customers, in these customer relationships.

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listening, listening and giving and giving and giving, revealing information and, of course, making our brand and our value visible to the outside world.

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Just give without thinking, now I'll take again.

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I believe that these are also important investments that we make every day here at the institute.

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What else can you do, invest in the culture

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to think long-term in order to achieve this stability, which everyone probably wants in these times now, in order to achieve this stability.

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Well, I live in Darmstadt and we have a nice role model here.

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This is Merck, which celebrated its 350th anniversary a few years ago.

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There is a motto Curiosity and Science.

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who say that curiosity is the anti-aging for a company, so to speak.

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I thought that was very nice.

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So you can easily look at what companies that have been on the market for over 100 years, are successful on the market, what do they do differently, what distinguishes them?

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So you can get a lot of inspiration and wisdom by looking at what they do and what others do.

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And then

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I think you have to have certain cushions for times that are not so good.

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I think that's clear to everyone.

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What I find interesting is such a trade-off between specialization.

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So we said we are intellectual property driven.

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This means that our success is based on knowledge of what we have worked for.

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This requires or requires specialization.

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And on the other hand, we have a

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Diversification in our customers.

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That means we don't have a single customer who somehow accounts for more than ten percent of sales.

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On the contrary, much less.

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We are internationally positioned.

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So we now have issues with the MDR and now the market is going in the direction of the FDA.

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That's very, very good for us.

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That suits us.

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I think we have

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largest companies.

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We have small businesses as customers.

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So there is always a bit of a change or one catches the other.

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And on the other hand, we have self-reinforcing effects.

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So we call it flywheels.

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This means that if our consulting department does a top job and uses our software products in consulting, then customers come and say, what kind of software do you have and then

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We have more customers on our software solution.

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When customers go to seminars, they understand that we have better knowledge, better didactics than competitors and say: Oh, you can certainly give good advice.

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And then we use software again in seminars, where the customers say: Oh, I'd like that software too.

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And so there are things that reinforce each other.

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And I think that's actually antifragility, when an impulse comes in somewhere.

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there are always places in our company that benefit from it.

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I think such topics are important.

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Yes, and while you're talking about antifragility right now, also to make sure that we don't have unnecessary external dependencies that could bring the building down.

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So if you go back to the topic of investors, for example, if he has enough shares, of course, then he can prohibit the investment, then he can destroy this long-term view, because he

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justifiably, of course, somehow also has return expectations and then focuses the company on things that may not be one hundred percent aligned with the mission and also a lot of time, it has to be said, then take up costs, attention for the investor.

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And we need this time, because we want to have it for our customers above all, and of course also for our team.

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And these are all points where, I think,

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not only stable, but antifragile.

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So what is important, or an important part or an important pillar, you might even have to call it, stability is simply the satisfaction of the team, that is the satisfaction of the customers and as a prerequisite we had just mentioned the goodness and the values and that we adhere to.

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So there is not only a technical and intellectual quality, but in my opinion also a moral quality, which contributes to this stability with

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contributes.

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I think another important point, I have just hinted at this a bit, in order to be stable, is always to be directly with the customer.

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And that's what the two of us do.

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So it's not that the advisory team is at the front, for example, but the two of us are doing it too.

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So Fit for Future, I'm in direct exchange myself several times a week.

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We both also learn what is needed and notice where the journey is going and companies then become unstable,

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the external environment, including the customers, goes somewhere else, where the company is at the

moment, this leads to a rift.

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So that, I think, is very important, this absolute obsession, you could probably even call it, to be right there and expose yourself in the most positive sense.

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Yes.

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Yes, definitely.

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So in lean management, it's called „going to the gamber“, which means that I go to the assembly line as a boss and see what is happening in the companies where I have advised.

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At that time, there was actually always such a predetermined breaking point from a division manager or senior vice president.

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there was hardly any customer contact and accordingly the products and innovations were not geared towards the customer and were rarely as successful as they could have been.

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We notice that ourselves, that every conversation with a customer is an inspiration for us.

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That creates a spark where we say, oh, we can tackle that, we can help and we definitely have to keep it that way.

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So the uncompromising with

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this focus on the outside, but the uncompromising also on the inside, if there are just so violations of values, so there is no pardon even with the top performer, so if someone simply violates culture, rules of the game, values, then it is not the right person and no matter how much knowledge he or she combines in himself.

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Perhaps now also ask for the listeners, what can you now deduce from this for yourself?

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So we have now mentioned a whole lot of points that we have as success factors

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Factors have at least identified with us.

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So what you can see, are these factors perhaps also helpful in your own company and perhaps another thought: You should always think about who you want to work for?

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Be it as a person or with whom do you want to work as a company.

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Stefan, you've been with us for many years now, so you probably don't have a completely neutral view anymore, but because you have many other companies

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but still the question, what would you say, what distinguishes the institute from the other companies you have all seen?

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Quite a lot.

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So I think that drivenness in mission, that's the core, we've already said that.

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So we have a very, very strong mission that releases a lot of energy and ultimately that, I think, lets us all get up in the morning and get to work.

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That's important.

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How does this manifest itself?

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Many customers are surprised when they start working with us, also in the software environment, because I don't think we're yet so well known for having enterprise software solutions.

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And they are surprised at how quickly we get results, how well we understand them, how precisely we solve their problems.

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I believe

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For example, if you want to introduce software systems, then there are always these big decision scoring matrices and so on.

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You have to think about whether I want to work closely with this partner for 10 or 20 years?

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And that is the core question.

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And no, is the answer to that or something, I don't know, then I would look again.

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And I believe the customers who work with us

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long topics, they want exactly that, they appreciate it.

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And I think there are so many arguments from the team of employees to work for us.

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It's better for people to say that.

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But of course it's a decision for a new employer, it's a big decision that can affect your life.

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Maybe I have to move somewhere else, the family has to move with me and so on.

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But I believe that we are very

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offer many, many people a great professional home and that this is also clear in the mood of the team and that the customers also reflect to us that they feel it.

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And that's of course fantastic for us as a society and a lot of fun.

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We have.

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Yes, even now a 20-year history, we have gone through some crises that have existed in the world, so to speak, and have always grown.

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That is, we are actually

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antifragile, so that means we are growing under pressure, I think we can listen to little, or even those who are here now, we can do little to change what is happening in the world, so all the political decisions that we have just had again can hardly influence technological trends, be it on demographic change, also on the competitors, so most people can't do so much about it, we ourselves have then created a certain influence in the meantime, so also direction

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Legislation where we are actually active, but certainly not everyone has this opportunity.

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But what I think everyone has, that is, every person, every company, is to use the degrees of freedom, to react to these external circumstances that I have just described, to get fit, to live the culture I just talked about, to consistently make this innovation, with this long-term view, Stefan, as you just described and also to look at the

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to look for partners, be it service providers or employers, with whom this agreement in these values and in this direction is actually given.

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And that you can live stably with it even in difficult times.

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I think we have brought this proof.

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So there is security even in uncertain times.

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Stefan, thank you so much for being there.

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Thank you.