

Interview with Patrick Paul, CEO of LASER COMPONENTS GmbH

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When & how was your company founded?

The company was founded in 1982 by my father, Günther Paul. The context was to form a distribution and sales company in Germany, and the idea was to buy components from US companies and resell in a growing German market. My father used to be a director of sales in a German company that was sold to a large American corporation. The reason why this German company was sold was due to their manufacturing of CO₂ lasers for material processing and marking applications. The American buyers were more interested in the system and not so much in the components part of the business that my father was handling as a sales director. He was given the opportunity from his former boss to purchase this part of the business before the larger acquisition of the CO₂ laser systems business took place.

What were the initial activities when the company started?

My father started his activities in 1982. He was working in a little room in our house with four product lines from American suppliers. Step by step, he added a secretary, accounting, one or two salespeople, and started to introduce his products to the growing German laser industry. Then the company grew, and we rented another apartment close to our family home. That was followed by moving a few times within the small town of Olching in the west of Munich. The headquarters of LASER COMPONENTS is still located in the same area. Four years later in 1986, my father was given the first chance to make his own in-house product. He was representing an American company that manufactured laser optics and had a good partnership with this supplier. They specialized

in dielectric and thin film coatings for laser optics. The owner of this supplier had the idea to move his own production close to his European customers. They started the joint venture in 1986, in which LASER COMPONENTS only held a minority ownership stake. They gave us the necessary know-how and machinery. It was my father's responsibility to run the operation and to hire people. However, the switch from a distributor to a manufacturer with no prior production experience proved challenging, taking my father at least one to two years to even get started. Initially, the quality of products was subpar, and recruiting experts to join a small startup was difficult. After two years, the Americans lost interest and my father was given the opportunity to acquire the whole venture company and merge it with LASER COMPONENTS. Shortly after assuming full ownership, he successfully met the quality standards and began manufacturing laser optics in line with market demand. During this time, my father found joy in crafting high-quality products that he could call his own. Making something special was what made us strong, and this is still at the core of our business today. Creating something unique is the core of LASER COMPONENTS business. Our objective is to produce custom components, and it is still our mission today. We can make these decisions as a manufacturer of custom components while also adding customization value as a distributor for our partners. The growth of our in-house laser optics outpaced that of all the other products in our trading portfolio.

How would you describe the composition of your product portfolio?

LASER COMPONENTS produces components tailored to meet the needs of laser/instrumentation manufacturers. We pride ourselves on avoiding direct competition with our manufacturing customers by exclusively offering components that our partners integrate into their complete systems. If we would manufacture a YAG laser for example, this would pose as a conflict of interest and all the other YAG manufacturers would stop buying our laser components. Instead, we focus on adding unparalleled value and customization on the components that we sell to empower our customers with precise solutions to their engineering challenges. Over the years, we saw the chance to expand our in-house component manufacturing, and by taking those chances we increased our product portfolio. This led into a growing need for a sales distribution network worldwide. This initiative started with opening a sales office in the UK. Following that, starting in 1996 we took a minority stake in a French distributor, that ultimately evolved into assuming a majority ownership in 2008 and rebranded the distributor to LASER COMPONENTS France. Today, our sales offices extend across the US and in Stockholm for the Scandinavian countries, and to ensure worldwide coverage we collaborate with trusted distributors so that we can reach customers globally with our diverse portfolio.

When did you personally start working in the company?

I started my activities in 2002. At this time, the ratio between internal and external products was 10% in-house products and 90% trading products. Throughout the 2000s, we strategically invested more into our in-house products. Presently, the group's operations have shifted to 70% of our portfolio consisting of in-house products and the remaining 30% consisting of trading products. The reason for this shift is our commitment to delivering superior value to our customers. If we take on the responsibility of the product lifecycle, we can make the best decisions in the interest of our customers.

Was it always evident for you to become involved in the family business?

When you grow up in an entrepreneurial environment with a family that operates a company, it offers a unique perspective of both the successes and sacrifices in building a company. I can remember a family vacation where my father drove us to Italy. He stayed with us for one or two days and then he had to return to the office because the company was too small and fragile to be left alone. When having dinner there was only one topic, it was always about the company. As a teenager, I started to think about forging my own path. The natural inclination is to not want to live like your parents did. However, I have always been involved in the company. Every time my father asked me to help him, I always did. I must admit that I always enjoyed it.

How did you begin your formal role within the company?

In 1999, a key manager left the company, leaving my father without a replacement. I was attending university at the time when my father asked me to pause my studies for six months and help him in the company. I was still young, lacking experience, but I agreed, promising to return to my studies afterward. During this time, I gained valuable insight into the business. For the first time, I understood the organizational structure, the business processes, how well defined they are, and what a smooth operation he was running. What struck me the most was the strong support from all employees, who treated the company as a family business. They were very eager for me to finish my studies and officially join with the company. At this time, we had 40 employees, and a lot of them felt that without a successor, soon or later, my father would sell the company. This prompted me to reconsider, the thought of new ownership did not sit right with me, after developing strong relationships with key members of the company, their encouragement ultimately helped me decide to join the company.



High resolution
vacuum compatible
wavefront sensors
for **ultrafast** laser
characterization



Laser beam testing



Adaptive optics



Plasma & gas density

What were your initial responsibilities within the company?

Initially, I spent six months abroad as we established our US operations. My father sent me there to help build up this branch of the organization. Upon my return to Germany, I started as his assistant for the first two to three years, gradually assuming more responsibilities. We had a plan for the next decade that had me gradually rotating through every department. As I gradually took on more responsibility, my father stepped back, leaving the decision-making to me. He continued to oversee areas that I was not yet involved with. I started with administration, followed by marketing, accounting, sales, and technical departments. After seven or eight years, my father's involvement had diminished significantly, and I was left to manage the day-to-day operations.

Looking back, this was an ideal way for us to collaborate: I was eager to learn, while my father was willing to delegate. This arrangement allowed us to accomplish far more together than either of us could alone. It was the best time of my career; we had 200% capacity in management.

When did you assume full responsibility for the company?

During the years 2004 and 2005 we invested heavily to boost our in-house products. At that time, we had a problem with our largest external supplier. As a distributor, you can make two mistakes: the first is to not effectively promote and sell a product, the second is to sell the product so well that the supplier is motivated to establish their own operation. Our largest supplier chose the second mistake and contacted our customers directly. My father made the decision to reinvest significantly into the company. This led to starting two major operations, one in Canada for manufacturing laser diodes and another in Arizona for manufacturing photodiodes. Today, these two groups develop and manufacture the most important products in our portfolio. We created around 70 jobs in these two countries.

Can you describe the organizational structure of the company?

Previously, LASER COMPONENTS GmbH, based in Germany, held majority ownership of all the other LASER COMPONENTS companies, whether it is a sale company like Nordic, France, UK, US or a manufacturing site like in Canada and the US. LASER COMPONENTS GmbH functioned in two capacities: as a holding company and as the headquarters overseeing sales, marketing, and operations that consisted of three production sites in Germany. This was our structure for many years until about two or three years ago when we reorganized the company. The operational segment in Germany was separated and established as a new GmbH, leaving behind the original holding company shell, which was rebranded as Photona GmbH. With the growth in recent years, there was the necessity to hire managers from diverse industries to get a fresh perspective and new ideas. For the first time, we hired individuals from larger organizations to help us. These managers are now working at Photona GmbH. LASER COMPONENTS France is now a sister company to LASER COMPONENTS Germany and is a subsidiary company to Photona GmbH.

What are the primary markets your company serves?

We have a diverse portfolio, and we are always proud of our independence from reliance on a single customer, supplier, or market. Our largest market segment is industrial, with around 40% of our revenue originating from users of laser technology for welding and marking. Additionally, we cater to defense and aerospace, machine vision, and the analytical market, particularly where our IR detectors play a key role. Industrial sensing and the scientific market are also significant, with the automotive sector becoming increasingly important for us. In these markets we also serve a wide array of applications, sometimes finding overlap where a single application is seen in multiple industries. For instance, rangefinding

applications are utilized in defense, aerospace, industrial, and automotive sectors alike.

What advantages do you believe come from being a family-owned company?

As a private family-owned company, we prioritize decisions with long-term implications. Everything we do is part of a long-term strategy. We do not think in quarters, we think in generations. Taking more risks could have accelerated our growth, but to do that, there would have been a need to rely on external capital. We only afford what we can pay. We do not have bank loans for example. The only exception is for building infrastructure. Even then we maintain ownership of our production facilities and headquarters. We plan for them, we build them, we pay for them. It is a more conservative approach that brings stability. This philosophy guided our decision to consolidate the companies under Photona GmbH, enabling us to reinvest our profits locally. When an office generates profit, we want this office to reinvest this profit provided it fits with our growth strategy. For a sales organization for example, this means that we go to more shows, we hire more salespeople, or we do more advertising. Any surplus funds are channeled back to the parent company, Photona GmbH. Accumulating over time, these funds enable the acquisition of small and mid-size companies within our industry. We recognize the potential of these businesses and their technology, but they face succession challenges common for those in my father's generation. Some of these small companies are very profitable but they are too small to be attractive to the investment industry and fly under the radar. By leveraging our resources, Photona GmbH can support the growth of these companies and ensure continued expansion in the coming years. ●