



Widex introduced the world's first truly digital hearing aid in 1995

Originality, perseverance and reliability: these are the values that have helped Danish hearing aid manufacturer Widex to make the transition from small family business to industry leader with a presence in 100 countries worldwide.

Founded in 1956 by Christian Tøpholm and Erik Westermann, Widex is now run by the second generation of the founding families, with Jan Tøpholm as CEO and brothers Anders and Søren Westermann as Executive Vice Presidents. Thanks to what Anders Westermann describes as the “thick engineer blood” in the two families, Widex’s focus has always been on producing high-quality hearing aids that make a real difference to people’s lives. The company has a long history of innovation, having launched the world’s first digital hearing aid in 1995 – years ahead of the rest of the industry.

For Anders Westermann, Widex’s success in launching the digital hearing aid market was down to originality – “always having a drawer full of ideas that the market hasn’t seen before” – and perseverance, which meant waiting until digital technology was sophisticated enough to be used in the industry. With reliability as its watchword, Widex has now reached the fifth generation of its digital technology, each time improving and broadening its product range. By investing between 12% and 15% of its resources in research and development, Widex now ranks among the “big six” players in the global hearing aid market, of which it takes a 10% share.

“The most important thing is to make the company an attractive place for the best and most creative engineers to work,” explains Søren Westermann. This means providing cutting-edge technology in a challenging environment – a strategy whose success is borne out by the company’s low staff turnover. Widex has several innovations in the pipeline, with a particular focus on creating wireless connectivity between hearing aids and devices such as mobile phones, television and radio. It also has a specialist team of audiological researchers; one of their current projects is to explore ways to improve the lives of children and young people who suffer from hearing problems.

Widex’s growth is due to more than its manufacturing expertise, however. As



Photography: Jakob Kirk von Lotzbeck Words: Frances Hedgcs

Sound decisions

How a commitment to quality and an international outlook have helped Danish hearing aid manufacturer Widex to maintain its leading market position



Anders Westermann,
Executive Vice
President of Widex, left,
with a technician

➤ Anders Westermann says, it has “been an international company almost since day one” and has grown through a series of strategic ventures into foreign markets. In the company’s early history, it successfully targeted the UK, Sweden and the US as areas for business development; today, it is a global enterprise that employs about 2,400 people in 100 countries.

As Widex has moved into new markets, it has increasingly focused on distribution as well as production. While it initially outsourced its product sales to local distributors, it soon needed a broader range of distribution channels and began taking over distributors and setting up daughter companies. Greater flexibility meant greater profitability, and the company’s international growth is now driven by its 30 daughter companies.

From manufacture to distribution

Widex’s growing interest in retail channels reflects a broader industry trend for moving down the value chain from manufacture to distribution. With six major players dominating the hearing aid industry, competition is aggressive and price pressure is high, so the only way to increase market share is to take it from a rival. “We had to go into the retail business on the defensive, because otherwise our competitors would have beaten us to it,” points out Anders Westermann.

Today, Widex’s most profitable markets are the US, Germany and Japan, and its growth plans are targeted at emerging markets such as China, where it has a daughter company, and Brazil, where it has an independent distributor. Anders

Westermann says that further expansion will be a process of “evolution rather than revolution” but that, as long as the company has the patience to work closely with new markets, there is real potential for growth. Widex tends to recruit its managers locally, he adds: “The challenge is to find the right person to run the business, give them the benefit of our experience through close dialogue and then let them take things forward with their own team of specialists.”

Delegating responsibility outside the central management team can be particularly challenging for a family-run firm, admits Søren Westermann, but Widex’s method of governance is relatively equitable, with 10 vice presidents each in charge of a different area of the business. While it is not yet clear how involved the third generation of the two families will be in running the business, Søren Westermann is convinced that, whoever takes the reins, Widex’s aim of achieving “significant growth while keeping bureaucracy to a minimum” will remain possible.

Widex’s status as a family business lends it certain advantages when it comes to making long-term decisions. “Unlike large corporates, we don’t always feel that we have to perform within the next quarter, which means we can enter into longer-term investments,” explains Anders Westermann. So, although Widex forecasts a decrease in profit before tax in the current financial year, it expects to gain market share over a longer period through continued product development. Clearly, Anders Westermann speaks for the whole family when he says that Widex is here to stay. ☐

“The most important thing is to make the company an attractive place for the best and most creative engineers to work”

Viewpoint



Niels Josephsen,
International Tax Services Leader,
Ernst & Young Denmark

Minimizing the tax burden on family businesses

» Family-run firms, like all businesses, can find it challenging to deal with the complex issues around tax planning. Effective tax management depends on adopting a forward-thinking strategy and establishing positive working relationships with both local and international tax authorities.

Succession planning can be a contentious issue and is further complicated by the potential for incurring high tax costs. However, there are certain provisions in Danish tax law that allow family businesses to transfer assets from one generation to another without the tax burden being prohibitively high. By investigating all the options, company leaders can organize a tax-efficient takeover of their business. For example, they could make sure that shares are held through a holding company rather than through individuals. It is vital to start planning for succession early to increase flexibility and avoid facing unnecessary tax.

International expansion is another area in which tax planning is crucial. Family businesses that are keen to expand abroad need to think about the most tax-efficient way of entering new markets, particularly now that transfer pricing regulation has tightened. The key is to cooperate with domestic tax authorities so they can serve as an ambassador in the foreign market and help negotiate a favorable transfer pricing agreement. Having a good relationship with local tax

authorities is also invaluable in the event of tax controversy, as they may be able to help you handle the dispute quickly, reducing litigation costs or penalties.

When entering new markets, family-run firms should make sure that they have set up the right structure before venturing abroad, as changes that take place at a later date may have tax implications. Here, the benefits of having a tax advisor with a global as well as a local view are clear, especially in small domestic markets such as those in the Nordic region, which tend to rely on exports for a large proportion of their profits.

Options for avoiding tax on salaries are limited, if they exist at all, although this does depend on the country in which the employee works. Rather than

looking for tax loopholes in order to attract talent, firms should consider non-financial benefits. Family-run firms often have loyal employees who are prepared to sacrifice financial compensation for the long-term growth of the business.

As with most privately owned companies, family firms tend to be able to make decisions quickly because they are dependent on the agreement of fewer stakeholders. This flexibility can be an asset when it comes to responding to challenges or controversies arising from tax issues. However, it is the long-term perspective that characterizes family-run firms that is most important in helping them to minimize their tax burden, both at home and abroad.

“Start planning early to avoid facing unnecessary tax”

More information

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