

Doctoral Thesis

**Company Succession in small and medium sized family  
companies**

**Následnost společnosti v malých a středních rodinných  
společnostech**

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Date of Defence	October 2011

# ACKNOWLEDGEMENTS

In the preparation of this thesis I wish to acknowledge the encouragement and assistance given by a number of people and institutions.

First and foremost I offer my deep gratitude to my supervisor, Doc. Ing. František Lipták, DrSc for his invaluable advice, his unrelenting encouragement furthermore his guidance and kindness extended in conducting this study. I really do appreciate him as a mentor as well as a life-experienced friend and thank him for his guidance and help in theoretical as well as in practical questions. It was a pleasure and an honour working with him.

My appreciation goes towards the Tomas Bata University and all involved people in this international education process which enabled me for this thesis. Very special thanks go to the Dean of the Faculty of Management and Economics, Ing. Pavla Staňková, Ph.D., and the staff of the faculty for their extraordinary help and personal assistance and mentoring in all possible questions within my academic process.

My personal grateful appreciation is offered to my family: Without the unlimited and grateful help, love and understanding of my parents and my brother Maximilian this work could not have been finished. They supported me in every possible way and provided me with the necessary wings for my dreams and the needed instructions to keep my feet firmly on the ground. I am more than proud and happy being part of this, in every possible way, extraordinary family (company).

Next to my family, my friends especially Finn and Marcella push me hard to work on my thesis and myself. I really appreciate their interest and support. The continuity of their friendship and love inspire me and my work.

Finally I do want to say thank you to all staff members and friends of the Hollerbach-Gruppe, especially Mr. Manfred Rösch, whose support is amazingly important for me. Without all your friendship and support furthermore your patience within my own succession the whole thing would not have worked out.

## **Abstract**

The first generation creates it, the second generation keeps it, the third generation dismantles it. Does it hold, as this statement would have it, that family-run small and medium-sized enterprises (SMEs) are limited to a short, fixed-term life? What factors secure long-term success? What does the entrepreneur of the future look like? Are the requirements for an entrepreneur in the 21st century different to those when the business started? As the company passes from one generation to the next, its long established structures are called into question. Corporate succession can take two basic forms: internal and external. For a family business, the transition can take place within the family itself or through its sale to a third party. The significance of the succession and succession planning should be worked out with external and internal help with the family, the company and their internal and external consultants. The personal aspect of the process, the characteristics and the individual interests and goals of each person involved as well as the qualifications of the successor should be considered. The theoretical and practical framework of the succession planning is a long-term task. Several complications and common stumbling blocks of the succession planning have to be solved by the parties involved.

## Abstrakt

První generace to vytváří, ta druhá to udržuje, třetí generace to odstraňuje. Platí to, jako je to v tomhle prohlášení, že rodinné malé a střední podniky (SMEs) jsou omezené na krátkou existenci po stanovenou dobu? Jaké faktory zajišťují dlouhotrvající úspěch? Jak vypadá podnikatel budoucnosti? Jsou požadavky pro podnikatele v 21. století odlišné od těch, kdy podnik začal? Jako společnost přechází od jedné generace k další, její dlouho ustanovené struktury jsou brány v pochybnost. Korporátní následnost může nabít dvě základní formy: vnitřní a vnější. Pro rodinný podnik se přechod může uskutečnit v rámci samotné rodiny anebo prostřednictvím jeho prodeje třetí straně. Význam následnosti a plánování následnosti by se mělo vypracovat s vnější a vnitřní pomocí rodiny, společnosti a vnitřních a vnějších konzultantů. Měli by se vzít v úvahu osobní aspekt procesu, charakteristika a individuální zájmy a cíle každé zahrnuté osoby, tak jako i kvalifikace nástupce. Teoretický a praktický rámec plánování následnosti je dlouhodobý úkol. Zahrnuté strany musí řešit několik komplikací a běžné překážky plánování následnosti.

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## LIST OF ABBREVIATIONS

AG	Joint Stock Company
CEO	Chief executive officer
EU	European Union
F	Founder of the Company
FB	Family Business
FMO	Family Member & Owner
FOFB	Foreigner of the Family Business
GDP	Gross Domestic Product
GmbH	Corporate with limited liabilities, "Gesellschaft mit beschränkter Haftung"
i.e.	id est
IfM	Institute for SME research
M&A	Mergers and Acquisitions
MBI	Management-buy-in
MBO	Management-buy-out
NFB	Non-family business
O	Owner
OM	Owner-manager
p.	Page
pp.	Pages
SE	Societas Europaeae
SME	Small and Medium sized enterprises

## ROZSIRENY ABSTRAKT

První generace to vytváří,  
druhá generace to udržuje,  
třetí generace to odstraňuje.

Platí to, jako je to v tomhle prohlášení, že rodinné malé a střední podniky (SMEs) jsou omezené na krátkou existenci po stanovenou dobu? Jaké faktory zajišťují dlouhotrvající úspěch? Jak vypadá podnikatel budoucnosti? Jsou požadavky pro podnikatele v 21. století odlišné od těch, kdy podnik začal?

Jako společnost přechází od jedné generace k další, její dlouho ustanovené struktury jsou brány v pochybnost. Korporátní následnost může nabít dvě základní formy: vnitřní a vnější. Pro rodinný podnik se přechod může uskutečnit v rámci samotné rodiny anebo prostřednictvím jeho prodeje třetí straně. Záměrem je koncentrace na vnitřní korporátní následnost.

Důležitost témy se dá vysvětlit s pomocí tří čísel, které se vezmou z německého trhu: Německému hospodářství vládnou rodinné společnosti. Více než 95 % ze všech německých společností jsou rodinné podniky. Protože ohledem německého trhu zaměstnání se musí stanovit, že víc než 57% ze všech zaměstnanců v Německu pracují pro rodinnou společnost. Téměř polovina z Hrubého domácího produktu je tvořena rodinnými společnostmi.

Proces následnosti nemůže být anebo se nemůže vysvětlit s pomocí jediného příkladu. Každá situace následnosti má svoje vlastní pravidla, svoje vlastní těžkosti a šance. Je velice důležité analyzovat kvantitativní a taky kvalitativní současní stav rodinného obchodu a relevanci rodinných podniků.

Význam následnosti a plánování následnosti by se měli vypracovat s vnější a vnitřní pomocí rodiny, společnosti a vnitřních a vnějších konzultantů. Měli by se vzít v úvahu osobní aspekt procesu, charakteristika a individuální zájmy a cíle každé zahrnuté osoby, tak jako i kvalifikace nástupce.

Teoretický a praktický rámec plánování následnosti je dlouhodobý úkol. Zahrnuté strany musí řešit několik komplikací a běžné překážky plánování následnosti. A poslední, avšak neméně důležité je, že požadavky, jako i profil potenciálního následníka se musí stanovit bez ohledu na kvalitu možného existujícího rodinného následníka ve formě i.e. syna anebo dcery podnikatele.

Impulz pro plánování následnosti může mít několik důvodů: Podnikatel najde kvalifikovaného následníka a má příležitost odejít z biznisu. Je daná volba velkého prodeje společnosti. Tehle jev byl velice populární v začátcích 21. století, kdy veliké veřejné společnosti převzali malé specializované rodinné společnosti. Ekonomické problémy nutí podnikatele prodat společnost. Skutečnost, že většina rodinných

podnikatelů předse mají méně času pro jejich rodinu, je běžná. Někteří podnikatelé se rozhodnou, že chtějí trávit více času se svými dětmi a rodinou. Jiní jednoduše chtějí mít více volného času a těšit se ze svého života. Všechny jmenované skutečnosti jsou důležité impulsy pro plánování následnosti, ale nejvíce jmenované důvody z více než 50% jsou špatný zdravotný stav anebo věk podnikatele. V tomhle případě je nucen plánovat následnost.

Předpokládají se následující klíčové oblasti:

- a) Přípravy pro korporátní následnost
- b) Možné komplikace/běžné překážky
- c) profil požadavku pro potenciálního nástupce

Moje osobní situace poskytla dobré důvody pro výzkum předmětu: můj vysoce úspěšný otec, který má obchodní jednání po celém světě a zanechal pro vyplnění veliké boty pro mně a mojího bratra, zamýšlel odstoupit z provozové strany podniku za dva roky. Tohle vytváří výzvu pro všechny ty, kterých se to týká: obchodní partneri, zaměstnanci, účetní, audítor a všechny ty, kteří mají se společností dlouhotrvající, a především, osobní vztah.

Před peti lety jsem se přidala k rodinnému podniku. Hollerbach-AG je rodinné vlastnictví, které, spolu se svými hlavními oblastmi podniku obchodních a interiérových zařízení a stavebních konstrukcí, má taky globální investice a aktiva. Tato dizertace se zamýšlí zaměřit na a vypracovat rodinné překážky a problémy prožívané v každodenním pracovním životě nástupce v rodinném podniku, založené na vlastních praktických zkušenostech autoře.

Taky se bude vyšetřovat proces: dlouhé prodávání od autorova otce další generaci s prioritou zabezpečení, konsolidace a rozšíření obchodních oblastí, proces zahrnující zaměstnanci, zákazníci a prostředí úředního zdaňování pro SMEs v Německu.

Kvůli důležitosti témy, změně v naší společnosti a otázce: Kdo bude nástupcem všech těchto společností a co se stane s naším hospodářstvím a všemi těmito zaměstnanci, když není žádný možný nástupce, teším se na vypracování matrice, která nadějně poskytne odpovědi a doporučení pro různé situace.

Výsledky výzkumu téhle dizertační práce poskytnou přístup/ metodu řešení pro oblast výzkumu "výkon společnosti – proces optimalizace a rating efektivity", které se zkoumají a vyšetřují na Fakultě manažmentu na Universitě Tomáše Baťu v Zlíně.

## EXTENDED ABSTRACT

The first generation creates it,  
the second generation keeps it,  
the third generation dismantles it.

Does it hold, as the above statement would have it, that family-run small and medium-sized enterprises (SMEs) are limited to a short, fixed-term life? What factors secure long-term success? What does the entrepreneur of the future look like? Are the requirements for an entrepreneur in the 21st century different to those when the business started?

As the company passes from one generation to the next, its long established structures are called into question. Corporate succession can take two basic forms: internal and external. For a family business, the transition can take place within the family itself or through its sale to a third party. The intention is to concentrate on internal corporate succession.

The importance of the topic can be explained with the help of three figures taken from the German market: The German economy is ruled by family companies. More than 95 % of all German companies are family companies. For the German employment market it has to be stated that more than 57% of all employees in Germany are working for a family company. Almost half of the Gross Domestic Product is delivered by family companies.

The process of succession cannot be explained with the help of one single example. Each succession situation has its own rules, its own difficulties and chances. It is very important to analyze the quantitative as well as the qualitative status-quo of the family business and the relevance of the family businesses.

The significance of the succession and succession planning should be worked out with external and internal help of the family, the company and their internal and external consultants. The personal aspect of the process, the characteristics and the individual interests and goals of each person involved as well as the qualifications of the successor should be considered.

The theoretical and practical framework of the succession planning is a long-term task. Several complications and common stumbling blocks of the succession planning have to be solved by the parties involved. And last but not least the requirements as well as the profile of a potential successor have to be settled without regarding the quality of a possible existing family successor in form of i.e. a son or a daughter of the entrepreneur.

The Stimulus for succession planning can have several reasons: The entrepreneur finds a qualified successor and has the opportunity to go out of the business. The option of a great sale of the company is given. This phenomenon has been very popular in the early 21th century, when big public companies overtook small specialized family companies. Economical problems force the entrepreneur to

sell the company. The fact that most of the family entrepreneurs do have less time for their family is common. Some entrepreneurs decide that they want to spend more time with their children and family. Others just want to have more free time and enjoy their lives. All the named facts are important stimulus's for succession planning but the most named reasons with more than 50% is the bad health condition or the age of the entrepreneur. In this case he is forced to plan his succession.

The following key areas are envisaged:

- a) Preparations for corporate succession
- b) Possible complications/common stumbling blocks
- c) Requirement profile for a potential successor

My personal situation gave good grounds for investigating the subject: my highly successful father, who has business dealings around the world and left big shoes for me and my brother to fill, intended to withdraw from the operational side of the business. This created a challenge for all those involved: business partners, employees, accountants, auditors and all those who have a long-established and, above all, personal relationship with the company.

Five years ago, I joined the family business. Hollerbach-AG is a family holding which, along with its core business areas of shop and interior fittings and building construction, also has global investments and assets. This dissertation intends to focus and elaborate on the familiar hurdles and issues experienced in the everyday working life of a successor in a family business, based on the author's own practical experience.

The process will also be examined: the long hand-over from the author's father to the next generation with the priority of securing, consolidating and expanding the business areas, a process involving employees, customers and the bureaucratic taxation environment for SMEs in Germany.

Due to the importance of the topic, the change in our society and the question: Who will be the successor of all these companies and what will happen to our economy and all these jobs, if there is no possible successor, I am looking forward to work out new research ways, that will hopefully provide answers and recommendation for the different situations.

The results of the research of this dissertation will provide an approach/ a method of solution for the field of research "company performance – process optimization and rating of efficiency", which is investigated and researched at the Faculty of Management at the Tomas Bata University in Zlín.

## 2. STATUS OF RESEARCH AND EXPERTISE

### 2.1 Facts on the study

The following chapter provides the basics for an understanding of family businesses and company succession of small and medium sized family companies. For this purpose the specific facts on the family business as well as on the succession will be explained and questioned. In regard to the family business the history, the influence on family businesses as well as the entrepreneur and the family of the family businesses will be defined and exemplified.

The process of succession within family companies will be elucidated by exemplifying the process of succession as well as the possible and common stumbling blocks. A special focus point will be the successor as well as the different requirements of a potential successor.

The meaning and the origin of the word succession are different in different languages. In the English language succession is taken from the word “success” which has a positive meaning. The German word is “Nachfolger” which means “the one who is following”, the origin as well as the meaning of the German word is not as positive as the English one.

#### 2.1.1 Key areas to be covered

Many commercial sectors do have the origin of their entrepreneurial activities in the function of families. The agricultural sector, craftsmen establishments, as well as licensed houses, banks and other industrial sectors are founded due to the economical necessity and thanks to the pioneer work of families. Due to the management buy outs, the growth strategy as well as many company fusions in the last century, the origin of many companies in families is no longer visible.<sup>1</sup> Since World War II our economy has dramatically changed. New technologies and a new order of the world especially through the European Union have brought up new opportunities and risks for each company.<sup>2</sup> Within this progress it is very difficult to find and name constant factors in our economy. The wealth of a company is dependent on its strategy as well as the human beings and their behavior towards their managerial and social tasks.<sup>3</sup> By ignoring economical crisis as well as

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<sup>1</sup> MÜLLER-TILBERINI, Franziska: Wenn Familie den Laden schmeißt. Modelle zur Führung von Familienunternehmen. Zürich: Orell Füssli, 1998, p. 13

<sup>2</sup> FRASL, Erwin J.; RIEGER, Hannah: Family Business Handbuch- Zukunftssicherung von Familienunternehmen über Generationen, Linde Verlag, Wien, 2007, p. 13 ff.

<sup>3</sup> SCHMEISSER, Wilhelm; Krimphove, Dieter; Nathusius, Klaus: Handbuch Unternehmensnachfolge, Schäfer-Poeschl, Stuttgart 2003, pp.18-26

natural catastrophes, the success of a company can be enormously influenced by the entrepreneur. Taking a deeper look leads us to a group of business man which has actually not changed over the years: the entrepreneur of a family company.<sup>4</sup>

An entrepreneur of a family is in a different position and surrounding than any other manager. He lives in a direct conflict between his family and his company. The entrepreneur of a family company and his family do have a special relationship to the management and his/her employees.<sup>5</sup>

A family business (FB) as well as every other non-family business (NFB) is build and consists of several aspects: the entrepreneur, the strategy, the employees & the management, the customers, the product, the culture of the company as well as the actual economical situation of the company.

Furthermore a family company in difference to a regular public company is regulated by the family and the personal preferences of the entrepreneur.<sup>6</sup> One of the main aspects which separate family entrepreneurs from other non-family entrepreneurs is the fact that the family entrepreneur is investing his own assets and has personal liable for his decisions.<sup>7</sup>

Within the succession of a company the situation becomes even more complex and new aspects are added: The estate duties of the succession, the junior/possible successor(s) and the finances and provision for the entrepreneurs own old age/taxes.<sup>8</sup>

Schlippe and Kellermann characterize and call the succession within family businesses as the most critical phase within a family company and due to this as the highest strategically challenge within the life cycle of a company.<sup>9</sup>

Considering all the named aspects/ involved human beings the complexity of the process must become clear to everybody. It even seems that it might almost be impossible to success a family company.

The history of family companies and their stories of succession give reasons and explanations for their uniqueness. Some of them are outlined within the case studies of my dissertation.

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<sup>4</sup> WAGNER, Rainer Maria: Unternehmensnachfolge in mittelständischen Familienunternehmen, VDM Verlag 2007

<sup>5</sup> LEMAR, Bernd: Generations- und Führungswechsel im Familienunternehmen Mit Gefühl und Kalkül den Wandel gestalten, Springer Verlag 2001, pp. 12

<sup>6</sup> STRASSER, Wolfgang: Erfolgsfaktoren für die Unternehmensführung So werden Unternehmer schneller, schlagkräftiger und wettbewerbsfähiger, Gabler Verlag 2004

<sup>7</sup> MERTENS, CHRISTIAN: Herausforderungen für Familienunternehmen im zeitverlauf, Josef Eul Verlag GmbH, 2009

<sup>8</sup> KLEIN, Sabine B.; ASTRACHAN J.H.; SMYRNIOS, K.X. : The F-PEC scale of family influence: Construction, validation, and further implication for theory, presented on the 3<sup>rd</sup> Conference on Theories of the family enterprise, University of Calgary 2003

<sup>9</sup> SCHLIPPE, Artist von; KELLERMANN, Franz W.: Emotionale Konflikte in Familienunternehmen. In: Magazine: Zeitschrift für KMU und Entrepreneurship, Jg. 56, number 1/, p. 40-58



The key moments of succession are not calculable.<sup>10</sup> The process of succession cannot be formed or forecasted, there is no overall formula which leads to success. Each process is individual and has his relevant histories, involved parties and different problem definitions. It is about to understand the different options and kinds of relationship between the family and the company to display their Co-evolution.<sup>11</sup>

Who can for sure foresee our economy? How does the entrepreneur know that his children are interested in overtaking his company? And even if they are willing to overtake, will their personal experience as well as their education and their attitude serve the expectations for the best?

## 2.1.2 Research Problem

The problem should be stated clear: The ongoing and still outstanding generation change within the existing family firms can be an elementary problem for our economy. Although it is not possible to name exact figures the dimension of this change might affect the economy more than any other occurrence after World War II.<sup>12</sup>

The focus should not only be set on the economical and the managerial challenge of the succession. Furthermore the involved parties of the family companies as well as the very important group of the family have to be considered. This generation change is one of the biggest challenges for the international and especially for the German economy which is grounded on family companies.

The generation change can be explained by taking a look at the history of Germany. As explained more detailed in the following chapters, the founder generation after World War II overages and new successors have to be found to overtake the family companies. The reasons for successions will be analysed later on more detailed.

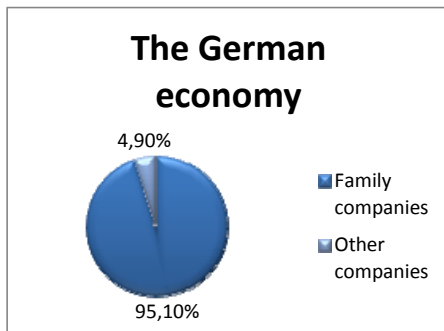
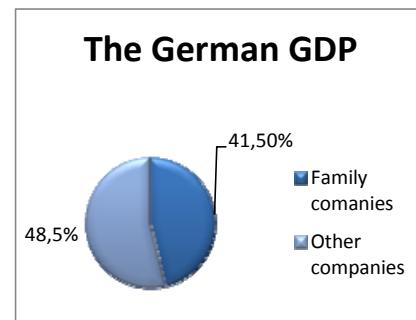
The following figures do explain the importance of the family companies in Germany: More than 95% of all German companies are family companies and they are generating more than 41% of the German Gross Domestic Product. By taking a look at the employment situation it can be stated that more than half of the employees in Germany are working for a family company.

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<sup>10</sup> KLEIN, Sabine B.: Familienunternehmen, Gabler ,Wiesbaden 2004

<sup>11</sup> OSWALD, Margit; WIMMER, Rudolf: Familienunternehmen- Auslaufmodell oder Erfolgstyp? In: Hernsteiner, Nr. 2, p. 6-10

<sup>12</sup> FRASL, Erwin J.; RIEGER, Hannah: Family Business Handbuch- Zukunftssicherung von Familienunternehmen über Generationen, Linde Verlag, Wien, 2007, p. 13 ff.

Figure 1: The German Economy<sup>13</sup>Figure 2: The German GDP<sup>14</sup>Figure 3: The German Employment situation<sup>15</sup>

The family companies are especially strong in the service industries and the industrial sector. More than 63% of all family companies are home based in the industrial sector as you can see in the following figure:

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<sup>13</sup> WALLAU, Prof. Dr. Frank: Das familiengeführte Unternehmen, Institut für Mittelstandforschung, Bonn: 2008, p.9

<sup>14</sup> WALLAU, Prof. Dr. Frank: Das familiengeführte Unternehmen, Institut für Mittelstandforschung, Bonn: 2008, p.9

<sup>15</sup> WALLAU, Prof. Dr. Frank: Das familiengeführte Unternehmen, Institut für Mittelstandforschung, Bonn: 2008, p.9

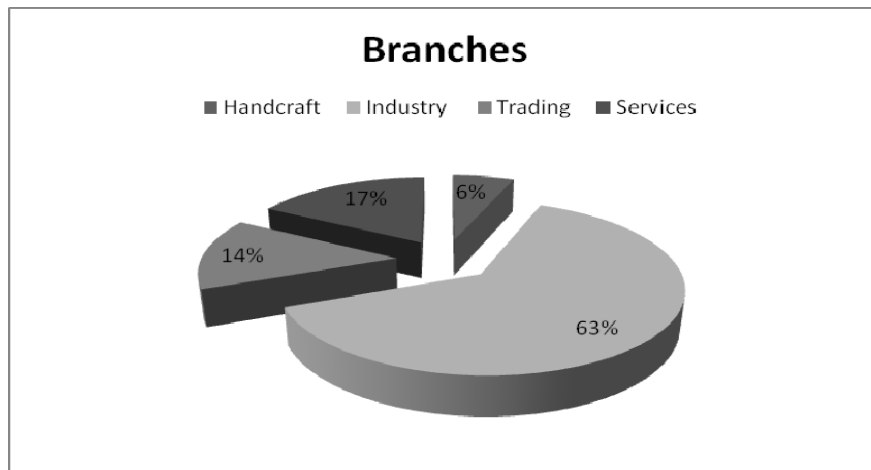


Figure 4: The Branches of the German Family businesses<sup>16</sup>

The research problem is not only focused on the facts and figures of this generation change. Furthermore it is focused on the human beings involved in the process which are influencing the process with their personalities and their decisions in each unique situation. Within a research of the Stiftung Familienunternehmen 71% of the entrepreneurs say that the family has the highest ranking even the most important position within the time of crisis.<sup>17</sup> The experience shows that the family is a source of force and power for the company and the family company structure is not only important for the Corporate Governance.

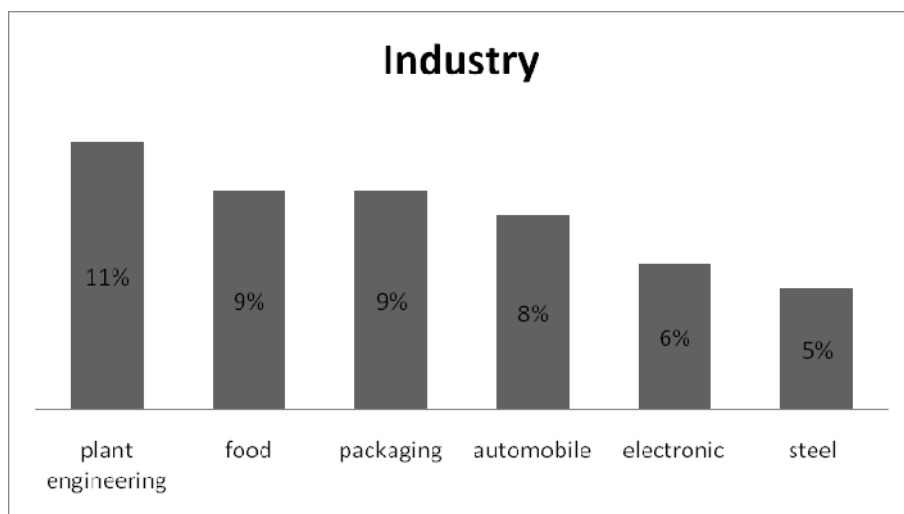


Figure 5: The Industry sector in detail<sup>18</sup>

<sup>16</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 7

<sup>17</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER, Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 28

<sup>18</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 7

Expanding the problem shows off that: not only in Germany family business do represent the oldest and most prevalent type of business organizations, furthermore worldwide. The estimate goes that 90 percent of all businesses in the United States, Canada and Europe are family owned and operated. Surveys point out two thirds of all enterprises worldwide can be categorized into family-owned and/or managed businesses.<sup>19</sup> Taking a look at the Asian and Latin world the prevailing type of organization for businesses family businesses represent the most part of them due to the strong clan type culture.<sup>20</sup>

The family company does not only consist of the family and the company. As in every other company there are several independent and dependent people involved in the operational and strategically life of the company. The inner as well as the outer circle of the parties involved of a company's succession is very wide. Strategically, personal, tax, familiar, financial and personal interests have to be considered within the succession. The interest conflict can be very high and especially the personal and human aspect should not be underestimated. Within this work we will focus on the management and its reactions and influence on the process.

The attempt to see family businesses in a different type of business entities is the key to understand the uniqueness and specialties of family businesses. A family business is a unique business with many elements different from other non-family business, such as continuity purpose, business and family relationship, business value, family culture, quick decision making, flexibility, and succession.<sup>21</sup>

Another purpose of this research is the fact that most of the studies dealing with succession planning are focusing on the role of the founder especially the CEO and his internal and external role in the process.<sup>22</sup> This is explainable as the CEO/owner is one of the most important persons and factors within the process of succession.<sup>23</sup>

On the other hand the process of succession does not only take place in the world of the CEO/owner. Many other factors and people are involved, not at least the successor himself. The research problem should be focused on the entrepreneur, furthermore on the successor and not at least on these major factors:

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<sup>19</sup> GERSICK, K., DAVIS, J., HAMPTON, M.; LANSBERG, L.: Generation to generation: Life cycles of the family business. Harvard Business School Press: Boston, MA, 1997

<sup>20</sup> IBRAHIM, A.B.; ELLIS, W.: Family business Management: Concepts and practice. Iowa: Kendall/Hunt Publishing Company, 2006

<sup>21</sup> WAKEFIELD, M.W.: Antecedents of conflict in family firms - An empirical study. University of Nebraska: Lincoln, 2005

<sup>22</sup> KETS DE VRIES, M. F. R.: The dynamics of family controlled firms: The good and the bad news. *Organizational Dynamics*, 1993, 21: 59-68.

<sup>23</sup> WARD J.L.: Keeping the family business healthy: How to plan for continuing growth, profitability, and family leadership, San Francisc, 1987: Jossey-Bass. A, E

### 1.) the emotional connection of the CEO/ owner with his/her business

The emotional connection of the owner/CEO of the business leads to an unwillingness to hand over the ownership to the following and next generation. The handing over of the control as well as the realization of the own age and endless life of the owner are a tough task to take for the owner. Most of the succession processes fail due to this unwillingness to pass over.<sup>24</sup>

The strong fixation and commitment of the owner which once led to the former success of the company is one of the biggest failure problems when it comes to succession. The problem and the reverse is that he will not give an opportunity to his successor for enhancing the skills and for enriching with experience that are required for the takeover. But the key to success is to build the new company on the values, the customers and the employees as well as on the experience and the achieved knowledge of the old owner and take it to the next level. Several factors including: the founder's strong sense of attachment to the business, fear of retirement and death and lack of other interests<sup>25</sup> are the reasons for not starting the process of succession.

Within our western society the thinking of one's own mortality is not a positive thing. Therefore the old entrepreneur will not face the fact of his own mortality, which the succession process enhances.<sup>26</sup> This might be the reason why many entrepreneurs do not manage to leave their company on time and prepare the process of succession within their last active working years, but die still working totally over-aged.

### 2.) The right choice of the successor

Choice of the successor is a process. First of all the owner/ old entrepreneur might think of his/her children to succeed the company. In the ancient years and as still common in the royal dynasties, the first born son is the official beneficiary or successor. Within the 21<sup>st</sup> century this unwritten rule has changed and today in most of the family companies all the children of the entrepreneur, even the female children are taken into consideration when it comes to the choice of the potential successor.

If there are no own children or the children are not willing to succeed which is

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<sup>24</sup> BROWN, R. B., COVERLEY, R.: Succession planning in family business: a study from East Anglia, 1998

<sup>25</sup> SEYMOUR, K.: Intergenerational relationships in the family firm: The effect on leadership succession. *Family Business Review*, 6(3), 263-282., 1993

<sup>26</sup> LANSBERG, L.: The succession conspiracy. In C. Aronoff & J. Ward (Eds.), *Family Business Sourcebook* (98-119). Detroit, Mich.: Omnigraphics, Inc., 1991

more and more common in the modern world with optional various choices, the search goes on from closer family members to finally external successors. The successor is one of the critical individual choices/factors of the succession process. This is not only valid for family businesses but in any type of business organization. To make a long story short: No successor means no succession. Therefore the role as well as the personality and the skills of the successor are very important and researched within this thesis.

The purpose of this study is given by our family company based economy and the above named figures/ reasons which describe the situation on the example Germany.<sup>27</sup> Each life and each career is endless and the reasons for succession planning are various. Our politics as well as the economical and financial systems within the European Union do have the focus on big public companies and not on family business companies. This is very problematic and the named figures give good reason to make a change in the minds of our politicians and our economical focus.

As Sharma, Chrisman, and Chua analyzed in 2003 that the failure in family business succession is a lack of theoretical and practical planning<sup>28</sup>, Handler already showed of in 1998 that the cited lack of succession planning is a major cause of the high mortality rate in family businesses and furthermore he noted that succession planning does not take place in most family firms.<sup>29</sup> Therefore it is not surprising at all that a large number of studies on succession have widely acknowledged importance of succession planning to survival of these firms. Therefore the purpose of this study is creating the awareness for the complexity of the process of succession and the practical help for succession companies.

### 3.) The family of the company

As the word family businesses already says: there is not only the business but furthermore the family. Each family, not dependant on having a business or not, is an individual operating unit with its own rules, values and its own order. Therefore the family structure has to be considered when planning the succession process in a family business. A positive family harmony is assumed to help the succession process.<sup>30</sup> The role of the family as well as her influence on the process builds

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<sup>27</sup> see: chapter 2.1.2 Research problem

<sup>28</sup> SHARMA, P., CHUA, J.H., CHRISMAN, J.J. : Perceptions about the extent of succession planning in Canadian family firms, 2002 Canadian Journal of Administrative Sciences, 17(3), 233-244. E

<sup>29</sup> HANDLER, W. C. : Managing the family firm succession process: The next generation family member's expedence. Unpublished doctoral dissertation, 1998 School of Management, Boston University.

<sup>30</sup> CHURCHILL, N.C.; HATTEN, K.J. : Non-met-based transfers of wealth and power: A research framework for family businesses. American Journal of Small Business, I 1 (3), 51-64. T , 1987

another research problem. If a family member is not committed to the succession or the successor, the member is blocking obviously or hidden the abilities and the changes of a successful succession of the successor.<sup>31</sup> He is taking into consideration the management and social abilities of the successor and therefore he is questioning the decision of the entrepreneur. This leads to dissatisfaction about the selection of the successor and this is blocking and defending the process of succession enormously.

The Stimulus for succession planning can have several reasons: The entrepreneur finds a qualified successor and has the opportunity to go out of the business. The option of a great sale of the company is given. This phenomenon has been very popular in the early 21th century, when big public companies overtook small specialized family companies.

Economical problems force the entrepreneur to sell the company.<sup>32</sup> The fact that most of the family entrepreneurs do have very little time for their family is common. Some entrepreneurs decide that they want to spend more time with their children and family. Others just want to have more free time and enjoy their lives. All the named facts are important stimulus's for succession planning but the most named reasons with more than 50% is the bad health condition or the age of the entrepreneur. In this case he is forced to plan his succession.<sup>33</sup>

This dissertation should provide families, entrepreneurs as well as potential successors with helpful information for the succession process by showing of the needed information and background for the process. Due to the lack of political and consulting work of these family businesses it is important to show off possible ways for the succession. There will be an overview of the requirements for potential successors as well as recommendation for the process of succession which are scientifically researched and practically tested and rated.

### **2.1.3 Significance to the study**

The importance of the topic can be explained with the help of three figures taken from the German market: The German economy is ruled by family companies. More than 95 % of all German companies are family companies. For the German employment market it has to be stated that more than 57% of all employees in Germany are working for a family company. Almost half of the Gross Domestical

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<sup>31</sup> DE MASSIS A., CHUA, J.H. CHRISMAN, J.J.: Factors Intra-Family Succession, Family Business Review, vol xxi no 2 June 2008

<sup>32</sup> KERKHOFF, Elisabeth; BALLARINI, Klaus; KEESE, Detlef: Generationswechsel in mittelständischen Unternehmen, Ariadne Buchdienst, Karlsruhe 2004, p. 43

<sup>33</sup> GENERATIONSWECHSEL, L-Bank Staatsbank für Baden Württemberg, p. 12/ 13 , Stuttgart 2007

Product is delivered by family companies.<sup>34</sup>

Due to the importance of the topic, the change in our society and the question: Who will be the successors of all these companies and what will happen to our economy and all these jobs, if there is no possible successor?

The lack of helpful literature and consulting options for the family company as well as the missing attention for this economical species within our society rise the significance of this study.

Within the last year's family businesses did receive more and more attention: through the foundation of specific magazines, through the foundation of special family business organizations or scientific approaches taken on different international universities.

The complexity of the topic requires special attention and there is a need for a wide scientific research as well as the need for high potential consultation of these family businesses.

The results of the research of this dissertation will provide an approach/ a method of solution for the field of research "company performance – process optimization and rating of efficiency", which is investigated and researched at the Faculty of Management at the Tomas Bata University in Zlín.

The history of family companies is the history of our today's economy. In the early years it was the entrepreneur, the head of a family who has started companies, developed new ideas and came up with the basement of our actual economy. The existence of public companies is an appearance of the New Age. Ever since the stock exchange existed, family companies have been listed. Most of the today's public companies have their roots in family businesses and just become public over the last century and due to the stock market or other external factors.

In regard of several aspects: political, social, structural and economical ones, family businesses have been the pioneers in the big achievements of the last centuries.

As already mentioned the possibility of losing parts of these family companies or even of the disappearance of most these family companies through unsuccessful succession could have the following influence on our economy:

In Germany more than 95 % of all businesses are family owned businesses. This figure shows how many companies are concerned with this topic. They are delivering almost half of the Gross Domestic Product (GDP). Unsuccessful succession due to several various reasons would in the worst case lead to:

- a) The loss of special family business culture.
- b) The loss of special know-how.

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<sup>34</sup> WALLAU, Prof. Dr. Frank: Das familiengeführte Unternehmen, Institut für Mittelstandforschung, Bonn: 2008, p.9



- c) The loss of more than 30% of all jobs provided within Germany. There is no need to explain the influence on the economy in this case especially in the times of financial and economical crisis.
- d) The loss of almost 50% of the Gross Domestic Product (GDP) and therefore the insolvency of Germany.

Within these times of the financial crisis everybody, especially politicians are focused on the big companies, suffering from the financial crises. The real danger is losing the enormous amount of family companies is not seen at all. One of the reasons might be the responsibility which the entrepreneur is used to take on his own account without any backups.

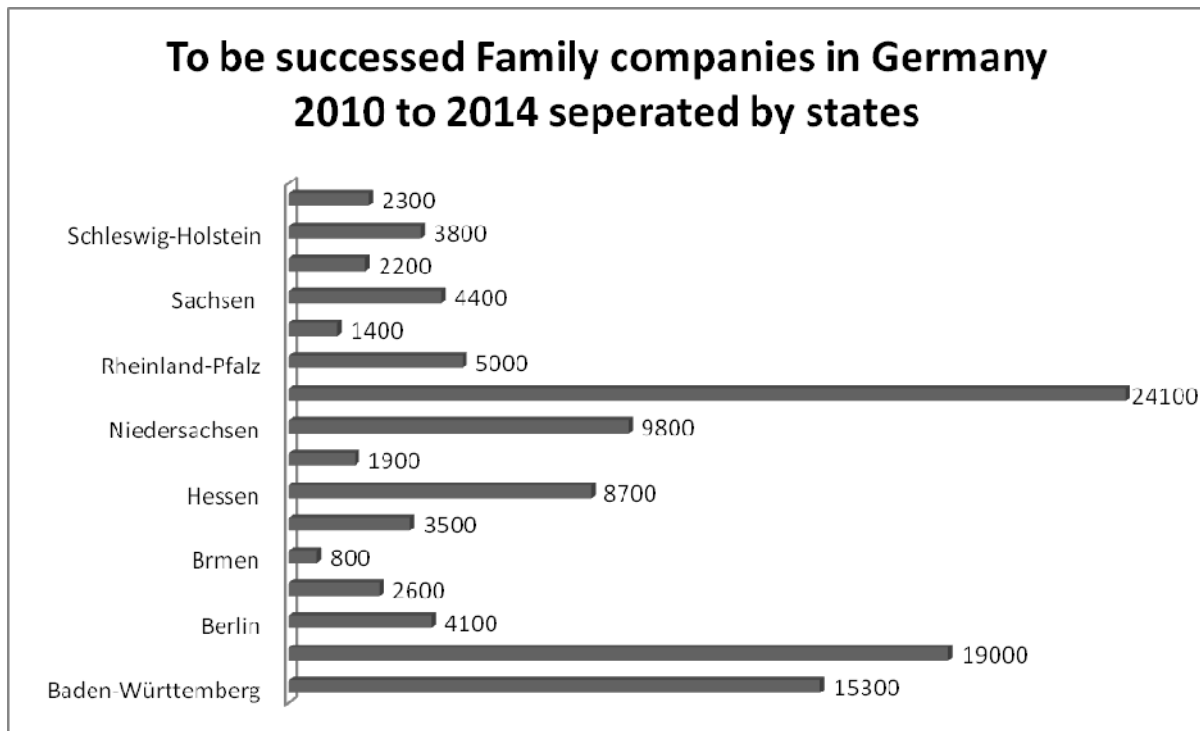


Figure 6: Succession companies in Germany<sup>35</sup>

<sup>35</sup> IfM Bonn, taken from <http://www.ifm-bonn.org/index.php?utid=885&id=101>, 10/08/2010

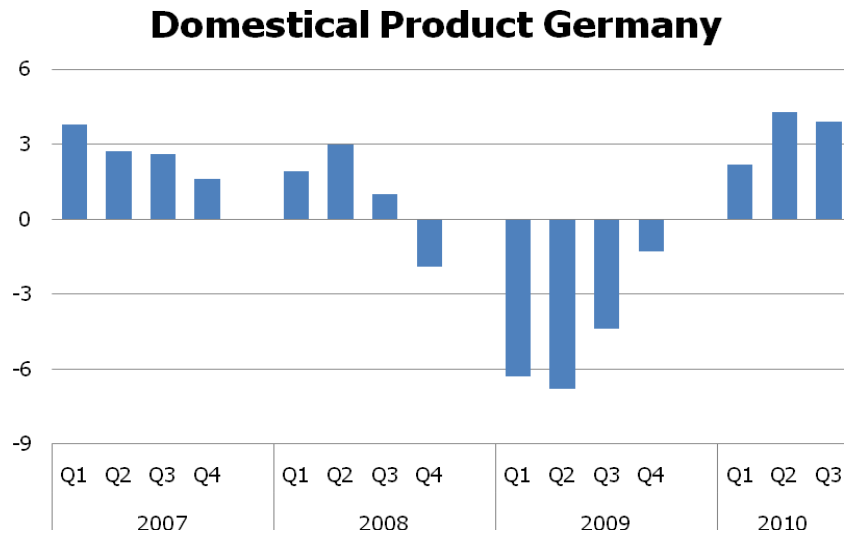


Figure 7: Gross Domestical Product in Germany <sup>36</sup>

The Gross Domestical Product in Germany is not only important for Germany itself, furthermore for the whole European Union (see figure 8). The economical and the financial crisis in 2009 have damaged the GDP and Figure 7 underlines visually how the German economy, suffered from it and how the economical development went on. As mentioned family businesses do have certain impact on the German economy and are responsible for almost have of the jobs provided in Germany. Therefore the wealth of family businesses and the success of their successions will have certain influences even on the “Eurozone”.

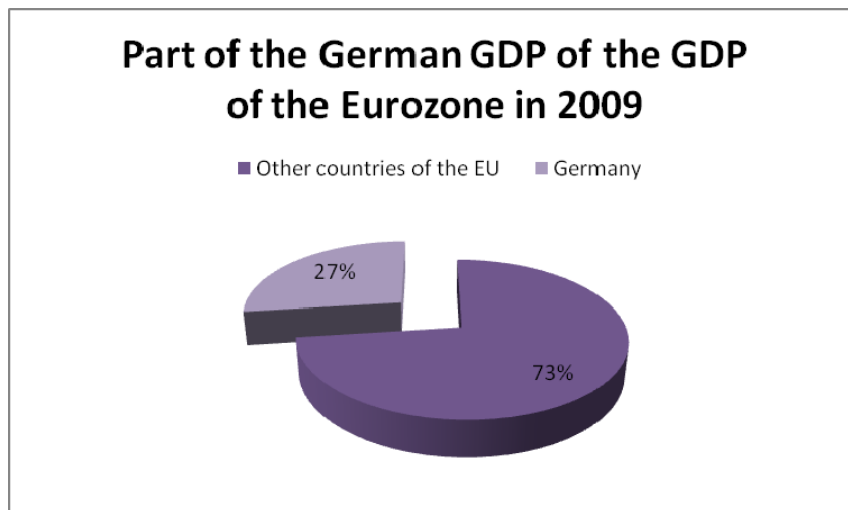


Figure 8: Part of the German GDP of the GDP of the Eurozone in 2009 <sup>37</sup>

<sup>36</sup> Statistisches Bundesamt. Dstatistis.wissen.nutzen: Deutsche Wirtschaft 3. Quartal 2010, taken from: <http://www.destatis.de/jetspeed/portal/cms/>, 15/12/2010

## 2.1.4 The Organization of the thesis

The thesis is based and driven by the theoretical knowledge gained during PhD studies and my work and personal experience with family businesses.

Personal experience	since growing up
Literature review	since January 2005
Interviews / meeting with family businesses	since January 2007
Questionnaire	since January 2008
Coordinating PhD structure	November 2008
Spontaneous-Goal-Oriented-Discussions	since March 2009
Research analyses	Spring 2009
PhD Thesis Summary Presentation	Winter 2010
FINAL PhD Thesis Defense	Autumn 2011

## 2.2 Facts on the family company

### 2.2.1 Significant aspects of the family company

"Family businesses fascinate."<sup>38</sup>

As said in the above sentence, family businesses fascinate. Almost every person does have a certain association with family businesses. While taking a deeper look at these associations it becomes clear that a definition of a family business is needed:

"A family company is a company on which one or more families exert enormous influence."<sup>39</sup>

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<sup>37</sup> Statistisches Bundesamt. Dstatistik.wissen.nutzen: Bruttoinlandsprodukt 2009 für Deutschland, taken from: [http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Presse/pk/2010/BIP2009/Pressebrochure\\_\\_BIP2009,property=file.pdf](http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Presse/pk/2010/BIP2009/Pressebrochure__BIP2009,property=file.pdf), 16/12/2010

<sup>38</sup> KLEIN, Sabine B.: Familienunternehmen, Gabler, Wiesbaden 2004, p. 7

What do these family businesses make different to other companies? To answer this question we do have to look back in history and how the idea of the family business came up.

Another definition for a family company is given by the Austrian Institute for SME Research in 2008:

"A firm, of any size, is a family business, if:

- (1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- (2) The majority of decision-making rights are indirect or direct.
- (3) At least one representative of the family is formally involved in the governance of the firm.
- (4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital."<sup>40</sup>

Another important aspect is the different and varying content and organizational changes within the work with SMEs in the process of succession. The process of succession within a family company is much more the process of transformation as well as a generation change than it is in a public company. The successor is the next generation and in regard to the German meaning of succession, the younger generation is following the next generation. The deduction of this process is naturally given by the fact of the mortality of the old entrepreneur.

### **2.2.1.1 Advantages and disadvantages of a family company**

As shown in the former chapter each family company has its own rules and a very special organization. Within this unique form of an economical unit, there are advantages and disadvantages of this special kind of company.

It can be stated that most of the advantages of a family company are the disadvantages of a public company due to their different form of organization and positioning in the international markets.

One of the most important advantages of a family company is the loyalty of the employees towards the company and the family. It can be stated that the surrounding and the climate within a family company is different than the one in a

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<sup>39</sup> KLEIN, Sabine B.: Familienunternehmen, Gabler, Wiesbaden 2004, p.8

<sup>40</sup> Austrian Institute of SME Research, 2008

public company. The specialty is the high identification with the founder or the owner of the company. The founder/ owner is kind of a role model and his personality gives high influence on the structure and the quality of the human interactions within the company. Within certain sociological studies it has been proved that the identification and the loyalty of employees is rising with the degree of the personal interaction each employee is having with the founder/ owner.

The management structure and the high level of bureaucracy in public companies is the total opposite of this movement. The degree of loyalty in public companies is much lower and the fluctuation of the employees is much higher. Working in a family company means for the most employees being engaged with the company for a lifetime. A public company is an interim solution for the most employees, the personal involvement in the company is much lower than in a family one.

This special attitude of the employees of family companies leads to a high flexibility of the employees and connected with this a certain personal influence on the company culture. The luxury of knowing the owner/ founder in person gives reason and the chance to express the problems and the wishes of the employees. Usually family companies are smaller and leaner in their structure than public ones. The ways of interaction and communication are shorter and have more open access.

One of the biggest advantages of a family company is the fact that the entrepreneur/ founder/ owner is investigating and working with his own money. This fact gives reason for the long time planning of the entrepreneur. This long time horizon in making decisions and making the company strategy as well as seeing the future of the company is one of the biggest factors for a long time success.

Especially the last years and the economical, financial crisis have shown that the short time planning and acting horizon of public companies on the stock market is leading to a short time profit for single employees and a long time disaster for the company and the international markets. The entrepreneur of the future is always keeping the future in mind in each of his decisions. He is not keen on short time success and profit.

After discussing the advantages of a family the disadvantages should be shown of and explained. The main problem of a family company is the bad access to the capital markets. Most of the investments have to be done out of the resources of the founder/ owner of the company, the bad access to the capital markets does not speed up the growth of the company at all. The potential of a company is limited without a good access to the capital markets. Especially in the last years the limited access to the capital markets has ruined some successful family companies as the bankers are even more careful in investigating money after the Financial Crisis.

It is not only the access to the capital markets which is limited but as well the possibility to recruit high potential employees. There are several reasons for this problem. On the one hand high potential employees are used to work for public companies. Within their education at the universities as well as their own education the focus is based on big public companies. They seem to be more attractive and

they are seen as a jumping board for a successful future career. Another point is the level of loan which is in general higher when talking about a public company. The levels of hierarchy are higher and there are more management positions in the middle and higher management. This is a very important issue for the universities; there should be a study which is not only based on management but furthermore on entrepreneurship. The need for high potential employees is at least as high at family companies than at public companies and will even rise within the next years when more and more successors even external ones will be needed to ground our economy.

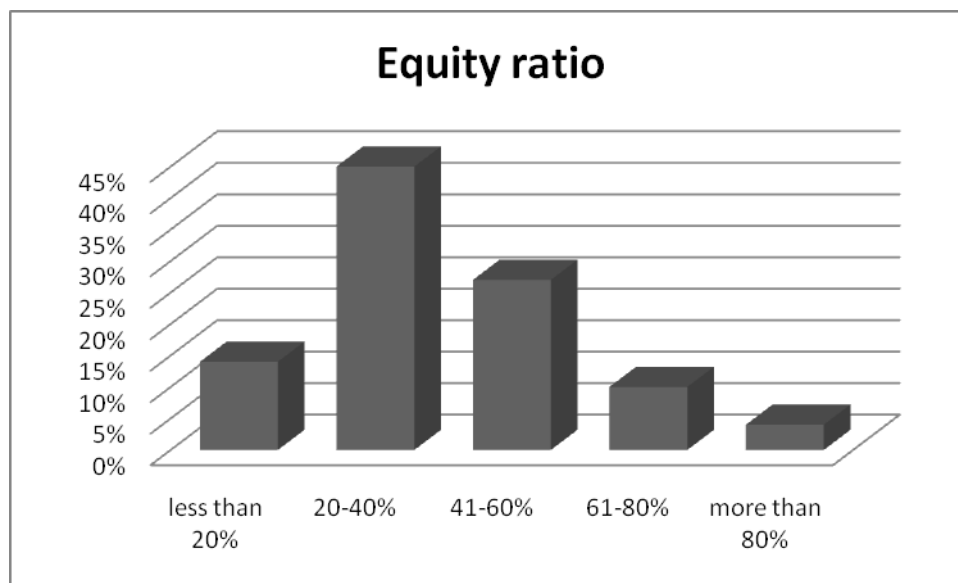


Figure 7: The Equity ratio in family companies<sup>41</sup>

The equity ratio indicates the relative proportion of equity used to finance a company's assets. As the above figure 7 displays the equity ratio in family businesses are mostly in the range between 20 to 60%. This figure is very important for the reinvestment of the family companies as their access to the capital markets is limited.

After all there is no overall solution which form of a company is the better or the more successful one. The truth is that combining the advantages of a public company with the advantages of a private company could lead to a long time success.

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<sup>41</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 12

## 2.2.2 The history of the Family Company

Unfortunately it is not possible to give a detailed and clear defined historical declaration of the history of Family businesses within this dissertation. It is important to give a short overview of the history and the upcoming as well as the ongoing change of family companies in the last centuries, to understand their specialty and their uniqueness.

To understand the family companies and the family of the company of the 21st century, it is important to take a look back into the past.<sup>42</sup> Today family business is a fragile state/ situation between yesterday and tomorrow. By the early times almost all existing companies have been family companies, except the associations.

The economical relativity of the family was the foundation for this movement. The family and the company have been one indivisible and prime connected entity. By disconnecting the family and the company and seeing them as two stand alone objects, connected via their interactive relationship, it was getting possible to see them as two single and separated units.

Ever since the first family enterprises came up within the first phase of Industrialization between 1150 and 1350, there have been two aspects that inspired and cheered the entrepreneur: the economical success and the higher status in the society.<sup>43</sup> The conditions to entrepreneurship in the 19<sup>th</sup> century according to Kocka have been very strict and have not changed too much over the last centuries:<sup>44</sup>

- Breeding

The breeding of a child including the values and the strategy of breeding are the foundation of every human beings personality. Within the very first years of each human being the cornerstone of his character is build. This awareness becomes more and more common and public.

- Advance of Knowledge (Knowledge was not accessible for everybody by this time)

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<sup>42</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004, p. 21

<sup>43</sup> HÜTTNER, Daniel: Nachfolge im Familienunternehmen. Stuttgarter historische Studien zur Landes- und Wirtschaftsgeschichte, Band 13, Jan Thorbecke Verlag 2009

<sup>44</sup> KOCKA, J.: Familie, Unternehmer und Kapitalismus in REIF, H. (Hrsg.): Die Familie in der Geschichte, Göttingen S. 180

The advance of knowledge was growing enormously. The letterpress printing of Guttenberg is the most important invention for spreading and advancing knowledge in the last centuries.

- Advance of Experience (travels abroad)

The advance of experience was possible with the invention of different means of transport, starting with the invention of the wheel to the locomotive, the vessels and later on airplanes.

- Asset

Generating assets and reinvesting these assets helped and is still the motivator of the economy.

- Control of the company through family members

The controlling of the company by family members can be a big advantage. The family members do know that they are investing their own money and they are interested in generating more and more assets as well as interested in longtime strategies.

- Contacts within the society

The contacts within the society have been important for the success of every business at every time. It was very important to be informed as well as to be part of a special society. These societies have been very elite in the former centuries and the different classes were almost impossible to conquer.

### **2.2.3 The Influences on a Family Company**

Within the last centuries the outside influences for every human being have enormously changed and getting more and more aggressive. After leaving the century of technology almost behind us we are entering the century of the information and knowledge society.<sup>45</sup> These influences as well as many more are concerning and directly penetrating the family company as well as many others. As already mentioned the family company is an extraordinary and specific organization and cannot be compared to any other company.

The difference is explainable by the factor family, which is next to all other influences known at other companies an extra factor of influence. The factor family

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<sup>45</sup> PORVAZNIK, Ján and Coll.: Holistic Management: Pillars of Competence in Management, Iris, Bratislava 2008, p. 341



cannot be underestimated when talking about the influence factors of the family company. This is the biggest different to any other company.<sup>46</sup>

The sociological as well as the psychological aspect of influence is the connection between the private structure as well as the business structure which is only found in family companies.<sup>47</sup> On the first sight this might be in every company as every manager would say that he brings his privacy to work as well and is integrated in the same way as family members are in the family company.<sup>48</sup>

The answer is: no, it is not the same thing as the private structure means that the entrepreneur and the family is bringing their own assets and capital into the company.<sup>49</sup> This leads to a serious connection between the private property and the family. The relation of a family towards her company, which is working with the assets and capital of the family, is a totally different one. The direct interrelation between the wealth of the company and the wealth of the family is not seen in any other company or working relationship.<sup>50</sup>

There is a great number of family companies in Germany the economical lobby for the family business is missing almost totally. But neither the politics, the Medias nor the sciences do take care of the needs and the special problems that family companies are facing every day.<sup>51</sup>

This may be explained by the fact that the entrepreneur is investing his own assets and responsible for his own risk and his own success. The classical family company entrepreneur does not want to show all his figures, to public his statements and balances.<sup>52</sup> He wants to work in silence and is used to be responsible for his own business.

Other companies are dependent on the state and the regulation as well as the taxation and try to take direct influence on the actual topics. This is a phenomenon which is almost not-known within the family companies.

Family companies are used to deal with their own questions and problems all by themselves. On the other hand the family has an enormous influence on the

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<sup>46</sup> BRÜSER, Joachim; Unternehmensnachfolge: Wie Sie als Mittelständler den Stab weitergeben, Cornelsen, Berlin 2007

<sup>47</sup> HABIG, Helmut; BERNINGHAUS, Jochen: Die Nachfolge in Familienunternehmen ganzheitlich regeln, Springer, Berlin/Heidelberg 2004

<sup>48</sup> WAGNER, Rainer Maria: Unternehmensnachfolge in mittelständischen Familienunternehmen, VDM Verlag 2007

<sup>49</sup> HAMPP, Rainer: Unternehmensnachfolge durch Unternehmensverkauf. Finanzwirtschaft - Finanzdienstleistungen - Empirische Wirtschaftsforschung, Band 8, 2007

<sup>50</sup> ISLAM, Carl: Succession Planning Simplified, Management Books 2009

<sup>51</sup> KERKHOFF, Elisabeth; BALLARINI, Klaus; KEESE, Detlef: Generationswechsel in mittelständischen Unternehmen, Ariadne Buchdienst, Karlsruhe 2004

<sup>52</sup> QUENEHERVE, Chantal: Problematiken der Unternehmensnachfolge bei kleine und mittelständischen Unternehmen - insbesondere bei Familienunternehmen in Deutschland, GRIN Verlag 2008

company and is able to decide about the strategy and all questions concerning the operative and strategically questions of the company.

"A family company is a company on which one or more families exert enormous influence."<sup>53</sup>

This saying is pretty much true because there is no comparable position in non family businesses as the one that the family has got within the family business:

There are two ways for a family to take influence on the company:<sup>54</sup>

- 1.) By having the property of the company, the controlling function is naturally given
- 2.) Being directly integrated and involved in the management of the company

Family companies are a multidimensional system of the family/ the property/ the leadership and the company.<sup>55</sup>

Changes within the single systems lead to changes within the whole system, they interact and have an effect on the other system.

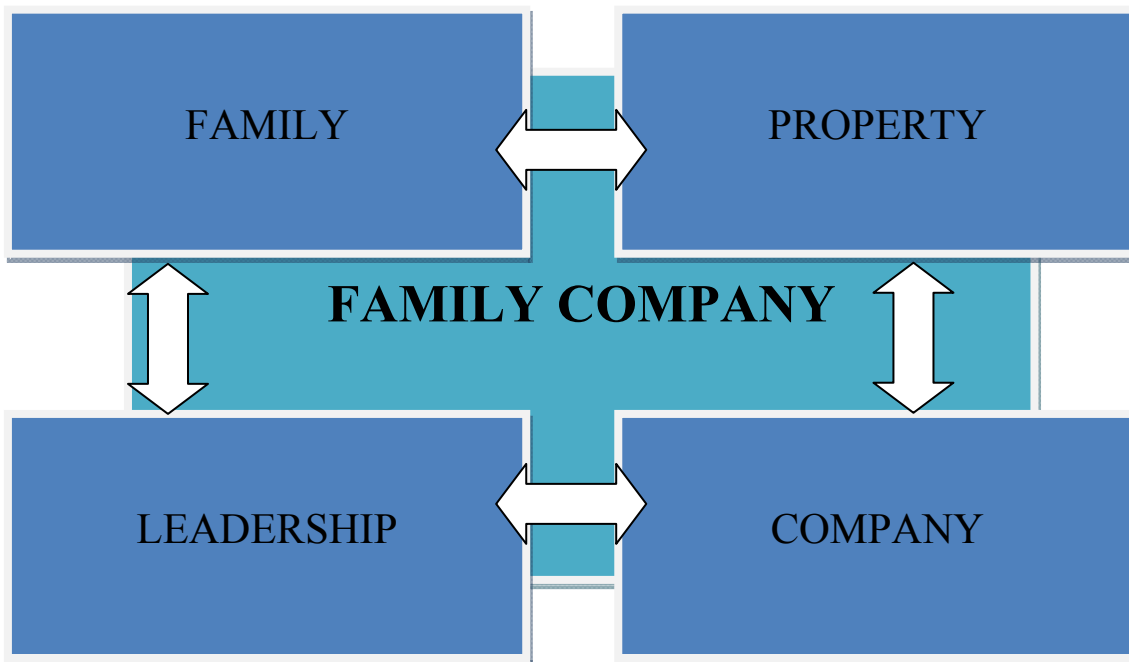


Figure 8: The Family Company<sup>56</sup>

<sup>53</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004

<sup>54</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004

<sup>55</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004, p. 5

The concept of the F-PEC scale was presented in 2001 on the FBN Research Forum and tries to reduce and to explain the influences of a family on the company.<sup>57</sup>

The F-PEC scale analyzes family companies and the influences on the family businesses. There are three main influences on a family company which are: power, experience and culture.<sup>58</sup>

The first influence factor is **Power** which is defined by the:

Interest of the net equity

Governance

Management

The second influence is **Experience** which is defined by:

Generation of the property

Generation of active leadership

Generation of activeness in the board

Number of active joining members of the family

The third influence is **Culture** which is defined by:

Lap of the values of the family and the company

Commitment of the family and the company

The F-PEC scale is an indicator for the complexity of a family business and is trying to show the different influence factors on a family company. These factors do vary

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<sup>56</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004, p. 5

<sup>57</sup> ASTRACHAN, J.H; KLEIN, Sabine B.; SMYRNIOS, K.X.: The F-PEC scale of family influence: a proposal for solving the family definition problem In: g. Montmerlo, D.: The role of family in family businesses – Research forum Proceedings, 12th annual World Conference, p. 9-24

<sup>58</sup> KLEIN, Sabine B.; ASTRACHAN J.H.; SMYRNIOS, K.X. : The F-PEC scale of family influence: Construction, validation, and further implication for theory, presented on the 3rd Conference on Theories of the family enterprise, University of Calgary 2003

when talking about a public company. The quality of the influence factors may vary from one company to another as well as the way they are used.

A good example for the influence factor power can be that the management is making and communicating the strategy for the company and therefore generating the future of the company. The influence experience is provided by a founder of a company who has over 20 years of experience in his business. His activeness in the board as well as his personality formed by his longtime experience might have enormous influence on the company.

The third influence factor is the Culture of a company and this culture is provided by the values and the characters of the family company. Therefore a charming and positive thinking CEO might bring more positive energy towards the employees and therefore generate more output within the company than a negative and pessimistic one. The role model function is an important one for the factor Culture.

#### **2.2.4 Definition and Schedule of the factors and parties involved in Family Companies**

The inner as well as the outer circle of the parties involved in a company's succession is very wide. Next to the company and the family which are included who are already named in the object family company, there are other influences that have to be mentioned when talking about the succession of a family company. Strategically, personal, tax, familiar, financial and personal interests have to be considered within the succession. The conflict of interest can be very high and especially the personal and human aspect should not be underestimated.

The following diagram gives an overview of the quantity and the quality of the involved parties. As each process of succession is individual and each company has different structures and direct and indirect participants, it can be helpful to start with the definition of the parties involved and to analyze their special relationship to the company.

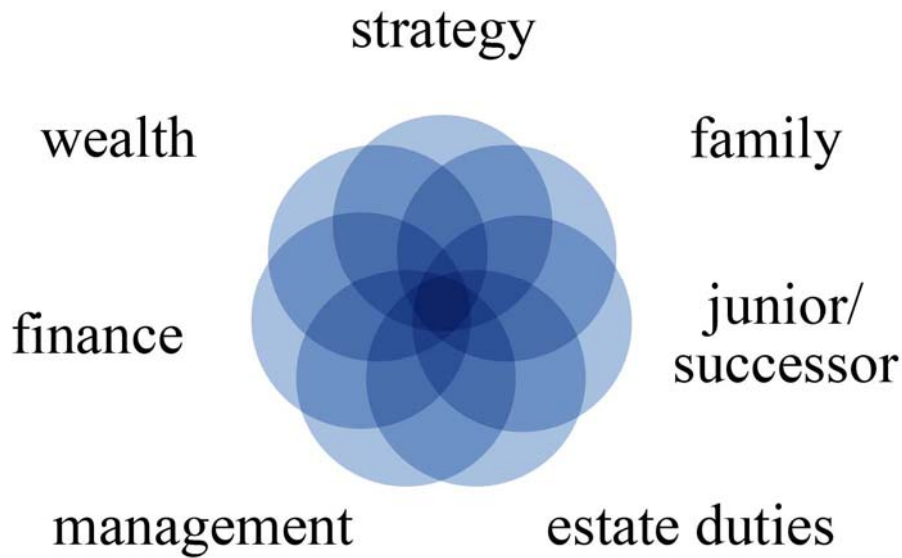


Figure 9: The complexity of succession<sup>59</sup>

For the understanding of the complexity of the succession and the context of the involved factors and parties it is important to define some of them and to name the different objectives of the party.

#### Definition of management

"The management subject is, generally speaking, an individual, team leader or top manager within an organization. Every individual manages their working tasks and personal life."<sup>60</sup>

#### Definition of family company

"A family company is a company on which one or more families exert a dominance influence."<sup>61</sup>

#### Definition of leadership

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<sup>59</sup> COMPLEXITY of the succession, taken from [www.ecovis.com](http://www.ecovis.com), 05/12/08

<sup>60</sup> PORVAZNIK, Ján and Coll.: *Holistic Management: Pillars of Competence in Management*, Iris, Bratislava 2008, p. 22

<sup>61</sup> KLEIN, Sabine B.: *Familienunternehmen*, Gabler, Wiesbaden 2004, p. 3

"We understand leadership as interplay among people at all levels within organizations and also within the economic system by which people are brought together through particular forms of interaction."<sup>62</sup>

The different objectives and ambitions of the involved factors may vary from one objective to the other. The entrepreneur is facing this complexity and his challenge is to try to overcome differences and contradictions between them. She/ he is kept in this structure and the interdependency of the objects has to be clear as well in the strategy as in each operative decision he/she is taking.

An optimal process of succession is considering each above named object and tries to combine the parallels as well as using the opportunities which the different objects provide.

### **2.2.5 The Environment of a company**

The complexity of a family business within the process of succession is very high. Next to the factors which can be directly influenced by the entrepreneur, his family and the successor, there are several factors on which nobody can take direct influence on.

- a. Economy
- b. Financial and economical crisis
- c. Globalisation
- d. Natural catastrophes
- e. Unforeseen events as war or trade restrictions
- f. Laws and common traditions

The above named factors do have direct influence on the situation of a business without being controllable. Looking back in history some of the above named influences had an enormous impact in important companies of the last centuries.

A good example for the economical change/ the globalization is the Bata family: while being focused on the production of shoes in the beginning of the company, they were forced to shut down the production due to lower wages and

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<sup>62</sup> WELTZIEN HOIVIK, Heidi von: Moral leadership in action- building and sustaining moral competence in European organizations, Edgar Elgar, Massachusetts, 2002, p. 1

production costs in China and are only distributing shoes by today.<sup>63</sup>

Although not being controllable for the entrepreneur he has to face these challenges from time to time. The flexibility of the company as well as the strategy but furthermore the character of the external influence factor will decide about the future of the company.<sup>64</sup>

One of the brand new influence factors of the 21<sup>st</sup> century are the knowledge and the communication technologies. In former times it was not common to respect knowledge as one of the most important skills/assets a company could have. This has changed totally and today even big stock market companies are dealing exclusively with knowledge. The dealing with knowledge leads to the use of the new communication technologies. The processed of information flow have speedup rapidly. There are no longer geographical borders neither local, regional state nor continental ones and there are no longer any communicational or informational borders. This movement/ invention have changed the way of business and the kind of influence factors in the 21<sup>st</sup> century.

## 2.2.6 The Entrepreneur of a family company

"Keeping a family business alive is perhaps the toughest management job on earth."<sup>65</sup>

The entrepreneur of a family business, under the condition that the entrepreneur is a member of the family has several tasks to handle. As Ward said in the statement above there is no comparable management job on earth to the responsibility and the special demanding an entrepreneur of a family business has to face.

Most of these entrepreneurs can be defined by their long-time goals, the focus on the business. There is a low transparency of the businesses and they have limited access to the capital markets. Their orientation is focused on their clients. Their readiness to assume a risk is much higher than the one of any other manager. They are carrying the responsibility for two main goods: the wealth of their family and the wealth of their company.<sup>66</sup>

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<sup>63</sup> EUGEN, Erdély: Thomas Bata. Ein Schuster erobert die Welt. Bonn 2004

<sup>64</sup> BECK; Karin E.M.; OSTERLOH-KONRAD, Christine: Unternehmensnachfolge. MPI Studies on Intellectual Property, Competition and Tax Law, Band 12, Springer Verlag 2009

<sup>65</sup> WARD, John: Keeping the family business healthy: How to Plan for Continuing Growth, Profitability an Family Leadership, Jossey Bass 1987

<sup>66</sup> FRASL, Erwin J.; RIEGER, Hannah: Family Business Handbuch: Zukunftssicherung von Familienunternehmen über Generationen, Linde Verlag, Wien 2007, p. 22/23

The Knowledge of an entrepreneur of a family business is in general more general and specific.<sup>67</sup>

The entrepreneurial tasks are dependent on many variables: Do we talk about a small or a medium sized company, how many share holders does the company have and does the entrepreneur need branch specific knowledge, what are the goals of the family and the company?

The entrepreneur of a family company is in a function of the rolemodel/ leader<sup>68</sup> of the business. In the most cases he carries the same name as the company and the chance for the clients as well as for the employees to get in direct contact with the real "Boss" is very significant.

The personality of this leader is spread all over the company and is the foundation of the culture of the company. The human proximity of the boss towards his employees as well as the social responsibility next to his capitalism values brings him a high solidarity of his employees.<sup>69</sup>

A special form of the entrepreneur is the founder. "Founders in our meaning are persons who have gone into business for themselves and who founded themselves a new, former nonexistent enterprise and a self-dependent existence."<sup>70</sup> The problematic of the founder business with its "single pole structure, (...) within there is only one centre of operating decision making."<sup>71</sup> is the almighty position of the founder/ entrepreneur.

Next to this disadvantage of the single leadership of the founder there are as well advantages. These advantages are dependent on the quality of the founder and his operational and strategically positioning of his businesses. The unity of competence in decision as well as the property of the company combined in one person can lead to fast decision with a short realization time. Usually the hierarchies are very low and the business is very flexible in reacting for the markets.

As said in chapter 2.2 The Influences on a Family Company there are two ways of for the owner to take influence on the company: either by the direct managing of the company or by taking influence having the property of the company, the controlling function is naturally given. One of the biggest social and psychological problems of the entrepreneur is risen up when facing the need/will to success the business. The

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<sup>67</sup> HABIG, Helmut; BERNINGHAUS, Jochen: Die Nachfolge in Familienunternehmen ganzheitlich regeln, Springer, Berlin/Heidelberg 2004, p.33

<sup>68</sup> FRASL, Erwin J.; RIEGER, Hannah: Family Business Handbuch: Zukunftssicherung von Familienunternehmen über Generationen, Linde Verlag, Wien 2007, p. 23

<sup>69</sup> WAGNER, Rainer Maria: Unternehmensnachfolge in mittelständischen Familienunternehmen, VDM Verlag 2007, p. 18

<sup>70</sup> SPIELMANN, U: Generationswechsel in mittelständischen Unternehmungen, Dissertation University of St. Gallen, p. 9

<sup>71</sup> GUTENBERG, Erich: Grundlagen der Betriebswirtschaftslehre, Bd. 1, Die Produktion, Springer Verlag, Berlin Heidelberg New York 1972, p. 508



reasons for the succession are explained in the former chapters. He has to take "an entrepreneurial, strategically core decision about the future of the company."<sup>72</sup>

This decision leads to the problem of letting the company and most of the time the work of his lifetime pass by without him. Many anxieties arise for the entrepreneur: What will happen to his lifework? What is he supposed to do in the future? Will he no longer be of a social value or status? These questions and fears as well as the unknown new life experience may have various reasons which cannot be explained in detail within here.

The solutions have to be found with the help of the family, experts and the internal management of the company. It is important that the entrepreneur will have new tasks after the succession. These tasks can be from various backgrounds: a new hobby, the family or even social engagement. The two most important psychological things for the entrepreneur have to be pointed out clear and be lived from each person involved in the process of succession.<sup>73</sup>

1. The entrepreneur is one of the most important parts in the succession of the company.
2. The entrepreneur has to have the feeling that the successor really wants to be an entrepreneur, too.

Being an entrepreneur does not stop with the last day of work within the company. The successor as well as the family is used to the strong entrepreneur/ father and husband. The life-after work will show which position the entrepreneur will find within his new life.

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<sup>72</sup> BRÜSER, Joachim; Unternehmensnachfolge: Wie Sie als Mittelständler den Stab weitergeben, Cornelsen, Berlin 2007, p.19

<sup>73</sup> KLEIN, Sabine B., Familienunternehmen Theoretische und empirische Grundlagen, Gabler , Wiesbaden 2004, p. 3

### 2.2.7 The Family of a Family company

The object "Family" is an object of every person's daily life and almost everybody has a certain understanding and association with the word family. The difficulty is the problem of the various interpretations and expectations of the word.

Our society expects a family to be a functioning and a well going organization. This association is even more spread when talking about families of a family company.<sup>74</sup> The problem is the definition of the family. We do find different approaches within the science/ literature towards the definition of family.

The word family is taken from the Latin word familia, which means "the ménage, the household, the domestics and the attendants"<sup>75</sup> Another approach to the word family is taking by Ziegler/ Sontheimer, who explain that familia has not only been an object of persons as well as an object of assets.<sup>76</sup>

That leads to the assumption that a family is more than just the sum of the characters and personality of all the members, furthermore a family is an individual created by the personalities of its members plus the interaction of the members towards each other.

This individualism coming from the joining of different characters through the group of a family can be a big problematic of family companies and has enormous meaning for their interaction and the success of the company.

The surrounding of each family company including the employees, the suppliers, the banks and other institutions as shown in the former chapters do have higher expectation towards the family of a family company than towards any other family institution.

They desire a well-organized, structured and harmonically family, working together for the same goals and sharing one opinion and one higher moral. It is important for a family of a family company to show the closeness of the family towards the outside world of the family. Personal conflicts between the family members are not allowed to leave the family; they should be solved within the family.<sup>77</sup>

A family is "not in the first instance a tangible back-up or the status, furthermore the emotional home, the feeling of security, the sympathy and the love and

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<sup>74</sup>SCHMEISSER, Wilhelm; KRIMPHOVE, Dieter; NATHUSIUS, Klaus: Handbuch Unternehmensnachfolge, Schäfer-Poeschl, Stuttgart 2003

<sup>75</sup> GUKENBIEHL, H. : Familie in SCHÄFERS, B. (HRSG.): Grundbegriffe der Soziologie, Opladen (1986), p. 83-86

<sup>76</sup> ZIEGLER, K.; SONTHEIMER, W. (Hrsg.): Der kleine Pauly, Lexikon der Antike, 2. Bd. Stuttgart (1967), Sp. 511

<sup>77</sup> DEISSLER, Klaus G.; Familienunternehmen beraten: Positionen und Praxisbeispiele, Transcript Verlag, Bielefeld 2006

communication, as well as the mutual understanding and a source of pride."<sup>78</sup>

The change in our society includes as well a change within the family and the family itself. Following LeMar the following indications make the change in our society visible:<sup>79</sup>

- Individualism of the society
- Rise in the number of single households
- Change in the classical roles of men and women
- Questioning of the marriage as an institution
- Rising rate of divorce

The former tasks of the family to give security and a constant way of living for the family members has today become to a status of "bondage". The myth of the family is still a symbol for "Longing for the feeling of security" within our society.

The family can be divided in two groups: the inner circle of the family including: the father, the mother, the children and the outer circle including the grandparents, the uncles, aunts and their children as well as spurious children of any members of the inner circle of the family.

The inner circle of the family is the so called "core-family "According to the actual and practised law and the general orientation family means the legally assured life- and household community of a married couple with his own (minor) children."<sup>80</sup>

This definition is just valuable for the time, when the children are still under 18 years old and the family lives together. The problematic is risen when the children are no longer minor and develop themselves as individuals with their own values, goals and characteristics.

Each family of a family company is individual and has different amount and kind of members. It is important to figure out clear who is involved in the family and who has what kind of influence on the family. Depending on the amount of members and their influence, the system family has to be evaluated.

Taking a family, independent of its form, size and structure as the smallest unit within the human society, we do talk about the core- family. The function of the

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<sup>78</sup> KÖCHER, R.: Einstellung zu Ehe und Familie im Wandel der Zeit", Stuttgart 1985

<sup>79</sup> LEMAR, Bernd: Generations- und Führungswechsel im Familienunternehmen Mit Gefühl und Kalkül den Wandel gestalten, Springer Verlag 2001

<sup>80</sup> GUKENBIEHL, H.: Familie in SCHÄDFERS, B. (Hrsg.): Grundbegriffe der Soziologie, Opladen (1986) , p. 83

family is defined by Siebel "the question of the function is in first order the question of the achievements, which a social system brings for the society."<sup>81</sup>

The achievements of a family for the society are the following:<sup>82</sup>

- Biological Preservation of the individual
- Economical Preservation of the individual
- Emotional Preservation of the individual
- Reproduction
- Socialising and social control
- Assignment of status
- Knowledge

Taking a deeper look of the achievements of a family for the society it should be stated clear that these achievements are no longer only provided by the classical family, furthermore new different forms of living communities and models do take responsibility for these achievements. They are no longer a family only achievement.

This movement of "the function loss of the core family "is explained by the ongoing specialisation, the rising complexity and the individual process of our society.<sup>83</sup>

The former family with its clear structure and the hierocratic organization as well as the organization institution is no longer the common status quo of family within the world of the 21st century.

The tasks and demanding as well as the different social and cultural influences of the last century have changed the classical family and the picture of the classical family. The self-orientation of each member of a family the possible freedom to chose for oneself as well as the steady sinking pressure towards the family members from the society is growing individuals, having more and more problems to find their position and place within the institution of family.

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<sup>81</sup> SIEBEL, W.: Herrschaft und Liebe, Berlin (1984), p.208

<sup>82</sup> SIEBEL, W. : Herrschaft und Liebe, Berlin 1984, p. 211

<sup>83</sup> KÖNIG, R.: Materialien zur Soziologie der Familie, Köln, 1974, p. 64

## 2.3 The process of family succession

### 2.3.1 The concept of succession

The concept of succession starts with a certain key moment when the entrepreneur decides for any reason that a succession should take place. The reasons for the succession planning are various, but the most often and most common reason is the age of the actual entrepreneur. Other important reasons are great selling options, especially common in the late 1990s or economical problems on the other hand.

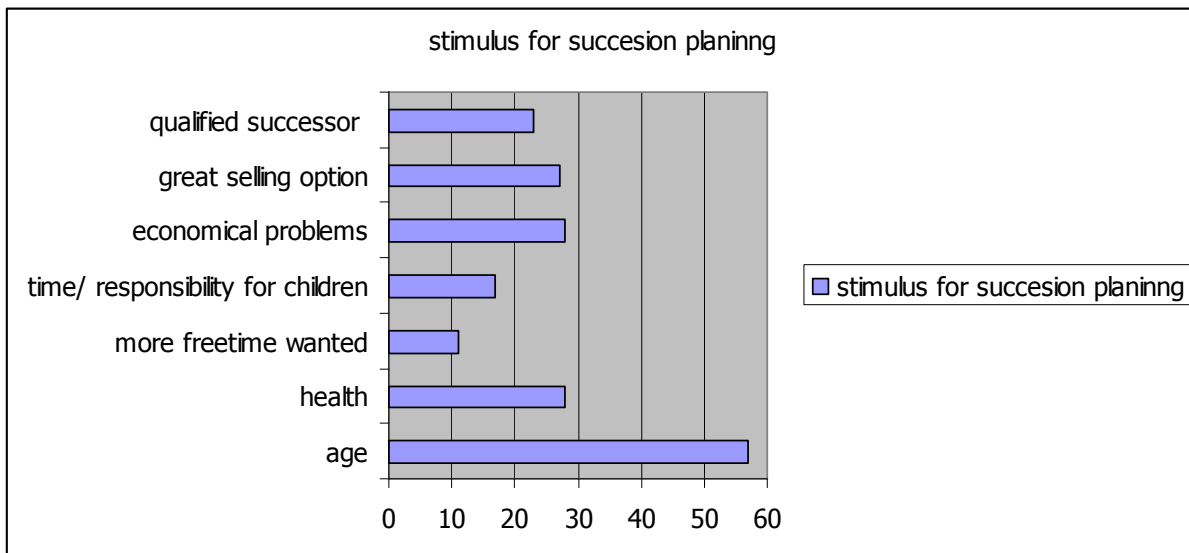


Figure 10: The Stimulus for succession planning<sup>84</sup>

The concept can be explained simply by a certain will of the entrepreneur that his company his work of a lifetime should go on and proceed successfully even after he left the company. Therefore it is necessary to have a potential successor.

The process of family succession begins as early as when the children become preschoolers or in the primary grades, and end when the successor has taken over management control and the older generation has moved out of business.<sup>85</sup>

<sup>84</sup> BRÜSER, Joachim; Unternehmensnachfolge: Wie Sie als Mittelständler den Stab weitergeben, Cornelsen, Berlin 2007, p. 22

<sup>85</sup> ANDERSON, R.M.; ROSEBLATT, P.C.: Integrational transfer of farm land, Journal of Rural Community Psychology, 6 (1), 19-25

The first step after declaring the will and the need to success is to find the right successor. The most common way to look for a potential successor is to have a look at his or her own children in the first as well as other closer and younger relatives in the second row. The process of finding a potential successor is a long and tough thing to do. The expectations of the entrepreneur do not speed up the process at all. To find the right successor a systematic requirement profile is needed and has to be drawn up first. This is one of the first steps to do.

### **2.3.1.1 Systematic Requirements for a successful succession**

Within this first step of figuring out the systematic requirements of the successor the kind and the character of the company are relevant and they have to be figured out. It should be stated that the more of these factors are fulfilled the higher and the better is the chance for a successful succession.

The systematic requirements for a successful succession are the followings:

- An economical rentable company.

It is important that the existing company is rentable and generates a certain profit. A company which is no longer financial and efficient is not a good company to be succeeded.

- A professional analyzed and calculated price for the company.

The price of the company has to be professionally analyzed and realistic. Therefore the price should be stated by an independent and external professional.

- An exact planning schedule for the realization of the process including:

Examination, matching and optimization of the existing contracts/ a clear settlement for the event of death

- Development of an optimal tax solution (with the help of a taxation specialist)

Longtime strategic planning/ schedule

- A professional realization.

This means the preparation and execution of the prepared succession strategy and plan with the help of independent consultants.

- A qualified and potential successor.
-

The successor is the main factor in the process and therefore he will be analyzed in detail in the future chapters.

- An analysis of the pension and the rent of the entrepreneur.

Life does not end for the entrepreneur after leaving the company and his life has to be financed. Many entrepreneurs are used to live from the profit the company generates and they have no age pension. The financial future of the entrepreneur after leaving the company should be clear.

- An individual solution for the heritage.

The heritage problematic varies from country to country and each political party concentrates on new strategies. The cost for such an heritage cannot be underestimated and a clear strategy has to be prepared.

### 2.3.2 Succession within the family company

Corporate succession can be accomplished by two basic forms: internal and external succession. Next to the clear internal and external forms there is the third option which is hybrid.

The succession is as well internal as external at the same time. This might take place by founding a holding and taking influence on the companies via the holding.

The Corporate succession has to be separated in two different ways: the succession of public companies (non-family companies) and the succession of family companies. The transition in family companies can take place by replacing the owner with a family member or by recruiting from outside the family. Besides these two forms of succession, selling the company to a third party is another option. Furthermore, if no other solution can be found, the fourth option is shutting the company down.

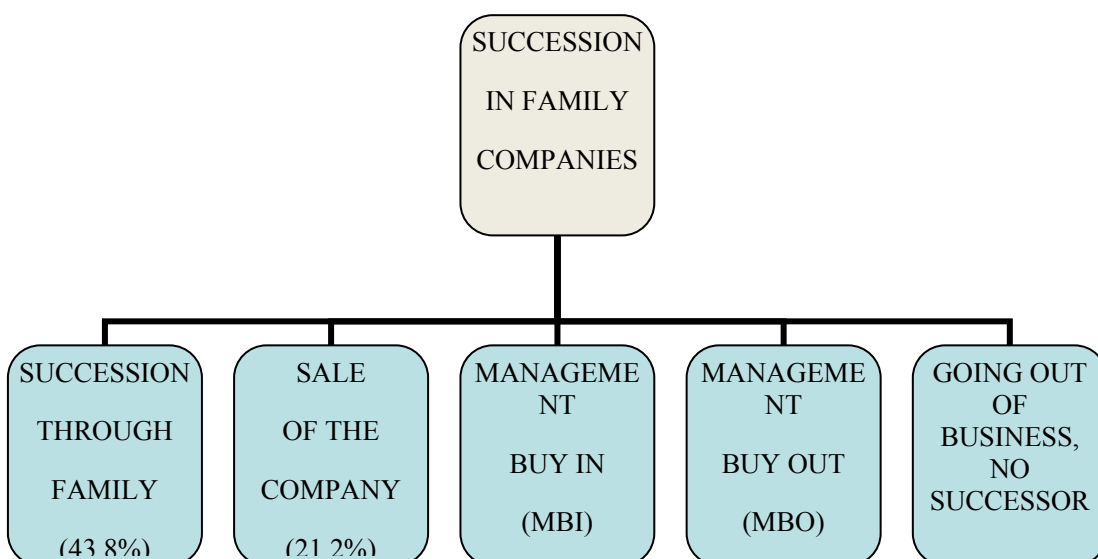
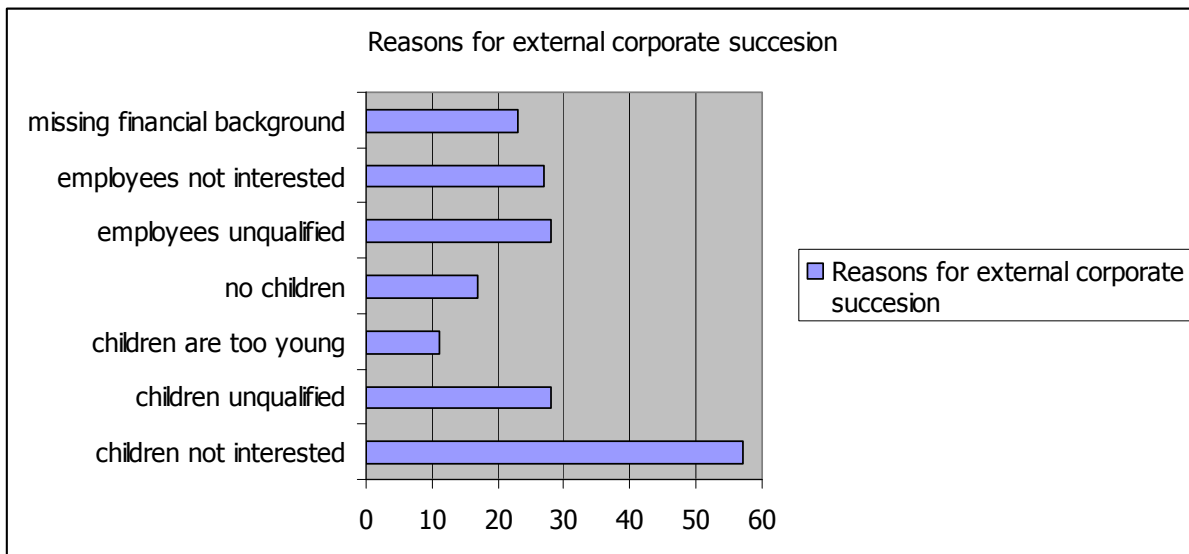


Figure 11: The praxis of succession<sup>86</sup>

The succession in family companies is driven by different factors. Regarding the internal succession by a family member, it is important to take a look at the whole family, the possible family successor (s) and the interrelation of the family.

All members are involved in the business in direct and indirect ways. Based and dependent on their family status, their secondary education, their social skills and the internal family communication the succession takes place. The interrelation of non-family members involved in the business is another important influence factor on the succession: the surrounding of the company with all its employees, external partners, layers, clients and customers cannot be overseen in this process.

Figure 12: Reasons for external corporate succession<sup>87</sup>

To figure out the right way of succession for each family company, there will be a special research method that will provide a possible way for each single and individual situation. Especially the taken case studies will help providing an individual solution. This research method will provide the entrepreneur with a possible solution as well as it will show of the advantages and disadvantages of the different options.

The success of the succession is dependent on the way of communicating,

<sup>86</sup> BRÜSER, Joachim; Unternehmensnachfolge: Wie Sie als Mittelständler den Stab weitergeben, Cornelsen, Berlin 2007, p. 22

<sup>87</sup> BRÜSER, Joachim; Unternehmensnachfolge: Wie Sie als Mittelständler den Stab weitergeben, Cornelsen, Berlin 2007, p. 22



preparing and structuring the process. The following steps have to be pointed out clear and be communicated to the family and all surrenders of the company:<sup>88</sup>

- a) Illustrating the vision of succession
- b) Scheduling the process
- c) Controlling the mission
- d) Motivation of people involved in the process
- e) Coaching the lower hierarchies
- f) Delegating the needed tasks for a successful process
- g) Informing the right people at the right time
- h) Supporting the entrepreneur

Obeying these and following these steps is only one of the successes of the succession besides the choice of the right successor.

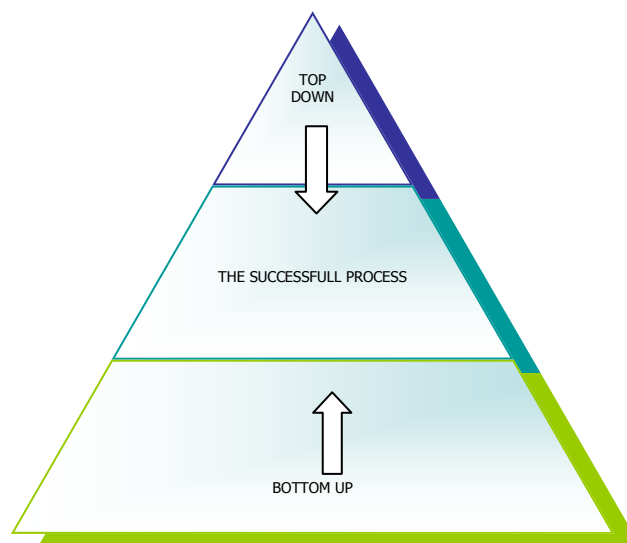


Figure 13: Top down / Bottom Up <sup>89</sup>

The figure above shows the optimal process of the implementation of every new process in the company. The direction of the arrows indicates the needed flow of information within the company. The higher management at the top of triangle is

<sup>88</sup> HENNERKS, Brun-Hagen; Die Familie und ihr Unternehmen Strategie, Liquidität, Kontrolle; Campus, Frankfurt/ New York, 2004, p. 281

<sup>89</sup> Generated from own research: Antonia Hollerbach: Family Succession

giving the information to the lower hierarchies and the Bottom is giving the information to the next higher levels. This flow is not only useful for information furthermore for the attitude of the people. The success of each project is dependent on the flow within the company.

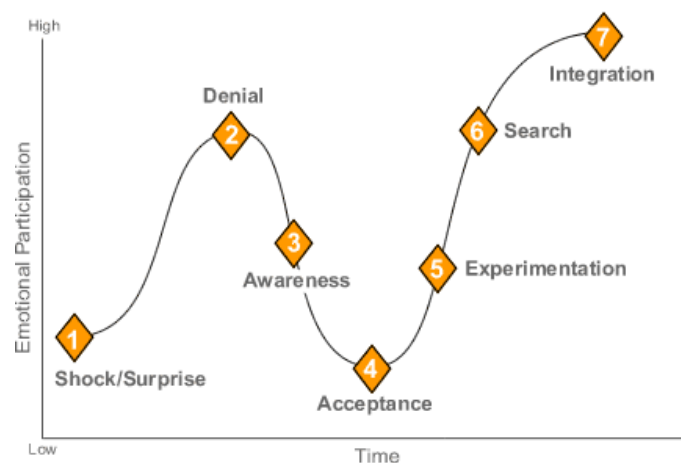
## 2.4 The successor

### 2.4.1 Requirement profile for a potential successor

The process of succession should be defined as a process of change. Leadership within a family company is very dependent on the family entrepreneur. Several skills of the entrepreneur, soft and hard skills will decide about his success:<sup>90</sup> His educational, his entrepreneurial and not to underestimate his personal skills. The fact that these hard and soft skills are almost impossible to measure should be stated clear.

But it is not only about to evaluate the entrepreneur, but although to evaluate the personal and the management.<sup>91</sup>

Taking a deeper look at the reaction of the management and all other employees leads us to the field of Change Management. The following graph shows the typical reaction of a human being on a situation of change:



<sup>90</sup> KEMPERT, Wolf: Praxishandbuch für die Nachfolge im Familienunternehmen: Leitfaden für Unternehmer und Nachfolger. Mit Fallbeispielen und Checklisten, Gabler, Wiesbaden 2007, p. 187,

<sup>91</sup> HOHENLOHE, Carl-Ludwig Prinz zu: Die erfolgreiche Unternehmensnachfolge, RedLine Wirtschaft, Heidelberg 2006, p. 264

Figure 14: Change Management <sup>92</sup>

In the first step, the human being will be shocked or surprised about the change. After overcoming the first shock/ surprised there is a phase of denial of the whole situation. The denial phase is characterized by ignoring the situation and the change. Human beings are based on their normal habitats; it takes some time to overcome the usual habitat and to be aware of the change. The awareness is an important factor for the acceptance.

After accepting the situation due to the fact that there is no other way than accepting it, the experimental phase will start. Human beings try out the new situation and search for their own position within the situation. The point of integration is dependent of the single human being itself and means that the process is completed and the change is accepted.

It is very important that the management runs the process of change as fast as possible. Only when the management has already got through the process and the change is absolutely effective and accepted, the process of top down from the top management to every lower hierarchy within the company can be successful. The productivity of each process is depended on the attention and the respect which is shown towards the employees.<sup>93</sup> After accepting the change within the lower hierarchies, a bottom up process should take place.

The positive reaction of the management is an elementary success factor for the process. The positive reaction of the management helps to speed up the process of Change Management. The managers send a positive signals as well as a positive attitude from the top to the bottom of the company. The support and the acceptance of the management will send a positive internal and external signals and the success of the process is much higher.

Although there are no exact figures which indicate the positive attitude of the management towards the succession, it can be said that the management reacts positive towards the change situation due to different factors. Those factors may vary within the range of personal interests to company's interests:

- The need for a change is big (new investments/strategy ...)
- The entrepreneur gets too old <sup>94</sup>

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<sup>92</sup> KUBLER ROSS, Elisabeth: On Death and Dying, Routledge, 1973

<sup>93</sup> PETERS, Thomas J.; WATERMAN, Robert H.: Auf der Suche nach Spitzenleistungen – Was man von den bestgeführten US-Unternehmen lernen kann; RedLine, Frankfurt am Main, 2003, p. 28

<sup>94</sup> GENERATIONSWECHSEL, L-Bank Staatsbank für Baden Württemberg, Stuttgart 2007, p. 12/13

- New career perspectives for the management
- Certain sympathy for the successor
- (...)

The negative reaction of the management towards the succession goes the same way than the positive one should go. The higher management (top within the hierarchy) does not reach the situation of acceptance within the above showed diagram of the implementation of change.

The wished situation that the attitude towards the process should be lived from top to bottom turns into negative direction: The negative attitude of the management is felt in the lower hierarchies, there is no leading symbol of acceptance and commitment given.

The lower hierarchies will stick to the attitude of the top management and try to ignore the change/process. In the worst case there will be a revolt against the succession/ the possible successor.

The situation for the successor seems almost viewless and hopeless. The future of the company is in danger. Without a total rethinking and turnaround of the behavior and the communicated attitude of the management, there is no way for the successor.

The company will face a dangerous situation of conspiracy and deadlock.

## **2.4.2 The Successor**

The successor of a company is facing a big task. Several requirements are set towards him and the focus of each person included externally or internally in the process is set on him. The pressure to succeed as well as the daily stress and high responsibility he is facing are enormous. In almost each case, the successor stands alone and is dependent on each possible help. There is no school and no university which prepares the successor for his outstanding tasks, The combination of family and company and the entrance into an existing organization, the possible complications and the several demanding towards the successor give him a non comparable position within our society.

### **2.4.2.1. The Educational requirements for a potential successor**

The educational requirements of the successor have been formed during his education in kinder garden, school, university and former jobs. The educational requirements do confirm with the knowledge he guttered during the time of his

education. According to PORVAZNIK, this knowledge can be split in three competence pillars:

- "Knowledge of the social maturity of management subjects,
- Knowledge of the professional ability of management subjects,
- Knowledge of the application skills of management subjects."<sup>95</sup>

#### **2.4.2.2 The Social requirements for a potential successor**

The childhood, the growing up process, the experience as well as the social intelligence of the successor is the foundation for the social skills of the entrepreneur. The requirements within small and medium sized companies towards the social abilities of an entrepreneur are much higher than those towards any other manager. The following aspects are very important when talking about the social awareness of the entrepreneur:

- Discipline
- Integrity
- Fairness
- Communication
- Motivation of the employees'
- Management of complexity
- Awareness
- Goal orientation
- Ability to judge
- Organization of the Teamwork

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<sup>95</sup> PORVAZNIK, Ján and Coll.: Holistic Management: Pillars of Competence in Management, Iris, Bratislava 2008, p. 27

It should be stated that the different social entrepreneurial and emotional requirements are difficult to be differed from each other as they do build the character and the spirit of the human being. The overall of the abilities and their synthesis are forming the actual character of a human being.

#### **2.4.2.3 The Entrepreneurial requirements for a potential successor**

The entrepreneurial requirements for a successor are based on his entrepreneurial and academically education. The successor needs a fundamental and secured education in the field of management as well as in the special sector of his company's working field. The latest researches do show that the entrepreneur in the first line needs to be a generalist furthermore than a specialist in his working field. He needs to operate the company operational as well as the strategically organization.

He has to manage the complexity of the ongoing tasks, communicate with his employees, organize and charge the teamwork. He needs the ability to judge the situation as well as to take decisions. He needs a high awareness of the business, his employees' customers and the surrounding of the company.

He needs a good relationship with his customers as well as with the suppliers for keeping the business alive. He is responsible for the corporate succession of the company, his employees and his task in the society and in the state.

The managerial requirements are a synthesis of the entrepreneurial/ academically education and the social individual abilities of the successor. Furthermore than being a manager, being the leader of a family business requires different and more difficult abilities towards a possible entrepreneur. The combination of the company and the family is only one of this.

#### **2.4.2.3 The Emotional requirements for a potential successor**

The emotional requirements of an entrepreneur are based and founded in his home education, his parents and his process of growing up. A high social responsibility as well as high awareness towards the needs and the specialties of the human being he is responsible for and surrounded by is indispensable.

The success of each succession is based on the acceptance of the employees and surroundings of the successor. Without the support of his team no successor will ever be able to be successful. In small and medium sized companies the leader is always in the role model and the requirements set for him are high to reach. Social and emphatically intelligence are not measurable with any common test. Although the successor will see, feel and get the feedback of his team very soon. The positive

resonance towards the values and emotional intelligence is the most essential aspect for the success of a successor.

### 2.4.2.3 The Physical requirements for a potential successor

"The body is the form, the appearance while the soul and the spirit build is the content (...)"<sup>96</sup>

The influence of the physical appearance of a human being towards her/ his success is not measurable with the common operations. The problem is to keep the candour in this process. Sonja Bischoff is investigating this phenomenon at the University in Hamburg and says that "our body is displaying the total of our psychological-intellectual potential (...)"<sup>97</sup>

She confirms that there is no way to neglect that people enjoy being surrounded by people whose appearance is according to their association of beauty. A public opinion-poll from the Forsa Institute showed that almost 44% of the Germans do think that good-looking people are much more successful than those who do not look that appropriate. The fascinating thing is that the higher the education of the informants was the higher was the figure showing the direct connection of success and a good/ appropriate appearance.<sup>98</sup>

Although there is no possibility to measure the interaction between success and appearance, SCHNEIDRZIK believes in the direct interrelation of the two issues.<sup>99</sup> He says that the times have enormously changed and that being good-looking, athletic and neat shows other people that somebody cares for oneself and might as well be more able to take care of other things.

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<sup>96</sup> BISCHOFF, Sonja: in WEIDNER, Jens; KOLLER TEJIERO, Yolanda (Hrsg.): Mit Biss zum Erfolg Durchsetzungsstärke und positive Aggression im Management, Forum Verlag Godesberg GmbH, Mönchengladbach, 2004; p. 76

<sup>97</sup> BISCHOFF, Sonja: in WEIDNER, Jens; KOLLER TEJIERO, Yolanda (Hrsg.): Mit Biss zum Erfolg Durchsetzungsstärke und positive Aggression im Management, Forum Verlag Godesberg GmbH, Mönchengladbach, 2004; p.77

<sup>98</sup> FORSA Institut, 2006

<sup>99</sup> SCHNEIDRZIK, Willy, E.: Gutes Aussehen eine Chance mehr, Ariston Verlag, 1986

## 2.5 Possible complications/ common stumbling blocks

One of the biggest and most common stumbling blocks for the succession is the negative attitude towards the successor out of the own company. The reasons for a negative attitude of the management and the employees towards a company's succession and the company successor are various. The described top down process means in this case that the negative attitude towards the change will run from the management towards the lower hierarchies. Some possible reasons for a negative attitude of the management can be named as:

- Nepotism<sup>100</sup>:  
If the feeling occurs that the successor is only chosen because of his family status and not because of his abilities, the spirit of the company will fall. Internal managers who have seen themselves as possible successors might work against the successor.
- Personal conflict of interest  
If the personal interests of a manager are not conforming to the interests and strategies of a successor, the manager might not support the successor.
- Missing information for the management  
The management is not informed about the future/strategy of the company and does not know which way to go. The missing integration of the management leads to a negative attitude towards his work, the company and the successor.
- Conflict between the successor and the management  
The successor should use the knowledge and the know-how of the management for achieving his objectives. If the objectives of the successor are not the same as those of the management, the situation might imbalance.<sup>101</sup>
- The lack of management  
Many of the old entrepreneurs of family companies have "ruled" their companies as autocrats. After leaving the company the successor does not

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<sup>100</sup> PEREZ GONZALES, Francisco: American Economic Review; <http://www.americaneconomicalert.org/aboutsus/asp>, 2007

<sup>101</sup> HUBER, Hans-Georg; STERR-KÖLLN, Heribert: Nachfolge im Familienunternehmen, Schäfer-Poeschl, Stuttgart 2006, p. 186 ff.



have an existing management to help him. He has to build the management from the very beginning.

- Conflict between the entrepreneur and the management  
To give an example of a possible conflict: When leaving the company, the entrepreneur has different objectives than the management. The entrepreneur has to secure his old-age pension and make sure that his lifestyle will not dramatically change.<sup>102</sup> This security might cost a lot of money, which the management wants to use for investments.
- The non acceptance of the successor within the management<sup>103</sup>  
For several reasons there is always the risk that the management does not accept the successor.

Other possible and common stumbling blocks for the successor are:

- The successor is too young and is missing the needed experience to overtake the company.
- His missing life experience is leading to the wrong decision.
- The successor is no grown personality and cannot stand the pressure and the responsibility his new task and challenges do bring.
- The successor is just no born entrepreneur.
- The successor is instable in his physic and physic form.

All the above named and mentioned stumbling blocks have to be amplified by the internal family problems. A family of a family company as well as every other family does have internal problems beginning with the communication going on to jealousy between the family members.

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<sup>102</sup> GEISEN Bernd; HEBESTREIT, Regine: Unternehmensnachfolge; Deutsche Industrie und Handelskammer (DIHK), Berlin: 2004

<sup>103</sup> HABIG, Helmut; BERNINGHAUS, Jochen: Die Nachfolge in Familienunternehmen ganzheitlich regeln, Springer, Berlin/Heidelberg 2004

More than one family of a family company has been separated by the process of succession. Members of the family/ brothers and sisters are afraid of being missed out or underestimated. This is a never ending story of money, love and attention which can lead to big fights within a family.

To avoid these family intern problems it is important to have an independent consultant who is judging the family members by their potential and tries to come to a fair decision and solution which is appropriate and acceptable for each family member.

### **2.5.1 Unforeseen, sudden exit of the entrepreneur**

As already shown in the former chapters, the most often stimulus factor for succession is the age or the sudden death of the entrepreneur. Unfortunately most of the German family companies are not prepared for this “emergency case”. This unforeseen and not at all planned case is an offensive threat for the wealth of the company as well as for the family itself. One of the most important phases within the process of succession is the preparation of the succession. The sudden death of the entrepreneur is skipping this preparation phase and leads to enormous problems.

The sudden interaction of all involved parties of the company as well as the right choice of the right successor is the key success factors out of this crisis.

Very often the sudden death of the entrepreneur as well as the lack of the preparations for succession is the end of the family company. The reaction time is just too short, the business is dependent on the personality and the knowledge of the old entrepreneur, the structure of the company is too old and the core competence of the company is no longer existent. This could be explained by the fact that the way of dealing with the business and the customers is very often a personal one. The soft skills/ knowledge or receipts did only exist in the former entrepreneurs head and spirit. They are not written down and therefore lost and useless.

Every entrepreneur has to face its mortality and always be prepared for his own death and a way for his family and his employees to go on and proceed even after his death.

## 2.6 The preparation steps for a successful succession

The main success factor of implementing a change is the integration of the human beings involved within the process.<sup>104</sup> It should be stated clear that one of the major problems is finding the right management<sup>105</sup>, willing to improve the process.

Involving the management and employees means giving them the right information at the right time. This means informing them about the succession at the moment the succession is clear. Involving them in the process means demanding their active participation, their cooperation and their knowledge and know-how for the process. A certain acceptance of the successor from the management is definitively needed. This acceptance can only be reached by already achieved attainments of the successor. The attainments have to be collected in different fields: in the field of education, the field of work experience, the field of leadership and the field of social responsibility.

Within family companies the old entrepreneur has a certain reputation which is combined with respect and acceptance due to his lifelong work experience. This "natural respect" is a pure phenomenon of the entrepreneur of a family company and cannot be heritage at all.<sup>106</sup>

Another important issue for the success is to state out clear the vision, mission and the objective of the process. Those three key factors should be available in written form and well-known, omnipresent to every member of the management. The tool for spreading the needed information is the communication. "The communication shortcomings of employees and the importance of communication within the business explain why you should work to improve your communication skills."<sup>107</sup>

The integration of the management within the top down hierarchy process happens through active participation of the management. The following tasks have to be overtaken by the management<sup>108</sup>:

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<sup>104</sup> HAMMER, Michael; CHAMPY, James: Business Reengineering, Die Radikalkur für das Unternehmen, Campus, Frankfurt/New York, 2003, p. 47 ff.

<sup>105</sup> STORBECK, Olaf: Familienunternehmen – der entzauberte Mythos, Handelsblatt 23.07.2007, p.9

<sup>106</sup> HOHENLOHE, Carl-Ludwig Prinz zu: Die erfolgreiche Unternehmensnachfolge, RedLine Wirtschaft, Heidelberg 2006, p. 63 ff.

<sup>107</sup> LESIKAR, Raymond V.; PETITT, John D. Jr.; FLATELY, Marie E.: Lesikar's Basic Business Communication; Irwin McGraw-Hill, 1996, p. 3

<sup>108</sup> HENNERKS, Brun-Hagen; Die Familie und ihr Unternehmen Strategie, Liquidität, Kontrolle; Campus, Frankfurt/ New York, 2004, p. 281

- Illustrating the vision of succession
- Scheduling the process
- Controlling the mission
- Motivation of people involved in the process
- Coaching the lower hierarchies
- Delegating the needed tasks for a successful process
- Informing the right people at the right time
- Supporting the entrepreneur

By obeying the above named tasks and following the top down hierarchy process, the opportunity for a successful succession and the acceptance of the entrepreneur within the company is rising enormously. The acceptance is one of the most common stumbling blocks and therefore a strict common sense and consequent work with the management and the employees is absolutely necessary.

The following table shows the changes after the succession taken by the successor. As the graphic shows the changes are made in different departments as well as in the strategically positioning of the company. More than half of the successors do focus on new markets; more than 70% of the successors do invest in new production technologies and do drastically change the administration process. And more than 80% do have new ideas, want to develop new products and introduce new processes.

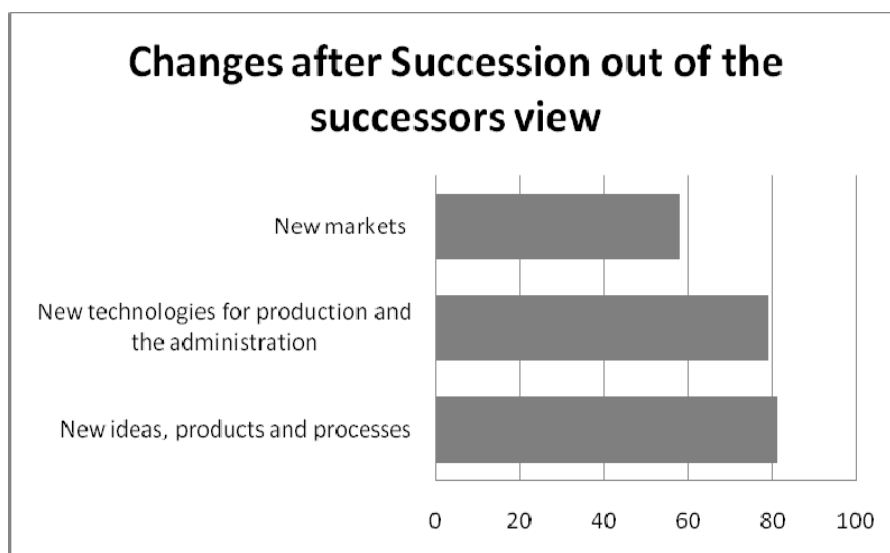


Figure 15: Changes after Succession out of the successors view <sup>109</sup>

<sup>109</sup> SCHÖLMER, Nadine; Institute für Mittelstandsforschung, IfM Bonn 2008, p.76\_a-17

This table shows the changes in a family company after the succession. The change in leadership is as well a change in personality and this change does not stop for the operational and strategically strategy of the company itself. Within the surveying of realized successions of the Institute für Mittelstand (IfM), the successors have been asked about their personal estimate/ analysis of their success after the succession. The following table displays their answers in percentage:

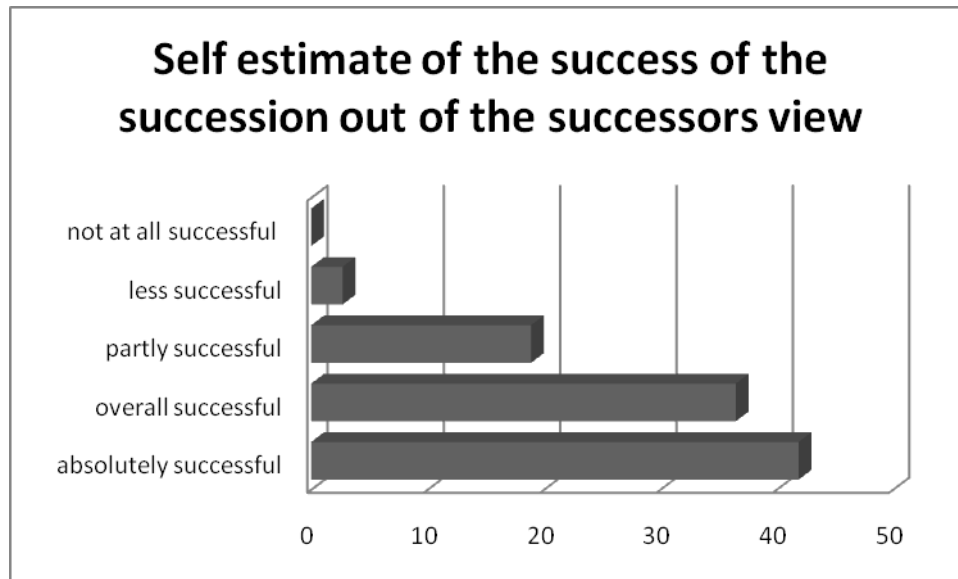


Figure 16: Self estimate of the success of the succession out of the successors view <sup>110</sup>

The given answers display only the self estimation of the success of the succession out of the successors view. It is important to state clear that there has been no clear and acknowledged survey displaying the real success of the succession. Although the table does only display the self estimate the overall impression and status of the successions is positive.

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<sup>110</sup> SCHÖLMER, Nadine; Institute für Mittelstandsforschung, IfM Bonn 2008, p.162

### 3. PURPOSE AND HYPOTHESIS OF THE DISSERTATION

Besides being owner-manager, manager and in the leadership position of the company the entrepreneur is also husband and father/ wife and mother. He/she is the connector between the family and the company and his daily challenge is to solve possible conflicts, contact surfaces which arise due to his parallel function. Next to leading the company successfully, his task is much more complex.

Especially the process of succession is a once in a lifetime task for an entrepreneur and brings up new and unknown challenges. These challenges arise in several aspects: emotional, entrepreneurial and familiar. Often the entrepreneur is acting according to his emotions and feelings.<sup>111</sup>

This leads to the problem that the process of succession in family businesses is a tough process and the causation as well as the effects of each succession are various and based on emotions. These emotions can be helpful as well as destructive for the succession within the company and within the family. The family companies are based and founded on this two main objects the family and the company are seen as the objects of cognition within this work.

#### 3.1 Goals of the research

The major goals of the research are:

- G1**        The first goal is trying to find a methodological approach for the process of succession within small and medium sized family companies in regard of the effectiveness and efficiency of the implemented and operated methods
  
- G2**        The second goal is the practical help for the elaboration and composition of a methodically approach to the preparation and education of the possible successor

These two goals of the research can be explained by the missing economical attention and the lack of information and provided help for owner-managers. As well as with the practical fact that during the process of my own succession process these goals appeared helpful and very urgent to me. Setting the focus on the analysis

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<sup>111</sup> TRITT, KARIN: Emotionen und ihre soziale Konstruktion. Vorarbeiten zu einem wissenssoziologischen, handlungstheoretischen Zugang zu Emotionen. Europäische Hochschulschriften. Reihe XXII Soziologie, Band 26 Frankfurt am Main

of the actual situation in regard of the effectiveness and efficiency of the implemented and operated methods are standing for the syntheses of the practical and theoretical part of this work.

The second goal has a more practical approach towards the topic and attempts to generate solutions for the problem of family succession for the involved parties and people. As every process has different approaches, the process of succession can have different approaches as well. The goal is to present the solution with the highest success potential. These advices have to be seen generally and can vary in each single case.

### **3.2 Research Hypothesis**

The research hypotheses are the leitmotif of this work. They form the background focus of this research and are to be discussed, challenges and questioned throughout this dissertation. They are based and raised within the process of investigating the topic.

**H1** The willingness to success a family run business is a longtime process of the possible successor which can be influenced by his environment, especially by the founder.

The first succession process of a family business from the founder to the next generation is the most crucial and interesting one. The succession generates economic impacts through taxation and employment. The survival of family firms is one of the major social and economic challenges facing the European Union.

The foundation of the success of the potential successor is in his childhood, his growing up, his education and his environment.

**H2** The succession is the amount of the result of the family and company strategy, the implemented tactics, decisions, longtime goal setting and goal achievement within a family enterprise and the family.

The organizational structure as well as the size of the firm and the number of family members involved in the company carries implications for the succession characteristics. The commitment among all family members is only one of the unique cultural characteristics that characterize the family business. The total commitment to work for the family business (means to work for the wealth of the family) increases the probability of active succession planning and management.

The above named hypotheses are more and more investigated and the actual economical figures support these hypotheses. In these times of the economical and financial crisis the success factors of our economy should be promoted and generally analyzed for learning and securing them for the future.

Within the last years the actuality of the topic succession in small and medium sized family companies is gaining more and more importance. The elaboration as well as the investigation of the above named methodological approaches to the process and therefore the following concepts are helping to identify and special characteristics of family firm businesses that are either beneficial or risky for the survival in the evolutionary struggle.



## 4. RESEARCH METHODS

After investigating and outlining the research questions and hypothesis which are relevant for this thesis in the previous chapters, these questions and hypothesis have to be tested within this chapter. The task and object of this chapter "Research Methods" is to outline and describe the methods of research by using and inventing a questionnaire based on the research questions and hypothesis. The target group of the questionnaire is entrepreneurs which are leading a family company for more than 15 years by the time the questionnaire was sent to them. The research questions of the questionnaire arose from the literature review which is discussed in former chapter, which are based on the literature review.

Furthermore the scientific research in the field of "succession" is very limited and only in its beginning stadium. As the topic is becoming more and more important the data collection process is just slowly rising and new institute are beginning with the collection and realization of statistical data. The very limited existing research field of succession and the very less existing (statistical) data concerning and researching succession was to overcome. Therefore we decided that the use and the need of heuristically methods was the clear and obvious way to handle the lack of statistical data.

The process of overcoming the lack of statistical data was leading to the choice to take advantage out of my actual working situation and the fact that the connection between the science and the practice is giving in my every day working life. My working situation would provide the needed help and support for the data collection. The research would directly benefit from my regular work. Within my work as the CEO for UniversalProjekt Laden- & Innenausbau I do obviously have lots of consultation and meetings with our suppliers, customers and clients as well as other service-oriented companies. Most part of the inner and outer circle of our suppliers and neighbored companies are family companies.

The goal was set: taking advantage out of and using these meetings and consultations for gaining new research results and practical discussions about the topic of succession. This research method was called "spontaneous goal-oriented discussions". The spontaneous factor was that these discussions arise without any planning during or after the regular meeting. Most of the discussions just happened without any pre-planning or information for the discussion partners. The goal-orientation is used in regard of the schema with which I tried to softly push the discussion in the right direction. Within the time between March 2009 and July 2010 I had 72 of these spontaneous goal-oriented discussions.

## 4.1 Ethical approach to research

The brisance of the topic and the personal interrogation of the target group entrepreneurs via the questionnaire are leading to the concerns of the target group. The most important thing to do was to provide the target group with the feeling that the given information from them is absolutely private and confidential.

None of the given information is published with direct relation to the information delivered.

The need for data which were given by these entrepreneurs out of the practical daily life was the foundation of the questionnaire. The questionnaire was created in regard of the required preliminary data from the entrepreneurs to investigate and research the background of succession in small and medium sized family companies.

The following reasons show up the importance of the questionnaire for this topic:

- The literature review did not show up all facets of the process of succession
- There are no useful existing sources providing the needed and researched data
- Personal interviews came out as very qualitative and the difficulty of focusing the interviewer on the main questions was not always possible
- The liability of the data taken from the questionnaire has outlined as higher than those taken from interviews
- The circle of the target group has been much wider than the circle of possible interview partners who would have taken their time to do an interview
- The option of bringing a qualitative research topic into a quantitative one was given

## 4.2 Applied methods of the data collection

The applied methods of data collection which have been used are different and various. The start of the collection was set within my childhood as I grew up as a daughter of a founder/ owner manager of an international medium-sized family company. Within this life and especially within the process of my growing up, my mind was opened for the special interest and needs of family companies.

The first real method of the data collection was the **literature review** which was escorting me through the whole process and the last years while investigating in the topic of family succession. The literature review for this "young" topic was not always very easy and it has to be stated that especially in the end of the year 2009 an enormous rise in the publication of literature (articles and handbooks on the topic) is listed.

The synthesis of the literature and my **personal experience** was very vague and it was noted that the practical and the theoretical approach towards this topic were antipodal. Most of the researched literature did not treat the family business as a special company within the big pool of companies, the strength and the weaknesses of family companies as well as their advantages and disadvantages have not reflected my personal point of view.

I do excuse this with the young age of the topic and the missing attention and awareness for the family companies. The longer the literature review went on the better in quality and quantity the material became. The topic family company as well as the topic succession becomes en vogue and interesting for practice and science.

The next soft research method which I took use of was the **dialogue and the discussion** with owner-managers, founders, successors, potential successors and everybody concerned and integrated in the process of succession I could find. The advantage of my job in a family company dealing with and being surrounded by lots of other family company helped me for these surveys. These discussions showed me the different approaches/ problems/ sorrows and ways of solution with the process. The discussions opened my mind for the common problematic of a missing methodically approach for a successful company.

These discussions and soft meetings were the foundation of the soon following structured interviews. In comparison to the first discussions and open questions to the owner-managers and other named people, the interviews have been much more organized and have been much more official.

Soon I did realize that the official part about the interviews did not support the outcome of good results and helpful information of the daily life of the interviewee. The explanation was given right away: the family company people are not used to get that much attention and most of them could not explain why they are acting as they are as their action is much more internalized than strategically planned.

The next step was the preparing of a **questionnaire**. The process of the questionnaire is explained in detail in the next chapter.

On top of these methods my **personal daily life** in my father's company has showed me that successful companies which have accompanied my father during his professional life had to shut down and run out of business due to a missing successor. This was a sad experience as the fact is: If the succession had been better prepared and there would have been a professional help and more attention for the situation, the company could still run successfully with a new successor.

Our own succession become popular and well-known within our customers and clients pretty soon and the resonance was very good. The circle of the concerned people grew every day. As all of our customers did have customers and employees did have direct contact with my father, they realized soon that we were following him on every step and he was introducing us from the very beginning to make the people aware of the future.

Very often he was asking our employees or even our longtime customers to help my brother and me and to be indulgent with us. The including of every person within our inner and outer circle of the company made our succession to a common project and motivated everybody to bring the process to a successful story.

The data collection with all the described methods was a milestone for this work and every single method was important for itself and for the syntheses the results came up with.

### **4.3 Methods of Data Manipulation and Formulation of Results**

The range of possible methods of data manipulation and formulation of the results are various. The specialty for the data manipulation on the basis of the research methods which have been chosen is the quality/ quantity mix of the results. The most results are more qualitative than quantitative and therefore the choice of the data manipulation has to be chosen accordingly.

The following methods have been used for the data manipulation and resulting from this the formulation of the results in accordance to the used research methods:

#### **System analysis**

The system analysis was used for the interacting objects and therefore connected with the operations research. This interdisciplinary analysis helps to deal with the complexity and the variety as well as the interaction between the varieties.

The different objects and systems are simplified and analyzed. Therefore the decision making is easier and maybe different from the decision made without the system analysis.

### **Cross Impact Analysis**

The Cross Impact analysis is the analysis of the relations between the results. It is seen as the Determination of the effect which one instrument is having on another instrument that means their correlation.<sup>112</sup>

The big advantage is the reduction of the mostly very high complexity. It is the identification of the dependency of the central effects between the communication instruments. The direction is the possible integration options.

The basis is the opinions of experts about the correlation between the instruments by making direct comparisons between the instruments. A rating scale is needed:

- |   |                           |
|---|---------------------------|
| 0 | = no detectability        |
| 1 | = very low detectability  |
| 2 | = low detectability       |
| 3 | = high detectability      |
| 4 | = very high detectability |

The advantages of the Cross Impact Analysis are:

- High activity level with different influencing factors and their effects
- Thought provoking impulse for an alternative modus operandi
- Identification of new operating ways

The disadvantages of the Cross Impact Analysis are:

- Subjective choice and evaluation of the relevant factors
- The analysis is based on a pair of data, the reality shows more than two factors influencing an operation
- The data collection is very time consuming and intensive

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<sup>112</sup> BLEYMÜLLER, JOSEF; GEHLERT, GÜNTHER; GÜLICHER, HERBERT: Statistik für Wirtschaftswissenschaftler, Vahlen, 2008; pp.37

## **Deduction**

Within the statistical as well as in the philosophical world, the deduction is the logic to bring the result in accordance to the given facts to the logical and necessary result. It is the understanding taken down from the general aspect to the special aspects. The deduction is the opposite of the induction.

## **Induction**

The induction method is a method of proof that typically used to establish that a given statement is true of all natural numbers. It is done by proving that the first statement in the infinite sequence of statements is true, and then proving that if any one statement in the infinite sequence of statements is true, then so is the next one. The induction is the opposite of the deduction.

This method is used for the given and named statement and therefore it is about to proof the truth of these statements in their logical and dependent right order.

## **4.4 Data analysis procedure**

In order to emboss the data distribution and to evaluate the received data several data analysis procedures have been done. To obtain answers from collected data for the identified research questions and to test the hypotheses, correlation analysis and other descriptive statistical methods were selected as appropriate tools for this study. Within this study it is important to evaluate the qualitative as well as the quantitative collected data as well as to figure out the reason for the gained data, their interrelation as well as their synthesis.

Within the process of data analysis the question is "why?" do things happen and appear as they do. The causal analysis seeks to identify and understand the reasons and causes why things are as they are and hence enabling focus of change activity.

The Systems analysis as an interdisciplinary part of science is dealing with the analysis of sets of interacting entities. This field is closely related to operations research. This explicit formal inquiry is carried out to help to identify a better course of action and make a better decision. The synthesis of the analysis is the combination of two or even more elements to one product/ fact. The synthesis analysis plays an important role within this study due to the fact of the interdependences of each single circumstance and the wide range and various surroundings of the target group.

## 5. MAIN RESULTS OF THE THESIS

### 5.1 Developing research variables and research instruments

#### *Spontaneous goal-oriented discussions*

As announced in Chapter 4 the lack of statistical data lead to the development of the new research instrument “spontaneous-goal-oriented discussions” which were held with our suppliers, customers and other service-oriented companies within my every day working life. Within the time between March 2009 and July 2010 I had 72 of these spontaneous goal-oriented discussions. Out of these 72 discussions seven of them were without any further use for my future research. The content of the discussions was filled next to general discussion and a short introduction as well as thankful words oriented towards with the following themes and topics:

- It was questioned if there are any questions and/ or problems regarding the succession within the company? The options to answer should be yes or no.  
Almost 89% out of the research circle said: Yes, there are questions and problems regarding the succession within our family company.
- The (possible) successor is an internal member of the family or generated from an external source? (This question was directly oriented and only focused on family businesses).  
92% answered that the successor was an internal family member. The orientation for the search of possible successors is based and focused on the internal family circle.
- The next question was if there are any changes expected after the implementation of the new successor within the business?  
Most part of the answers, 98% are expecting a change within the company. The kind and quality and quantity of the change have not been specialized.
- What kinds of preparations are considered for the implementation of the successor within the highest hierarchies of the company?  
The answers to this questions have been various and totally different. I used these different answers and the single ideas and named processes for my recommendations for preparing the process of succession and the succession itself.

The applied and self-generated method of spontaneous goal-oriented discussions showed new experiences and results. To evaluate this method and to judge its use for the science I will name some of the important aspects of the method:

- The **positive** aspect about these spontaneous goal-oriented discussions is the spontaneity and the flexibility for the applicant. The applicant is not limited or regulated within his questions and has the chance to use the direct contact of the discussion and his personality to involve the partner. Therefore some irrelevant questions can be left out and other questions can be invented to generate deeper information and to be more detailed in some questions, if necessary. Therefore new ideas and further information can be generated especially if the discussion partner is willing to share his experience and ideas. The personal aspect of this method in regard to the possible generated results is high.
- The **disadvantage** is given by the social standards and the fact that it is not polite taking notes during these conversations. The spontaneous goal-oriented discussion is a private discussion and it is neither possible to use record tapes nor to ask the interview partner to repeat his words. The applicant has to remember the discussion and take his notes after the discussion. Taking the notes should be discrete and private. As these conversations built the end of sometimes long and tough meetings it is sometimes very tough to concentrate and focus on all the given answers and remember the said words of the conversation partner.
- The final research analysis of these spontaneous goal-oriented discussions with all its information and data is very complicated and time taking. The complications arise due to the various given information with different backgrounds and qualitative as well as quantitative differences. Therefore the syntheses of the results should be worked out parallel and continuatively after taking the discussions to gain the best possible results.



## *Questionnaire*

The chosen research method of the questionnaire to collect data for this research was leading to a structured questionnaire for entrepreneurs. In preparation of the questionnaire the target group was informed by a personal phone call and the personal bid to fill out the questionnaire and send it back to me. The questionnaire was sent either by email or by fax in accordance to the wish of the entrepreneur. A short introduction is presenting the topic of my research as well as me with the kind regard to support my investigation by spending 10 minutes of their time for my questionnaire.

The questionnaire itself is structured in five parts: Its starts with a short introduction and ends with thanking for taking the time and filling out the questionnaires. The option of getting the results of the questionnaire or even the finished dissertation was given, too.

The three main parts of the questionnaire are:

A General information of your company

B Your personal company succession

C Questions to the succession – the succession generation

## **5.2 Pilot study for the questionnaire**

Before starting the real questionnaire and sending it out to the target group it was important to start a small pilot study with the questionnaire. The questionnaire was pre tested at a member of the marketing chair of the European Business School (EBS) in Oestrich Winkel, Germany, who has certain experience in designing and creating questionnaires. The remarks of this member have changed the outline and the structure as well as the content and the quality of the questionnaire. After considering these remarks and remodeling the test, the pilot study has taken place with 3-6 entrepreneurs, willing to join the study (January 2009).

The study pilot participants have been asked for the clarity, the comprehensibility, the structure, ambiguous questions and the needed time for filling out the questionnaire. The participants have not been asked to comment on the relevance of the questions. After filling out the questionnaire the pilot study group was interviewed by phone about their experience and their feeling about the questionnaire.

There have been no problems of understanding the questions, neither language problems, nor comprehensive problems. The questionnaire is created in the German language and all members of the pilot study group are native speakers in the German

language. The time for filling out the questionnaire was alright, too. The average time of filling out the questionnaire was about 9 minutes.

With the help of the expert in questionnaires of the European Business School and after the successful pilot study the questionnaire was ready for being held.

### **5.3 Research approach questionnaire**

After the successful pilot study in January 2008, the researcher started to collect the data of the target group for the questionnaire. To gain the information and the contact of the target group, the data base of the Hollerbach-Group was needed. This data based provided the addresses and the contact dates of more than 8000 suppliers/customers and companies working together with the group. Figuring out the right target group was a difficult thing to do. With the help of the experience and the collected Know-How about these companies as well as with the German Handelsregister, a group of 150 possible entrepreneurs was figured out. All 150 possible participants have been personally called and asked for their help with the soon arriving questionnaire. Most of the 150 companies are family run companies' in different stages of succession and in different generations. As they are taken from the data base of a handcraft company where they are longtime suppliers for several years, most of them are from the branches: handcraft, services. Only some of them, about 10-15% are trading companies. As most of them are family businesses they are aware of the problematic of succession and the specialties of family businesses.

The personal engagement and the personal contact have been seen as helpful for the success of the questionnaire. Unfortunately it was not possible to talk to each entrepreneur himself; sometimes their secretaries or assistants just asked me to send it and could not promise that it will be sent back to me.

#### **5.3.1 Sampling method**

The basis for the sampling methods was the purposive sampling as well as simple random samplings. The purposing sampling was accomplished to select the entrepreneurs in the selection of companies based on the available data basis. The simple random sampling was needed and used to select data from the employees of the entrepreneurs and the surrounding of the companies concerned with family succession.

### 5.3.2 Data Collection procedures

The Data collection was a long time process. As already explained above the target group of the questionnaire was informed by phone calls before getting sent the questionnaires with its self explaining manual. The target group consists of 150 entrepreneurs. The return run of the questionnaires was very good: almost half of the concerned companies (72 out of 150 companies) sent the questionnaire back.

The sample size, reduced on the target market Germany is not to be defined due to the not known overall number of the possible entrepreneurs engaged in the process of succession.

The organization of the data collection was very intense and took its time. The successful return run may be explained by the personal contact to the companies.

## 5.4 Findings from the questionnaire

The previous paragraphs explain and discuss the chosen and applied research methodology for the study. This paragraph presents the evaluated and calculated findings from the questionnaire. Within this paragraph the focus will be on the main findings of the questionnaires. Even after the pilot study some of the answers and results of the questionnaire turned out to be useless of value for this study.

As the questionnaire is divided into three main parts, the findings of the questionnaires are group in the same order:

A General information of your company

B Your personal company succession

C Questions to the succession – the succession generation

The results from the descriptive and information gaining part A General information of your company are the following: The average number of employees of the target group is 26. The average age of the entrepreneurs asked within this questionnaire was 56 years old. It has to be stated that the mean and bigger part of the entrepreneurs are around the average age. Only a small part deviates strong from this figure: this means they are much younger or even older than the given average age of 56 years. The overall turnover question was not answered from almost half of the target group. Due to the lack of information on this fact this study will not focus on the overall turnover and bring it into context with the research question. In the average the companies do exist from 1968 on.

Part B Your personal company succession needs special attention due to the personal information received from the target group about their way of succession. As the figure shows more than 60% of the companies are in the first generation and only 5 % of the companies are already in the third generation. Taking a look back at the introducing sentence of this study and considering the hypothesis this figures give the impression that on the long way of succession many companies get lost due to various reasons.

The first generation creates it, the second generation keeps it, the third generation dismantles it.

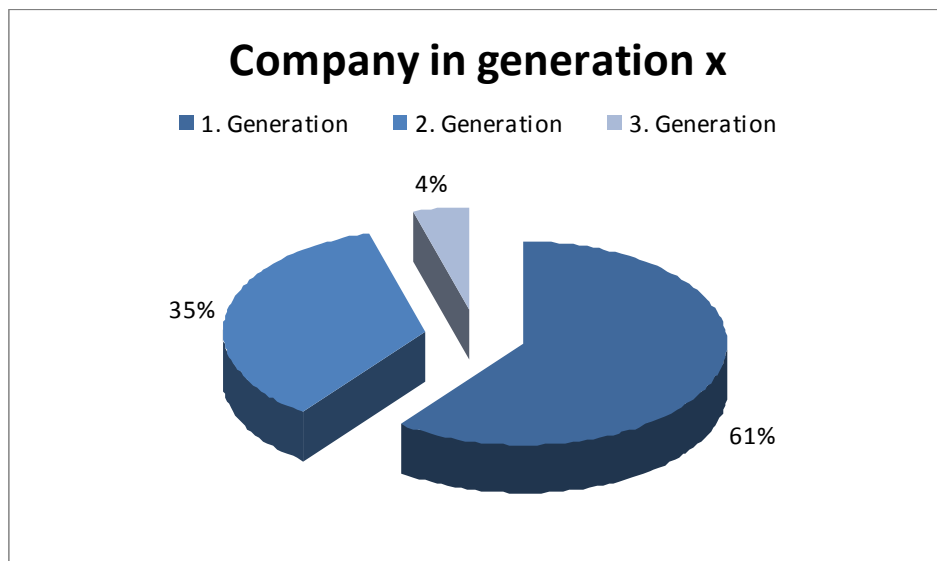


Table 17: The Company in Generation X<sup>113</sup>

These figures demonstrate the need of action in the discipline of company's succession within small and medium sized family businesses. The awareness of the entrepreneurs is already given this is proved by the high number of entrepreneurs which have already thought about it. Out of the 72 entrepreneurs who answered the questionnaire, 58 answered that they have already thought about their own succession in their own family businesses. This figure shows the great awareness of the entrepreneurs towards their future.

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<sup>113</sup> Generated from own questionnaire Antonia Hollerbach: Family Succession

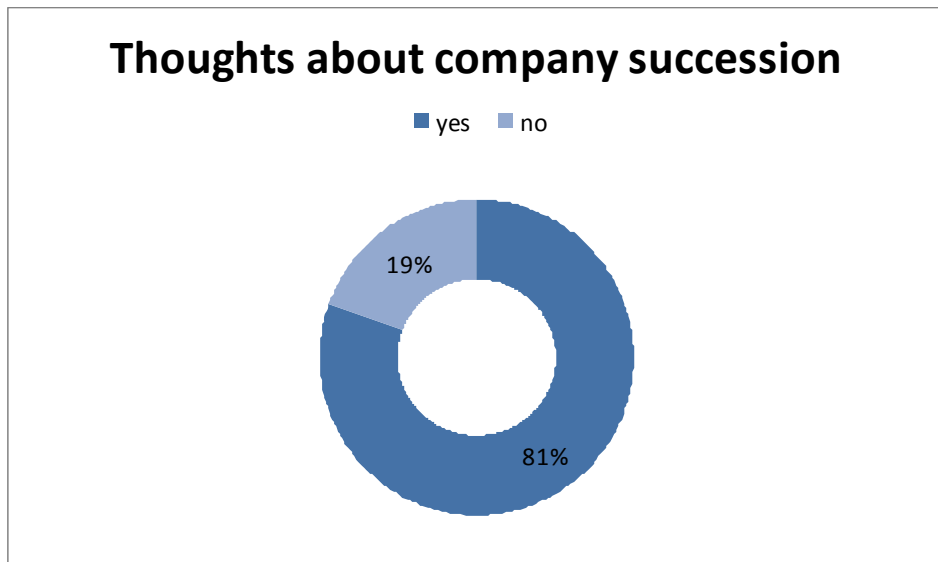


Table 18: Thoughts about company succession<sup>114</sup>

The reasons for the company succession are various. The most important reason is the age of the entrepreneur. That means that over 62 % of the entrepreneurs do think of their succession due to their high and rising age. Other reasons are that their health does not allow them to go on with the company (17,24%), they want to handle over their company to a third person (8,62%) or they wish to have more free time for themselves and their family (6,89%). Only 4% are no longer interested in their company or they want to start a new business.

The problem is the following: More than 81% of the questioned entrepreneurs do think about their own succession, but only 31% do already have a possible successor. This lack between the wish to success and the option of an available successor is a big problem and one of the main reasons for unsuccessful successions and the loss of many small and medium sized family businesses.

The possible successor is mostly recruited out of the family of the entrepreneur. The wish to enable the own children and introduce them into the family company of the entrepreneur is the first choice of almost each entrepreneur. Next to his own children (51%) the entrepreneur thinks of his relatives (nieces and nephews, 11%). When there is no possible successor within the close or the wider family the entrepreneur considers a successor within the company or an external manager for his succession.

The process of succession is one of the most important and demanding tasks in the life of an entrepreneur. This may explain the fear that many entrepreneurs are facing when dealing with the process of succession. This fear may arise from different reasons. The reasons given by the entrepreneurs are the following: Failure of successor, Decrease in turnover, No acceptability by workforce, Problems / dispute

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<sup>114</sup> Generated from own questionnaire Antonia Hollerbach: Family Succession

inside family, No acceptability by costumers, Ideology will get lost, Excessive demand of succession, No apprehension.

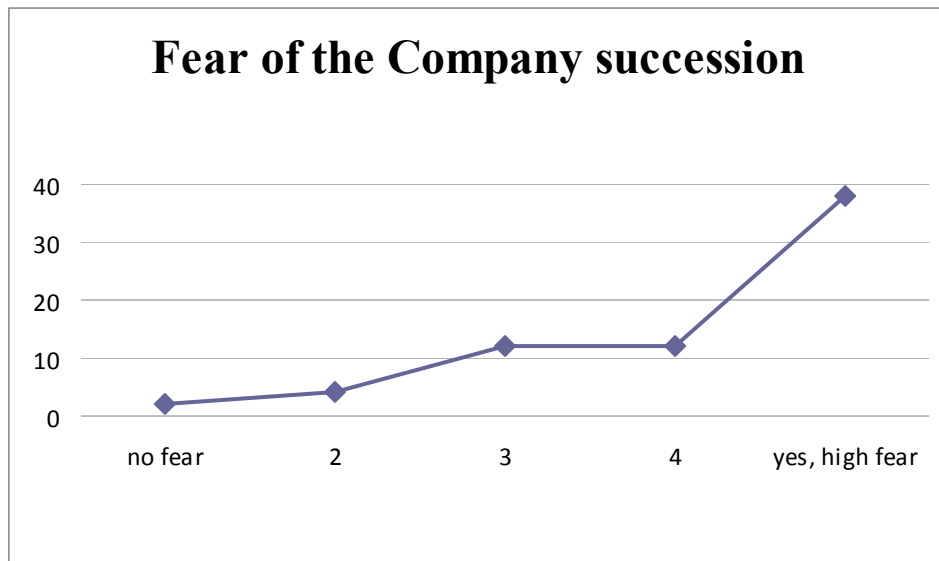


Table 19: Fear of the Company succession<sup>115</sup>

The last part of the questionnaire part C Questions to the succession – the succession generation is dealing with the general subject of succession. The entrepreneurs have been asked about changing requirements of an entrepreneur in the 21<sup>st</sup> century.

Out of the 72 asked entrepreneurs 39 of them do think that the requirements have changed and that the qualities an entrepreneur do have to have changed over the last years. Out of these 39 entrepreneurs 18 of them name the Globalization of markets, 13 of them name the Modification in society, 6 of them name the Requirement of environment, 28 of them name the Competition pressure, 12 of them name the Bureaucratic barrier, 16 of them name the Educational standard is higher and almost 24 of them name the End of economic growth. Within this question it was possible to name several reasons.

One other important question was Question 15 "Would you dare yourself, to lead your own enterprise as a foreigner?" The answers are shown in the following table:

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<sup>115</sup> Generated from own questionnaire Antonia Hollerbach: Family Succession

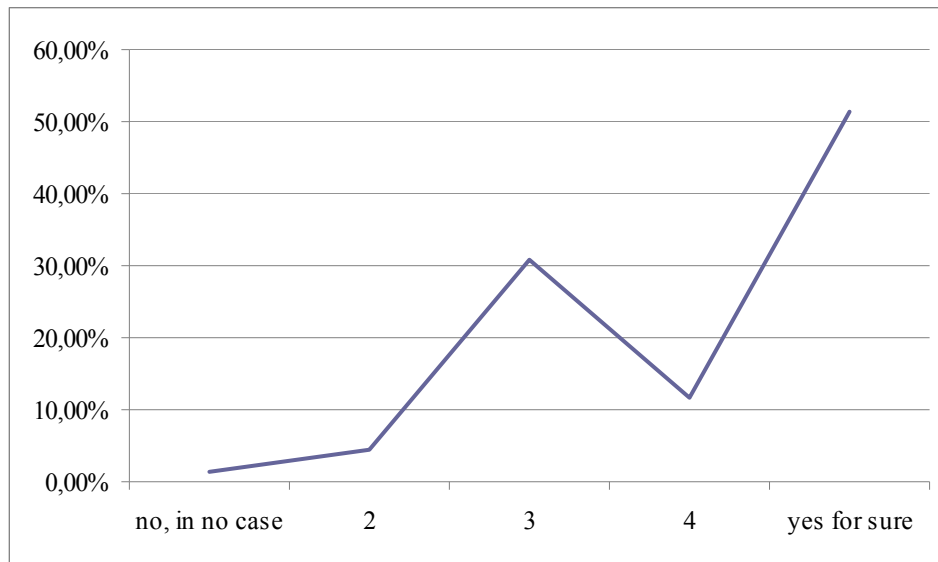


Table 20: The Entrepreneur afraid of giving up the enterprise <sup>116</sup>

The reasons for this insecurity in leading their own company as a foreigner are i.e. the following: Economic situation in Germany, Too high danger, No perspective for enterprise, Be afraid of failure, Other interests, Not enough leisure, Be afraid of not being accepted / structure of entrepreneurial family.

## SUMMARY

The topic of company succession is a very important if not the most important topic in the life of each entrepreneur of a family company, The fear they are facing in combination with the stumbling block successor and the requirements of the 21<sup>st</sup> century do lead to a dangerous mixture. The personal preferences of the entrepreneur as well as the over aging society of entrepreneurs do need help with the topic of succession. The low number of family businesses in the following generation is strengthening the hypotheses of this study.

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<sup>116</sup> Generated from own questionnaire Antonia Hollerbach: Family Succession

## **5.5 The Case Studies /Developing new research instruments: the qualitative approach**

The fact that the research topic is a very qualitative one and dependent on various variables, the different backgrounds and surroundings as well as the personal preferences and managing methods of each entrepreneur was leading to the development of a new tool of a research instrument. The empirical approach towards this topic is very important: learning from the past and the praxis. Learning and observing processes of succession in various countries, centuries and surroundings were set as a new research method. This research method is supposed to be executed with the help of common case studies taken out of the praxis. Within this chapter there are four case studies with different backgrounds, all taken of the praxis which should lead to possible syntheses and to a criteria catalogue when it comes to the process of succession?

### **5.5.1 Case Study Bata/ Historical and multidimensional strategy**

#### *Characteristic of the strategy*

The founder Antonin Baťa (1802-1858) is combining his strategy with the orientation on the historical and experience family tradition. He is a typical entrepreneur of the XIX. Century. At home as well as in his company he was the boss and his word was the law.

He was having a patriarchal relationship. Antonin Baťa was very creative. His creativity, his experience as well as his enormous effort was handed over to both of his sons: Tomáš and Jan. The brothers always stick together in entrepreneurial questions even when facing various discussion and fights.

The succession was a spontaneous wish/ need for Antonin Baťa which he did not pay any attention to in advance. Due to the entrepreneurial skills and activities his successor grew into their position without the help of the father.



The succession of the entrepreneurial activities within the family Baťa can be explained through the following diagram

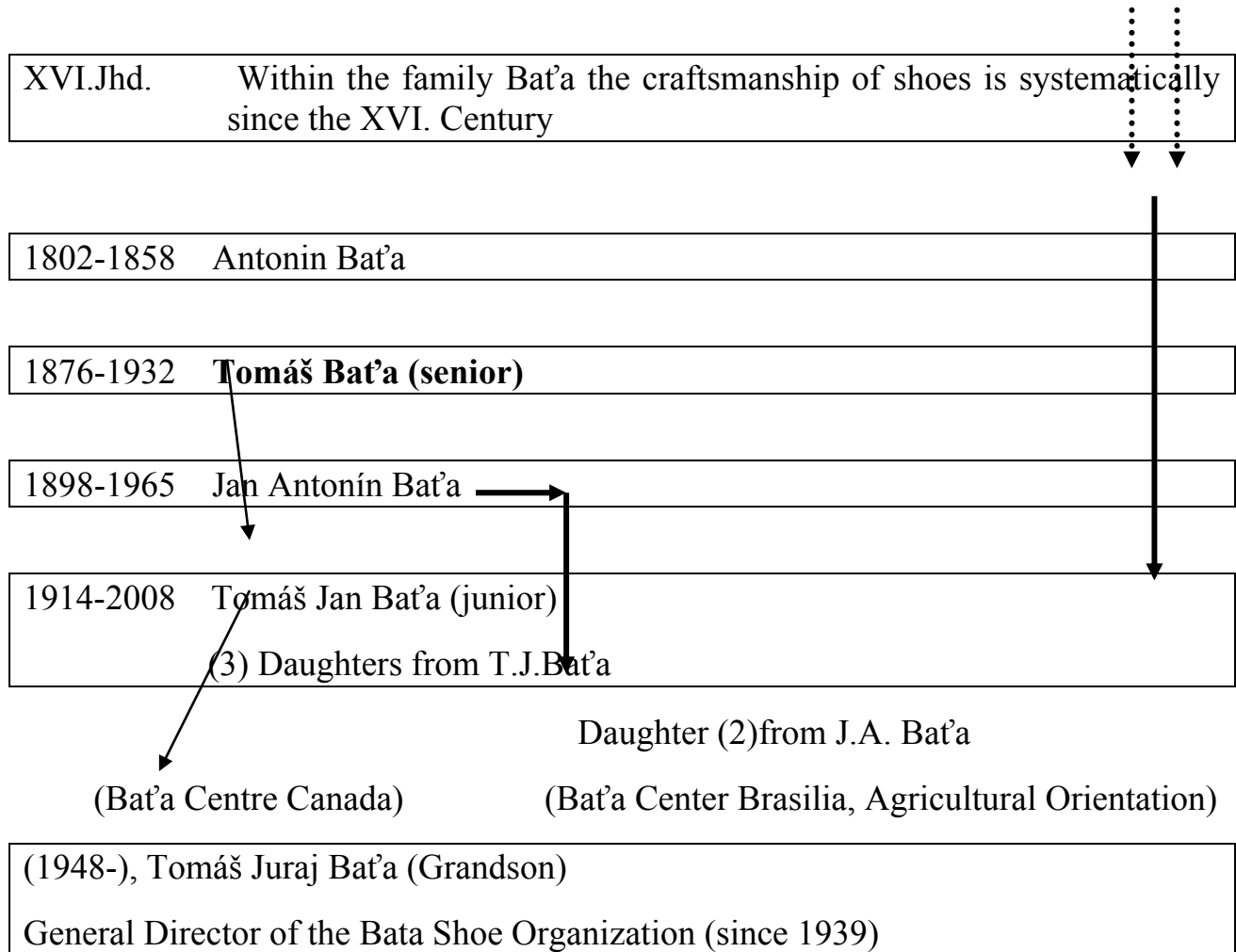


Figure 21: The Bata Family <sup>117</sup>

During the active time of Tomáš Baťa there have been 24 shops within the Bata concern. During the time of Jan Antonin Baťa there have been 120 companies within the Bata concern. The number even rose to 1045 shops while Tomáš and Jan Antonin even expanded up to 5810 shops worldwide within the Baťa Company. Under Tomáš B. the company had 16.500 employees all over the world. Jan Antonin B. expanded so much that he finally made it up to 105.700 employees. Unfortunately the actual figure of employments of the Bata concern is not available.

<sup>117</sup> Generated from research Antonia Hollerbach

### *Orientation for the succession*

The succession within the Baťa's can be followed up for about 200 years and can be defined as the following:

- The main conception is the traditional family orientation: the craftsmanship of shoes.
- The main orientation is shoes and all the activities combined with shoes. Beginning from the securing of raw materials, the production, the sale of shoes going on to new innovations and rationalization.
- The first phase: spontaneous security of the entrepreneurial succession.
- The second phase: The direct and personal entrance of potential successors in the entrepreneurial management (personal positioning within the top management), object orientated choice and preparation of the successor through short time concrete working activities in the production, the sales and the management.
- Following the initialization of Tomáš Baťa: the philosophy of life/commercial as well as the entrepreneurial philosophy with impact on his sons and his very close top managers and employees.
- Third phase: Participation within the activities of the board (Vice president), the top management is secured through employees.
- The future development is difficult to tell at the moment.

### *Example*

#### **Founder Tomáš Baťa senior (1876-1932)**

His father Antonín Baťa (1802-1858) was a great follower of the Baťa family tradition of the XVII. Century. This family tradition implicates that the craftsmanship of shoes was given from one generation to the next generation. Antonin Baťa was the owner of a small shoemaker company which had around 40 employees at the best times from 1890 to 1894. In the worse times from 1897 to 1898 there have been only four employees.

He has been a very hard working entrepreneur. In the hard times of the economy he was working as a sales person selling soda water, fruits and vegetables to secure his income.

Within his shoemaker company his two sons were working for him as well.

His son Tomáš (1876-1932) was born at the sixth of twelve children from his mother Anna. His mother Anna died when Tomáš was only ten years old. Later on Jan Antonín (1898-1965) a son of the second marriage of Tomáš Baťa was working in the company, too.

The young Tomáš was working in his father company but he could not find enough entrepreneurial freedom. Due to this missing freedom he decided in 1884 to become autonomous and he was working on his own, no longer for his father. After very bad experience working on his own and some failures he returned to his father's company. There was one thing he took away from this experience for his further life: It is very important to pay enormous attention towards the clients and especially during the sale.

While Tomáš Baťa was trying to get independent and tried to open up his own business the help of his mother and his sister were guaranteed for him. Even his step brother Jan Antonín helped him a little out although they had some argumentations.

"Our customer is our King" was the saying and the parole which spread the entrepreneurial philosophy of Tomáš Bata. It was very important for him to communicate this philosophy towards his children, his managers and his employees.

His eldest son Tomáš Ján was forced to collect practical experience after practical experience. He had to work in the production within several positions and machines, he had to be in the shop to sell the shoes to the customer, he was in management position and he joined meetings and other important events.

He was forced to study as well at home but although in different countries and at foreign universities. He was working for different successful companies and joint several seminars. It is to say that this was a great preparation for the succession. His uncle Jan Antonin Baťa supported him as well as much as it was possible for him.

### **Successor of Tomáš Bata senior = Jan Antonín Bata (1898-1965)**

Without any special preparations he became spontaneously the successor of his step brother Tomáš. Tomáš died tragically within an airplane accident in 1932. Until the death of his step brother the activities of Jan Antonín Bata been abroad for the most of his time. He has been in the United States of America in Germany and in many other countries, where he was working for the entrepreneurial interests of his family. As the new "Boss" he expanded the BAŤA Company.

At the beginning of the Second World War he emigrated to Brasilia/ Batatuba, from where he took care of the BAŤA Company. While taking care of the existing company in Brasilia he parallel headed towards a different strategically direction: His priority was on the Re-Cultivatio of agricultural land and the cattle breeding. During the Second World War Madame Marie Baťa (The wife of Tomáš Baťa) was looking after the interest of the owners in Zlin.

After the Second World War was over Jan Antonin Baťa had law problems with the public authorities from the former CSR. Connected with these problems and

difficulties was the question of succession. The company was based and located in three different countries: Canada, Brasilia and the Czech Republic. Jan Antonin Baťa died in 1965 in Brasilia. After the soft revolution in the CSR, Jan Antonin Baťa was rehabilitated from the judgements.

The succession stayed in the hands of Tomáš Jan Baťa and the main centre of the company was now in Canada.

### **Successor Tomáš Jan Bata junior – „Tomík“ (1914-2008)**

Before the Second World War, Tomík was concerned with the expansion of BAŤA (Batawa) the in Canada. Jan Antonin Bata gave him the mission for this expansion. According to this the family has immigrated to Canada at the beginning of the Second World War.

During the early years after WW II he expanded the activities of the BAŤA Company to India and Africa and became a symbolic share holder of the BAŤA Company in the Czech Republic. He orientated his scientific activities in his home country and expanded the educational sector enormous.

His son Tomáš Juraj Baťa became his successor. His son received a systematically education which was based on the theoretical methodical as well as on the practical side of education. By the young age of 21 he became the General Director as well as the Vice President of the Bata Shoe Organization in Canada, Toronto.

### **Successor Tomáš Juraj Baťa (1948 - ), the grandson of Tomáš Baťa senior**

Since 1939 Tomáš Juraj Baťa was general director of the Bata Shoe organization in Toronto, Canada and he became the highest and most important representative of the BAŤA trust.

#### *Realization of the strategy*

The solution for the succession was born within a sudden strategy considered by the father of Tomáš Baťa (senior). The influence of his experiences collected and made during his journeys to Germany and the United States of America, especially within the Ford Motor Company, took enormous influence on the chosen strategy. Furthermore, not only his experience from his travels, but as well the formation of his entrepreneurial philosophy took great influence on the first steps of succession to his son Tomáš Ján (Tomík).

The catastrophe of the airplane accident in which Tomáš Baťa (senior) lost his life came to sudden and at a time when Tomík was still to young to success the

company. Therefore the succession of Tomáš Baťa senior needed to be realized by his step brother Jan Antonín Baťa.

The question of succession and the real and honored successor was taken aside during World War II. Even though the Second World War put the topic aside, from time to time the two centers of power (Canada and Brazil) were having heavy discussions and dissensions about the succession.

*Levels of decision and realization of the strategy:*

1. The beginning is a phase of short time, spontaneous decisions.
2. The main objective is the succession which is in close relationship to the choice of the potential successor.
3. Research of the common entrepreneurial development tendencies and the future tendencies for the orientation of the company. Potential successors secure the existence of the company and help through their entrepreneurial activities to position the company for future challenges.
4. Choice of the possible ways of education for the professional future activities of the successor and the other family members.
5. The creation of material, technical, informational and financial circumstances for the realization of the future entrepreneurial activities of the individual members.
6. The realization of the decision.
7. Judgement of the results of the realization and accomplishment of the necessary corrections.
8. Concrete results and further developments.
9. Follow up of the future through the following generations (grand children and grand-grand children...).
10. Publication of the experiences.

### 5.5.2 Case Study KM/ Strategy of diversification (strategy of the extended family)

#### *Characteristic of the strategy*

The founder is looking for independent entrepreneurial activities in the abilities of his children, which are aged between 16 and 18 years. There is an existing acknowledgement between the parents, this means between the founder and his wife about the future professional orientation of the children. The strategy of breeding/ education of the children is an iterative method. That means there is a steady incremental enhancement of the education.

The founder provides and secures a good formation in the chosen sectors and directions. The definition of the professional orientation is done by the founder for each single child individually and based on the breeding strategy, discussion as well as workings which he is having with each child as well as with the group of children for a longer period of time.

He investigates in the necessity of the accomplishment of the chosen professional orientations and secures with regard to the content and the continuity the connections with his entrepreneurial activities in regard to the trend of evolution and the chosen activities of his children.

During the life of foundation of his children he is functioning as a silent consultant and supporter within his position within the father of the family as well as his environment. The main function of his wife is the consulting of the children in all questions regarding their psychological and soul questions. She is protecting and supporting the children in the core function of the mother.

During the realization of this strategy, as well as in the realization of each other strategy the evaluation of the strategy is difficult. The outer influences as well as the environment of the children and the family have a certain influence which intensity can vary from very high to very low.

#### *Example*

Founder Koloman Münnich (1854-1934) is degreed engineer in coal mining and has good knowledge in foreign languages. He has two brothers which are working abroad. Münnich is entrepreneur and owner of several mining shares, principal shareholder of the AG, as well as the general director of an electric power company. He owns agricultural land and is the CEO of therapeutic bath AG. He heritages the mining as well as the agricultural land from his father and expanded it. He is having around 800 employees.

Koloman Münnich is having five children; two boys and three girls. The shown example is in the time frame from 1886 to 1946 about in a period of almost 60 years

in the middle of the Slovakia. The realization of the strategy has been slowed down and strongly influenced by circumstances given through the First and Second World War.

These are the named non influence environment circumstances. Within this time in 1932 the electrical power companies have been socialized and in 1948 the common socialization of all companies took place.

### *Orientation for the succession*

1. The oldest son passed successfully his university agricultural studies. He was supposed to deliver the aliments and the food for the extended family.

The founder is investing in land, machines, farm animals and employees. The oldest son has no children.

2. The second and younger son went to university and passed an electrical study. His perspective was to become the director of the electricity power company, which is in the property of the founder. The younger son has four children that mean four grandchildren for the founder.

3. The oldest daughter is married to a doctor. This provides the family with the necessary medical accommodation.

The founder is investing in an ambulance, auxiliary equipment, equipment for the labour and assistances. The oldest daughter is given birth to one child. She is studying at the academy des Arts et Metier in Paris and after her studies she is having a market garden as well as a florist.

4. The second daughter is getting married to a pharmacist who has his own pharmacy. This provides the big family with the necessary health medicaments.

The founder is investigating in the equipment of the pharmacy and the staff of the pharmacy. The family is having four children.

5. The youngest daughter is married to an economical specialist who is working as the managerial director of the electricity supply company and becomes later on after the director of the company, after the other son has gone in pension. He is very orientated to be part of the city council.

The couple is having two children.

### *Realization of the strategy*

The education within the family has been overtaken by the mother in accordance to the chosen education strategy: The university education, the investment in the equipment and the employees. The strategy has been successful, but it is not possible to take a look at the further development of the extended family.

The family mouldered after the Second World War. The founder died in 1934 even before the Second World War and other members of the family died without having any children/ successors. Other family members went abroad and did not come back to Slovakia. They emigrated.

Levels of decision and realization of the strategy:

1. The definition of the objective (in this case: the insurance of the lives of the members of the extended family).
2. Research of the common tendencies of the developments and the orientation of the children in search of possible successors. Within this research the focus was on the successful entrepreneurial activities for the professional future of the companies.
3. Decision and choice of the future educational ways for the professional activities of each successor and the other family members.
4. The creation of material, technical, informational and financial circumstances for the realization of the future entrepreneurial activities of the individual members.
5. The realization of the decision.
6. Judgement of the results of the realization and accomplishment of the necessary corrections.
7. Concrete results and further developments.
8. Follow up of the future through the following generations (grand children and grand-grand children...).



### 5.5.3 Case Study Hollerbach-Group

The case of the Hollerbach-Group is a special case for me due to my personal involvement in this case. Within this case the history as well as the strategy from the Hollerbach-Group will be explained. The given information is the result of my own experience, interviews with employees, consultants of the company and of course with my parents, who are the founders and the heart of the Hollerbach-Group.

#### *Characteristic of the strategy*

The characteristic of the Hollerbach-Group is based in the foundation of the first company in 1978 by Arnold and Birgit Hollerbach. The core competence of the company was the planning and the construction of family houses. Within the next years the core competence was widen and other planning and construction companies with the focus on developing and construction commercial and industrial projects as well as the planning and construction of retail stores have been founded and successfully implemented within Europe.

In 1981 the first child Maximilian was born. Only one year later Antonia (the author) was born. The strategy of the parents was to keep them out of the business and not to integrate them in their early years of childhood. The education of the parents was based on the principle of achievements. That means a direct connection between their rights and privileges with their effort. The focus of the education was academic education and the awareness of the social responsibility for the society each single person is having. This task was given in the hands of Birgit Hollerbach.

Maximilian and Antonia grew up with the knowledge that the company does exist but there is no pressure from their parents to overtake the company. Both of them are graduating in free chosen studies of business management. During their vacations and holidays they are forced do work in the parental company for getting to know the hard life of work. They start in the lowest positions possible and the father explains his employees to force his children more than other common interns.

The main characteristic of the Hollerbach- Gruppe and the Hollerbach family is the family character which they try to share with their employees. The structure of the company is mixed between long time employees, which are joining the company for over 20 years and following young generations which have been educated within the company. Most of the employees have started their career with an apprentice in one company of the Hollerbach-Gruppe.

After their apprentice they have either stayed in the company or went to university to come back to the company after their successful studies. The main focus of the founder and owner-manager Arnold Hollerbach was to educate the employees according to his high standards. The company was growing and expanding according to the knowledge, education and experience of the employees. This movement is still the foundation for the motivation and the closeness of the employees towards the companies.

The structure of the Group is as it follows within this figure:

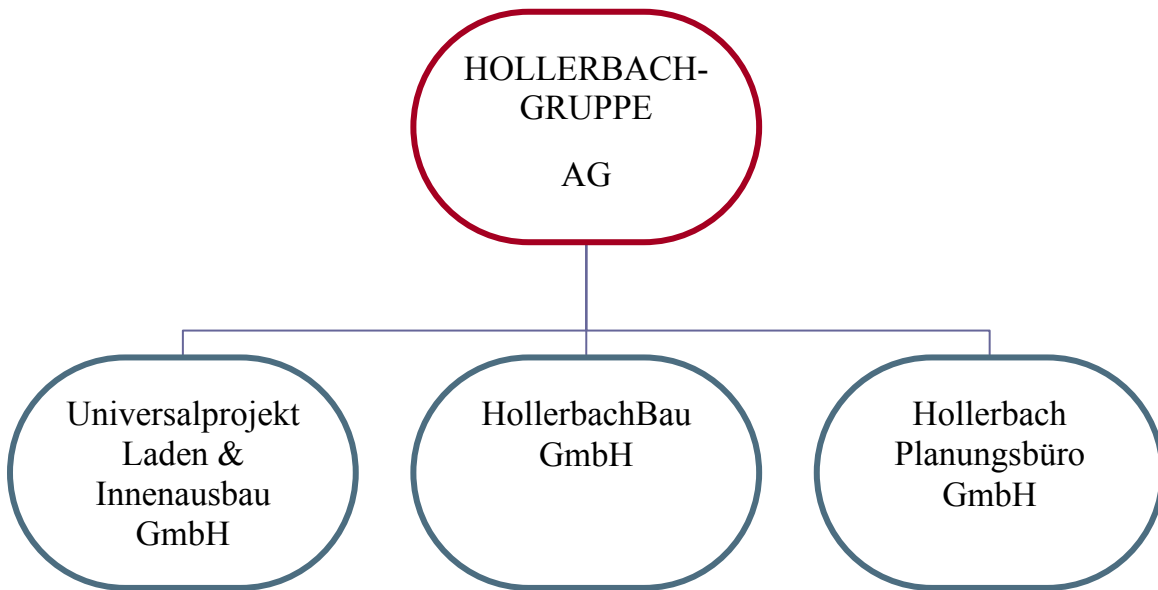


Table 22: The Hollerbach-Gruppe<sup>118</sup>

The founder Arnold Hollerbach is holding 100% of each company of the Hollerbach-Group and has been the single standing CEO for each company until December 2009. In December 2009 his children Maximilian and I became the new and single CEO for the two operating companies in the field of construction. It is to mention that Maximilian and Antonia do not have overlaying responsibilities in the operative field but in the strategic positioning of the companies.

#### *Orientation for the succession*

As the succession in this case is ongoing and parts of it are still outstanding we are talking about a process in progress. The orientation for the succession has had several stadiums which can be defined by the knowledge of Arnold Hollerbach about the option to find a possible successor. We are talking about three stadiums:

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<sup>118</sup> Generated from own research Antonia Hollerbach: Family Succession

## **1. Stadium of not knowing that the children are willing and able success the Hollerbach- Group (1995-2000)**

Within the time frame of 1995 it was not sure and nobody could tell that the children of Arnold Hollerbach were able or even willing to succeed the company. The specialty of this case is the owner-manager as he was concerned about his succession in his early 50ties. Maximilian and Antonia were still going to school by this time and their father did not want to bargain them with the topic of succession. Still today he is talking about a great task when overtaking the company. The structure of the existing companies was kind of difficult to overlook, Arnold Hollerbach decided to bring in external consultants to restructure the company and to bring it into a shareholder company. More than half a year the consultants of Arthur Andersen have been guest in the Hollerbach office to figure out their way through the existing companies and a way to come up with the shareholder company.

The problem was the following: the consultants had no experience with family companies and the way these fast growing, internationally operating company was structured. It took a while for them to into the topic of a family company.

The sense and the reason for this restructuring into a shareholder company was the following: Arnold Hollerbach wanted to make preparations' for the case that his children would not want to overtake and success the company. His thought was the pioneer of a management buyout. He planned to ask his long time employees to become stake and stockholder of the company.

Luckily Arnold Hollerbach was never forced to actually start the MBO and therefore he is until today the 100% owner of the Hollerbach-Group.

The reasons for not starting the buy out process are as simple as good. Not knowing about the future career plans of his under aged children, he was silently hoping for a succession within the company. He hides his feelings and wishes and his children did not feel any pressure to succeed at all.

## **2. Stadium of children finishing studies and returning back home (2006/2007)**

Arnold Hollerbach was no longer thinking about the management buyout. Today it is easy to say that this might not have been successful as some of the core managers from these years are no longer working for the company.

The children finished their international studies of management abroad and after successfully passing the last exams, they turned back home. During their

studies they took the chance to work for different other companies and to gain experience out of their parents companies.

Maximilian was coming home after a seven year trip to America and started a good job in an external company. This was important for him as the son of the owner-manager to proof himself outside. He succeeded a lot and when he was leaving his interim solution company, they did not want to let him go. This gave him, as it would give every other human being self-confidence. Self-confidence is one of the most important characteristics you should have when working with an overweight role model of a successful owner-manager father.

We started our new careers in our family company in the lowest hierarchies. We were doing every single possible job necessary for the daily life of the company. We were joining and working in the production, we were working on the contrition side, cleaning, secretary, copying, coffee cooking ... working harder than the others and always keeping in mind that we have to be able to fulfill all the given tasks. As we were told that we are not supposed to be the best in everything but to know what we are talking about and what it takes to do every job necessary for the soft and successful work flow of a family company.

Our father told us to keep in mind that we might be the owner-managers one day and he always provided us with a consultant/ help in each situation who gave us independent advises.

With the passing time, our task field gained on responsibility and the main focus of our daily work life changed a lot. There have been several milestones on the way and the process is still ongoing and work in progress.

### **3. Stadium of changing the CEOs of the operating companies**

Before my father turned 60 years old in December 2009 we had an internal celebration party on the last work day of the old year where we turned the CEO of the two operating companies Universalprojekt Laden und Innenausbau GmbH and Hollerbach Bau GmbH. For a certain reason and on the purpose of not provoking extra conflicts every one of us is responsible alone for his/ her company. This helps to avoid conflicts of interest in the everyday operating g business. Due to the structure of the companies within the Hollerbach Gruppe we are discussing the strategically future and steps together.

*The following steps within the succession*

The following and outstanding steps within our family business succession are depending on the German political order for inheritance of family businesses. According to the next decisions and laws which are actually discussed at the moment we will take further steps. The problem of the inheritance of family businesses in Germany and the open questions of the tax and possible reductions and options for state help is not discussed yet.

We are waiting for further decisions and laws to discuss the next steps with our consultants and build a foundation for the future of the Hollerbach-Group.

As already mentioned in the theoretical part of this work, there is no overall solution and no external help from the politicians or the government to bring family businesses into the next generation. We are currently working out different solutions with the help of our external and partly internal consultants, but the best possible solution is still not found.

## **5.6 Syntheses of the findings from the Case Studies and the questionnaire**

After analyzing the questionnaire and introducing the research method of the case studies the findings/ results of these two are pointing in the same direction. The success of succession within a family company can be calculated/ is dependent on five factors:

- The social and economical background as well as the surrounding of the succession process.
- The kind of quality and quantity of the preparation of the successor.
- The personal and individual profile of the successor.
- The Implementation of the strategy of the succession.
- The economical surrounding/standing and situation of the company.

Within all sources of literature as well as through the findings from the questionnaire and the case studies, these facts have been mostly named.

Above mentioned facts have to be seen in direct relation to the succession and the people involved. If there is one criterion which is not given for the succession the chance for a successful succession is risen. Although the facts can be named within a short table, there is no fact of the volume and the quality of the facts. As the facts are soft facts and not measurable there will always be a sense of the unknown future and the indefinite future for the company.

As named and explained in the former chapters, there are facts on which the entrepreneur/ the successor can have direct influence on such as the knowledge of the successor and there are facts which cannot be influenced such as war or an economical crisis. Furthermore there are three major goals which the succession has to fulfill:

The succession has to realize a proper retirement benefit for the old entrepreneur/ owner of the company

Some of the old family company owners did never think about their future or their aging and the moment where they could not stop working. They always lived from the direct profit and in accordance to the economical situation of their own business. They will not get any retirement payment from the government as they have been

freelancers and they did not save any of their money during their active careers. Especially those entrepreneurs who are dependent on the profits of their company need special solutions for their retirement's benefits.

Some possible solutions for this situation might be a succession by:

- Sale on lump-sum payment
- Sale on retirement benefits
- Conditional sale
- Installment sale

These different options provide the old entrepreneurs with either a onetime payment (sale on lump-sum) which they have to reinvest or generate. Another option would be that the old entrepreneurs do receive ongoing and payments which can function like a monthly/ yearly retirement benefit.

It is very important for the entrepreneur to be honest with himself about his own future and retirement as he is mostly not only responsible for himself but as the name family business says: after leaving the business there is still the family waiting.

The preservation of the company has to be realized and in accordance with the preservation of the company the preservation of the working places have to be longtime- secured

Leaving the personal interests of the entrepreneur and the successor behind, the overall goal for the each economy has to be successful preservation of the company, the securing of the provided jobs and the longtime success and profitability of the company.

The need/ demand for the successor is to preserve the jobs and the profitability of the company. Any downsizing or even shutting down as well as the company does not have any economical value and is not considered at all as higher goals of the succession. Today there is no overall formula to evaluate a successful succession.

The successor needs to have an economical lucrative future and he has to be in the position to work profit-making with the company in the future years. The problem is that some family owned businesses do run due to the non paid "employees" they are having. Especially in small family run businesses this is very often the case: the family has one household and e.g. the daughters as well as the wife of the owner are working for free and they do not get any salary. After a succession they are no longer working in the company and the once being profitable company is no longer profitable at all if it comes to really pay for the needed man power of the company.

There are some other issues which have to be considered by the successor when thinking about a profitable future:<sup>119</sup>

- The organizational structures of the company have to be clearly defined
- The operational business is supposed to work smoothly even on the second hierarchy
- A clear organizational structure should provide transparent data flows and actions to guarantee the right decision making
- It has to be clear that the company has a sustainable financial and capital structure
- The company should have a stable profit and generate appropriate cash flow
- The controlling instruments have to be reliable
- The financial and accounting department has to be reliable and significant
- The market positioning should be secured as far as possible
- There should not be any bottleneck of investments
- The company should be independent from main customers and main suppliers
- The employees and the management should be well educated and motivated
- There should not be any open major "lots"
- The documentation of the company figures should be in extenso
- The company data has to be fully collected and accessible (data about customers/ employees/ financial data etc.)
- Special company know-how has to be documented (including patents, copyrights and manufacturing methods as well as company flows and internal processes)
- The documentation has to be completed (selling contract/ all other contracts/ testament/ etc.)

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<sup>119</sup> MÜLLER-NEUHAUS, JÖRN: Unternehmensnachfolge in Bayern, ein Leitfaden für die erfolgreiche Betriebsübergabe, Bayrisches Staatsministerium für Wirtschaft, Infrastruktur, Verkehr und Technologie, München: 2009, p. 20



<b>Key Shifts in Succession Planning Model</b>	
From	To
Groom a backup for each position	Develop pools of broadly qualified candidates; have position pools
Specialty disciplines in candidates	More broadly disciplined candidates
Business unit autonomy	More centralization and integration of systems and information
Siloed career growth	Cross-boundary fertilization to develop broader skills and perspectives
Largely human resources driven	Largely line driven
Subjective and informal criteria; personality / image oriented	Strategic competencies and models define success; 360 degree feedback
Technical competence a key factor	Cross-functional management capability; quick learner; manage change
Tolerate marginal performers	Fewer positions for development requires removing marginal blockers
Company directs and controls career	Individual sets career direction
Controlled and confidential process	Input from multiple sources; more open planning and development process
"Promises"	No "Promises"
Focus on training and seminars as primary development vehicle	Sequential job assignments provide primary development experience supplemented by specific training
Take advantage of vacancies to promote candidates	Create assignments for development (e.g. exchanges, trades, special projects)
Promote from within when fully qualified	Promote when about 70 % qualified; hire less experienced talent at every entry level

Table 23: Key Shifts in Succession Planning Model<sup>120</sup>

<sup>120</sup> METZ, E.J: „Designing Succession Systems for New Competitive Realities“, Human Ressource Planning, 21 (3), 31-37

*The following rules have to be obeyed when facing a successful succession:*

- The old entrepreneurs/ owners of the companies have to search actively for a potential adequate successor in accordance with the right profile of the successor.
- The potential successor has to look for and find the adequate company for his own profile
- The succession has to be planned in regard of the best profit and the health of the company
- The employees as well as the inner and the outer circle of the company have to be included in the succession process for a better acceptance and a successful succession
- Clients as well as suppliers have to be "taken to the new company". Often these clients and suppliers do have long existing relationships to the company and the success of the company is depends on these relationships
- The value/ price of the company has to be figured out in accordance with the old entrepreneur/ owner and the successor
- The financial part of the succession has to be well prepared
- The best taxation process has to be chosen for the succession
- Both parts: the old entrepreneur/owner and the successor have to be content with the conditions of the succession for the best economical future of the company

<b>Individual Value Structure Theory</b>		
Value Type	Defining Goal	Value Items
Self-direction	Independent thought and action - choosing, creating, exploring	Creativity, Freedom, Choosing own goals, curious, Independent
Stimulation	Excitement, novelty, challenge in life	A varied life, An exciting life, Daring
Hedonism	Pleasure or sensuous gratification for oneself	Pleasure, Enjoying life, Self-indulgent
Achievement	Personal success though demonstrating competence according to social standards	Ambitious, Successful, Capable, Influential
Power	Social status and prestige, control or dominance over people and resources	Authority, Wealth, Social Power
Security	Safety, harmony and stability of society, of relationships and of self	Social order, Family security, National security, Clean, Reciprocation of favours, Healthy
Conformity	Restraint of actions, inclinations and impulses likely to upset or harm others and violate social expectations or norms	Obedient, Self-discipline, Politeness, Honouring parents and elders
Tradition	Respect, commitment, and acceptance of the customs and ideas that one's culture or religion provides	Respect for tradition, Humble, Devout, Accepting my portion in life, Moderate
Benevolence	Preserving and enhancing the welfare of those with whom one is in frequent contact ("in-group")	Helpful, Honest, Forgiving, Responsible, Loyal, True Friendship, Mature Love

Table 24: Key Shifts in Succession Planning Model<sup>121</sup>

<sup>121</sup> RICE,G., “Individual values, Organizational Context, and self-perceptions of employee creativity: Evidence from Egyptian organizations”, Journal of Business Research, 59, 2005, p. 233-241

*Use/ Data and information and results generated from the case studies*

The case studies provide the advantage and the fact that they display real life and the daily business each family company has to face. The studies have been picked due to their uniqueness. But even though the differences in each family as well as in each company are huge and the individualism of each case has to be worked out in detail, each of them show off parallels and good learning examples for other family companies. The problem of family companies is that their unique situation does often not allow a best practice example or just the recommendation “do what this other company did successfully”. In most cases this strategy would fail. Therefore it is important to consider different cases and to invest the time to find solutions which could work for the individual and own family company.

As the case studies have been taken from different cultural and social backgrounds and even out of different centuries, they provide several results, which are equal in their meaning and provide guidelines for all family companies:

- Within the case studies it is pointed out that the outer circumstances including the economical, political and social situation of a country takes enormous influence on the country. Just to name the World War II, economical and financial crisis, natural catastrophes or even the legislative input and influence of the state. All the named examples of external factors cannot be influenced by the entrepreneur even though they might be important for the business and the personal life of the entrepreneur.
- The cases explain and show off the importance of an early starting generation change process as well as a long time planned succession process. The first phase of the succession process begins when starting up a company and beginning to be an entrepreneur. This information asks every founder to start thinking about the future of his entrepreneurship in a very early stage.
- The uniqueness of each introduced case explains the individualism as well as the uniqueness of each person involved in the process. These individuals acting together within the process of succession and their interaction is responsible for the success as well as the quality of the process and therefore the success of the succession.
- The cases display real people and their actual taken decisions in their daily family and business life. The decisions as well as the desired goals are dependent on the personal values and the unique attitude of a person. These values are dependent from the origin, the cultural, social and economical background of a person. Furthermore from his/ her upbringing, the religion and personal life experiences. This important fact of a different value system should be considered while regarding and verifying the settled goals and taken decisions from an individual. The personal experience, the values and the settled goals are responsible for the quality of the process and vary from family company to family company.

## **6. CONTRIBUTION OF THE THESIS TO SCIENCE AND PRACTICE**

This work is dealing with one of the most threatening economical challenges we are facing in the 21<sup>st</sup> century: the century of inheritance and succession of the last generation. As explained within this work the succession of each company is a life circle problem which cannot be forgotten or just left behind. Every entrepreneur and every family company has to be prepared for the case of emergency: more than 50% of all succession happens out of the blue due to an unforeseen emergency such as death or sickness of the entrepreneur/ owner.

This sudden emergency is giving away one of the most important factors within the succession process: time. The success of each succession is defined in the planning, the preparation and the process of succession itself. Another important factor is the start of the succession: there is no right point of time to start the procession process. Some are started too early and some are started too late. It is very important to analyze and research the topic of succession in family companies even more to give an advice to future successions about the point of time of their beginning.

The contribution of this thesis to science and practice is the bringing together the theoretical and the practical knowledge gained out of the taken surveys, interviews, case studies and personal experience within my own process of succession and gives the basis for future research for this topic.

It is very important to create the awareness for this 21<sup>st</sup> century threat within the field of science but as well and furthermore in the field of practice. The awareness is always the first step which has to be taken when facing a new topic.

## **7. RECOMMENDATIONS FOR THE THEORY AND THE PRACTICE**

### **7.1 Recommendations for the theory**

During the investigations and the research for this dissertation the art and the specialties of the researched companies have not been focused. A further research of the differences in the process of succession depending on their economical sector is recommended and has to be investigated in a further research. Within this research the focus should be on the art of the company in relation to the level of creativity or routine in their daily work process. On the background of the different milieus of creativity and routine works a new research should take place.

My recommendation for the science is focused and specialized for the Faculty of Management and Economics at the Thomas Bata University with special regard to the Institute of Management and Marketing. Within the actual economical and legislative situation in the European Union and its integrated countries the focus should be on deepening the feeling and strengthening the European Union and not on the single country within Europe. The common sense for the European Union as well as the commitment towards the Union has to become stronger. We are talking about a long-term process as a new way of thinking about home and a new understanding of one's own origin is necessary and has to be newly defined.

The intensity of the works as well as the big effort from all integrated people, administrative and each single country are necessary to be successful in the near future. My recommendation is based on this ongoing process of integration and renovation of the Union: The Institute of Marketing and Management has the great option to host many diploma and doctoral students. This opportunity should be taken and each year three to four students should investigate their time to research in the topic of succession. Furthermore the high internationalization of students within the Faculty should be considered and the international students could integrate their focus and home-based, country-specific knowledge to research the topic of succession. This common and focused work for the topic of succession would lead to a series of works and studies over the topic of succession and finally a common sense integrated study research report could be worked out. Within this longtime research report all defined and researched results come together, comparative result concerning and providing an overall solution for the European Union could be provided.

It should be admitted that this recommendation can only be seen as a rough and not explicit recommendation. In case of special interest in this topic, the research recommendation has to be defined much more detailed. Nevertheless this research could gain certain international/ European Union attention.

Another focus on research could be the succession in a family company in relationship to the branches the family company is active in. The dependency and the specialties and own requirements which are needed and necessary when succession in special branches take place. A new research could either analyze the differences in the requirements for a successful succession or analyze one branch in detail.

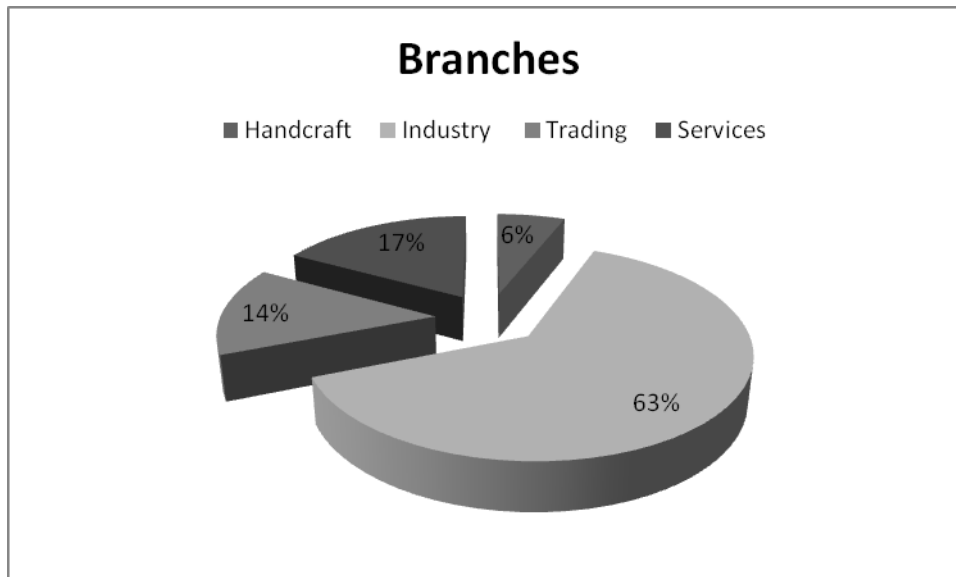


Figure 23 : The Branches of the German Family business<sup>122</sup>

The Corporate Governance of a family company is very important and the role of a family company within the society has always been and is still an important one. The fact that the social responsibility of a family company towards its surrounding especially towards its employees is a unique one is an important factor for the daily working together in our century of technologies and figures. The human attempt towards business cannot be underestimated at all and within a new research I do recommend to analyze and research the human attempt of family companies towards their inner and outer circle as well as the indirect and direct concerned members of the family and the company. The social responsibility towards the society is of a family company and especially of the owner-manager is a new old attempt which should be researched in detail.

This could be investigated throughout a dissertation at the Thomas Bata University in Zlin within their new research focus of Corporate Governance.

Within this research the impact and the influence of the regional development in accordance to the life circle of a family is not considered at all. The dependency

<sup>122</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 7

of the life circle of a family company and the regional development considering economical, political, geographical and other changes and movements should be researched in detail. Are there advantages or disadvantages in the geographical positioning of a family company? Which are the success factors of the standing point of a family company/ what are the requirements to the local/ regional politics and development movements?

As the infrastructures as well as the communication structures of companies do get more and more important for the success of a company and the external influences including taxation and politics are gaining more and more influence several companies do think about leaving their old headquarters and outsourcing core competences or parts of the production to other parts within the European Union.

Do these movements have future and how long is the geographical positioning of a company and how long will the production and loan advantages within certain European countries still exist?

This could be investigated throughout a dissertation at the Thomas Bata University in Zlin within their new research focus of Corporate Governance.

Another recommendation resulting of this work is the need to develop a tool for evaluating the success of the succession in terms of medium and long-term. This tool might become especially important when the inheritance taxation for the company is in relationship to the preservation duration of the company.

The evaluation tool for succession processes could be the topic for a future dissertation work and as well investigated throughout a dissertation at the Thomas Bata University in Zlin within their new research focus of Corporate Governance.

## **7.2 Recommendations for the practice**

The research of the topic “Succession of small and medium sized family businesses” as well as my personal experience which I am collecting and expanding every day is leading me to my recommendation for the practice which are enormously important and should be considered for the future. The first recommendation is for the state legal administration:

There exist laws and regulations as well as guidelines and other administrative documents which are considered to regulate and evaluate the entrepreneurial behaviors and businesses. The focus should be on quality and quantity as well as the kind of cultural background and organizational focus of the legal administration. The legal administration is providing the ground for the family business culture in each country which is influencing our work as well as our personal lives.

The actual legal situation is that within all these laws, regulations and documents there is no focus neither the existence of the regulation of succession



within family companies nor on their unique positioning within the economy. While focusing our new European Union and the parallelism within our EU, we do have to be aware and we cannot forget the single uniqueness of culture of each member of the European Union. It is important to gain a common sense for the actual topics and paying attention not to lose great experience, knowledge and traditions of the single countries. The new tasks which have to be faced by the European Union as well as by each single national legal administration are to conserve the unique cultural and traditional things of each country while paying attention to the common and overall goals of the Union.

The value of the family companies as well as the federal companies is enormously high. The impact of a good organization of these companies towards the employment rate and the Gross Domestic Product is great. Therefore the special focus on these companies within each single state in the European Union should be set. The longtime strategy of companies is the wealth of tomorrow's economy and a solid ground for success. This solid ground can only be successful tomorrow if helping hands, regulations and a functioning administrative legal state is providing the necessary surroundings for the companies.

The named problem of missing or unsuccessful succession can be explained by the missing interest of the next generations and the younger people and youths. These young agers are not always interested in succession of the family businesses and therefore leading their parent's life. Solutions of this big problem can be made without the help and the active influence of the legal administrative. The major task of the legal administrative is to provide the best possible surrounding for potential successors.

The named problem of the federal companies is not only home-based in company branches as production, service and handcraft, furthermore the agricultural companies including wood and forest sectors do have enormous problems with succession within their family companies. The problem within this sector is very wide and cannot fully be discussed within this work. It was just to draw the attention towards this problem and to create awareness of it. The integration and involvement of the topic while talking over succession is narrow and has to be named when discussing succession in industrial and service oriented economies.

Another stand alone problem is the organizational solution way of the problem. We do recommend testing the different and interesting kinds of the "clusters". This results from the historical background of the topic just to name the "Zeche" or other functioning clusters and common forms of work groups or joint ventures. At the moment and parallel to this a new form of the AG specially made for the European Union, the "Societas Europae (SE) is rising and created. This SE should be especially for small and medium sized companies and their entrepreneurial work and relations within the European Union, not limited for only the country of origin of the company. Therefore the future might provide a good solution for SMEs with implementing the new SE system in the Union. This topic provides a new field of

research which should be researched with more scientific background and statistical data at the university research.

The recommendations for the practice do have different origins. As the recommendations for the practice are as well recommendations for the founders/ the owners as well as for the management of a family company in the process of succession, the recommendations have to be practical and helpful. The target group for the recommendations is at least the concerned and integrated people in the succession process as well as their surroundings.

Furthermore to help the target group, the recommendations have to be set for the politicians as well as for the internal and external environment of the company. As the regulations and taxations are strict and the politic of a state gives a certain direction for the economy, the recommendations for the politicians cannot be underestimated.

One of the main and most important recommendations is to consider the help of a professional consultation for the process of succession. The complexity of the process as well as the different aspects and interests of the involved people have to be considered within the succession. The right and well prepared implementation is one of the success factors.

An external consultant can help the family as well as the company within this process. The use of an external and neutral person in the process should not be underestimated. As stated clear in the former chapters the process is followed by personal feelings and influenced by certain interests. A consultant can be in the form of a management consultant, a taxation guide a lawyer or even a former entrepreneur who has already passed the process of succession.

There are several external consultation services next to the classical management consultancies such as:<sup>123</sup>

- Chamber of Commerce
- Business Angels
- Economical departments of the government
- Active "Seniors"
- Founder agencies
- Chamber of crafts

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<sup>123</sup> MÜLLER-NEUHAUS, JÖRN: Unternehmensnachfolge in Bayern, ein Leitfaden für die erfolgreiche Betriebsübergabe, Bayrisches Staatsministerium für Wirtschaft, Infrastruktur, Verkehr und Technologie, München: 2009

The quality of these institutions is dependent on the consultation people and their effort within their activities and active help which they provide for the succession facing generations. The aspect that their help is for free and there are no high consultant fees allows a wide range of people to use their knowledge, experience and their help.

Unfortunately the thinking in Germany within the most small and medium sized family companies about asking and getting external help is not very positive. It is a major taskforce to change this thinking in peoples head and to make these free consultancies more public for the main part of the German family companies.

The consultation factor can be seen as a bridge between the recommendations for the science and the praxis due to the research and development thought which is combining these two sectors. The empirical learning access is an important resource for the Science.

There is no "official office" or where a potential entrepreneur ready to success can turn to get help. The topic of succession in small and medium sized companies becomes more and more popular during the last three years, but the significance and the attention it has to gain is still not enough. The recommendation would be an interactive exchange between entrepreneurs already gone through the process of succession and those who still have to face the process. The success of this strategy is dependent on the accessibility of these forums. The forums should be organized in a mixture of state and private organization.

Within these to be founded organization a department for the active preparation of the process is needed. This department should include independent and official consultants which are provided for the family company when they are starting to think about the process of succession. This could be a new movement and become as important as those consultants who provide help for start-up companies.

Another recommendation for the practice can be taken from a study within entrepreneurs facing the actual Financial and Economical crisis in 2010.<sup>124</sup> Within this study the entrepreneurs of family companies have been asked about the requirements they are having against the politicians.

The most important recommendations can be named as the reduction of the existing high bureaucracy in Germany as well as the reduction of the enormous taxation and dues. Only 22% of the interviewed entrepreneurs have named the support of the direct encouragement of family companies. This figure seems extremely low and gives reasons to point out that the requirements of politics of a family company are kind of equal than those a non-family business is having.

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<sup>124</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 31

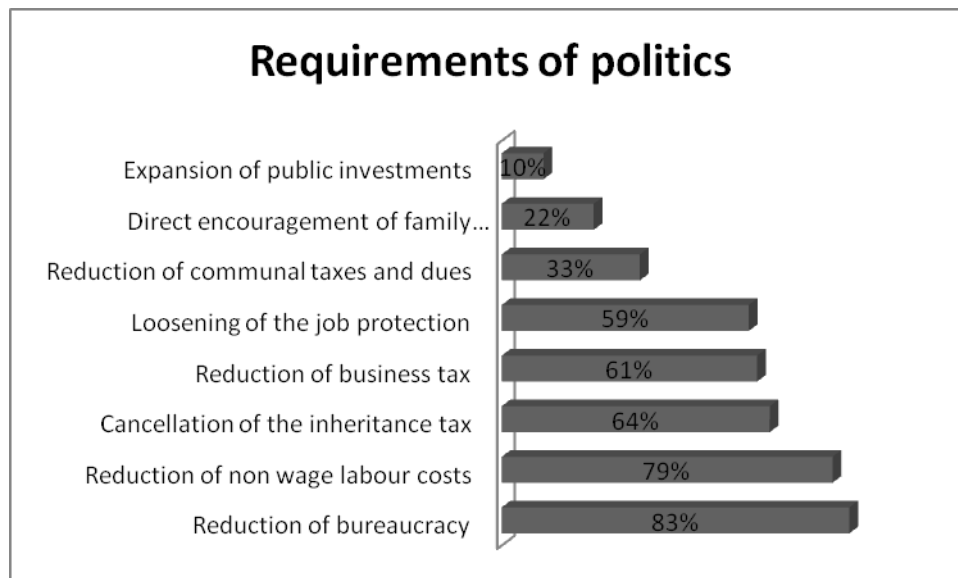


Figure 24: The Requirements of politics<sup>125</sup>

As the figure above shows, the best practical recommendations can be given when hearing to the concerned family companies. The realization of these wishes and recommendations are kind of difficult as most of them do concern the international taxation and economical markets. It would be interesting to calculate and investigate the taxation income situation for Germany if the inheritance tax would be cancelled. And on the other hand the question arises if it would be easier to find future successors for the family companies within the family if the inheritance tax would be abolished.

This is a practical recommendation for me as it concerns our economy directly and could be a solution for the big problem of missing successors and the big economical crisis we are still facing.

The **recommendations for the education** are including an early integrated stage of entrepreneurial thinking within the university studies. The goal is to create a bridge of awareness and solutions within the study. The following options and recommendations should be considered:

- A general introduction in the problematic and the field of succession should be integrated in the study program. This integration can take place within the macroeconomic studies when talking about the different type of companies. as already mentioned not every company is able to generate a successor out of the inner family circle and an external successor is needed. Focusing the problem of succession within the macro economical studies means expanding

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<sup>125</sup> WIMMER, Prof. Dr. Rudi; KOHLBECK, Prof. Dr. Christoph; RÜSEN, Dr. Tom; BAUER Tim: Familienunternehmen und die aktuelle Krise, Stiftung Familienunternehmen, München 2009, p. 31

the circle of possible successors and providing new future opportunities for non-family-business students.

- A detailed discussion and explanation of the situation has to be provided in the management sessions. The focus should be on the entrepreneurial assets, the entrepreneurial organization as well as the different kinds of the top management. As the family business is a unique form of a business special attention in the treatment and the behavior of the company is needed and has to be explained and analyzed. A better understanding and research of the companies helps their succession and therefore the economical future.
- Specific attention belongs to the successor, his/her personality and the special requirements not only educational ones. The requirements towards a successor are very high and the mixture between the personality of the successor and his/her educational skills combined with the willingness to success will bring the wished success in the future. This should be investigated and focused to create the needed awareness for the topic.
- Further themes and topics will be generated and furthermore defined in detail by the pedagogies and afterwards be integrated in the educational process. The created awareness and the discussion and definition of new topics within the succession of the pedagogies will help to investigate the topic.

The problematic of trainings for the personality for the praxis have not been investigated within this work. The practical help within trainings for chosen and potential successors which need sudden and rapid help within trainings and consultations have not been analyzed. The requirements of these trainings have to be worked out in separate researches and the program has to focus the personal and the entrepreneurial skills of the successor. This sphere is connected with combination of education of consultants and their activities.

### **7.3 A new high potential corporate organization: The Societas Europae (SE)**

Within the European Union and the will to invent a common legislative and supranational form of corporate organization the idea and invention of the “Societas Europae became effective in October 2010 for all member of the EU.<sup>126</sup> This new invented corporate organization allows European companies which are formatted within such an organization to act and trade without borders in the Union. After several big companies like Porsche, STRABAG or BASF have decided to chose this

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<sup>126</sup> Societas Europaea (SE), taken from: [http://www.hachenberg-und-richter.de/downloads/HR\\_EuropaAG.pdf](http://www.hachenberg-und-richter.de/downloads/HR_EuropaAG.pdf), 16/12/2010

form more and more medium sized companies are discovering the advantages of this special corporate organization.

This organization form which is characterized by capital in form of shares and share holders which are liable for the height of their shares has to have her domicile within the European Union. The following ways are possible for founding the new *Societas Europaea*:

1. Foundation through merging.
2. Foundation of a Holding-SE
3. Foundation of a Daughter-SE
4. Change into an SE

The big advantages of the *Societas Europaea* are the **high flexibility** within the organization and the European Union, the potential of **tax optimization**, as well as cost saving potential within a **lean administration system** while creating a **valuable brand** with the company.

The high flexibility of the *Societas Europaea* in comparison to a classical Aktiengesellschaft is based in the fact that the SE is allowed to act as a legal unit within the European Union. The SE is allowed to change its domicile to other member states of the European Union while keeping its identity. This domicile change can happen several times a year in regard to the country specific taxation and legal rules and regulations. This structure simplifies classical Mergers and Acquisitions (M&A) transactions and therefore organizational expansion across national boundaries.

The tax optimization is based in the free choice of the taxation system within the European Union. The flexibility in the choice of the domicile and therefore the choice of the special taxation system of the country helps to optimize the taxation system of the organization.<sup>127</sup>

The potential of cost saving through a lean administration structure is very attractive for these organizations. The monistic system of the executive board of the organization keeps the administrative structures of the company lean and allows acting with a small board of members.

The very high acceptance of this new European Brand and the quality which is associated with the name *Societas Europaea* or the colloquial “Europa AG” represents the corporate organization very well and is connected with trust and quality. Furthermore a SE represents internationalism and prestige.<sup>128</sup>

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<sup>127</sup> *Societas Europaea* (SE), taken from: [http://www.hachenberg-und-richter.de/downloads/HR\\_EuropaAG.pdf](http://www.hachenberg-und-richter.de/downloads/HR_EuropaAG.pdf), 16/12/2010

<sup>128</sup> REPPESGAARD, Lars; TÖDTMANN, Claudia: *Societas Europaea Familienfirmen setzen auf neue Rechtsformen*, taken from <http://www.handelsblatt.com/societas-europaea-familienfirmen-setzen-auf-neue-rechtsform;2519597>, 15/12/10

Due to the named reasons the *Societas Europaea* might be the ideal form of corporate organization within the European Union for medium sized companies acting and thinking across national boundaries through acquisitions and mergers.

The European Trade Union Institute for Research<sup>129</sup> is researching and obeying the numbers of foundations within the European Union as well as providing facts and statistics on its website. These figures display a progressive rise in the foundation of the *Societas Europaea* after a very low beginning. Until the 16th of November in 2010 almost 658 SEs have been registered. A high number: 313 of them have been registered within the Czech Republic and only 154 in Germany.

The high potential for medium sized companies is discovered more and more due to the above named facts.<sup>130</sup> Unfortunately the new created organization *Societas Europaea* is not yet fully researched and it is to recommend new investigations and researches for this topic. More and detailed information would help entrepreneurs to discover the advantages and the hidden great opportunities even and especially for medium sized companies.

Until today the succession in small and medium sized family companies is solved individually and different depending from country to country. This new organization form which can be used all over Europe provides a milestone in the social, fiscal, legal and personal treatment of the succession process within Europe across its cultural and religious as well as personal borders. A common solution for the problem and a similar way of solution within a unique and European organization helps to simplify and equalize the process.<sup>131</sup>

Even though the disadvantages as no longtime experience or the by now scientifically un-researched organization cannot be neglected, the opportunities are huge and it is about the Science and the Practice to provide useful information and guidelines as soon as possible. The single and individual consequences for the public as well for the private companies of all sizes have to be analyzed and be researched.

This new phenomena of the *Societas Europaea* (SE) might be one of the big inventions of the last years and might help providing a common and overall process guide for succession within family companies as well as a new quality of European business making. It is about us to discover and enlarge the rich potential of the *Societas Europaea*.

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<sup>129</sup> European Trade Union Institute for Research, <http://www.etui.org/>, 16/12/2010

<sup>130</sup> REPPESGAARD, Lars; TÖDTMANN, Claudia: *Societas Europaea* Familienfirmen setzen auf neue Rechtsformen, taken from <http://www.handelsblatt.com/societas-europaea-familienfirmen-setzen-auf-neue-rechtsform;2519597>, 15/12/10

<sup>131</sup> REPPESGAARD, Lars; TÖDTMANN, Claudia: *Societas Europaea* Familienfirmen setzen auf neue Rechtsformen, taken from <http://www.handelsblatt.com/societas-europaea-familienfirmen-setzen-auf-neue-rechtsform;2519597>, 15/12/10

## 8. CONCLUSION

"The right personality can learn everything. But you cannot learn personality."<sup>132</sup>

This was the answer given by Josef Ackermann when being asked about his requirements towards his successor. He explains that he is not interested in longtime job experiences or the questions if the successor is internal or external, furthermore he is interested in the potential and the portfolio of the successor especially his characteristically qualifications. This attempt towards succession shows the two most important factors: the willingness of the entrepreneur to find and choose the right successor and therefore the willingness to be succeeded. On the other hand high requirements based on personal and characteristically skills and potential of the successor who wants to success.

The complexity of succession is enormous and the process especially in small and medium sized family companies starts in the early years of the company founding, includes the rising and upbringing as well as the education of children of family companies. The process of succession in a family company is a tough process to go through for the whole family. The family has to work together in accordance and with the help of the employees to success successfully. The understanding and the unlimited support of the entrepreneur, the company and the family itself will decide about the successor's success.

The main goals of this work have been set as the following"trying to find a methodical approach for the process of succession within small and medium sized family companies in regard of the effectiveness and efficiency of the implemented and operated methods" and the second goal was described by creating a "practical help for the elaboration and composition of a methodically approach to the preparation and education of the possible successor". The goal setting has been successful and the research results gained are very helpful guidelines for further successions and successors.

The two hypothesis have been set as H1: The willingness to success a family run business is a longtime process of the possible successor which can be influenced by his environment, especially the founder and H2: The succession is the amount of the result of the family and company strategy, the implemented tactics, decisions, longtime goal setting and goal achievement within a family enterprise and the family.

With the help and based on the taken surveys/ interviews/ observation and named literature as well as by the way of showing up real existing successions within the case studies, possible ways of succession are given. Within this work the complexity

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<sup>132</sup> ACKERMANN, JOSEF in EIGENDORF, JÖRG; JOST, SEBASTIAN: Was muss ein neuer Chef wirklich können in: WELT Kompakt, p. 124-19; 6562401006-1005, 11th of April 2011



of the process as well as the need for successful within the family companies is worked out in detail. The actual financial and economical crises are only one more factor which brings up the importance of this underestimated topic.

The economy is based on the performance of family companies. Their political, cultural, structural and economical aspects do have direct influence on our society. Considering this influence shows up two possible future ways:

- 1.) The positive and best case scenario is providing enormous chances, support and opportunities for the family companies, their successors and families. This successful succession will have positive synergy effects on our economy and our society.
- 2.) The negative and worst case scenario is leading to high unemployment rates, the loss of knowhow as well as the loss of the culture of the family companies.

Due to the importance of the topic, the change in our society and the question: Who will be the successor of all these companies and what will happen to our economy and all the jobs provided by the existing family companies, if there is no possible successor? This thesis should provide necessary field information, answers and recommendation for the different situations different family companies are in during the process and preparations of the succession.

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# CURRICULUM VITAE

Name: Antonia Hollerbach  
 Family status: single  
 Born (date, place): 05. August 1982, Hardheim  
 Nationality: German  
 Address: Telemannstrasse 13,  
 60323 Frankfurt, Germany  
 E-mail: antonia.hollerbach@unipro.de  
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## Work Experience

2009- CEO of UniversalProjekt GmbH, Hardheim, Germany

2007 - UniversalProjekt GmbH, Hardheim, Germany

Since starting my work at UniversalProjekt I was involved and working for different projects and departments. UniversalProjekt is an international shop and retail fitter and working all over the world, with international retail chain companies. I am responsible for the purchase department as well as the main, important clients.

2005 Diploma thesis & internship at Parfümerie Douglas GmbH; Hagen, Germany

At the end of my business management studies I was in the great position to write my diploma thesis in the logistic and purchase department of the Douglas GmbH. The Douglas GmbH is an international lifestyle company dealing with cosmetics

and perfume. Within my diploma thesis I was responsible to create a new supply chain management control system.

2004 Internship ThyssenKrupp MinEnergy GmbH,  
Tianjin, China

More than half a year I was working in the coke and coal industry in China and trading coke, coal and other minerals from China to the world. Loading vessels and handling the shipment as well as pricing the loading was in my hands.

2003 Internship ThyssenKrupp MinEnergy GmbH, Essen,  
Germany

The Thyssen Krupp MinEnergy GmbH as one of the most profit giving departments within the ThyssenKrupp family is responsible for the shipments of coke and coal when they do leave the loading harbor. I was located in the sales department and in steady contact with our clients, responsible for the sales within Europe.

2002 Internship at Douglas Spain S.A., Madrid, Spain

During my internship in the marketing department in the Douglas Spain S.A., I was investigating the Spanish island market for cosmetics and perfumes. The focus was on the trade-free-tax zones and I was travelling and working over the Canary Islands.

## **Education**

at present- University of Tomas Bata in Zlin, PhD Program,  
Topic: Company Succession in small and medium  
sized family companies

2005 – 2007 Graduate studies of Interior Design, Parsons  
University, New York, USA

2001 – 2005 Graduate studies of Business Administration,  
International School of Management (ISM)

2004	California School of Management (CSIM); Semester abroad, San Diego, USA
2003	European Business School (EBS); Semester abroad, Paris, France
1998 – 2001	Schule Schloss Salem, Salem Abitur (A-Level equivalent)

### **Courses and Certification**

2000	National Student Leadership Conference, Washington, USA
2001	Language School, Dante Alighieri, Florence, Italy

## **APPENDICES**

### **Appendix A Questionnaire Survey on Succession Planning**

Fragebogen zur Dissertation:

## **Unternehmensnachfolge in kleinen und mittelständischen Familienunternehmen**

Zeitaufwand 10 Minuten

Antonia Hollerbach

Paradeisweg 10

74736 Hardheim

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06283/ 2209-98



Guten Tag, sehr geehrte Damen und Herren,

im Rahmen meiner Dissertation: Unternehmensnachfolge in kleinen und mittelständischen Familienunternehmen führe ich eine Untersuchung bei Unternehmern durch, um einen klaren Einblick über die aktuelle "Nachfolger-Situation" in Deutschland zu erhalten.

Sie, als erfolgreicher Unternehmer können mir hierbei sehr helfen. Ich bitte Sie höflich, sich **10 Minuten** Ihrer kostbaren Zeit zu nehmen und den nachstehenden Fragenkatalog zu beantworten.

Ich verspreche Ihnen, dass eine anonyme Auswertung stattfinden wird und dass ich Ihnen bei Interesse gerne die Auswertungen und später auch die Dissertation zukommen lassen.

Bitte beantworten Sie alle Fragen nach bestem Wissen und Gewissen. Es steht Ihnen frei, die Antworten auf unangenehme Fragen, oder Fragen, die Sie nicht beantworten möchten/ können, auszulassen.

Ich bedanke mich hiermit für Ihre Hilfe und die Zeit, die Sie sich nehmen um den nachstehenden Fragebogen auszufüllen.

Bitte schicken Sie den ausgefüllten Fragebogen bis spätestens X.X.XX entweder

per Fax an: 06283/ 2209-42 oder

per Email an: antonia.hollerbach@unipro.de oder

per Post an: Antonia Hollerbach

Wielandstarsse 5

74736 Hardheim

Ich wünsche Ihnen einen schönen Tag und verbleibe

mit den besten Grüßen aus Hardheim

Antonia Hollerbach

Anleitung:

Dieser Fragebogen dauert zehn Minuten. Bitte lesen Sie sich jede Frage einzeln durch und geben Sie dann eine Antwort. Mehrfachnennungen sind möglich. Sollte Ihre Antwort bei einer Frage nicht aufgeführt sein, so nennen Sie diese bitte auf dem dafür vorgesehenen Platz nach jeder Frage.

### A.) ALLGEMEINES ZU IHREM UNTERNEHMEN

- 1.) Wie viele Mitarbeiter hat Ihr Unternehmen? \_\_\_\_\_Mitarbeiter
- 2.) Bitte nennen Sie Ihr Alter \_\_\_\_\_Jahre
- 3.) Umsatz? \_\_\_\_\_ Euro
- 4.) Seit wann besteht die Unternehmung seit\_\_\_\_\_

### B.) IHRE PERSÖNLICHE UNTERNEHMENSNACHFOLGE

- 5.) In welcher Generation befindet sich Ihr Unternehmen? \_\_\_\_\_Generation
- 6.) Haben Sie bereits über Unternehmensnachfolge nachgedacht? ja  nein
- 7.) Wenn Sie bereits über Unternehmensnachfolge nachgedacht haben, bitte nennen Sie die Gründe (Mehrfachnennungen möglich):
- |   |                                    |
|---|------------------------------------|
| Interesse an eigener Firma sinkt <input type="checkbox"/> | Alter <input type="checkbox"/>     |
| Wunsch, neue Firma zu gründen <input type="checkbox"/>    | Krankheit <input type="checkbox"/> |
| Weitergabe an Dritte gewünscht <input type="checkbox"/>   |                                    |
| Wunsch nach mehr Freizeit <input type="checkbox"/>        |                                    |

8.) Wenn Sie noch nicht über Unternehmensnachfolge nachgedacht haben, bitte nennen Sie Gründe:

Unternehmen bildet meine Lebensgrundlage                       Meine Arbeit gefällt mir

Kein potentieller Nachfolger in Sicht

Ich fühle mich noch zu jung

Unternehmung ist stark abhängig von mir

9.) Haben Sie bereits einen Nachfolger  ja                       nein

**Wenn ja, aus welchen Reihen:**

Sohn/ Tochter (eigene Kinder)                       Verwandte (Neffe/Nichte)

innerhalb der Firma                       externer Nachfolger

Verkauf der Firma                       angeheirateter Nachfolger

Schließung der Unternehmung nach meinem Aufhören

10.) Haben Sie als Unternehmer Angst davor, Ihre Unternehmung abzugeben?

nein, keine Angst | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ja, sehr viel Angst

1                      2                      3                      4                      5

11.) Welche Befürchtungen haben Sie, wenn Sie Ihre Unternehmung an einen Dritten weitergeben?

Scheitern des Nachfolgers                       Umsatzrückgang

keine Akzeptanz bei der Belegschaft                       Innerfamiliäre Probleme/ Streit

Keine Akzeptanz bei den Kunden                       Ideologie geht verloren

Überforderung des Nachfolgers                       Keine Befürchtungen



14.) Welche Qualitäten muss ein Nachfolger für Sie haben?

- |                      |                          |                               |                          |
|----------------------|--------------------------|-------------------------------|--------------------------|
| gute Ausbildung      | <input type="checkbox"/> | Menschenkenntnis              | <input type="checkbox"/> |
| Führungsqualitäten   | <input type="checkbox"/> | fachliche Kenntnisse          | <input type="checkbox"/> |
| Freude an der Arbeit | <input type="checkbox"/> | Akzeptanz bei der Belegschaft | <input type="checkbox"/> |
| _____                | <input type="checkbox"/> | _____                         | <input type="checkbox"/> |

15.) Würden Sie sich zutrauen, als Fremder Ihre eigene Unternehmung weiterzuführen?

nein, auf keinen Fall | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ja, auf jeden Fall

1      2      3      4      5

16.) Wenn Sie als Fremder nicht Ihre eigene Unternehmung übernehmen würden, bitte nennen Sie Gründe.

- |  |                          |                      |                          |
|--|--------------------------|----------------------|--------------------------|
| Wirtschaftliche Situation in Deutschland                   | <input type="checkbox"/> | Risiko zu hoch       | <input type="checkbox"/> |
| Keine Perspektive für die Unternehmung                     | <input type="checkbox"/> | Angst vorm Scheitern | <input type="checkbox"/> |
| Andere Interessen  | <input type="checkbox"/> | zu wenig Freizeit    | <input type="checkbox"/> |
| Angst vor Nicht-Akzeptanz/ Struktur der Unternehmerfamilie | <input type="checkbox"/> |                      |                          |
| _____  | <input type="checkbox"/> |                      |                          |

17.) Welche Konsequenzen fürchten Sie nach Übergabe/ Abgabe Ihrer Unternehmung?

- |   |                          |                                  |                          |
|---|--------------------------|----------------------------------|--------------------------|
| Verlust des sozialen Ansehens             | <input type="checkbox"/> | Einbußen im finanziellen Bereich | <input type="checkbox"/> |
| Verlust der Existenz                      | <input type="checkbox"/> | Zu viel Freizeit/ Langeweile     | <input type="checkbox"/> |
| Keine Befürchtungen                       | <input type="checkbox"/> |                                  |                          |
| Probleme im innerfamiliären Zusammenleben | <input type="checkbox"/> |                                  |                          |
| _____                                     | <input type="checkbox"/> |                                  |                          |

18.) Welche Faktoren bilden die größten Hürden bei der Unternehmensnachfolge?

- |   |  |
|---|--|
| Steuer <input type="checkbox"/>                                     | Staat/ Politik <input type="checkbox"/>                |
| Wahl des Nachfolgers <input type="checkbox"/>                       | Akzeptanz bei der Belegschaft <input type="checkbox"/> |
| Akzeptanz bei den Kunden <input type="checkbox"/>                   | Allgemeines Umfeld <input type="checkbox"/>            |
| Unterstützung durch die Unternehmerfamilie <input type="checkbox"/> |  |
| _____ <input type="checkbox"/>                                      |  |

Vielen Dank für die Zeit, die Sie sich genommen haben, um diesen Fragebogen auszufüllen. Sollten Sie Interesse an den Auswertungen des Fragebogens bzw. der daraus resultierenden Dissertation haben, so kreuzen Sie bitte an:

- Bitte lassen Sie mir die Auswertungen zukommen
- Bitte lassen Sie mir die Dissertation als PDF. zukommen

Name \_\_\_\_\_

Email \_\_\_\_\_

Mit freundlichen Grüßen

Antonia Hollerbach

**Appendix B Questionnaire Survey on Succession Planning (English translation)**

Questionary for dissertation:

**Company succession in small and medium-sized  
family businesses**

Expenditure of time 10 minutes

Antonia Hollerbach

Paradeisweg 10

74736 Hardheim

[antonia.hollerbach@unipro.de](mailto:antonia.hollerbach@unipro.de)

06283/ 2209-98

Dear Sir or Madam,

In line with my dissertation: company succession in small and medium-sized family businesses I undertake an investigation at companies, to receive a clear insight about the current "follower-situations" in Germany.

You, as a successful entrepreneur, could help me a lot with this. I kindly ask you, to take **10 minutes** of your precious time to answer the following questionnaire.

I promise you, that there will be an anonym analysis and if you are interested, I would like to send you the analysis and later also the dissertation.

Please answer the questions to all conscience. You are free to not answers unpleasing questions, or questions, you just don ´t want or cannot answer.

Thank you for your cooperation and time, you spent to complete the following questionnaire.

Please send the completed questionnaire at the latest X.X.XX either

by fax to:                   06283/ 2209-42                   or

via email to:               antonia.hollerbach@unipro.de       or

via mail to:                Antonia Hollerbach  
                                  Wielandstraße 5  
                                  74736 Hardheim

I wish you a nice day and remain with the best regards from Hardheim

Antonia Hollerbach



Direction:

This questionnaire takes about 10 minutes. Please read the questions particular and answer then. Multiple answers are allowed. If your answer is unlisted by a question, please mention this in the favor designated place after each question.

#### D.) GENERALS TO YOUR COMPANY

- 19.) How many employees does your company have? \_\_\_\_\_staffs
- 20.) Please mention their ages \_\_\_\_\_years
- 21.) Turnover? \_\_\_\_\_Euro
- 22.) Since when does the enterprise exist? since\_\_\_\_\_

#### E.) YOUR PERSONAL COMPANY SUCCESSION

- 23.) In which generation is your company? \_\_\_\_\_generation
- 24.) Did you already think about company succession? Yes  No
- 25.) If you have already thought about company succession, please mention the reasons (Multiple answers are allowed):
- |                                       |                          |         |                          |
|---------------------------------------|--------------------------|---------|--------------------------|
| Interest in own company sink          | <input type="checkbox"/> | Age     | <input type="checkbox"/> |
| Desire to build a new company         | <input type="checkbox"/> | Illness | <input type="checkbox"/> |
| Dissemination to third person desired | <input type="checkbox"/> |         |                          |
| Desire to have more leisure           | <input type="checkbox"/> |         |                          |

26.) If you have not already thought about company succession, please mention the reasons:

- |                                   |                          |                    |                          |
|-----------------------------------|--------------------------|--------------------|--------------------------|
| Company is my livelihood          | <input type="checkbox"/> | I like my activity | <input type="checkbox"/> |
| No potential successor            | <input type="checkbox"/> | I feel too young   | <input type="checkbox"/> |
| Company is highly dependent on me | <input type="checkbox"/> |                    |                          |

27.) Do you have already a successor Yes  No

**If yes,** of which tires:

- |   |                          |                         |                          |
|---|--------------------------|-------------------------|--------------------------|
| Son/ daughter (own child)                     | <input type="checkbox"/> | Relative (nephew/niece) | <input type="checkbox"/> |
| Inside the company                            | <input type="checkbox"/> | External successor      | <input type="checkbox"/> |
| Sale of company                               | <input type="checkbox"/> | In-law successor        | <input type="checkbox"/> |
| Closing down of enterprise after my cessation | <input type="checkbox"/> |                         |                          |

10.) Are you, as an entrepreneur, afraid of giving up your enterprise?

No, not afraid | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | Yes, very afraid

1      2      3      4      5

11.) Which apprehension do you have, when you pass your company to a third person?

- |                                |                          |                                  |                          |
|--------------------------------|--------------------------|----------------------------------|--------------------------|
| Failure of successor           | <input type="checkbox"/> | Decrease in turnover             | <input type="checkbox"/> |
| No acceptability by workforce  | <input type="checkbox"/> | Problems / dispute inside family | <input type="checkbox"/> |
| No acceptability by costumers  | <input type="checkbox"/> | Ideology will get lost           | <input type="checkbox"/> |
| Excessive demand of succession | <input type="checkbox"/> | No apprehension                  | <input type="checkbox"/> |

## F.) QUESTIONS TO SUCCESSION – THE NEW GENERATION

12.) Will there be nowadays other requirements to the entrepreneur, than at your starting time?

Yes  No

**If yes, which:**

Globalization of markets	<input type="checkbox"/>	Modification in society	<input type="checkbox"/>
Requirement of environment	<input type="checkbox"/>	Competition pressure	<input type="checkbox"/>
Bureaucratic barrier	<input type="checkbox"/>	Educational standard is higher	<input type="checkbox"/>
End of economic growth	<input type="checkbox"/>		

13.) Which apprehension do you have, when you will pass your company to a third person?

*c.) Sozial apprehensions*

Failure of successor	<input type="checkbox"/>	No acceptability by workforce	<input type="checkbox"/>
Excessive demand of successor	<input type="checkbox"/>	Ideology get lost	<input type="checkbox"/>
Losing my social prestige	<input type="checkbox"/>		
Argument / problems inside family	<input type="checkbox"/>		

*d.) Economical apprehensions*

Losing of costumers	<input type="checkbox"/>	Strong competition	<input type="checkbox"/>
Decrease in turnover	<input type="checkbox"/>	Insolvency/failure of enterprise	<input type="checkbox"/>
Losing of safeness in age/ pension by company	<input type="checkbox"/>		

14.) Which qualities a follower must have for you?

- |                    |                          |                            |                          |
|--------------------|--------------------------|----------------------------|--------------------------|
| Good education     | <input type="checkbox"/> | Knowledge of human nature  | <input type="checkbox"/> |
| Leadership ability | <input type="checkbox"/> | Expertise knowledge        | <input type="checkbox"/> |
| Pleasure in work   | <input type="checkbox"/> | Acceptability by workforce | <input type="checkbox"/> |
| _____              | <input type="checkbox"/> | _____                      | <input type="checkbox"/> |

15.) Would you dare yourself, to lead your own enterprise as a foreigner?

No, certainly not | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | Yes, definitely

1      2      3      4      5

16.) If you would not take over your own enterprise as a foreigner, please mention the reasons.

- |   |                          |                      |                          |
|---|--------------------------|----------------------|--------------------------|
| Economic situation in Germany   | <input type="checkbox"/> | Too high danger      | <input type="checkbox"/> |
| No perspective for enterprise   | <input type="checkbox"/> | Be afraid of failure | <input type="checkbox"/> |
| Other interests   | <input type="checkbox"/> | Not enough leisure   | <input type="checkbox"/> |
| Be afraid of not being accepted / structure of entrepreneurial family | <input type="checkbox"/> |                      |                          |
| _____   | <input type="checkbox"/> |                      |                          |

17.) Which consequence do you fear after handing over your enterprise?

- |                            |                          |                            |                          |
|----------------------------|--------------------------|----------------------------|--------------------------|
| Losing of social prestige  | <input type="checkbox"/> | Financial penalties        | <input type="checkbox"/> |
| Losing of existence        | <input type="checkbox"/> | Too much leisure / boredom | <input type="checkbox"/> |
| No apprehension            | <input type="checkbox"/> |                            |                          |
| Problems inside the family | <input type="checkbox"/> |                            |                          |
| _____                      | <input type="checkbox"/> |                            |                          |

18.) Which factors built the biggest barrier for the company succession?

- |                                       |                          |                            |                          |
|---------------------------------------|--------------------------|----------------------------|--------------------------|
| Tax                                   | <input type="checkbox"/> | State / politics           | <input type="checkbox"/> |
| Choice of follower                    | <input type="checkbox"/> | Acceptability by workforce | <input type="checkbox"/> |
| Acceptability by costumer             | <input type="checkbox"/> | General environment        | <input type="checkbox"/> |
| Support of the entrepreneurial family | <input type="checkbox"/> |                            |                          |
| _____                                 | <input type="checkbox"/> |                            |                          |

Thanks a lot for the time you spent to complete this questionnaire. If you are interest in the analysis of the questionnaire or the result from the dissertation, please mark with a cross:

- please send me the results
- please send me the dissertation as a pdf file

Name \_\_\_\_\_

Email \_\_\_\_\_

Best regards

Antonia Hollerbach