

Uncommon common sense propels Germany's family companies to become global leaders

Published: July 28 2008 03:00

From Prof Bernd Venohr.

Sir, Richard Milne and Daniel Schäfer ("Driven dynasties", Analysis, July 25) are correct in pointing out the advantages Europe's family-owned companies have to pursue long-term strategies.

One crucial point is missing in this compelling story – automatic leadership succession from the founding entrepreneur to family siblings quite often leads to disastrous results for family companies.

My research on 1,300 top-performing, privately owned German mid-sized companies, which are worldwide market leaders, shows that the majority of those companies combine family ownership with outside professional management.

Interestingly enough, this contrasts sharply with the UK and France, where there tends to be automatic coupling of family ownership with family management. However, family ownership is only one important feature of the global top performers.

Their management model can be summarised under the heading "uncommon" common sense: focusing their limited resources on a market niche they can dominate worldwide; investing heavily in research and development and the creation of worldwide service and sales networks to deliver outstanding products and services to customers; relentless focus on improving operational performance.

On the issue of profits, this may be another important "cultural" difference to publicly listed companies, since it is not the primary objective but the result of these efforts. Long-term relationships with employees, suppliers and local communities are carefully managed so as not to destroy trust in the pursuit of short-term profits.

These sound management practices do not change much over the years. They are very different from management fads exaggerating one single aspect of company success. I think it is time to explore the management model of these successful European-based mid-sized and family-owned companies in more depth.

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