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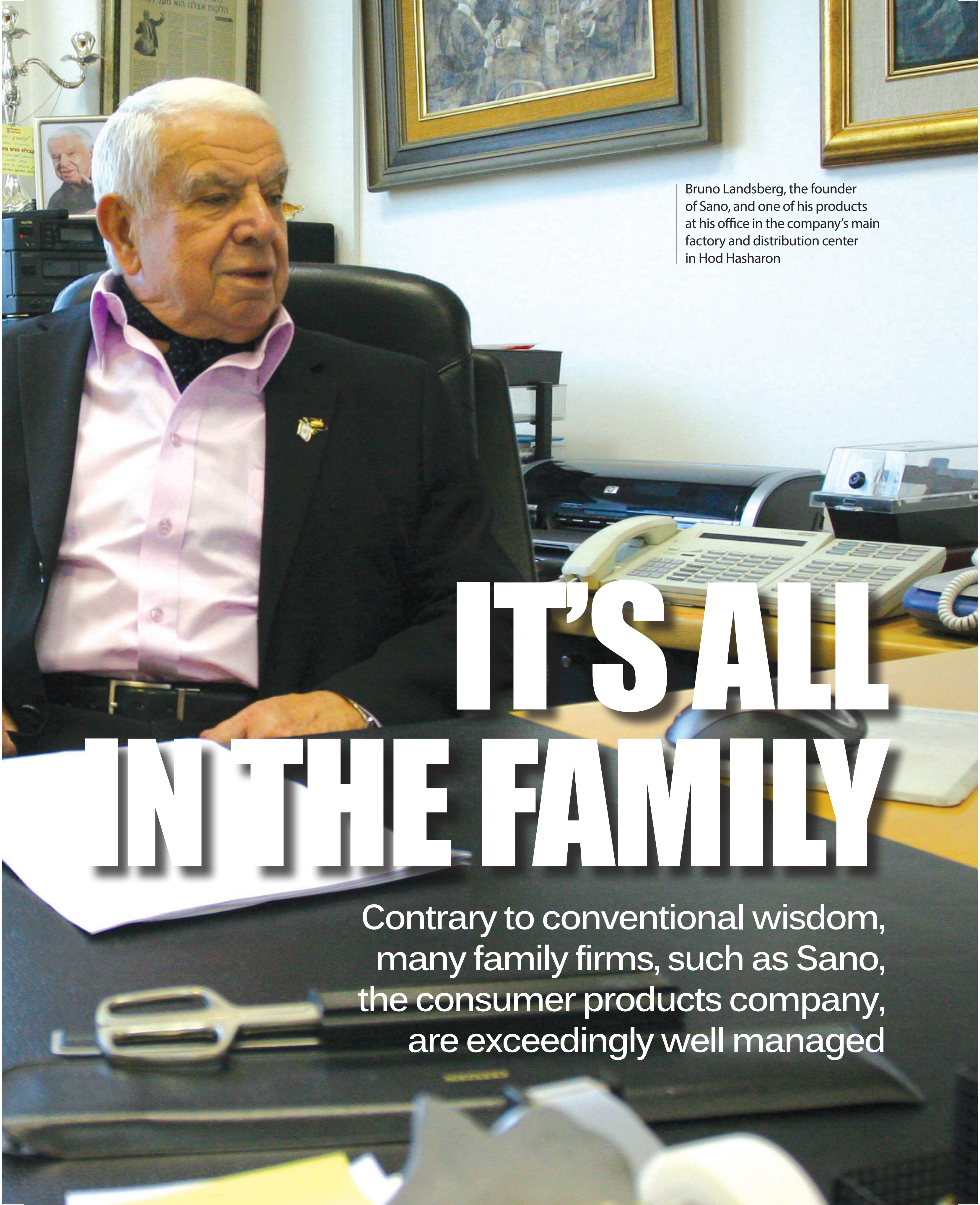

Bruno Landsberg, the founder of Sano, and one of his products at his office in the company's main factory and distribution center in Hod Hasharon

IT'S ALL IN THE FAMILY

Contrary to conventional wisdom, many family firms, such as Sano, the consumer products company, are exceedingly well managed

On March 4, the dean of Israeli industrialists, 93-year-old Bruno Landesberg, announced that he was retiring as chairman of Sano, the consumer products company he founded nearly 50 years ago. He turned the reins over to his son, Alexander.

When my editor suggested I write about Bruno and Sano, I made email contact with the company. I expected the usual long and hard pursuit, climbing stone walls of spokespersons. So I am astonished to hear the phone ring within a few moments. It is Alexander Landesberg.

"When can we do an interview?" I ask.

"How about now?" he responds. "I might forget later."

It is then that I realize that Sano, imbued with the culture of its venerable founder, is a rather unusual business – lean, though far from mean, and alacritous. How many board chairmen of billion-shekel- plus firms call a journalist back within moments?

Media attention is generally focused these days on hi-tech. But companies in traditional industries, many of them family-owned and run like Sano, are the backbone of Israel's economy. They employ 200,000 workers, more than the hi-tech sector, and comprise 60 percent of all industrial workers.

Contrary to conventional wisdom, many family firms are exceedingly well managed, with long-run perspectives that myopic non-family corporations lack. According to a 2006 study in Family Business Review by Texas A&M Professor Jim Lee, "family firms tend to experience higher employment and revenue growth over time and are more profitable [than non-family firms]. [Also] firm performance improves when founding family members are involved in management."

Sano is a poster boy for "all-in-the-family" companies.

Regrettably, I was unable to interview Bruno himself. As I write this, he is ill and in hospital. But I did read many of the interviews he gave to the press in recent years.

Bruno Landesberg was born in 1920 in Chernivtsi, now part of Ukraine. His father died of pneumonia when he was two-and-a-half. When he was 14, his family moved to Bucharest. Still on the move, in 1940 the family fled the Nazis to the USSR, where Bruno married. Some years ago, he told the business daily The Marker that "in the late 1930s, I saw what was about to happen to the Jews of Romania and Europe as a whole. I feared the Nazis, and so left Romania before war broke out."

SANO'S ORGANIZATIONAL STRUCTURE IS VERY FLAT. THE COMPANY'S ADMINISTRATIVE EXPENSES ARE A RAZOR-THIN 5 PERCENT OF ITS REVENUES

He studied literature and history in Bukhara, where Alexander was born, returning in 1944 to Bucharest, where he completed his studies and joined the anti-Fascist underground. With his cousin, he started a small textile plant that the Communists later nationalized.

On March 3, 1952, Bruno immigrated to Israel with his wife and Alexander. He worked initially as a salesman for a cleaning-products company now known as Kleen, and then mortgaged his apartment in 1958 to become an independent distributor for the company. To help his struggling company, he gave lectures on management and marketing. In 1961 he won a scholarship to Harvard, where he completed an executive program in international marketing.

On returning to Israel, he built a small plant in Bat Yam, with one machine and four workers, that made scouring powder. In 1965, he launched Sano. The name comes from the Latin saying "mens sana in corpore sano," meaning a healthy mind in a healthy body.

Why did Bruno take the leap and launch a company? Years ago, he told reporters, "We felt that if the State of Israel could produce missiles, then it can produce detergent, too. If it weren't for us, the whole market would be imports."

Today, Sano employs 1,825 workers and sells over 2,000 consumer products, mainly toiletries, diapers and cleaning products, in Israel and abroad. Its main plant is in Hod Hasharon, north of Tel Aviv. Sano shares were first listed on the Tel Aviv Stock Exchange in 1982 and today have a market value of NIS 1.355 billion ($393m.). Some 86 percent of the company's shares are held by Bruno, his son and relatives; 9% are held by the public and 5% by institutional investors.

Bruno's grandson Yuval is the company CEO, and other family members hold senior management positions. Yuval first proved himself as CEO of Cosmopharm, Sano's successful toiletries company. Bruno's granddaughter Aya heads export development; another granddaughter heads R&D. Bruno's late daughter, Eva, who died tragically at a young age, once headed marketing. Bruno takes special pride in the fact that his children and grandchildren run the business he founded. And Alexander recounts that despite being the son of the founder, it took him 20 years to become CEO.

WHAT CAN we learn from Bruno Landesberg and his management philosophy?

First, the importance of workers' loyalty. "We have at least 60 people who work for Sano who have worked for us for at least 30 years," Alexander tells me. "And a great many have been with us for at least 20 years."

Bruno's personal touch inspired that loyalty. Long before it was fashionable, he made sure every worker could have immediate access to him, bringing their personal problems to his desk.

Second, branding. I recalled the story of another four-letter-name company, Sony, led by the legendary Akio Morita. Morita pioneered the transistor radio in the 1950s. He knew he had to sell his product in the large American market. The

Bulova watch company offered Morita a big contract, on condition the radio be sold under the Bulova brand. Morita refused, even though Sony desperately needed the business. Morita was determined to build his own Sony brand. And he did.

Bruno Landesberg did the same. He had numerous offers to produce products for private labels. He declined them all. From the start, his goal was to build a powerful recognized brand. "We sell no private-label products," Alexander affirms.

Sony's brand name itself brings premium prices. So does Sano's. Bruno has invested heavily in marketing and advertising to strengthen the brand and he has even been known to personally alter the company's TV ads.

Recently, the Women's International Zionist Organization chose a Sano TV ad as one of the year's "most sexist," as part of International Women's Week. The ad shows a housewife diligently cleaning her kitchen. WIZO resents linking cleaning to women only. But let's face it, women do clean more than men, and they buy far more of the cleaning materials, so it makes financial sense to focus ads on women.

Bruno Landesberg is unusual in many ways. He deplores the rising social inequality in Israel and has complained that "it is not reasonable that a working person should be unable to support his or her family to live respectably." He has blasted Finance Minister Yair Lapid for cutting child allowances. He supports the left-wing Meretz party, for which he voted in the 2009 elections. He was on the public committee that supported the Geneva peace initiatives.

Third, lean management – Bruno was an avid tennis player and has pioneered the "tennis" theory of management. "We run Sano like a tennis team, not like a soccer team," he told The Marker in 2005. "That way, we can make rapid decisions. We don't always make the right decisions, do not always succeed, but it is better than taking forever to decide."

Soccer teams have layers of boards, managers and support staff. Tennis teams basically have the key players.

TRADITIONAL INDUSTRIES, MANY OF THEM FAMILY-OWNED, ARE THE BACKBONE OF ISRAEL'S ECONOMY

Sano's organizational structure is very flat. The company's administrative expenses are a razor-thin 5% of its revenues, very low for a company with annual sales of NIS 1.4b. ($406m.) Bruno told interviewers that Sano's management is not only lean, it is quick-thinking. Its staff often make decisions walking between one office and another, he said. And while management overhead is slim, Sano invests heavily in marketing; its selling and marketing costs are close to a fifth of its revenues.

IN THOMAS MANN'S 1901 novel "Buddenbrooks," which won him a Nobel Prize, a wealthy north German family goes from riches to rags in four generations, much as Mann's own ancestral family did. Some of the Buddenbrooks scions escape from business toward music and the arts.

Bruno wanted to be an aeronautical engineer or a doctor. His planned trip to Vienna to study was scotched in the wake of the Nazi Anschluss. His son, Alexander, did complete his B.Sc. in aeronautical engineering at the Technion-Israel Institute of Technology, but chose to work with his father at Sano.

In some ways, aeronautical engineering is good training for running a company. The engineering approach that designs aircraft has a systems-based philosophy, where every single part of a complex machine has to work perfectly. This is equally true of running a company. Finance, human resources, marketing, advertising, operations, quality control – all must be excellent and perfectly integrated for companies to endure and prevail.

"Father's vision," Alexander tells me, "was to have a Sano product in every Israeli house."

This has largely come true.

"Then we began to export to Romania, and the vision was to have products in every home in Romania. Today, the vision is to have a Sano product in every home in the world."

How does Sano maintain the spark of innovation, which many companies lose when they grow large?

"We love new products," Alexander tells me, noting that Sano has a great many patents. "We are all imbued with innovation. Those companies who do not innovate do not exist any longer." He relates that the offices of Sano senior management at its Hod Hasharon plant are above the warehouse, "close to the action" and close to clients and the market.

How does Sano compete with China and its low-cost products?

Bruno once told the business daily Globes that Sano made products that were suitable for the Israeli market and consumer, while other global companies produced wherever it was cheapest and failed to "think global, act local." I think this is crucial, because local preferences for cleaning materials are highly idiosyncratic.

In his novel "Anna Karenina," Leo Tolstoy wrote that happy families are all alike. Happy family businesses are indeed alike; in all of them, harmony prevails among family members and across the generations. For example, when I asked Alexander for a three-generation photograph, he gently suggested that we use a photograph of Bruno alone. "Give father the credit," he said. "He deserves it."

When acrimony prevails, the business falls apart. The key is often the patriarch and founder and the culture he or she conveys to the family successors. I have visited companies where the founders' presence was palpable, many years after they retired. Sano is such a company. ■

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