

Opportunities for Action in Consumer Markets

# Follow Your Dreams: An Interview with Walter Gunz, Founder of Media Markt

THE BOSTON CONSULTING GROUP



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Whenever businesspeople get together at conferences or in the boardroom, it's not uncommon to come across such sentiments as, "How you treat your associates is as important as how you treat your balance sheet" or "Success is as much about having fun as it is about winning." But how many hard-nosed business managers really believe those words, let alone act on them?

In an environment of cutthroat competition and unrelenting shareholder pressure, staying true to your heart while leading with your head isn't always easy or, perhaps, even wise. Yet one very successful executive has done just that over a long and triumphant career. Walter Gunz—founder of Media Markt, Europe's largest retailer of consumer electronics—believes that



Walter Gunz

treating people with respect and decency is, in fact, crucial to long-lasting success. Allowing associates to dream, act on their intuitions, and take control of their destiny is the key to good retailing; control from above, hierarchical organizations, and micromanagement, by contrast, prevent people from achieving their full potential.

Born in Munich in 1946, Gunz studied philosophy and economics before joining Karstadt Warenhaus, Europe's largest department-store chain, where he

rose to become head of the consumer electronics department in the Munich store. He left Karstadt in 1979 and, shortly thereafter, founded Media Markt in Munich with a shoestring staff and only DM 20,000. Ten years later, the company became part of the Metro Group, the world's fourth-largest retailer. When Gunz sold his remaining shares in Media Markt to the Metro Group some 21 years after its founding, the chain had 300 outlets in 11 countries, 18,000 employees, annual sales of \$7 billion, and profits of \$300 million. Today Media Markt—which could be compared to Best Buy in the United States—is still one of the fastest-growing retailers in Europe, as well as one of the most profitable players in the retail electronics sector.

Gunz's accomplishment isn't just a matter of luck or talent. His deep concern for his employees, suppliers, and customers is, in fact, at the heart of his achievement. In view of today's business uncertainties and global tensions, we thought this might be a good time to talk with Gunz. Alexander Lintner, a vice president in the Munich office of The Boston Consulting Group and head of the firm's Retail practice in Europe, spoke with Gunz about his experience in the retail sector and his conviction that all employees should find joy in their work.

**You've had a great deal of success in your life, and you've met a lot of successful people. What qualities do you believe are most important for making it to the top?**

Contrary to what many people seem to think, you don't get there by behaving like a jerk. Yet the pursuit of success can sometimes cause people to act like jerks. Many senior executives succumb to the hubris of power once they feel they've outplayed their com-

petition. They start taking themselves too seriously and lose their capacity to empathize with the people around them. That's why success can sometimes be harmful. But truly great leaders get through this stage. The biggest challenge for those who have made it to the top—a challenge that goes hand in hand with remaining there—is to stay true to the person you were before you became successful.

### **Can you tell us how Media Markt was born?**

In the 1960s, after I finished university, I started working at the Karstadt department store. Karstadt was doing very well back then, and its buyers were among the most respected in the industry. Much to my surprise, I did pretty well there, too. Karstadt was a very centralized, hierarchical place, and I tended to make my own decisions and bent a number of company rules. Eventually, I had to leave, because I wouldn't do things their way.

I was sure that I had ruined my career by quitting. It took me a couple of months before I figured out what to do next. One night I had dinner with some people who had worked directly under me at Karstadt. They were as frustrated with their jobs as I had been and wanted to come work for me. But what would we do? In trying to answer that question, it occurred to me that the only thing I could do really well was sell, and the only products I knew anything about were electronics. So we decided to go into the electronics business together.

Over the next few months, my team of 11 ex-Karstadt employees and I presented our plan for an electronics superstore to several industry suppliers that I had gotten to know in my Karstadt days. Although there were already quite a few electronics specialty stores around,

the suppliers promised to deliver their products—if we paid on time. Then I heard that the entrepreneur Erich Kellerhals was looking for a company to invest in. I didn't have much of a company yet—just DM 20,000 borrowed from my mother and a handful of enthusiastic people—but I thought it might be enough to attract Erich, and it was. What I didn't know at the time was that several of Erich's stores were doing poorly. Yet despite that—and the fact that we lacked the necessary finances—Erich, his partner Leopold Stiefel, and I opened the first Media Markt in Munich.

I was very nervous the night before the opening. All I could think of was that we had to sell DM 200,000 worth of goods on the first day to get out of the red. I had dreams of doing more than that, of course, but I suddenly realized that we could just as easily do considerably less. And if that happened, we'd be broke. Fortune smiled on us, however: we turned over DM 324,000 the first day. That wasn't a bad figure for a store at that time.

**You still had a long way to go to get to where you are today. To what do you attribute Media Markt's eventual success?**

It all depends on how you measure success. Have you achieved it when sales go up 20 percent, or does it take 40 percent? The numbers, of course, are relative. Media Markt's success was a combination of many things, but at the beginning it had everything to do with the people. We were a small crew, but we had a big vision. Our dream was to run a company in which everyone could find joy in his or her work. We all remembered our time at Karstadt—our fear of the supervisors and the awkwardness of our interactions with them. None of us wanted to experience that

again. We discovered that if you treated people decently, work could be fun.

Of course, external factors also contributed to our success. But our people were key, and I think that's true for most businesses. I'm not necessarily advocating bonuses or profit sharing for everyone, but we turned our store managers into true partners by giving them a percentage of the store for which they were responsible. In doing so, we ensured that the many decisions that are best made on-site, such as purchasing, would be good decisions because the managers had an incentive to make sure they were good. We also decentralized pricing: each store manager decided which price was most appropriate in his or her competitive environment.

Ten years after we began our glorious journey, we looked into the future and decided we were too small. So we sold a major part of our company to the Metro Group and became part of a large corporation—with all the inherent advantages and disadvantages that poses for a company. However, thanks to carefully written contracts, we were able to prevent our parent company and fellow subsidiaries from gaining more influence than would have been healthy for us. At the same time, we were protected from other large foreign companies in the same sector entering the market. We really had the best of both worlds. It wasn't easy, of course, but we managed it.

**We hear a lot about “emotional leadership” these days. What does that mean to you, if anything?**

It's a trendy phrase, but I've never understood exactly what people mean by it. For me, I guess, it has something to do with honesty in communication: being as straight with people as you can. You know, supervisors

don't always tell the truth in employee appraisals. Employees may not know exactly what their boss is holding back. But I think most of them sense it when something is not being said, and of course that makes them uneasy. We're all guilty of being less than genuine at certain times in our lives, but I believe it is particularly important in business to treat others as you would want to be treated.

**But can you be entirely open with everyone in business? What about suppliers?**

I've always wanted to view our suppliers as partners, but I think it's in the nature of most businesses to become less open as they become more successful. The hubris of power begins when you think you have to squeeze as much as possible out of your suppliers and partners. Yet it doesn't automatically follow that you have to disregard the interests of others to get the best for yourself. In a true partnership, you want everyone to come out ahead. If you get a good deal, the other party should get one as well. And we have proof that it works: to this day, the terms that we achieve at Media Markt are better than the terms that our parent, the Metro Group, achieves, although Metro is larger. That's because Metro always tries to pressure its suppliers. Treating people with fairness and respect is what we all strive for in business as well as in life. After all, we spend most of our lives at work, and if we don't find peace of mind there, where will we find it?

**How do you balance being a "good guy" with the profit motive and your commitment to your shareholders to create value?**

When the Berlin Wall fell and East and West Germany came together, I was asked to speak before a group of

former directors of major state-run enterprises. Everyone was fixated on the profits and luxuries that supposedly would soon follow. I wanted to offer them an alternative picture because I knew that establishing a market economy was going to be harder than people thought. So I told a Zen Buddhist story about a wise archer who never aims at the target but nevertheless hits the bull's-eye every time. His secret is that he understands the importance of not being overly fixated on the goal. Every one of us has the power to hit the target. But there's a big difference between trying hard to hit it and believing you can hit it. As soon as I want something badly and feel I must have it, I tense up inside, and it becomes more difficult to use the natural talents I might have to reach my goal. But if I have faith and believe in my success, it's more likely that I will actually achieve it.

I think that is a good philosophy for doing business. If we concentrate on profits to the exclusion of everything else, they won't materialize. I firmly believe that profits come only as a consequence of really caring about the process: outperforming your competitors in customer satisfaction, creating a good place to work, offering quality merchandise. You can have profits, even large profits, and you're allowed to enjoy them. But you can't strive for profit for profit's sake—you'd lose your ability to relax and would eventually overshoot the target.

**How do you keep generating fresh ideas in a large, successful company?**

We are constantly adapting our goals as new circumstances arise. We don't hold on to tradition for tradition's sake—everything is up for grabs. We try to encourage change, and we don't give up if success isn't



immediate. Not all ideas are necessarily good ones, but at Media Markt you can make a mistake without being punished. Of course, we don't want the staff to keep making the same mistakes, so we've figured out a kind of self-teaching system that allows people to learn from their blunders without feeling too bad about them. You can't have fun if you're worried about screwing up, and you're successful only as long as you feel your work is fun.

**You talk a lot about having fun. What exactly do you mean by that?**

Work should be like a good, competitive game. Too much seriousness leads to an overblown sense of importance, which in turn produces an enormous amount of stress when the numbers aren't as high as you think they should be. You become afraid to take risks and are always looking for someone else to blame. That's no fun.

**You've given us an idea of what success looks like to you. What about failure? Why do businesses fail?**

Failures in business arise from the same causes as failures in life: greed for money, power, and success. The fear of failure is what hampers creativity. Fear is the greatest destroyer of energy. Look at how threatened subordinates are made to feel at many companies—it's no surprise that those companies suffer from a lack of innovative ideas.

Lack of trust is another factor in failure. Organizations become excessively bureaucratic when people don't trust one another. That's especially true for larger companies, in which the need for control can become an obsession. When that happens, it threatens the

whole business because these organizations suffer when entrepreneurial activity is stymied.

Ironically, most companies make their mistakes when they are at the peak of their power. Failure comes not from the outside but from within. Like the Romans before the fall of their empire, organizations begin to take their success for granted and then are surprised when someone takes it away from them.

**You believe that strong brands are important. How do you create a great brand?**

Consider a Van Gogh painting. Why is it valued at \$30 million today when the artist received barely the price of a dinner for painting it? The reason, I feel, is that Van Gogh's paintings represent something we desperately need in our cultural wasteland. Today, instead of great composers, painters, and architects, we have technicians who develop one laptop after another or who decode DNA. Brands have become a substitute for culture. As real culture disappears, brands become more significant. That's why they are now so extraordinarily important: we define ourselves with them. Therefore, brands must be genuine to satisfy our needs. They must stand for what consumers *need* them to stand for, as well as for what the company *wants* them to stand for.

**Today even successful brands are under pressure from shareholders to produce short-term profits. How does that affect managing a brand?**

The stock market has forced managers to become obsessed about their stock price, day in and day out, to the detriment of long-term business goals. The speculator frenzy has gone so far that every soccer club is becoming a joint-stock corporation. Inter-

estingly, the Islamic religion forbids paying interest on money because Muslims believe that value can be created only through real work. Please don't misunderstand me: I am a firm believer in capitalism, and I'm thoroughly convinced that its free and open capital markets are superior to other systems. Nevertheless, there is merit in the idea that real value in both our personal and business lives can be achieved only through *producing* something of real value.

**If you could sum up your philosophy of management in a few words, what would it be?**

We have more freedom than we think. Through our words, our actions, even our dreams, we can accomplish truly great things. In my business dealings, I find it useful to remember the words of Antoine de Saint-Exupéry: "It is only with the heart that one can see rightly; what is essential is invisible to the eye." In other words, happiness and success will be ours only if we remain authentic and grateful. Therefore, the happiness and satisfaction of our clients, employees, and business associates must always be our deepest concern.

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