

THE ENTREPRENEUR IN THE FAMILY BUSINESS

Are family businessmen
better entrepreneurs,
or even better people?

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Family businesses have been a very important factor for Germany's economic success and continue to do so. Not only in terms of their overall number of employees and training posts but also with regards to profit and turnover have they been an enrichment for Germany which should not be underestimated. Notably, and different to many big companies, they are very much entrenched in the region and thus have a significant influence on the local economy, politics and even actively shape the cultural landscape of many towns and regions.

What drives entrepreneurs who prudently manage companies with regards to economic viability and profitability and continuously create revenue to attend to the environment outside their business? Is it altruism or measured calculation of the *homo oeconomicus* who is very conscious of the impact of his actions on the success of a company.

Perhaps both is correct and the preservation of the environment for economic success as well as for their personal well-being and that of their employees is equally important to the family business.

Sustainability and reliability are the recipe for success of family businesses

Certain characteristics are regularly assigned to the family business such as reliability, durability, honesty and decency, not only in private matters but also in their entrepreneurial actions. Nevertheless, the question arises, how a business can persist and maintain such maxims of conduct in a more and more international world with product cycles that become increasingly shorter, constantly growing investment sums and a dramatic increase in global competition.

How can it effectively defend itself with these values against the force of the Confucian market presence of the Asian countries or the seemingly insatiable urge for expansion of some Eastern European or Indian businesses? Or is, in fact, the focus on the main features of sustainable business the recipe for success of family companies and their principals?

Would the reason for the economic success even lie in the moderate attitude when it comes to making profit? Not at all, family businessmen would be bad entrepreneurs if they did not have large profits in mind. The difference to businesses with a strong capital market orientation and their managers who would allegedly be short term oriented and greedy may well lie in the fact that families can afford to operate sustainably, to implement strategically sound decisions and to avoid exaggerations in terms of profit and loss. A reason for the frequently demonstrated modesty of the entrepreneurs may also be found in the effective social supervision of family businessmen in the regions and that it is deemed inadequate to excessively show wealth and at the same time rein the costs of the production factor labour.

Family companies as a loan between the generations

I think that both assertions are wrong. Family businessmen are rather distinct in the fact that they regard »their« business as borrowed and direct their efforts to bequeath their company and thus the source of income and prosperity undiminished at the least. If this is sought to be accomplished, the active generation may only spend the profits that remain after the preservation of capital and substance. Mere consumption at the costs of future family members through the diminishment of substance is out of bounds, also because in this respect, in clear contrast to the public pension scheme, the intergenerational contract is still in effect. Each family business entrepreneur who takes on an active role is aware of his special responsibility, the risk of failure and the particular burden to act not only for him but for a large number of relatives. Some may fail and sell the company and use the acquired assets to secure a decent living for the family. Others, the »real« family businessmen, face the responsibility, become aware of the risks, search and find role models for entrepreneurial activity in families, strike new paths that are viewed critically by the »traditionalists« in the family, overcome constraints that are often of emotional rather than economic nature and lead family enterprises into new dimensions.

Building and maintaining trust when dealing with business partners and employees - a characteristic feature of family businesses

But how do family businesses rise to these challenges? What are the secrets behind their success? Is it possible despite of all heterogeneity to determine commonalities that form the basis of sustainable and successful business? These are questions thoroughly addressed by scholars throughout the world. To find the answers is not easy because in addition to the customary business management considerations economic, psychological and sociological aspects have to be taken into account. With the beginning of the year 2011 the foundation of the research focus »family owned business« the HWWI has begun to deal with this task more intensively and seeks to develop answers to the aforementioned questions.

When we talk about successful family enterprises, the question has to be asked, how a connection can be made between their success and the attributes reliability, consistency, decency and honesty? Frankly speaking: without any difficulty! Honest interactions with employees, business partners, family members but also to oneself are the prerequisite of enduring success and subjective well-being. The same applies to decency, a trait which is probably best translated with good governance. Notably this should not only just emerge during a company's good periods. Consistency, but also reliability in particular, that means the capacity that other people can rely on one's actions, are perhaps, in times of a certain randomness of products and services and a

decreasing price elasticity on behalf of some consumers, the reason that consistency and reliability is purchased with the products which otherwise in many companies but also in other areas of life appear to have already been lost. Is business the way it is done in family companies the blueprint for successful entrepreneurship? I think: Yes!

Confidence, power to innovate and willingness to perform constitute the function of the family businessmen as a role model

Family businessmen may fail, may not behave according to the rules, may not be able to temper their own selfishness or resist their vanities and are therefore very human indeed. Nevertheless, family business entrepreneurs are role models, because they face risks, trust their own capacity, their own resilience and creativity, but also their employees' ability to innovate and willingness to perform. To take over a business from the fathers or mothers is not only an emotional challenge, but also a standard to measure economic performance. Who in today's day and age comes up with the courage and faces the responsibility to lead a business into the next generation has in most cases exactly the entrepreneurial spirit that Schumpeter and many others have repeatedly noted and called for, a spirit which may ultimately be the guarantor of the well-being of whole economies. In this respect, family businessmen are good, perhaps better entrepreneurs. Whether or not they are better people can only be decided by their individual environment.