

The first comprehensive study of family businesses in Germany

More industrious ant than hungry locust: The listed family business

Around half of all listed companies in Germany are family-owned. They have less debt and therefore more equity behind them to survive times of economic hardship, and their workforces are growing at a faster rate. These are some of the findings of a comprehensive analysis of stock market-listed family businesses in Germany presented by Prof. Ann-Kristin Achleitner, Prof. Christoph Kaserer and their team at the Center for Entrepreneurial and Financial Studies at the Technical University Munich (TUM). The study was commissioned by the Family Business Foundation (Stiftung Familienunternehmen) in Munich.

The family businesses listed on the stock exchange are a heterogeneous group: They range from Europe's largest software manufacturer SAP with a workforce of more than 48,000 to SMEs such as the German-Chinese maker of bamboo products Asian Bamboo with some 300 employees. However, most listed family businesses have this much in common: Control and ownership are in the same hands. In around 80 percent of cases the founding family not only has voting rights but is also represented by at least one family member on the executive board or supervisory board. In the remaining 20 percent of cases, the founding family no longer has a stake in the business but still appoints a member to the executive or supervisory board, or retains more than 25 percent of the voting rights, enough to constitute a blocking minority at the annual general meeting.

Collectively, listed family businesses represent a third of the market capitalization of the non-financial companies included in the CDAX index, Deutsche Börse's broadest market index. "Family businesses are popularly perceived to be businesses that are in private ownership," says TUM economist Prof. Ann-Kristin Achleitner. "However, we were able to show that family businesses not only represent a substantial proportion of stock market flotations, but also that the family influence remains a decisive factor at many stock corporations and that there is a marked difference between family and non-family businesses."

Take, for example, the 50 percent equity ratio at family businesses that is substantially higher than at non-family businesses (36 percent). Family businesses may only employ an average of 6,000 people – compared with more than 15,000 at non-family businesses – but the growth rates in employment figures at family businesses is striking: 27 percent (median: four percent) compared with six percent (median: zero percent) at non-family businesses. Many of the owners of family businesses have evidently ventured onto the stock market in order to finance growth.

Typically, there is a close emotional bond that ties the family to the business, a bond that is frequently accompanied by the desire to continue to develop the business. Also as listed stock corporations, most family undertakings place a firm emphasis on preserving their independence and safeguarding the business for the long term. The effect on performance and average returns is by no means negative: "In examining key operating performance metrics we have actually found a mildly positive correlation with family influence," reports Prof. Kaserer.

Prof. Achleitner is convinced: "In view of the considerable importance of listed family businesses in the German capital market the differences between them and non-family businesses are of relevance not least with regard to capital market regulations and legislation."

The study was based on data for the years 1998 to 2008 for non-financial companies included in the CDAX (Composite Deutscher Aktienindex). The CDAX covers around 95 percent of the market capitalization of the German capital market.