



Kuehne & Nagel

The Kuehne family started shipping goods throughout Germany more than 125 years ago. Today, Kuehne and Nagel is one of the world's largest logistics firms, a key element in the global economy. They did it by focusing on staff development.

Founded in 1880 by August Kuehne and his partner Friedrich Nagel, Kuehne & Nagel sailed close to home for almost 50 years, concentrating their activity in German ports. When son Alfred Kuehne took the reins in the 1950s, he decided to look farther afield. "My father started the internationalisation [of the company] in the early 1950s because he was very pessimistic about the political situation in Europe, the cold war with the Russians, the Korean crisis. He went to Canada, opened some offices there and started the first foreign office at that time. A few years later he founded offices in the Middle East. My father was the one who had the idea of "globalising" although that expression wasn't known at that time," Kuehne told INSEAD Knowledge following his speech on campus in Fontainebleau as part of the INSEAD Global Leaders Series.

Following in his grandfather and father's footsteps, Klaus-Michael Kuehne who today is honorary chairman and majority shareholder, joined the company in the early 1960s, this time with the ambition of building a worldwide network of offices. Why this more expensive, people-intensive strategy rather than relying on partners and agents? "Our main activity is transport," he says. "Of course transport is always from the point of origin to the

point of destination... if you can serve your customers with your own people and your own offices then there is a much higher degree of service than if you were going through agents in an improvised manner." The strategy has stuck: today Kuehne & Nagel has more than 900 offices in over 100 countries and approximately 56,000 employees.

"Our main idea was to render a global service based on a network of offices and service stations and that worked out well. We started from scratch in many countries and had to build up our people." Education has been a key factor in their development. "Our people were trained and challenged [...] we do not produce goods, we do not trade goods, we just render a service. All the knowledge is in the heads of the people and they have to be good, and we had a lot of good people. We always made a point of training and selecting people. Career development is highly emphasised."

You win some... and you win some

Although it's easy to assume that a transport giant like Kuehne & Nagel would be vulnerable to the incessant fluctuation of oil prices, when we asked how much these hikes hurt his business Kuehne set

us straight by clarifying his company's exact role. "Our activity is only indirectly affected because we have no means of transportation - we have no ships - we have no airplanes - we have a few trucks, well not a few - a few thousand..." he laughs.

"Those who suffer most are the shipping lines, in particular the airlines. It is not always possible to increase the rates to customers because in the worldwide container business there is always a very strong competition between the main shipping lines. They under-quote each other and because of the oil price they are sandwiched."

"We are the agents - who organise the transportation - who steer the cargo flow. So for us it is not that important whether the rates are higher or lower because our customers have to pay those rates themselves. Of course we fight for our customers to get the best rates possible but if there are certain developments in the markets and the rates go up, then of course it has to be borne by the customer. The more volatile the market is, the more changes there are and the more difficult it is for our people because they have to negotiate the rates for our customers again and again. It keeps our people very busy but I think in general we are not among the losers as far as the oil price developments are concerned."

Ahead of the curve

Being ahead of the globalisation curve has served them well. Kuehne & Nagel did not wait for China to emerge to invest there. Kuehne modestly puts this down to pure luck... "We were very lucky, we opened our first offices in the middle of the 1960s in Hong-Kong, Taiwan and Japan. No activities existed in China at that time, but we were amongst the first ones who tried to start a business in China in the late 1970s - albeit under restrictions. We could only have liaison offices there, but nevertheless we managed. We had a strong office in Hong-Kong and we steered the development in China from Hong Kong. Then about 10 years later, we got a full license to operate in China.

Kuehne explains how his business in China developed first gradually during the 1970s, then accelerated, before booming over the last 10 years. "We now employ about 3,000 people [in China], mostly Chinese people but with European or expatriate management experience. It has become the most important market for us with exports not only to Europe, but also to North America, South America and so on. We benefit enormously from the volumes that have developed - it is the most important economic area for the whole organisation, and all our other offices benefit from it because we have a very close cooperation between the offices."

While Kuehne & Nagel are aggressively pursuing trade in China, Kuehne himself is more reserved about the short term growth of his company in India. "India is a very important market for us [...] we employ about 600 people there but in comparison to China it is much smaller. It is not as easy to operate there, the transportation business is more restricted and the infrastructure is not as good, the roads are not good. Despite this, India is developing fast and there are a lot of very important Indian companies, so production and trading activity is at a high level. I believe that India will be a very important factor in the world but, for the moment, China is by far the number one. In India a lot has to be done to improve the infrastructure.

He doesn't see any sign of this shift towards Asia letting up. "I think [the shift] will become more important: it is already very important, but the centre of the economy will change from North America and Europe, to the Far East and China - in particular if they continue to have stability in their economies and politics. There is always a danger that something could happen, that they could change their approach, but for the time being the liberalisation is amazing and you can really do good business."

Kuehne plans to take full advantage of this growth and his company's strong position in the region. "We will also start domestic business in China, offering truck services and so on. It is not only the international business that we have developed so far, we are also trying to establish some warehouses in China. There are a lot of opportunities. Of course it is a huge country and we must be very selective and not overdo it - that is the only danger - the danger of overheating the economy."

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