

*Handelsblatt (German economic newspaper), February 11, 2008*

**Brand Study:** Family-owned enterprises currently have excellent chances to score with both applicants and consumers

## **Authentic, Innovative, Sustainable**

The prospects are good for family-owned enterprises: "Sustainability currently is a dominant issue for both business and society – and many associate it with family businesses," says Peter Kruse, Professor of Organizational Psychology at the University of Bremen. This insight is the key finding of a study the Professor has conducted with his consulting enterprise, nextpractice, for this year's conference of family businesses at the University of Witten-Herdecke.

More than 100 consumers, family entrepreneurs and journalists have been interviewed concerning the image of family-owned enterprises. The goal was to determine how family businesses are perceived, whether they function as a brand and which challenges they are presently facing. The focus, however, was not on specific problems of family businesses, but on their current standing in relation to other business models and in comparison with the personal values of the interviewees.

According to the findings, family-owned enterprises now profit from the growing insecurities within society. As interconnectedness increases through internet and mobile data services as well as through globalization, employees and consumers are facing evermore complex decisions in ever shorter intervals, Kruse outlines: "Many feel overwhelmed and react based on emotional and intuitive assessment," he says. "They appreciate reliability, continuity, trust." The study demonstrates that these are precisely the values attributed to family businesses.

Wolfram Freudenberg can only confirm this: "Highly qualified applicants are increasingly interested in the values of family businesses" says the Freudenberg group's Chairman of the Board, all at once emphasizing that family-owned companies particularly appreciated here in this country. In Southeast Asia, for example, people rather connect this enterprise model to nepotism, greed and lack of capital due to excessive withdrawals. "Hence, down there it is certainly not a recommendable base for a brand strategy," Freudenberg says. The nearly 160-year-old enterprise group produces sealings, filters, fleece and many other products in over 53 countries, employing 33.000 people. The family who owns it has a strict moral code, for example insisting on the group not investing in military projects. The employees honour this. "While clients barely perceive a difference from trusts, family enterprises do have a certain bonus with employees," Freudenberg says.

Organizational psychologist Kruse rates this advantage very highly as the battle for the best minds gets tougher. Also, no matter if consumer or applicant, everyone makes their decisions quite quickly in the end. In this process, most will trust their intuition. This is a promising starting position for family businesses who overtly position themselves as a family enterprise brand. However, such a strategy only works if it is initiated by the management, and supported and exemplified by the owner family, Kruse emphasizes. After all, family enterprises cannot only score with their names, but also damage them with a flawed strategy.

"In Germany, the overall image of family businesses is very positive," Kruse explains. However, acceptance declines with increasing size. "Family businesses are perceived to stand for sustainability, not so much for international competitiveness."

Especially medium-sized family businesses are ascribed the most desirable qualities: human commitment, commendable management, ethical conduct and social responsibility. Even so, the interviewees also perceive weaknesses of the small firm sector: meager career opportunities and adherence to the status quo.

The bigger the family business, the less social responsibility is attributed to it. However, those enterprises are not only ranked higher in anonymity, but also in career prospects and competitiveness. The upper fraction of the small firm sector comes as close as it gets to the image of both the ideal

employer and the ideal entrepreneur. Nevertheless, the majority of those surveyed believes that big family businesses and public corporations are more apt to master the challenges of globalization.

Together with the values attributed to family businesses in general, the Bremen-based institute asked for the assessment of well-known family businesses. According to the results, Porsche, Würth, BMW, Haribo, Oetker and Burda count among the ideal enterprises and employers, most strongly corresponding to the values cherished by the interviewees. The discounter, Lidl, and the drugstore-chain, Schlecker, are perceived to be the furthest away from those ideal values, even though both are big family businesses.

In an interconnected world, information about which company treats their employees well and which does not is disseminated rapidly. "Family businesses as a brand are under pressure," Kruse concludes. This can be a greater challenge for family businesses than for other business models. Hence, it is essential for them to set an example of social responsibility. Usually, the family cannot be separated from the brand, Freudenberg adds. "A loss of reputation is a serious threat to the family as well as to the brand."

## **Small and Medium-sized Businesses vs. Major Corporations**

### **Limited Number of Participants**

The research and consulting enterprise, nextpractice, has extensively surveyed a sample of overall 101 journalists, consumers and family entrepreneurs in different regions of Germany. They have been interviewed concerning their expectations towards family-owned enterprises. nextpractice has not used standardized questionnaires but in-depth interviews to gather the data. With a proprietary analysis technique, the firm has been able to nevertheless compare the answers with one another. The goal of this method was to identify not only the conscious, but also the intuitive aspects.

### **Unlimited Possibilities for Interpretation**

In contrast to quantitative studies, this approach delivers not just simple diagrams, but complex graphs in need of explanation, comprising 55 positive and negative attributions in one "value space". Those attributions could be distilled down to five dimensions – sustainability, innovativeness, profitability, exploitation and stagnation of the respective enterprise. According to this, medium-sized family businesses primarily stand for sustainability, secondly for innovativeness, then for profitability, to a lesser extent for stagnation and fewest of all for exploitation. For family-owned major corporations innovativeness comes first, followed by profitability and sustainability. With non-family-owned major corporations, the interviewees first and foremost associate profitability and exploitation, with innovativeness ranking third and sustainability coming in last.

### **Surprises**

Consumers, journalists and family entrepreneurs hardly differed in their responses. Hence, image and self-perception of family businesses seem to be perfectly aligned. The responses from the former GDR-territories differ from those from the West German states. In Eastern Germany, the ideal employer is attributed a higher social competence than the ideal entrepreneurship.