**“Creating Value with Values -
What Makes Germany’s Family Business Special”**

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Germany and the way it is perceived in the world have changed. The formerly divided country is united, old and new Federal states are growing together and are firmly anchored in Europe at the same time. United Germany is not only an economically strong member of the European Union, but also plays an increasingly important leading political role. The country survived the financial crisis relatively well and the “German Mittelstand” enjoys a similar reputation to the former Japanese “Kaizen” in the meantime.

Germany’s family capitalism, the large number of regionally, nationally and internationally active family owned companies proves itself more and more as a competitive advantage for the country. The world regards Germany with respect and asks increasingly clearly: What does the “German Mittelstand” have? What characterizes it? And what can you learn from it?

Family businesses are different

What is a family company?

Family businesses are companies whose decisive owner is a family with the will to maintain its dominant position for at least one further generation.

Family businesses already distinguish themselves from public companies, whose ideal typical structure is marked by a large number of mostly small and frequently changing shareholders. The difference between dominant and fragmented ownership is significant. “A family business belongs to the family, a public company to the managers”, as Martin Richenhagen, top manager working in the USA pinpoints this difference with ironic culmination. As opposed to the public company, the center of power in family businesses lies with its owners and not within management. This knowledge is important even if both positions in the family business are not seldom occupied identically or in-part identically.

The differences are even reinforced by the fact that the dominant owner is a family. The owners of a family business are interconnected both by common investment interests, but also via relationships. Therefore, it is never merely a question of the

company in family businesses, but also one of family dynamics. If you wish to release yourself from the company, you also risk exclusion from the family. And if you have to accept sacrifices in the company, you feel neglected as a family member.
The link between entrepreneurial ownership and family aspects generates double bonding, creating one of the toughest challenges for family businesses because the company and family systems follow different basic logic. The perfect family is a safe shelter which provides its members security and prepares them as well as possible for a life with self-employment. The family bond is geared at solidarity, mutual support and the fundamental equivalence of the family members. The key currency is love and those involved can expect to be taken into account equally when it is distributed. The company system cannot afford any such sentiments. It is under competition and requires superior performance for its success. In place of security and equal treatment, performance and differentiation are required at companies. Many business families have problems handling these two levels confidently in parallel.

The dynastic will is a third important feature to understanding family business' specifities. The owners of a family business want the company also to remain a family company in the next generation. Our constitution equipped this wish with fundamental rights characteristics. "Ownership and the law of succession will be guaranteed", as stated in Article 14. The wish to pass on a company to one's children stands on an equal footing with freedom of opinion and the principle of equal treatment. And has deep cultural roots in this country. Thinking dynasties has a long-standing tradition in Germany. Although the bourgeoisie displaced aristocracy from the top of the social hierarchy, cultural imprint didn't change. The ranking formerly enjoyed by a baron, a count or a prince is more or less occupied by the family entrepreneurs in the bourgeois-industrial age. Germany's elite thinks in dynasties.

Dominant ownership, family ownership and cross-generation entrepreneurial understanding comprise a family business. The size doesn't play a role here. Although most family companies are small and medium-sized, large family companies exist too. Walmart, one of the highest turnover companies worldwide is a family business and the largest German company, Volkswagen AG, is also under dynastic control as of recently. Above all, a lot can amalgamate if we are successful in retaining a company under family ownership over several generations. Saving and continuing building - that's how dynastic empires are established. Our most successful family businesses all have turnovers of hundreds of millions, some even billions of euros. The same applies to the size of the entrepreneurial family. Most family businesses only have one or a few owners; a lack of company size and earning power restrict growth on the ownership side. However, this is not a definitional element. Large family companies can also have large owner families.

It is also irrelevant whether the family manages the company. Although most, primarily small and medium-sized, family businesses are managed by their owners, the identity of the ownership and management is compulsory in small companies. With increasing size then, not only the freedom of choice but also the requirements of the management staff rise. The probability that the dynastic pool of genes produces sufficient entrepreneurial genes behaves inversely proportionally to the company's growth, even if we ought not forget the effects of a consistent education as a successor. The central tasks of responsible management in family businesses includes, when debating whether "family or third-party management" takes the company view as opposed to the family stance. Large family companies can also be managed by persons not belonging to the family, as demonstrated by successful family business as Henkel, Aldi, BMW and Schaeffler. Whether the management belongs to the family is of no avail, it is ownership which counts.

Typical strengths and weaknesses

Because family businesses distinguish themselves from other manifestations of entrepreneurial action, their strengths and weaknesses also have a different nature. The shortcomings of business studies include its virtually exclusive focus on large public companies in the past and to have wantonly neglected the dominant organizational form, the family business. And it does good to see that we are in the throes of correcting this erroneous trend.

If you wish to understand the characteristics of managing family companies, you can take on all three characteristic features as a guide. All three defining elements, dominant ownership, family ownership and ownership with a dynastic character and cross-generation understanding are connected with system-typical strengths and weaknesses. Good management has the task to emphasize these strengths and to handle the weaknesses professionally.

The fact that the family is the dominant owner within the company ensures good agreement between the owners and management. The greater the identity, the more intense this is. But the family's dominant role must also always be clear to an external manager in a family business who has the final say. A manager who cannot accept this is incorrectly positioned in a family business. The advantages of better matching between owners and management are apparent: Decisions can be taken faster. Also, the danger that the company's managers treat other people's money too carelessly is lower than elsewhere.

However, dominant ownership is not only advantageous. Nobody can hinder that the dominant owner abuses his power. If you think about the weaknesses of family businesses, you quickly think of incapable successors or seniors who do not wish to pass their power on. Only the market can punish the abuse of power by dominant owners - and certainly will do so.

The family character of ownership also has a Janus-faced nature. "A family company has a large advantage and a large disadvantage - namely the family", as the former Miele manager Peter Zinkann established on several occasions. The additional bonding associated with a family generates higher loyalty than a simple investment. You don't just hold financial participations in a family company, but also emotional involvement. The selling of shares is associated with high emotional costs; being part of it is better by a long shot. “Patient capital” as it is called by finance experts. Strong family businesses draw a competitive advantage from this.

But the family factor is not merely positive. Where families exist, conflicts exist too. Moving back and forth between the two systems of company and family poses large challenges to the family members. Necessary differentiation in the business on the one hand, equal treatment in the family on the other - this aspect alone provides enough space for envy, jealousy and ill will to be vented. Whether between the generations or amongst siblings. Family companies provide ideal breeding ground for disputes. At the end, damages are serious. Conflict is the largest destroyer of value in family companies.

A further disadvantage is connected with the dynastic character of family ownership. The wish to maintain family dominance restricts financial resources and that in several ways. Thus, family businesses can at most raise equity up to the limit of the task of controlling power and are therefore to the greatest extent restricted to own equity provided by the family itself, in particular by relinquishing the distribution of profit. If third-party capital is used, you must also pay attention not to endanger your entrepreneurial independence with leverage which is too high. Sound family businesses are not seldom financed one half with own equity and have significantly fewer bank credits than own funds on the balance sheet. If you want to be successful with this shortage, you need different competitive, growth and financing strategies to a public company’s.

As a compensation, family companies can proliferate with a resource, which is not available to other companies likewise. Family entrepreneurs and entrepreneur families embody entrepreneurship you can touch; with their reliable and long-term bond they can generate trust capital with employees, customers and further stakeholders, enabling compensation of the disadvantages with finance capital. “We are a family company” is a powerful marketing instrument which is virtuously played off by entrepreneurs such as Claus Hipp or Wolfgang Grupp. Also the Mieles and Zinkanns play cleverly with their status as “managing partners” and Maria-Elisabeth Schaeffler would probably have survived the existence-threatening crisis following the Conti takeover less well if they had not stepped into the breach themselves full pelt. “Management by owner bonus” is a still underestimated competitive advantage of family businesses. Every family company can play off the trust bonus of personally responsible ownership in competition. I have heard sentences such as “Naturally I visit my most important customers personally” or “My employees go through hell for me” from all sizes of family company. I can only advise all family entrepreneurs to make even more of this competitive advantage which can hardly be copied.

This is also true for a further advantage. If you think per definitionem in generations or the really long-term, you are capable of building-up competitive advantages which are hard for others to copy. When I became acquainted with the Lüdenscheid company ERCO several years ago, the Managing Partner Tim-Henrik Maack explained to me, how his father consistently restructured the company from a classical lamp manufacturer to the world market leader for architectural lighting. Since then, the company's credo has been "Light instead of lighting". As a response to my question how long this transformation process took, Tim-Henrik Maack responded as if it were nothing special: "My father already noted initial success after some ten years. But basically it took an entire generation." Can you imagine what reaction the CEO of a public company would receive after introducing his new vision at the annual shareholders meeting and being asked how long it would take to realize if he responded: "We will probably already see initial success in some ten years ...?" Sustainability is not an empty phrase in a family business, but a component of one's own identity. It can be extended for competition-relevant advantages as planned.

However, cross generation entrepreneur's understanding is not only advantageous. If you think in long cycles, you have a natural enemy: the life cycle. All existences are subjected to the law. From emergence, growth, maturing and decaying. Rise and fall are also inseparably connected with the capitalistic competitive economy. The creative destruction, which brings somebody up, causes somebody else's descent. The economic historian Joyce Appleby described the capitalistic economic model as a "relentless revolution". Equally, the law doesn't stop before the rise and fall of family businesses. The vernacular knows: "The father prepares it, the son receives it, the grandchild destroys it"; there are different versions of this aphorism in virtually all world languages. Companies, as families, come and go. If the company spirit is not maintained, you don't have a chance.

A further challenge is inseparably connected with the family company type: "No one, not even Warren Buffett, can win the battle for eternity ", as the *Financial Times* wrote some years ago. As long as human beings are mortal, family businesses need successful succession in order to be able to continue to exist as family businesses. Only if the dominant ownership of the family is transported from one generation to the next, can the family business be perpetuated. No other company type is confronted with such a challenge. Succession is family business pure and simple. It is one of the largest crises in the life cycle of a family business and the only one which is guaranteed to occur. However, it is also the crisis which we can meet like no other with anticipatory planning.

Family businesses are not better or worse than other companies, but they are different. For many years, science assumed basic inferiority of family business with virtually no differentiation. Management theorists such as Alfred Chandler view them only as an initial step on the path becoming manager run public companies. Recent examinations have shaken up the traditional picture and contributed to new esteem and increased self-confidence of the family businesses. That is good and correct. However, it ought not make them conceited. Superiority is the result of hard work and not of belonging to a specific group. A company does not enjoy success because it is a family business, but because it is managed well.

As vivid as life itself

The latter is not really at all easy. For family businesses there doesn't exist a few simple basics, as for the management of public companies. Family businesses are not only different from other business types; they also differ widely among themselves. Under the generic term signalizing homogeneity, a variety of manifestations can be found, making the formation of similar types of management instructions difficult.

Size differences

From a small handicraft business to a multi-billion business: Family businesses exist in all shapes and sizes. The differences in size result in different questions Small companies struggle with professionalism, large companies with complexity. For small companies identity of management and ownership is practically inextricable, large family businesses can and must select between various options, both for ownership and management. Third-party or family management: This question is irrelevant in small handicraft businesses, possibly critical for survival in a large family business.

Age differences

Also, in-part, there are significant age differences. One company is still in its first generation, the next several hundred years old. Such differences are relevant. The older a family business becomes, the harder it is to retain an innovative entrepreneurial spirit. But old family businesses work out a certain experience and composure when dealing with crises during the course of time, something the young family businesses can only envy. I can still remember vividly two cousins who requested me to resolve a conflict. In view of the severity of the conflict topic, I was surprised how composed they both were. "Ah, you know", as one of them explained whilst the other nodded in agreement, "we are already in our seventh generation as a family business. All the previous six generations at least had one major disagreement with one another and survived it. We are sure that this will also succeed again."

Different business models

The gradual change from building-up to expansion leaves its marks in the business model. The older a family business becomes, the stronger the aspects of risk diversification move to the foreground. If developing entrepreneurs - driven by their financiers and their own character equally) - typically (almost) always back one horse, their successors look increasingly for means to secure what has been gained. "The route to success is focusing, diversification the means to secure it", that is several beneficiaries' guiding principle. And accordingly they reshape the company they have inherited from their relatives. Some of them take money out of the company in order to invest it in so-called "Family Offices". Others reconstruct their company as a diversified group of companies with several mainstays. Others again sell the original entrepreneurial activity and seek refuge in professional asset investment according to the idea of small investment banks. There are many ways of balancing entrepreneurial opportunities and risks and according different forms of appearance for family businesses. Each entrepreneurial family must decide which route is best in accordance with its respective wishes and abilities. Here, they must also respect that each business model is connected with different challenges. Both from an economical and emotional aspect.

“It’s about emotions and not dividends, “as the German Family Entrepreneur of the year 2007, Jürgen Heraeus, put the meaning of emotional values into perspective for the management of family businesses. Although asset diversification ensures the economic inventory of the family assets, it reduces the emotional value. Families wishing to enjoy entrepreneurial success in the long term must master this balancing act.

Different ownership structures

As the dominating owner of a family company, the family shows itself in different forms of appearance - as a sole owner, a constellation of siblings, a manageable group of more or less closely related cousins or even - as in the Heraeus case - as a large family dynasty, whose ownership structure may well remind us more of a company with share capital.

All of these companies are family businesses. But again, connected with the different forms of appearance, they face different weaknesses and strengths. Natural identification with the company and the feeling of belonging together decrease parallel to the growth of a family and must be increasingly organized. Family management is a success prerequisite we cannot do without in entrepreneurial families which are growing.
The dynastic sole owner does not know such troubles. His ownership position and commitment are undivided; problems with solidarity or even arguments are unknown to him. However, this makes him highly susceptible to the abuse of power. Incapability or a lack of will with responsible handling of the ownership role are highly disadvantageous to him. And also the question of succession plays a special role for the sole owner.
These questions are put into perspective in a company belonging to siblings. For this, the destructive force of rivalry between siblings arises here and it is existentially significant how well a family understands handling this challenge.
If the awkward sibling phase is overcome successfully and a sibling partnership becomes a consortium of cousins, rivalry decreases; only sometimes if the injuries were particularly deep the losing party attempts to turn fate in the next generation. But it is not these returns which comprise the central challenge within a consortium of cousins but the increasing diversity. If the siblings were still fully or at least almost equally involved in the company, the differences in the consortium of cousins will gradually increase. Different participation quotas result in differently high dividends and differences in the participation rights. The world is split into active and non-active

shareholders and also the age differences and spatial distance from the company increases constantly. Only if the family moves away from the mentality of the early phase and learns to handle the differences in an appropriate manner, the family company has a chance to survive.
Some of them then become large family dynasties at some stage. However, that takes more that things just working in the family. The economic foundations must also work. The family dynasty model only works if the value of the company and the amount available for distribution grow at least as fast as the family. It is no coincidence that the well-known family dynasties all own large and economically successful family companies. Smaller and medium-sized companies cannot cope with a large number of family shareholders.

Different governance structures

Last but not least, family companies distinguish themselves by the manner in which the family organizes its influence on the company. Smaller and medium-sized family companies are normally managed by their owners themselves; the identity of interests between owners and management is fully guaranteed there. In return, the dependency on the owner-manager is high in owner-managed family companies. Its reduction as well as ensuring an arranged manager successorship (also in case of unexpected hindrance of the entrepreneur) comprises the central challenge in an owner-managed company.
In companies with several owners, at some stage it is no longer possible for all the shareholders to hold equal management participation. The group of owners is split into active and non-active shareholders. Although the identity of owner and management interests remains guaranteed via the function of the managing partner, conflicts of interest arise between active and silent owners which require factual and emotional professionalism, which is not easy for several entrepreneur families.
If you wish to eliminate the problem of a two-class society within the group of shareholders, you can leave the management of the family company to third-party managers and exert the dynastic influence via the control function. Third-party managed and family controlled family companies are not uncommon amongst large and medium-sized family companies. Their success depends decisively on how well they succeed in finding and committing the right managers and creating sufficient identity of interests between the third-party manager and the owner family. The professional handling of the principal-agent-conflict is the decisive success factor in the family company with third-party management. Whether it can then still succeed on a permanent basis if the family is neither willing to manage nor to control the company by steering it must be questioned. The fate of Madeleine Schickedanz should act as a deterrent. If you can no longer carry out your function as an owner, you must consider selling.

A strategy for ownership

I order to answer the issues raised; family companies not only need good business strategies, but also a strategy for family ownership. Ownership not only entitles, it commits too. Not only in its own, but also within the scope of general interest, the family is obliged to handle its ownership powers responsibly. Responsible Ownership has several aspects. Above all, it obliges the owners of a family company to develop an idea as to how they wish to treat their property. How is our self-understanding phrased? What objects and goals should be achieved and which values are observed regarding the achievement of the goals? With which strategic owner's orientation should the target be followed and which business principles must be observed by management during the course of this? Which normative framework do we set for the management of our company? How does the owner family wish to influence the company and appropriately emphasize its dominant ownership? What prerequisites must be met so that the members of the owner family are involved? And what rights and duties are connected with the ownership role and belonging to the entrepreneurial family?

Adequate company strategies

Because family companies aren't the same as public companies, their entrepreneurial strategies must also differ. The American management teacher John Ward coined the term of "unconventional strategies" for this a few years ago. I would like to advance a step further. Such strategies are only unconventional as long as the public companies and their strategic behavior is deemed standard. And precisely that must stop. Public companies are an important column within the entrepreneurial mix of an economy. But they are not the measure of all things. They exist adjacent to but not above the family companies. Therefore, varying strategic behavior patterns from family companies are not unconventional, but appropriate. I would like to demonstrate what is meant by such appropriate entrepreneurial strategies using a few short examples.

As capital is a scarce resource in family companies, they ought not compete within markets where capital strength represents a competition-relevant factor. Capital-intense markets can slightly overstrain a family company's options and result in loss of family rule. Successful family companies prefer markets in which not capital strength but the advantages of a family company are decisive. This has long since been recognized by Germany's family companies. Several of them have developed to global market leaders within niche markets over the past years. In the meantime, there are more than 1000 so called "Hidden Champions" in this country, more than anywhere else in the world.

A lack of capital strength also determines growth strategy for family companies. Because family companies are mostly dependent on the capital, which can be provided by the family, they favor internal growth strategies and multiplication vis-à-vis capital-intense and risky M&A strategies. Many of our largest family companies, above all Aldi and Lidl, almost exclusively grew from the rollout of a superior entrepreneurial idea. Because family companies wish to remain independent and wish to maintain the dominant owner's position, they must also watch their step for financing more carefully than their competitors who are driven by the finance market.

High equity quotas and low leverage determine the picture of company financing within the family company. “As a family company, we always remain within the growth scope which we can afford without taking on any massive debts”, says Tengelmann boss Chef Karl-Erivan Haub, representing a large number of colleagues. Although this costs turnover and profits, it proves its worth during crisis periods.

No, family companies compete better not via the capital factor, but via trust. How this is done, was demonstrated impressively by Claus Hipp. His slogan “Dafür stehe ich mit meinem Namen” [I stand for this with my name] is difficult to copy for non-family companies and made the former takeover candidate number one on the baby food market.

Current challenges

No question: Family companies comprise the foundation of the German economy. Their economic success contributes to Germany's prosperity and reputation worldwide; their roots at the center of society influence our country's picture of capitalism. However, it is uncertain whether this will remain as it is. Economizing under capitalistic conditions is not a static matter; everyone is always on the move within capitalism. If you are down, you want to move up and have to oust those at the top to this end. The rise of one party is equivalent to the fall of another. What makes the system successful can be bitter for the individual. If you do not adapt fast enough to market changes and a society influenced by it will lose out. Darwin's theory of "survival of the fittest" - the capitalist market economy carries this to extremes. The world changes and we change with it. The question is only: do we do so fast enough?

Also the family companies do not remain protected against the perpetual change. They must also adapt. Their surroundings were stable long enough. The bourgeois nuclear family and patriarchy determined the picture of the family, a gradually internationalizing industrial economy the entrepreneurial surroundings. Thomas Mann described the attitude towards life of this period fittingly in his *Buddenbrooks*. Just a few years ago, I recommended his novel to everyone who wished to understand how a family company works. Today I no longer recommend it. Because the world of the Buddenbrooks has gone. We are in epochal change processes. They concern the economic environment, society and the family. And they pose fully new challenges to family companies.

Globalization and Digitalization

The globalized economy increases growth opportunities and competitive pressure. More and more people participate in the capitalist race. Their efforts cause an intensification and acceleration of innovative competition. Digitalization and Internet further reinforce this development. Where in former times customs duties, patents and language barriers provided protection against change, today global markets and information, which is spread at the speed of lightning to a public of billions, ensure permanent productive unrest and disruption in the interests of the capitalist system. The life cycles of markets and products are becoming shorter. Instead of the paradigm "one product - three generations" valid in the Buddenbrooks' world, possibly a new slogan will come into force: "one generation - three products". This change is a challenge to family companies with their cross-generation entrepreneurial understanding. And it will be decisive for their future success how well they can adapt to the change. Because: it is not the surroundings, which must adapt to the family companies, the family companies must adapt to a changed surroundings. In order to guarantee this, it is not the products and services but a lively entrepreneurial spirit which should form the core of the genetic code of the entrepreneurial family. It isn't easy. But also not impossible.

Financial capitalism

We are also facing an additional upheaval. Whether we admit it or not: The transition from industry to financial capital has been well on its way for quite some time. And it is quite unstoppable. Because it responds to humanity's natural urge to earn the greatest possible amount of money with the least possible personal effort. The history of economic development under the regime of capitalism clearly points in one direction. While people were initially only able to use their hands (or those of their exploited slaves) to maximize their income, they soon invented machines, which, with the help of capital expenditure, permitted them to multiply their income. How strong more than ever must be financial capitalisms' promise of earning money simply with intelligence and other peoples' money.

Financial capitalism will not be stopped, neither by the financial crisis in 2008 nor by subsequent ones. Crises are a system-inherent component of fundamental changes, the price for revolutionary progress, as it were. Political revolutions and also the transition to an industrial society, the so-called industrial revolution, were always accompanied by partly severe and deep crises. The task is not to put a stop to progress, but to limit the undesirable aspects of its development and to give it a framework which liberates its productive, generally prosperity-enhancing forces and contains its destructive elements. The character of Germany's family capitalism is predominantly industrial. In this country, the tone is set by the "factory owners", above all the mechanical engineers, automotive suppliers and the food industry. They will have to adjust to heightened competition through financial capitalism. Some family businesses have already reacted. The number of so-called Family Offices (or better still: Family Investment Offices), with the help of which entrepreneur families appear as Family Investors, has increased significantly during the last few years and, with their long-term orientation and commitment to traditional corporate values, forms an alternative to the financial capitalism with the classical locust mentality.

Farewell to the bourgeois family

Even in the family segment, family businesses and their owners are confronted with a revolutionary change. The claim to sole representation of the small bourgeois family, who acted as a model for the entrepreneur family for generations, no longer exists. Despite the fact that the traditional “father-mother-child(ren) family” does still exist, the individualization of western society has brought forth numerous new forms of cohabitation. Patchwork families, biological children and “acquired children”, in or out of wedlock, from one or from several stages of life, marriages or non-marital life partnerships, hetero or homosexual, forever or temporary - the new reality of family life is colorful. With far-reaching consequences: Blood relations have given way to elective affinities. A fixed family image no longer exists. Today, every family must decide for itself what a family is and who is considered a part of it. This not only creates more freedom but also more complexity. Entrepreneur families must learn to circumnavigate this complexity if the family business model is to survive. Without a characterizing owner family, family businesses are not even conceivable.

Patriarchal twilight

Individualization and emancipation have unsettled not only the idyllic family but also patriarchal authority. The continuation of a family business has long since ceased to be self-evident. The claim to succession, based on authority and tradition, has lost its cohesiveness. The times in which the patriarch went to his lawyer and only spoke to his heirs from the grave to let them know who was supposed to get what are a thing of the past. These days, giving and taking are two equal sides of the same coin. Those owning a family business must involve their families at an early stage and ensure that the reins are picked up by the subsequent generation.

And, at last, they are no longer able to pick and choose any from among his male heirs. Men and women are now standing on equal footing and right next to one another. Even in family businesses. While daughters were only second choice in former times, these days an increasing number of family businesses are managed by women. Whether and how well the family business handles this change will be decisive for the future of the family business model. This does not perturb me. In the past, entrepreneur families have already frequently proven that they are able to adjust to changes. The first and second industrial revolution, the feudal system and civil democracy: the family business model has successfully survived more than one revolution successfully.

Learning from the Champions

The family business model is a model for success. However, it needs role models for it to remain so. Over decades, I have had the opportunity to accompany and examine such role models, extraordinary people the behavior of which can serve to point others in the right direction or to show how good management in family businesses should look like. The question is: What connects all of these people? What is the common denominator in the exemplary management of family businesses? In conclusion, I would like to summarize my observations in this regard into five brief theories.

Fiduciary entrepreneurial insight

Successful family entrepreneurs feel less like owners and more like trustees. They do not actually own the family business but have borrowed it instead. Family entrepreneurs regard themselves as links in a chain - obligated to their ancestors and successors in equal measure. This fiduciary entrepreneurial insight has consequences: “A family business is like a tree”, a successful family entrepreneur once explained, “Every year we can harvest the fruit but never harm the tree. We have to nurture and take care of it and ensure that it will also feed subsequent generations.”
Under these perspectives, limitations in the event of a sale, withdrawal and other ownership laws are no longer considered to be encroachments in legitimate individual rights but rather as system immanent and consequentially correct. Ownership in a family business justifies an ownership position of a special kind - more patrimonial than dominium. And it obligates the owners to adopt a particular attitude: “Don’t take yourself so seriously” or: “Don’t ask what your company can do for you; instead, ask what you can do for your company.”

Leaders are also trustees

This fundamental attitude of service also applies to company managers. Nonetheless, the managers of successful family business differ significantly from traditional entrepreneurs or the employed head of the DAX corporations. They are not and do not feel like absolute ruler figures. A thought such as “L'entreprise, c'est moi“ would not even enter the minds of a Jürgen Heraeus or a Bernhard Simon (Dachser). Such family entrepreneurs are fiduciary entrepreneurs - full of entrepreneurial creative power while being obligated to the family wealth. “I don’t do this for me but for the family”, as one of them once said. Entrepreneurial performance combined with a serving ego, that is the success formula for good management in company businesses. And this irrespective of whether the company manager stems from the family or from outside. Those who cannot manage that do not qualify for the top position in a family business.

A strong identity

The ownership of a family business is a privilege. But it also has its price. The family members will only accept its associated limitations, if they are convinced of their sense and benefit. Entrepreneur families are communities. And communities need a common identity which goes beyond the individual member and conveys the feeling: it is worth my while to surrender a part of my identity at the community wardrobe. Because together we are stronger.
Together we can accomplish more than each one of us alone. Successful states, political parties and sports clubs all have strong common identities. So do family businesses. Successful family companies not only know what they are doing but also why they are doing it. They are not family entrepreneurs by chance but by conviction. They have clear targets, common values and a strong self-conception - both for the company and for the family. Without such self-perception, a Franz Haniel would not be able to keep far more than 600 family shareholders on track. And family business entrepreneurs such as Stefan Messer or Peter-Alexander Wacker would hardly have found the power and energy required to return their company back under the control of the family.

Wise self-limitation

Successful families know how to bring their assets into the bargain. They exploit the typical benefits of the family business. Speed, ownership bonus, trust capital – successful families are masters in the art of family company adequate strategies. Above all, they know how to maintain their limits associated with family businesses as a species. “More appearance than substance”, “Don’t crow with the big roosters” or “Never bet the company” are the creed of wise self-limitation. Independence comes before profitability and profitability comes before growth. In successful family businesses, the target triangle of a publicly listed company is turned on its head. And consistently implemented both in strategy finding and in financing. Whether as a hidden champion or as retailer, the role models avoid capital intense markets, usually grow on their own, limit their bank debts and maintain a high equity ratio. “In a solid East-Westphalian family business, the banks are listed on the left side of the balance sheet”, prize winner Reinhard Zinkann from Miele once said to describe Miele’s business policy. And seamlessly follows his father, who in former times had already ascertained: “Our objective is not to achieve the highest long-term capital returns but to remain profitable even during the next 100 years. This is easier without leverage and bank financing.” A business policy such as this requires the ability of consistent relinquishment. Not everything one would like to do may be done.

Managing the company and the family

The decree of wise self-limitation in family business also applies for the design of company and family structures, or what is called governance. Not everything that is possible is also sensible. Although one could, one should not still be at the top at the age of 80. Although one could call incompetent children and in-laws to the top of the company, one should not do so either. Successful family entrepreneurs are also always masters in the art of good family business governance. They create structures used to sensibly limit the risks of power abuse and internal family conflicts. “Professional Ownership” and “Fair Process” are the guiding principles of their actions. And they have understood that, in the family business, not only the company needs to be set up professionally but that the family also requires management. Both systems are interlinked and interdependent. No family, no family business. And without a business, no entrepreneurial family. The design of sensible interaction, which equally increases the economic and emotional value, is a fine art. Nicola Leibinger-Kammüller (Trumpf) has summarized its benefit in impressive words: “There is a clear and open agreement among all family members, to which everyone agrees and which is upheld by all. Cooperation is constructive and for the sake of something particular, whereby everyone can prove their strengths and everyone receives recognition and respect for their ability. This results in dynastic cohesion, which leads to economic success.”