

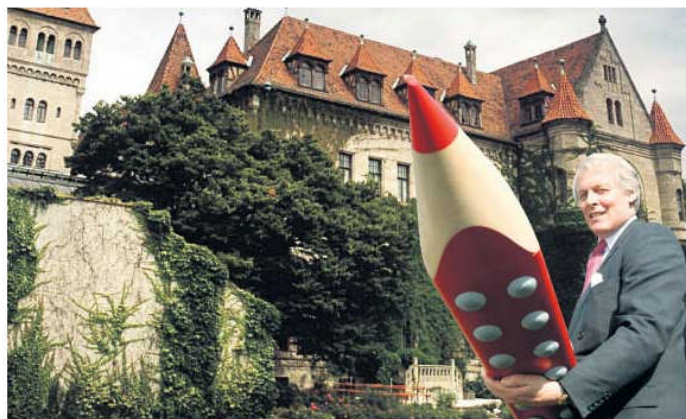
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Pencil tycoon stays at sharp end

Count Anton-Wolfgang Lothar Andreas von Faber-Castell is writing one of the most successful chapters in his family business' 249-year history

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Big in pencils: the count lives in ancestral splendour beside his factory (Gaby Gerster/Action Press)

Count Anton-Wolfgang Lothar Andreas von Faber-Castell had a point to make. He planned to make it by throwing bundles of the pencils produced by his family since 1761 from the top of the Eiffel Tower.

He was convinced that not a single pencil would break. His public relations advisers were adamantly opposed to the stunt and breathed a sigh of relief when the Paris authorities refused to sanction it.

“So I climbed up to the highest window in the tower of our castle — it’s 30 metres high — and threw the bundles from there,” the 69-year-old count said.

In the courtyard of the Schloss Faber-Castell, a mock medieval pile overlooking the pencil factory at Stein in Germany’s southern state of Bavaria, journalists were waiting with pencil sharpeners and notepads to test the count’s theory.

Not one of the 144 pencils broke. The aristocrat at the head of the world’s oldest pencil company had made his point.

A member of the eighth generation of Faber-Castells to run the business, the count is writing one of the most successful chapters in its 249-year history.

Thanks to international growth last year it reported sales of more than €427m (£360m). This year it should turn over €450m. Come the digital age, the pencil’s future seems as sharp as ever.

Much depends on the count’s patrician style. “A lot of managers want to be No1 and are not content with being No 2. Here you cannot become Count Faber-Castell. The count will always be at the top. Nevertheless, I give the management a lot of freedom.”

Instead of the corporate governance charter German companies use to show they subscribe to the values of shareholder culture, the count signed a global social charter with his trade unions.

Faber-Castell said he was continuing “the tradition of responsibility that my great-great-grandfather [Lothar] confessed to with his pioneering social commitments”. The company was founded by a Nuremberg carpenter, Kaspar Faber. It was his great-grandson, Lothar, who transformed a cottage industry into a global empire in the 19th century.

Germany’s gain proved to be Britain’s loss. For centuries graphite had been mined in Cumbria. It was jealously guarded, extortionately priced and exports were even banned – but that failed to save the British pencil industry.

“Nuremberg had a dreadful reputation for shoddy pencils,” said the count. “It was full of charlatans. They would put lead at each end and leave the middle blank. The finest pencils came from England.”

Lothar’s genius was to side-step Cumbria, which by then was almost depleted, and secure sole rights to a mine discovered in Siberia. “Imagine the logistics in those days, transporting the graphite over that distance to Stein,” Faber-Castell said. “They used mules and reindeer.”

Lothar mechanised the process, improved a French discovery that made graphite malleable, and then produced the highest-quality pencil in the world. It made him a multi-millionaire, allowed him to establish banks and insurance companies and let him give his workers welfare and education facilities. He was ennobled by Ludwig II, the King of Bavaria.

The current count’s concern about improving the welfare of his 7,000 employees around the world is a throwback to his forebear’s Victorian paternalism. Capitalism in recent times, he complained, “has become the exploitation of people where the only interest is in making money”.

Which is his way of saying that as the owner of more than 90% of Faber-Castell, he would find a devotion to shareholder values a form of self-worship and personal greed. “We have had a lot of unpleasant experiences with companies that were owned anonymously, where the chief executive does only what is in his own interests or that of his board members,” he said.

“They have a short-term view, usually their own. The system of quarterly earnings per share is wrong because it is a balance-sheet numbers game. It is killing long-term objectives.

“If you have somebody who owns a family company, his objective is to make money, or he cannot survive. The heart has to beat in some ways for the business and also for the people who are contributing something to the business; partly out of self-interest, yes, and not simply because you are such a wonderful human being.”

It was not always thus. The count was once a banker with Credit Suisse, seen on the London social circuit with the likes of Princess Yasmin Aga Khan, until his father, Roland, summoned him home.

The company was in trouble and Count Roland was terminally ill. Which of his 10 children would succeed him was unclear. "It was a complicated time," said Count Anton. "The muddling up of relatives and management is something that happens in family companies. I think I have cleared up the issue. Before 1975 we had no board. Now we do and the board decides my salary, and we became an AG [like a PLC] 10 years ago."

The count admits to making his own mistakes: primarily, listening to business consultants and corporate culture advocates. "I thought I could change the company in two years. I believed good marketing people were interchangeable, so I got someone from Procter & Gamble. Then you find out they are going by the book and looking on page 144 for procedure XYZ, and there isn't procedure XYZ, so they don't know what to do. I was delegating responsibility to people who didn't understand what Faber-Castell stood for."

In spite of what the count calls his "naiveté", he did streamline the company by dropping unprofitable lines and cutting the workforce. He introduced new office products and made cosmetic pencils.



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"If I had done what consultants had advised as necessary for survival when I took over the company from my father, we wouldn't be here today. Whatever they tell you is bound to be wrong," he said. Consultants advised him to embrace the digital age, which he said would be the "road to bankruptcy". The count focused on the brand name. "It is very simple to understand, even with my low IQ," he joked. "Focus on your strengths. It is a gift from heaven that a count owns the company. I can open doors, but I have to do it in a credible way."

In the early 1990s, Faber-Castell introduced a premium range, beginning with "the perfect pencil", complete with holder and integrated sharpener. "It was so successful that we came up with a mechanical pen and dealers were soon asking us for a fountain pen," he said.

Advice to start with a rival to Mont Blanc was ignored. "It would have failed. Starting with a pencil made it unusual." But today the limited-edition luxury pen range, known as Pen of the Year, is both exotic and esoteric. They have been made out of mammoth ivory, petrified wood, gun metal and even hair from the horses of the Spanish Riding School in Vienna, and are on sale in top stores.

"Our shops in Harrods and Selfridges have done well. In Harrods we have pulled ahead of Cartier and are just behind Mont Blanc, and that within less than two years," he said.

The recession has barely affected Faber-Castell. “Fortunately, we now have an international approach. One market can compensate for another. The Asia-Pacific market was not affected by the financial crisis,” the count said. Yes, we felt it to a certain degree in Europe, but the recovery has been noticeable.

“In Spain sales are up 30%, and in America we have seen 25% growth for our hobby and craft tools. Because of our very good cash reserves we were able to absorb the effects of the currency crisis in Brazil.”

Faber-Castell has 15 production centres round the world, with Brazil by far the largest. The count has planted 10,000 hectares of forest there with the intention of making the company self-sufficient in pencil wood — and with two billion pencils a year to produce, that’s a lot of trees.

How Germany took over the market

Nuremberg is sited at one of the crossroads of ancient European trading routes, which gave craft industries easy access to an enormous market.

The Bavarian city’s reputation for pencils grew in the 17th century after the discovery of how to bond a graphite strip between two pieces of wood. Also, a supply of graphite was discovered in the state. Though inferior to the deposit in Cumbria, then the centre of pencil production, it helped Nuremberg become a hub for the new industry.

A city guild strictly regulated who could produce pencils, so businesses flourished in surrounding villages with less restrictive practices.

By the end of the 19th century the area had 23 factories making pencils and crayons, with 10,000 staff. Four survive — Staedtler, Schwan-Stabilo, Lyra and Faber-Castell.

The earliest example of a lead pencil encased in wood dates from 1662 and was found in a Nuremberg house during renovations.