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Standing the test of time. Factors influencing family firms' longevity in Germany and Spain during the twentieth century

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Introduction

Family firms constitute the backbone of the entrepreneurial landscape in Europe⁴. They have been the cornerstone of traditional and modern business in this continent for centuries, something which has been well recorded in public and private registers since at least since the early stages of capitalism in early modern times⁵.

Why is the family firm an institution able to survive and to compete in global capitalism? Consultants often analyze endogenous factors that take place in the continuity of family firms throughout generations, like leadership, succession planning, or the professionalization of management⁶. Economists try to compare differences in terms of performance or financial resources needed for growth and expansion with non family firms. Historians, particularly business historians, more frequently try to take into account the external institutional conditions that may provide opportunities or

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⁴ Berghoff. "End". Colli, *History*. Colli, Fernandez and Rose. "Determinants". La Porta, Lopez de Salinas and Shleifer. "Corporate"

⁵ Goody, Thirsk and Thompson, *Family*. Fernández Pérez. "El rostro familiar".

⁶ Millen and Breton Miller, *Managing*. Gallo and Amat, *Los secretos*.

obstacles to entrepreneurial families in different economic contexts, and describe how families respond to such challenges by combining their tangible and intangible resources at particular moments and territories. Case studies are the most important source of information in all cases, and less frequently scholars interested in explaining failure, or success, in terms of business continuity, try to present an overview of groups of family firms from different countries. Sources are difficult to find, particularly for failures, and information is more abundant for successful firms that leave more light in documents and statistics.

Seeking to shed some light on this topic, this paper compares the longevity of large family firms in Germany and Spain. Longevity, which we define in reference to family businesses as the successful generational transfer of the family controlled business needed to achieve its endurance, is not only a defining goal of family businesses - the consequence of its long term vision - but also an important proxy of its entrepreneurial success. Due to its importance for family firms, and its effects on the local creation of wealth and employment, longevity has become the subject of an extensive literature within the family business field of research, particularly in the management academic arena. Surprisingly, even though the topic of longevity includes by definition historical factors of analysis, most studies focus on internal business organization and are deprived of any historical context. Even the most influential books about factors leading to successful long-run management in family firms (Miller and Le Breton Miller 2005) do not consider the influence of changing historical conditions in explaining different factors of success for family businesses. On the contrary, this paper adopts a path-dependent methodological approach in the study of the longevity of family businesses. We also contribute to this literature assuming the importance of doing cross-cultural analysis, and for this we compare significant historical endogenous and exogenous factors leading to endurance and longevity of large family firms in Germany and Spain, with a special focus on the period after the Second World War.

The paper is divided into two related parts. Firstly, a quantitative section identifies and compares characteristics related to longevity and specialization of the largest family firms in Germany and Spain respectively at the beginning of the twenty first century. Secondly, the authors present some long-term factors that may shed some light on why, or how, old and large family firms in both countries have been able to survive the economic and political turmoils of the twentieth century, grow, and transfer the business beyond the second or third generation of the family.

The paper confirms what Spanish and German economic history has indicated regarding long-term environmental factors for business, in general, that positively affected the growth and survival of large family firms in both countries: (1) the industry-specific economic development, (2) the relationship to politics and the State, and (3) the legal framework. As for the most important endogenous factors that seem to have an influence in longevity of large family businesses in both countries, the paper highlights: (1) the professionalization of management, (2) a general openness concerning the hiring of external professionals and knowledge, (3) consistent strategies of specialization, and (4) the emotional attachment of different generations to the family business.

Longevity in family business research

Longevity can be interpreted as a measure of success.⁷ While this is true for all businesses, family or not, longevity is at the same time a subject of keen interest especially for family firms. Following Andrea Colli and Mary Rose, we define a family businesses as a firm, which is family influenced in both ownership and management.⁸ As Mark Casson points out, those firms differ in their “dynastic motive”, i.e. the wish to keep the company within the family for generations.⁹ Family businesses, therefore, measure their success on two scales, economic performance and long-term existence on the market. Other rewards of longevity are the accumulation of social and human capital, the assurance of employment opportunities and stability, and the growing association of the firm’s credibility and reputation with the family.¹⁰ If family firms achieve longevity and social recognition for their contribution to local wealth and employment, local institutions may also use the values and names of these firms to design an attractive regional and national image, which again benefits the firms. All in all, the family may gain from the firm’s long-term survival but also has more to lose in case of unfavourable developments and crises.

⁷ Cassis, *Big Business*. Fahed-Sreih and Djoundourian. "Determinants," 225.

⁸ Colli and Rose, *Family* 194.

⁹ Casson. "Economics."

¹⁰ Perricone, Earle, and Taplin. "Patterns," 116.

When family business scholars investigate longevity – often with reference to the so-called Buddenbrooks syndrome” – they focus on family and firm organization but seldom embed the results in an economic-historical framework.¹¹ Studies tend to suggest a set of standard features that individual firms must follow to achieve endurance. Probably the most differentiated example is the Four-C Priorities model by Dan Miller and Isabell Le Breton-Miller. It attaches long-term success to command (i.e., granting managers the right to independently make decisions), continuity (i.e., following a dynastic mission), community (i.e., developing a unifying company culture), and connection (i.e., keeping long-term relationships with stakeholders of the firm).¹² In this model networking and community life are considered of outstanding positive relevance for endurance, without taking into account, however, that the external environment may impose favourable but also unfavourable conditions for the longevity of family businesses. For instance, emotional attachment and community life played an important role in the continuity of many German Mittelstand firms during the nineteenth and twentieth century, despite the collapses of several political regimes and more than one economic breakdown.¹³ However, in a different case, the excellent international and national networking of multinational private firms (most of them, family-owned) that existed in China in the first decades of the twentieth century could not play any role in the continuity of the businesses after the 1940s, as the consolidation of a communist regime led to the almost disappearance of all medium and large family businesses in that country.

Ahistorical approaches in the study of business endurance have not sufficiently been contested, and here is where business historians may contribute by analyzing path dependency.¹⁴ In this sense, this paper wants to be a contribution by methodologically presenting contemporary data on longevity of large family firms in two European countries with different institutional conditions as regards business continuity. Spain and Germany may constitute two sufficiently different examples which, nevertheless, may suggest the need to adopt a more complex view about the factors leading to family firm success. Our data indicates that the internal resources of a family firm need to be able to adapt to changes in the historical environment, and not just promote individual

¹¹ Bakr Ibrahim, McGuire, and Soufani. "Investigation." A recent paper about key factors of survival (listed stock corporations) in Ehrhardt and Nowak. "The evolution".

¹² Miller and Le Breton-Miller, *Managing*.

¹³ Berghoff. "End."

¹⁴ Ibid. James, *Family*. Colli, Fernández Pérez, and Rose. "Determinants."

technical or emotional skills to deal with the business or the family. The external society and its problems also matter in terms of family business survival.¹⁵ Many very successful businesses did not pass the test of time because they poorly adapted to an ever changing environment. However, little work has been done to show how transformations in the competitive, technological and institutional framework affected family firms' longevity in different countries. We believe that our internationally comparative approach is beneficial because it allows us to compare different exogenous factors and ask how they are intertwined with family firms' organization.

We take into account different theories which relate to longevity: business history's path dependency theory, the three circle model of family business research, and the embeddedness approach by Mark Granovetter.¹⁶ Given that the three theoretical approaches do not contradict but rather reinforce and complete each other, we propose an integrative approach to achieve a complex and historically sensible model of family firm's longevity.

The structure of the paper is as follows. We set the scene by comparing the 100 largest family firms in Spain and Germany in 2005 and their historical development. Analyzing year of foundation, age and industry we test for similarities and differences in the longevity of German and Spanish family firms. Based on the results, the following second part is devoted to a qualitative analysis of case studies with the aim to identify the most important factors influencing longevity. We investigate not only management, business and family organization, which we call endogenous factors, but also the political and economic context in both countries, or the exogenous factors for survival. We focus this analysis on two industries, metal transformation and publishing, and a comparison of four companies, which we studied via archival material and literature reviews.

¹⁵ James, *Family*. Colli, *History*.

¹⁶ Buck and Shahrim, *Corporate*. Tagiuri and Davis. "Attributes." Gersick et al., *Generation*. Granovetter. "Action."

Long-standing family firms in Germany and Spain at the beginning of the twenty first century: A comparative approach

According to the last FBR monitor, the family business is the most common form of ownership and control in Europe.¹⁷ Family businesses represent 79 percent of all German enterprises and 85 percent of Spanish firms compared to 91 percent in Finland, 83 percent in France, 79 percent in Sweden, 73 percent in Italy, 65 percent in the UK, and 61 percent in the Netherlands. They account for between 31 percent (in the UK and the Netherlands) and 61 percent (in Sweden) of total employment in Europe. Despite this empirical evidence, there are few studies which compare the different settings for family firms in different European countries.¹⁸ None of them focuses on the important issue of longevity.

Research about longevity has so far shown a strong preference for Japan, where the oldest family firms in the world are based.¹⁹ We add to this line of research by comparing Spain, a Mediterranean country and industrial late developer, with Germany, the fastest growing economic power in Western Europe after the Second World War. At a first glance and based on the percentages of family firms today, one would assume that long-term family ownership played a more important role in Spain than it did in Germany. However, this presupposition is entirely contradicted by a comparison of the top 100 largest family firms in both countries.²⁰

One of the most striking differences between the largest family firms in Germany and Spain is their longevity. In line with David Landes' or Alfred Chandler Jr.'s ideas regarding the advance of large corporations in the world, one may think that the success of the big corporation has meant a sharp decline in family ownership in Germany in the second half of the twentieth century, whereas the late convergence and integration of Spain in the world markets would have resulted in a country with many old family firms. The figure below shows quite the opposite: on average large and relatively old family firms dominate in Germany, and relatively young family firms are typical for Spain's large family businesses.

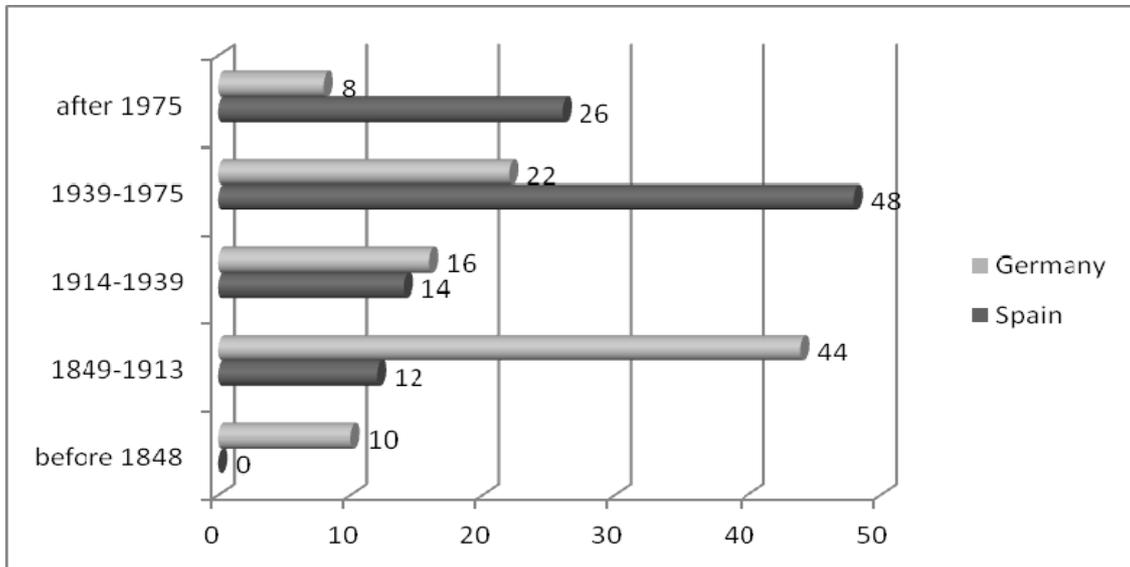
¹⁷ Available at <http://www.fbn-i.org>

¹⁸ Notable exceptions are Colli, Fernández Pérez, and Rose. "Determinants." James, *Family*. Colli. "Family 2010."

¹⁹ Goto, *Longevity*.

²⁰ For Germany we used the list of the top 500 family owned corporations published by the Institut für Mittelstandsforschung and completed the data with information from websites and company publications. Hauser and Wolter, *Bedeutung*. For Spain we used the list of the 100 largest family firms in 2005, published in Josep Tàpies, and completed the database with data from Actualidad Económica and companies' websites. Tàpies Lloret, *Empresa*.

Figure 1: Top 100 largest family business in Germany and Spain by year of foundation (2005)



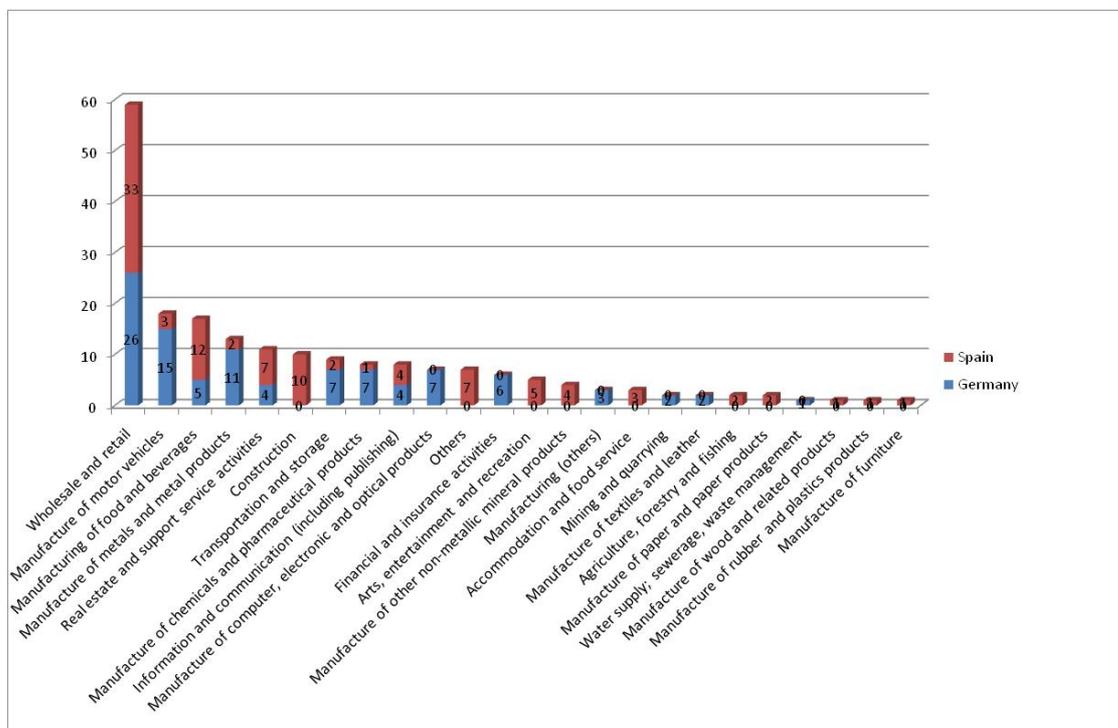
SOURCES: See note 19.

In Germany, the majority (54 percent) of the top 100 largest family firms in 2005, was founded before the First World War with a peak during the years of the “Gründerboom” (a boom of new businesses founded) in the early 1870s. Another 16 percent started their activities in the inter-war period. Only 30 percent in total were founded after 1939 and only a very small percentage of 8 percent after 1975. That means a strong resilience of family firms created at the crucial years of consolidation of the German State and during the key years of dissemination of technologies and pioneering firms of the Second Technological Revolution in Germany. In Spain, the majority of businesses (74 percent) clearly derived from the Post-Franco-Period after 1939 (the year of the end of the Spanish Civil War). Only 12 percent of the largest family firms had already been in businesses before 1913 (none before 1848), another 14 percent started their activities between 1914 and 1939.

In 2005, the top 100 family firms in Germany were on average 83 years old, whereas in Spain the average age was 41 years. A comparison with the average longevity of the largest 25 North-American family firms (82,1 years) reveals a strong similarity of Germany with the U.S., and suggests that an important reason behind the old age of German and U.S. family firms may have been an early development of large

firms specialized in technologies of the Second Technological Revolution.²¹ These firms increased their scale and scope before the First World War while strongly keeping – in opposition to what Chandler or Landes have suggested – family ownership and control. In Spain, by contrast, some of the oldest family firms are in sectors which are typical of the first industrial revolution (food and beverages, for instance) and of the distribution revolution of the second industrial revolution (wholesale distribution), but they are relatively smaller in size –and younger in comparison with German and U.S. large family firms- than industrial firms typical of the Second Technological Revolution.

Figure 2: Top 100 largest family firms 2005 by industry



SOURCES: See note 19.

Concerning Germany, this argument is supported by Goto who claims that the total number of long-lived firms is by far largest in Japan, however followed by Germany. Other European countries, such as the Netherlands, France, Austria, and also Spain give home to a significantly smaller number of long-lived firms.²² This article asks how these differences can be explained. Which factors influenced longevity in Spain and Germany and how did they develop over time in both countries?

²¹ www.familybusinessmagazine.com/top150.html (accessed 08.02.2010)

²² Goto, *Longevity* 521.

As we want to understand the differences in longevity, we focus the qualitative section on four case studies (two for each country) from two sectors, metal transformation and publishing. These two sectors have in common that they serve market niches and have a large number of family-owned companies in both countries. They, however, differ very much in their historical development, competitive structure and firm composition. Deliberately, we choose two industries that during the twentieth century faced major challenges and problems. We also include successful and unsuccessful businesses because in comparing them we can identify characteristics of the family business and see how they related to the different economic and political frameworks. Prior studies of longevity often dealt exclusively with the oldest, and therefore most successful, firms in an economy.²³ While this is a reasonable approach, it, however, limits the scope of the analysis to the few sectors with long-term success and certain regions where companies have been founded earliest (old capitals, regions with high population density, traditional marketplaces). Our focus on industries allows us instead – in line with Granovetter’s embeddedness approach – to take the specific development and competitive environment into account.

Exogenous factors influencing longevity

In metal transformation we analyze the Spanish manufacturer Roca Corporación, a global leader in metal and ceramic equipment for the bathroom; and the German machine tool producer Deckel famous for its milling and boring machines. In publishing we compare the Spanish publishing group Planeta and the German publisher A. Bagel Verlag, part of the printing and publishing group Bagel. All four case studies have in common that they remained family influenced for several generations. While Roca (founded in 1830) and Bagel (founded in 1801) have both been family-owned and -controlled since the founding, the publishing company Planeta was bought by the family in 1949, which held and managed the firm ever since. The Deckel company, by contrast, was founded in 1903 and remained family-owned and -controlled until 1991 when the family decided to sell to an external investor.

²³ Ibid.

Table 1: Case studies

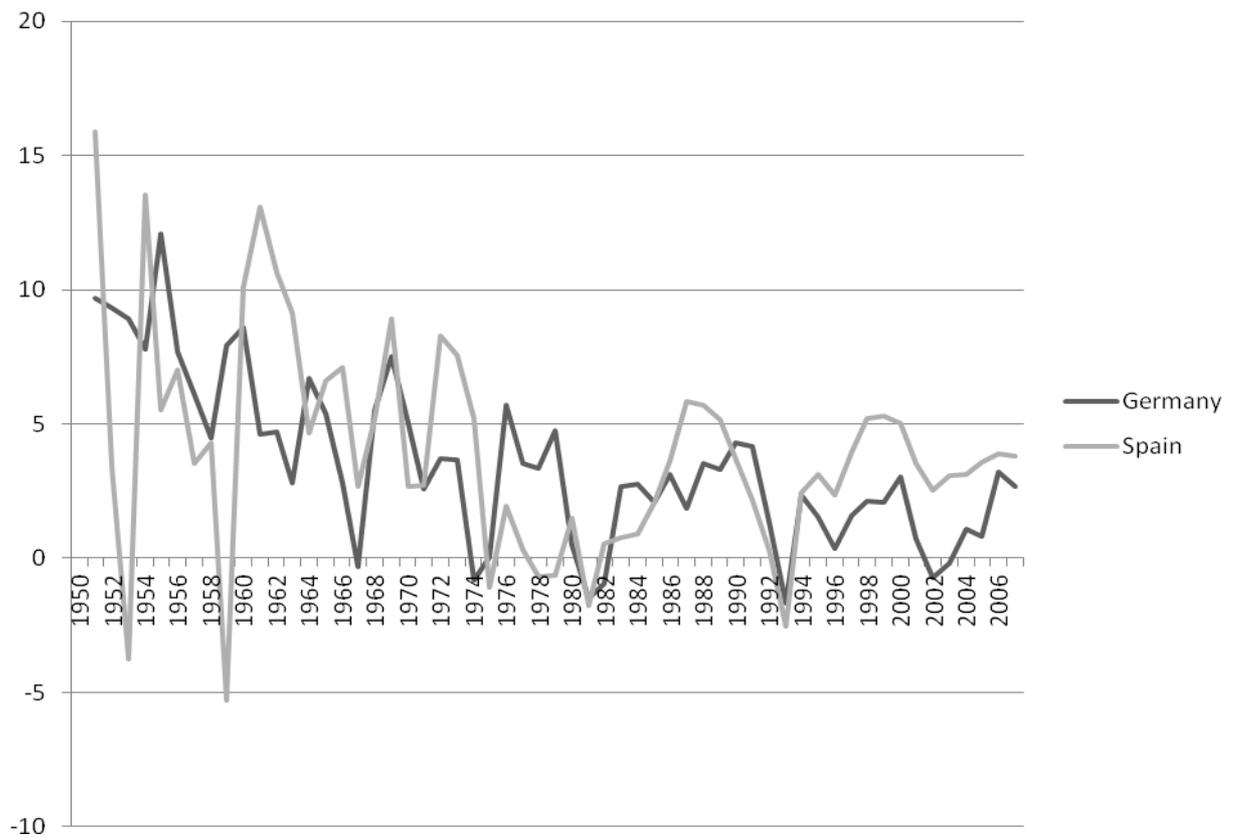
	SPAIN		GERMANY	
	PLANETA	ROCA	BAGEL	DECKEL
YEAR OF FOUNDATION	1949	1830	1801	1903
SECTOR	Publishing	Metal and ceramic transformation	Publishing	Metal transformation
FAMILY CONTROL	100% Social capital	100% Social capital	100% Social capital	The family sold the company in 1991.
FAMILY IN BUSINESS	Lara Family. Second Generation	Roca Family. Fourth Generation	Bagel Family. Seventh Generation	Deckel Family. Third Generation
TURNOVER 2008, TH EUROS	1,642,144	1,721,149	No data available (Printing only: 166,630)	1,938,105
STOCK EXCHANGE	Private company	Private company	Private company	Publicly quoted since 1973

The family business literature claims that less than 30 percent of family firms survive into the second generation and fewer than 15 percent make it to the third.²⁴ This would suggest that our case studies are particularly successful in realizing longevity. However, there is surprisingly little empirical evidence for these findings. Our case study comparison revealed as the three most important exogenous factors: (1) the economic and industry development, (2) the political context, and (3) regulations in inheritance law.

The economic context in which Spanish and German family businesses had to find opportunities for survival during the second half of the twentieth century was mostly favourable according to macroeconomic indicators, such as GDP growth, productivity, investment, improvement of human capital endowment, and the parallel growth of entrepreneurial benefit and workers' income rates.

²⁴ Ward, *Keeping*, 248.

Figure 3: Growth rate of real GDP Chain per capita (% in 2005 constant prices)²⁵



Source: Copyright © 2009 Center for International Comparisons of Production, Income and Prices (CIC), University of Pennsylvania; for Germany 1950-70 Statistisches Bundesamt destatis.

In both Germany and Spain, the development after the Second World War provided family firms with opportunities to sustain growth and realize profits. The prosperous period of the 1950s and 60s was followed by a recession, which hit the metal transformation and publishing sectors in both countries hard.

The metal transformation industry in Western Europe expanded tremendously after the end of the Second World War. It was the engine for economic growth and contributed to the increasing GDP growth rates in Spain and Germany respectively.²⁶ Some common factors add to explain this expansion, particularly the need to cover the technological gap with the United States and the opportunities related to it; the strong demand of the transport and construction industries; and the positive effects in trade and finances of the Bretton Woods agreements. In both countries, the industry had a significant number of family-owned companies. Production was frequently

²⁵ Due to methodological differences the results for Germany 1950-1970 can only be presented at 1991 constant prices.

²⁶ Schulze, ed. *Western*.

heterogeneous with products in many different types and sizes. Therefore, companies often served niche markets, like the two cases discussed here, the German firm Deckel and the Spanish manufacturer Roca.

Deckel and Roca realized enormous growth rates from the end of the Second World War to the beginning of the 1970s. In the Federal Republic of Germany metal transformation was one of the leading sectors of the post-war economy.²⁷ In the years directly after the War, most of the German capital goods industry was under the control of the Allied that supported West-Germany in regaining its economic strength rapidly. The Korean War (1950-52) triggered a boom in demand, which in particular increased the export quota and even led to supply shortfalls in German companies.²⁸ The industry realized growth rates above average and settled in a position as world leader. In this favorable context, Deckel raised its annual turnover and number of employees significantly.²⁹ It mainly produced high quality special purpose machines sold at premium prices. In this phase, innovation primarily consisted of adapting the conventional technology to different machine models. Economies of scale were thus very limited because of the sheer variety of models and the absence of modularization. To nevertheless increase the economies of scale, Deckel extended its target markets. The company's main growth strategy at the time was exporting. Up until the mid-70s, Germany was the clear export leader for machine tools with exports accounting for over 30% of world trade.³⁰ The Spanish manufacturer Roca was similarly successfully both in realizing profits and in adapting to the market challenges. Between 1939 and 1975, the company's main growth strategy was to increase the share of the domestic market in metal and ceramic sanitary equipment, through a combined strategy of acquisitions of firms with problems, superior technological know-how or commercial networks, and a strategy of closeness with the political authorities of the Industry and Economy Ministries in Madrid. Both companies financed their growth strategies internally and thereby allowed the two family businesses to remain independent.

This favourable context, however, changed during the 1970s. With the collapse of the Bretton Woods agreement, a system of free currency convertibility came to an

²⁷ Baumann, *Maschinenbau*.

²⁸ The Korean War acted like a Keynesian stimulus. See Giersch, Paqué, and Schmieding, *Miracle*. A different opinion was voiced by Temin. "Koreaboom."

²⁹ For an overview see Friedrich Deckel München, ed. *75 Jahre*. Krogh. "Hürdenlauf," *manager-magazin* 17, no. 1 (1987): 69-76.

³⁰ Wieandt. "Innovation."

end.³¹ The oil price crisis of 1973 and 1979 raised the costs for energy, which had a significant impact on metal transformation companies. Moreover, international competitors from low wage countries gained market shares within Europe. Both businesses had to adapt to the changing framework by reorganizing the company, rationalizing production and reinforcing internationalization. The Spanish Roca family reacted in stepping back from direct management and allowing an in-house trained outsider to professionalize the management and lead a strong internationalization process that had already started with opening of subsidiaries in France and Portugal in 1970. In Spain, after 1975 a new democratic regime, the integration in European and world markets, and the increasing international competitors made internationalization and professionalization of management two imperative needs. Between 1973 and 2000 there was a big crisis in the Spanish metal mechanic industries, with new firms in the landscape that bought many old firms in decline³². During these critical times, the family managed to make important changes in the internal organization and achieved great success in its internationalization process, with expansion of sales in Germany, United Kingdom and Italy in 1990, the construction of a factory in China in 1999, and the acquisition of factories in Poland and of a global firm from Switzerland (Keramik Laufen, the fourth largest world manufacturer of sanitary porcelain tiles) also in 1999. Acquisitions worldwide have been the key strategy of entrance in other markets since 2000: Croatia, Romania, Malaysia, India and Brazil.³³ Important labour force reductions took place while at the same time a policy of importing technology from abroad increased in order to have a diversified and innovative number of products and services in the two areas of metal and ceramic equipment for bathrooms. The family, since the beginnings of the 1830s, had grown large in members, and the crisis made them see the need to unify the control of the different factories in the country under a professional non-family member, well acquainted with the workers, the factories, and the values and moral codes of the family. This new non-family C.E.O., a 29 years old industrial engineer close to the Roca family, a man the Rocas highly trusted, was Salvador Gabarró, who pushed forward an ambitious strategy of internationalization and also of networking in key professional and entrepreneurial associations between 1974 and 2000 (the year another young non-family C.E.O., José Miguel Roca, took over the control of

³¹ Eichengreen, *Globalizing*.

³² Ortega and Hermosilla, *Cincuenta*

³³ <http://www.roca.com/our-history> (accessed 4 October 2010)

the company). The domestic market remained extremely important for the sales of the company, and more during the real estate and construction bubble of the 1990s, which implied a sustained high demand for its products. A combination of first steps towards internationalization in the 1970s, continued investment in technology imports and innovative marketing and professional management since the 1980s, allowed survival of the family business with a professional non family C.E.O. Roca has been able to overcome difficulties and maintain leadership in its market niche in Spain and has followed a process of acquisitions of major competitors and technology leaders in the world that has given the company world leadership in the field of manufacturing sanitary equipment. Roca's sales in 2005 were of 1,669 million Euros, with more than 20,000 employees. It was therefore one of the largest Spanish private firms in its sector of activity, very internationalized (50 % of sales, 40 factories abroad, and commercialization structures in 88 countries of 4 continents in 2005), and world leader in the manufacturing of sanitary equipment after a strategic and continuous process of mergers and acquisitions at home and abroad that started in 1970, which helped much needed technology transfer at a global scale.³⁴

Deckel, on the other hand, was hit hard by the recessions following the oil price crises. When the German post-war reconstruction process eventually came to an end, the company experienced severe slumps in sales.³⁵ More or less simultaneously product innovations significantly transformed the existing market structures in the machine tool industry. Since the mid-1970s Deckel invested heavily in new technologies, such as numerical Control (NC)-systems and computer-based numerical control-systems (CNC) for their machines. The percentage of produced CNC-machines rose from 19 percent in 1978 to 83 percent in 1986.³⁶ This development forced the family firm to invest in microelectronics and increased the demand for highly qualified workers.³⁷ To raise the necessary capital for these investments, the company went public in 1981 and issued among others preference shares without voting rights, which should allow the family to keep control while opening the business for external investors.³⁸

³⁴ http://www.oriolamat.cat/files/roca_radiadors.doc (accessed 8 June 2010).

³⁵ BWA N06-005 to 017 Geschäftsbericht der Friedrich Deckel AG 1978-1992. For this period see also Berghoff. "End." Jaraus, ed. *Ende*. Reitmayer and Rosenberger, eds., *Unternehmen*.

³⁶ BWA N06 011 Geschäftsbericht der Friedrich Deckel AG 1985, p. 11.

³⁷ Spur, *Wandel*. Bähr, *Industri*, 397ff.

³⁸ BWA N06-043 Ausgabe von stimmrechtslosen Vorzugsaktien 1986. For similar cases of German family firms going public while trying to stay family-controlled cf. Schürmann and Körfgen, *Familienunternehmen*.

While Deckel was struggling with the reorganization of the company, new competitors, in particular from Japan, gained market shares and made Deckel's niche more and more unprofitable due to the overall price reduction and the shifts in demand. Following major losses at the end of the 1980s, the company reorganized and sold a vast number of non-core businesses thereby reducing its workforce from 2,450 in 1989 to less than 1,000 only three years later.³⁹ In an attempt to realize greater economies of scale and scope, the firm strove for a stronger modularization of machine tool parts and simplified its products. While the company had hitherto focused on flawless engineering and generous customer service, Japanese competitors were more successful with their aggressive pricing strategies. Deckel sliced manufacturing of its own components in half, breaking with a treasured practice of the family firm thought to guarantee quality. They also put a new focus on marketing and product development and cooperated with partners and competitors. However, sales continued to fall. In 1989, Deckel's losses accounted for DM 45 million at an annual turnover of DM 482 million. The turnaround-program designed in cooperation with the consulting firm Roland Berger triggered major cost-cuts. Despite these efforts, the firm did not survive the biggest crisis in the industry since the Second World War.⁴⁰ In 1991, the Deckel family decided to sell its shares to Walter Eder, a Munich based manufacturer of excavators, thereby ending the family influence.⁴¹

Compared to metal transformation, the publishing industry developed in a similar manner but at reduced speed. The Spanish publishing house Planeta was bought by the family during the Franco dictatorship. The growth of Planeta in Spain in the first decades (1950-1970) has been built upon four products: translations of North American best-sellers; Spanish literature publicised through the famous Planeta Prizes for Literature, created in 1952; encyclopaedia sets sold on a credit system. Regarding the markets, Planeta grew in the 1960s mainly through international expansion. It was the era of the so-called "exporting boom", and the Spanish companies realized 50 to 60 percent of their revenues in the Latin American markets, taking advantage of the pro-Franco government measures of support. Affiliates were opened in Mexico (1965), Colombia (1965), and Argentina (1966). But the reason for the leading position in international rankings was a growth strategy developed from 1980s onwards, focusing

³⁹ BWA N06-1 Verschmelzung der Friedrich Deckel AG mit der MAHO AG 1993.

⁴⁰ Lamparter, *Dreh*.

⁴¹ "Zwei Kranke im Bett," *Der Spiegel*, 07.03. 1994, 104-05.

on three variables: internationalization (Latin America and Europe), diversification (literature, textbooks, communication), and vertical integration (print, distribution, and libraries).

The decade of 1980s marked the beginning of the concentration process of Spanish-language publishing sector. This relatively late concentration is a major difference compared to the German publishing industry, in which a strong concentration tendency can already be noted for the 1960s. In that framework, Planeta developed an extraordinary expansion process basically through a strategy of growth fed by acquisitions, like in Roca Corporación. Planeta purchased prestigious brands in the Spanish speaking area, with a solid market implantation, in order to consolidate its internalization and diversification process. Sector concentration would increase in the 1990's and the first years of the new century. As a result of the concentration process, Grupo Planeta consolidated as the largest Spanish publishing company. The success of the Spanish company can be symbolized with the creation of the group: Grupo Planeta, and this transformation included profound changes in the organizational structure. According to its turnover and presence overseas, the company became into a large multinational, which triggered further changes in the internal organization discussed below.

Similar to Planeta, the publishing company Bagel experienced high growth rates during the 1950s and 60s.⁴² At that time, the German publishing industry was faced with a wave of concentration. In 1968, 19 German companies had turnovers between DM 5m and 50m, while 56 realized turnovers between DM 50,000 and DM 500,000.⁴³ Bagel as one of the medium-sized publishers and a typical German Mittelstand firm relied on "organic" growth strategies.⁴⁴ It reinvested profits into the business, but avoided the integration of external investors and venture capital. Bagel had for long used the strategy of vertical integration combining activities in publishing with paper producing and printing since the late 19th century. The prosperous 1960s gave it the opportunity to diversify into other related industries mainly by acquisition activities. Bagel, however, focused on less capital-intensive sectors in order to remain independent as a family firm.⁴⁵ In all sectors, the company focused on the high-end-segment putting

⁴² For an overview see Bagel Gruppe Düsseldorf, *Mensch. Lubinski, Familienunternehmen*.

⁴³ *El Libro Español*.

⁴⁴ About the German Mittelstand cf. Berghoff. "End." For Bagel see also Lubinski, *Familienunternehmen*.

⁴⁵ Bagel-Archives 236-2 Peter Bagel's own description in: *Reden und Ansprachen Peter Bagels, 1801-1976, 175 Jahre Bagel, 6 Generationen*.

a special focus on quality and specialized goods, such as school books and literature in publishing, safety prints (stamps) in printing, and special thin papers in paper production. This mixed strategy of diversification and specialization allowed the business to explore new promising markets all the while remaining a high quality producer. The number of employees rose from 900 in 1951 to 2,000 in 2006.

With the changes in the economic and political framework in the 1970s, Bagel encountered more and more difficulties. The changes in technology and workplace organization triggered rationalizations in the entire industry. In 1972, the publishing house self-analyzed that the business was stuck in an unfortunate middle-size; it had outgrown the small-size organization but was not in the position to compete with large German or international publishing houses.⁴⁶ As an integrated printing and publishing company Bagel experienced first-hand the degrading industrial relation in the printing industry in the mid-1970s, which endangered the harmonious employer-employee-relationship in the family firm.⁴⁷ Struggling simultaneously with the dangers in the macroeconomic development and at the level of the workplace, Bagel reinvented itself more than once during the last three decades. It reorganized its activities, stepped back from paper production, diversified into label printing and set new priorities in its publishing activities. In the process, the family, however, managed to guarantee its independence and continued to this day to influence both management and ownership.

The second exogenous factor for longevity largely ignored in longevity research so far is the political context. Here important differences between Germany and Spain can be noted. First, the State was in general an ally of private businesses in Germany during the second half of the twentieth century, and a disturbing competitor and sometimes even an enemy of private businesses and free market forces in Spain during the same decades.

In Spain the end of the autarky period of the 1940s that followed the Civil War of 1936-1939 dramatically isolated Spain from its former path of internationalization and industrialization. The military regime organized the economy in the 1940s as a military endeavour, in which strategic inputs and activities had to be under State control (energy, iron and steel, chemicals, transportation equipment). Since 1941 the State started a public industrial holding named INI (National Institute of Industry, similar to

46 Bagel Archives 192-5 Jahresberichte der Geschäftsführer, 1972 August Bagel Verlag.

47 Bagel Archives 192-5 Jahresberichte der Geschäftsführer, Lagebericht über das Personal- und Sozialwesen in der Zeit vom 1.7.1975 bis 28.2.1976.

the Italian IRI) which radically reduced private businesses from what the State considered strategic national interests (metal mechanic industries, energy, telecommunications, transport industries). Therefore, technologically complex firms with high requirements of knowledge transfer and long-term capital investments could only seriously be developed in Spain by the public holding I.N.I. (National Institute of Industry). In publishing, the new government exercised its control through an iron-fisted censorship in the heavily regulated sector. To manage official politics of the sector, the Government founded in 1941 the Instituto Nacional del Libro Español (INLE). Five years after, the Government passed of the Book Protection Law of 1946. The Law established a number of theoretical measures which proved difficult to apply in practice. The Spanish publishers began to talk with the Spanish government and pressurised for support. The political framework was ideal; the government was initiating a new phase of economic planning, and designated some sectors as priority (not only the publishing sector), which were aided through a variety of measures. From this moment on, a group of norms were passed, which aimed to provide a solution to the problems of the period: paper importation, exemption from the Utility Tax, tax deductions, finance facilities and the reform of export insurance policies. The two major incentives for the publishing sector were export, tax deduction and preferential finance.

Until 1959, the State created many obstacles for survival or growth of private enterprises, and made every effort possible to discourage exports. The State restricted access to foreign currency (needed for imports), electricity, and raw materials (scarce due to commercial autarky) to private firms in consumer goods industries, which constituted the backbone of family owned businesses in the country. Businesses suffered the consequences of this new economic policy. Those family owned firms able to survive the effects of the war, and the new restrictions, either innovated in new niche markets that did not bother the strategic interests of the State (like the Mier brothers, of Asturian origins, established in Barcelona, who specialized in radio and TV components, and entered the air space components industry in the 1980s) or managed to have public authorities' support to benefit from almost monopolistic market power in their specialized niche markets in the country. Few entrepreneurs were able to find opportunity in need, and started or re-created what would become successful family businesses that would last until the beginning of the twenty-first century: in food and beverages production (Panrico, Agrolimen), in publishing (Planeta), in auxiliary industries for the car and communications industries (Mier), in bed manufacturers

(Pikolin), and light metal transformation (Rivière, continuation of a firm created in the 19th century, or Roca making iron cast radiators and sanitary ceramic equipment). The State was very interventionist, reduced free competition in sectors of the II Technological Revolution (modern steel production, car industry, TICs, chemistry, energy), allowed some freedom to private firms in low added value industries and services, and protected in different ways the domestic market from foreign competitors. The year 1959 marks a turning point in this economic policy: the dictatorial Spanish regime started to liberalise the economy. Franco government in the early 1960's also initiated a new phase of economic planning aimed at the country's complete industrialization, which supported family firms and groups in various sectors like the ones analyzed in this article. Since the late 1970s, privatization and internationalization changed the legal rules of the game and the opportunities for private firms in general, and family firms in particular.

Compared to Spain, Germany offered in general favourable conditions for businesses' longevity. The economically prosperous reconstruction period after the Second World War was accompanied by the introduction of the so-called "social market economy" guaranteeing personal property and supporting industries in their attempt to realize profits. Subsidies for business activities played some role. The major recipients prior to the unification in 1990 were in agriculture, housing and transport; in industries, weak sectors, such as coal mining, shipping and steel were supported as well as firms situated in West Berlin and along the border to the GDR. More importantly was the creation of an attractive and accepted economic framework. In contrast to the Weimar Republic, the post-WWII capitalistic system was generally accepted by entrepreneurs and managers. The regulative concept of the "social market economy" as a compromise between pure liberal and centrally planned economy has been interpreted as a system, which allowed for growth, profits, and wealth.⁴⁸ The prosperous 1950s and 60s with overall high growth rates, an enlarging social state and the introduction of co-determination to the German economic system eased the opposition of capital and labour. Even though severe changes occurred since the 1970s, for example in the printing industry, the relationship between capital and labour was overall rather harmonious compared to other European countries.⁴⁹ Anti-trust legislation, in particular the Act against Restraints on Competition (Gesetz gegen Wettbewerbsbeschränkungen)

⁴⁸ Giersch, Paqué, and Schmieding, *Miracle*.

⁴⁹ Kittner, *Arbeitskampf*. Spode et al., *Statistik*.

derived from US pressure after the Second World War. It prohibited constraints on competition, especially cartels and abuses of market power, and prevented mergers that created market dominance. Decisive for the long-term survival of family firms is also the rich variety in types of ownership and influence that the German corporate law allowed for. The alternative legal forms to the incorporation (Aktiengesellschaft), such as the limited partnership (Kommanditgesellschaft), the private limited liability company (Gesellschaft mit beschränkter Haftung), and different mixed forms, explain why the listed corporation accounts for only a small percentage of German firms to this day.⁵⁰ Family firms in particular often restrained from going public, which might have facilitated long-term independence and continuous family influence.

Finally, in both countries moderate inheritance taxation favoured intra-family successions albeit changes over time. In Spain the legislation between the 1950s and 1978 was clearly very light in terms of taxation of family wealth transmission, and also in terms of transparency and accountability of the economic activity of private firms. This resulted in a lack of control and also in positive conditions for the generational transfer of family businesses, in general (particularly in sectors not considered of national interest by the State). This changed after 1978, until the late 1990s, when a tough legislation abruptly rose death duties, to almost 40 per cent over total value of one person's wealth after death to his/her heirs. This meant a rapid death rate of family businesses in which personal and business wealth had been mixed for decades. This changed after the 1990s decentralization of wealth transfer taxation in regional administrations, and the global expansion of economic activity, which resulted in a diversity of regional conditions and in a general trend of the public administrations towards reduction of taxes burdening wealth transfer within family businesses, as lobbies of family firms managed to have bills approved in which personal and business wealth were to be considered legally different in family firms for tax purposes.⁵¹

In Germany, the taxation of family wealth transmission in the second part of the twentieth century was also moderate and offered different allowable deductions for spouses and children, which resulted in a less transparent system but significantly reduced the net liability. Historically, the German inheritance law interprets possession

⁵⁰ Deutsches Aktieninstitut e.V., *DAI-Factbook* 01-1. For the significance of private limited liability companies in Europe cf. Lamoreaux. "Scylla." Guinnane et al. "Putting."

⁵¹ Fernández Pérez and Hernández, "The Role"

not as an individual's but as family wealth.⁵² Still today a descendant is by law obliged to pass a part of his or her possession on to his spouse and children. This regulation can only be explained as a "path dependency" resulting from decisions and regulations fixed in the 19th century. However, being forced to spread the legal portion equally among descendants may also be interpreted as an obstacle for German family firm's longevity because all descendants need to be included as beneficiaries.

With the beginning of the twenty-first century, a process of convergence can be observed. Taking the example of a medium-sized incorporated company (market value of € 3,9m), the taxation in Germany in 2003 was 6.08 percent compared to 4.71 percent in Spain, which places both countries among the moderately taxing countries.⁵³ For a private enterprise (market value of € 4,4m), the tax burden in Spain would be lighter (0.16 percent) than in Germany (3.77 percent), but other countries, such as Ireland, Luxembourg, and the UK, do not raise taxes at all, while Japan (28.02 percent) has significantly higher tax rates.⁵⁴ In the US, the rates used to be particularly high (35.91 percent), but have recently been abolished for the duration of the year 2010.⁵⁵ These comparisons suggest that in the last two decades taxation policies have been relatively light for German and Spanish family businesses, in international comparison. What we know about this subject indicates the strong influence of regional lobbies of family businesses and politicians in helping achieve relatively light wealth transfer taxes burdening family businesses in both countries. In Spain, these lobbies combined the interests of local companies and politicians, with the aim to protect employers and employees after the crisis of the 1970s and the impact of new competitors coming from emerging countries during the second wave of globalization that started in the 1980s. The lobbies were able to promote and get approval of new legislation that radically changed inheritance and corporate tax legislations originating in some cases in the eighteenth or nineteenth century, and in other cases in the 1970s crisis, that had two negative effects on wealth transfer and business continuity: the division of wealth after the death of a family member among all legitimate successors, on the one hand; and on the other hand the reduction of individual and collective wealth due to payments of

⁵² Beckert, *Wealth*.

⁵³ Lesser tax rates can be found in Luxembourg (no taxes) Liechtenstein, Ireland, Switzerland, and the UK; higher rates in Austria, Belgium, France, Sweden, the Netherlands, and Japan. Scheffler and Spengel. "Erbchaftsteuerbelastung," 970.

⁵⁴ *Ibid.*

⁵⁵ Interest associations, such as the American Family Business Institute, fight for a repeal of the Estate Tax. Cf. <http://www.nodeathtax.org/> (accessed 23 September 2010).

death duties following the death of a family member. After the 1970s crisis these two relatively traditional negative effects of inheritance and corporate tax laws were felt extremely harmful and unjust by family business lobbies, and an obstacle to the opportunities to start or increase internationalization strategies opened up after the 1980s and 1990s. Roca and Planeta were two of the first members of the most important Spanish lobby of family businesses (the Instituto de Empresa Familiar), whose original aim was precisely to fight unfair taxation policies that were an obstacle for the longevity of family businesses in the country.⁵⁶

Endogenous factors influencing longevity

The economic and legal framework influenced different parts of family firm's organization, which we consider endogenous factors for longevity. We believe that our prior comparative analysis of the exogenous factors for longevity in two different countries will improve the understanding of the internal dynamics. Based on our case studies and the review of the longevity literature, we identified the four most relevant endogenous factors: (1) management professionalization, (2) openness for external knowledge and capital, (3) strategies of specialization, and (4) emotional attachment. First, in the time period studied here, the existence of relatively advanced management systems and the success in the process of management professionalization were vital influence factors for longevity. Professionalization was needed in order to attend new organizational requirements. While the decades after the Second World War were overall favourable for the long-term survival of family firms, the crisis of the 1970s and the rising globalization since the 1980s triggered changes in family firms in both countries that converged in a few common new patterns of management adapted to a new environment.⁵⁷ The patterns of new management styles in surviving family firms included increased professionalization of management, the hiring of business graduates, separation of ownership and management, and the more visible incorporation of women into corporate management. In 1960, large family-owned firms (with more than 250 employees) in Germany had by majority at least one family member in management as well. A stronger separation of ownership and management only occurred in the last third of the twentieth century triggered by the changes in the economic environment and

⁵⁶ Fernández Pérez and Puig, "Global Lobbies"

⁵⁷ For Germany: Berghoff. "End." Lubinski, *Familienunternehmen*.

a growing consulting industry.⁵⁸ In Spain a study of the modernization of management in family firms is still to be done, and our knowledge is scarce, based on case studies. At Roca and Deckel, the two metal transformation companies, which were particularly challenged by recession and new international competitors, the family eventually stepped back from direct management relying entirely on professional manager with international experience.⁵⁹ The case of Roca showed that the acceptance of a non-family member like Salvador Gabarró as successor allowed the business to handle the difficult transition period in the 1970s. By contrast, in the case of Deckel the challenges of the competitive environment in combination with the reorganization of a traditional family firm eventually led to the demise of the family influence. In the publishing firms Bagel and Planeta family-managers remained in place but worked in close cooperation with external professionals.

The leadership succession planning relied on sophisticated training strategies, which requested that family members were trained at the best national universities and international educational centres. In-house training and the transfer of intimate, often tacit knowledge about the family firm, the region and the industry also remained a part of the succession planning. The publisher Gerd Bagel, for example, built on a regional industry network for his son's education which secured transfers of tacit knowledge and of social capital within the industry.⁶⁰

Secondly, a new general openness toward external knowledge and qualified outsiders can be observed.⁶¹ In all four case studies, a process toward openness and a more liberal attitude can be observed. It is mirrored in the family's acceptance of economic and individual reasons to sell the original family business. This development went hand in hand with structural changes, most importantly the shift from unlimited liability to limited liability, which was typical for large family firms in the late twentieth century.⁶² When a member of the Deckel family decided to sell his shares in 1977, his co-shareholders accepted his decision and members of the board helped to create an exit strategy that was least harmful for the family firm.⁶³

⁵⁸ Lubinski, *Familienunternehmen*, 48-69.

⁵⁹ Deckel employed the international and polyglot manager Leif G. Lundkvist in 1984, who had previously worked in the US, UK, Austria, Norway and Germany. "Druck aus dem Norden." *Wirtschaftswoche*, 28.06.1985, 44-49.

⁶⁰ RWWA Bagel archive 104-3 Korrespondenz Gerd Bagel, letter dated 3 October 1952.

⁶¹ Fahed-Sreih and Djoundourian. "Determinants," 227.

⁶² Lubinski. "Familienerbe".

⁶³ BWA N06-146 Deckel-Aktienpool, 1983-90. BWA N06-211 Korrespondenz Manfred Emcke, 1976-84, letter dated 6.4.1977.

The changes in the market structure described above also forced many family businesses to profoundly open up to external knowledge. Faced with existential difficulties, Deckel put a new focus on marketing and product development, which had traditionally been run by the company's engineers, and hired a marketing expert from outside the company. The family firm also started to team up with competitors and considered strategic alliances and joint ventures, for example with Gildemeister, a maker of lathes.⁶⁴ The integration of external consultants (like Garrigues, Uría, and Cuatrecasas in Spain; R. Berger and McKinsey in Germany) was part of the adaptation process to a changing environment in all four case studies.

A third factor is the firms' strategies concerning specialization and diversification. All four cases focused on core competencies and pursued rather conservative strategies when it came to diversification.⁶⁵ If diversification occurred it was mainly related to the core business. Diversification was relevant as a growth strategy, but also as a mechanism of second and later generations to revenue the legacy inherited. Furthermore, some companies (like Bagel) used it as a succession strategy. Members of the succeeding generation started taking responsibility in one of the smaller branches of the company. This should allow for successor to accumulate experience and get acquainted with the job. The focus on a clearly defined market segment often went hand in hand with a special consideration for quality and customer service. Since the last third of the twentieth century, however, these strategies and the focus on high-cost quality were contested due to the changing demand and the availability of cheaper products from low-wage country competitors. In particular, the German firms with a strong focus on quality and the high-end-segment lost market shares to the more price sensible international competitors. The necessary strategic changes had a strong impact on workplace organization and deteriorated the hitherto harmonious labour relations.

The fourth factor we identified is family members' emotional attachment to continue the legacy and act as steward for future generations.⁶⁶ Family ownership is more than just a legal agreement. Recent studies have shown that many family businesses cannot be understood without taking the social and psychological dimensions of ownership into account. John Pierce and his co-authors use the expression "psychological ownership" and define it as the "feeling of possessiveness

⁶⁴ Wieandt. "Innovation."

⁶⁵ Whittington and Mayer, *Corporation*. Colli. "Family 2010."

⁶⁶ Davis, Schoorman, and Donaldson. "Stewardship." Goto, *Longevity*. O'Hara, *Centuries*.

and of being psychologically tied to an object".⁶⁷ The emotional attachment, which is connected to the long-term co-evolution of the family and the firm, was an incentive to keep the business as an independent family firm. This might in part explain why the Bagel company reinvented itself more than once within the boundaries of an already existing business, instead of selling and founding a new one.⁶⁸ Selling a family firm is not only complicated by bylaw regulations, such as a right of first refusal for family members, unfavourable price calculations or minimum holding times.⁶⁹ It is to this day also marked by the stigma of failure in Germany. This is mirrored in the fact that both German families, Deckel and Bagel, made an effort to keep the business within the family and explain its emotional meaning to the next generation. These practices of socializing family members to become a part of the community are of great relevance for longevity but hardly reflect in written sources.

From our cases we conclude that emotional attachment is highly relevant for longevity but also historically contingent. In opening up the business for external knowledge and capital, family members lost their unique position within the family business and felt less emotionally involved. This tendency was further reinforced by more individualistic life style choices, which questioned the traditional family business succession model. The two German firms, Deckel and Bagel, periodically celebrated their history within the family and with their employees during the entire twentieth century.⁷⁰ However, this practice was more and more diluted with stronger individualization and the worsening of employer-employees-relations since the 1970s. In the case of Bagel, the family had the interesting tradition of making up children's stories based on the common history of the family and the firm. These were meant to transfer knowledge to the next generation early in childhood and attach meaning to the business ownership.⁷¹

Spanish family firms are proud of keeping their private feelings away from public eyes, and this makes extremely difficult to find reliable primary sources comparable to the German ones regarding the importance of emotional attachment for

⁶⁷ Pierce, Kostova, and Dirks. "Theory."

⁶⁸ As opposed to what Phil Scranton describes Scranton, *Firm*.

⁶⁹ BWA N06-211 Korrespondenz Manfred Emcke, 1976-84, Aktennotiz Betr. Deckel AG, Gespräch am 27.03.1980 and N06-146 Deckel-Aktienpool, 1983-90. RWWA Bagel Archiv 167-5 Gesellschafterverträge. Cf. also Redlefsen, *Ausstieg*.

⁷⁰ BWA F60 140 Werksmittelungen 1946-1953, Werksmittelung Nr. 10/1953 Jubiläumsveranstaltung and F60 143 Werksmittelungen 1975-1979 Jubiläum.

⁷¹ RWWA Bagel Archiv 236-2 Reden und Ansprachen Peter Bagels, 1976. For a more detailed description see Lubinski, *Familienunternehmen* 122-30.

the longevity of the firms. In the case of Planeta, this is a relatively young company, the family in business is currently in the second generation, so we hardly analyse the transmission of the legacy among generations. Nevertheless, the emotional attachment of the Lara family is mirrored in its philanthropic activities: in 1992 Jose Manuel Lara (founder of Planeta) created Planeta Foundation, a philanthropic institution (non profit organization) linked to the publishing company and conducted by the family, to promote the Andalusian culture (Lara was born in Andalucía); and in 1996 the company created the Fernando Lara Prize, named in memory of the younger son of the founder, launched by Planeta Group and Planeta Foundation. From the incomplete available sources concerning the Spanish Roca family, one obtains the impression that until the 1950s there was a strong emotional attachment of one generation of the family (Matias, Martin, Josep, Angela), which helps understand the transformation of a small local workshop specialized in pieces for textile machinery or domestic products, into a modern factory producing the leading sanitary equipment in Spain. Between 1917 and 1939 the members of this innovative generation shared responsibilities in a very efficient and coordinated way, and finally accepted the leadership of one of them, Josep, whom all felt was more prepared by superior training and accumulated social capital to lead the firm further. It was in fact this acknowledgment of leadership which was very useful during the 1960s and 1970s, as investments, acquisitions in other regions, and innovation accelerated, thus requiring speed in the decision-making process. This highlights another argument already made in longevity research. Longevity is positively related to healthy family relationships.⁷² Certain organizational structures have been suggested in management literature to improve family relationship, such as structures which facilitate communication, conflict arrangements, and a written system of governance that family members can refer to.⁷³ However, the oldest examples among our case studies had none of these formalized structures prior to the economic crisis in the last third of the twentieth century. The changes in the competitive environment in combination with the emergence of family business consultants triggered these more formalized structures and therefore changed the family-influenced corporate governance fundamentally.

⁷² Fahed-Sreih and Djoundourian. "Determinants," 227.

⁷³ Goto, *Longevity* 519.

Conclusion

Family businesses are a dominant form of business ownership in developed and developing countries, and family business studies have emerged in the last decades as an important research field which attracts scholars from business history, management, organizational behavior schools, psychology, and economics. Important efforts towards the institutionalization of this research field in the United States and Europe have been developed since the late 1970s, which are contributing to debate definitions, methods, and goals. In these debates about the family business there is general agreement about the fact that the very essence of a family businesses is the willingness to transfer the business to individuals who are culturally defined as kin, whether the kinship ties are of a consanguineous or a spiritual kind. The search for continuity beyond one's life is, therefore, a defining feature of the family business.

Researchers have suggested different models that aim at investigating family firm's longevity. However, most of these attempts are disembedded from a historical as well as a national context and focus instead on the challenges for the internal organization of the family firm. With our comparative approach we suggested a way of how to link issues of corporate governance to the broader historical framework in two countries, Spain and Germany.

Our short analysis of the 100 largest family firms in Germany and Spain in 2005 revealed that they differ considerable in their longevity. The figures clearly indicate that today's largest family firms in Germany initiated their competitive advantage and foundations for longevity in the midst of the unification and industrialization process of the country. For Spain, the figures suggest that the largest family firms in 2005 were mostly founded during Franco's dictatorship. Franco significantly restricted private initiative in what military officials considered national interests (heavy industry, energy, telecommunications, and transportation equipment) but allowed the development of private firms in consumer goods industries and in other sectors not considered of strategic interests like publishing (Planeta) or the manufacturing of ceramic and metal sanitary equipment (Roca). This paradox helps explain that in the period of key restrictions for family businesses so many long-standing family businesses were founded in the country.

Looking at the average age of these firms - 83 years in Germany, and 41 years in Spain - it might be surprising to note the striking differences. Is not Spain a Mediterranean country where family businesses dominate entrepreneurship, and are thus

obstacles for big corporations? Can Germany be considered a Northern European country where non family corporations dominate the business landscape in high-tech sectors? However, looking more closely at the exogenous factors we identified helps to embed the numbers in a historical framework. They fit well with the recent history of German and Spanish family businesses, with the former supported politically and by a favorable economic context until the 1970s and with the latter heavily influenced first of all by the strong limitation of free market forces and the private initiative in some industrial sectors during Franco's dictatorship (1939-1975), and by the strong reduction of taxes burdening the continuity of family businesses in the country after the 1990s (in coincidence with the process of privatization of public firms, integration in European institutions, rapid internationalization of family businesses, and strong support of new regional governments to regionally embedded family firms). That there are today important Spanish family businesses that were created before Franco's dictatorship indicates, on the other hand, the existence of important endogenous factors related to the management of these firms that helped them survive.

In addition to the findings for the two specific countries, the fact that national differences were quite pronounced supports our argument that any longevity model should be grounded in a historical-economic framework. We sought inductively to discover the most important influence factors for longevity, both exogenous and endogenous. The most important exogenous factors were the industry-specific economic development, the relationship between the State and private firms, and national regulations in inheritance and corporate law. These were closely linked to and helped to explain the endogenous factors for longevity, in particular the professionalization of management, the development of a new openness to external knowledge and professionals, the level and form of specialization, and the psychological ownership of family members.

The paper compared in detail four companies from two different industrial sectors, metal transformation and publishing. Two of them have existed during the past one century and a half (Roca and Bagel), one during a century (Deckel), and one during the last six decades (Planeta). Roca is by far the largest of the four firms with around 20,000 employees whereas the others are medium-sized with between 1,000-2,000 employees. The four of them are regionally embedded, and have contributed during their history to regional and national wealth and employment creation. German family firms experienced earlier than Spanish firms internationalization, and concentration.

They invested heavily in R&D and innovation before the 1970s, whereas Roca and Planeta started later to internationalize with great success. They achieved innovation mainly through the acquisition of other companies and/or partnerships with foreign firms. Emotional attachment of family members to the family business was very important in the four cases until the 1970s-80s, and until these years family members were the key CEOs in the firms. However, in the four cases, with the 1970s-80s change of the global landscape, the emergence of new strong competitors, and the opportunities to invest in emerging countries, the professionalization of management was felt as an extremely important need, as well as the diversification and concentration of the business through acquisition policies (which came comparatively later in the Spanish cases than in the German ones, but at a fast speed). In this process qualified outsiders were integrated in management with the family blessings, and in some cases the business orientation meant the abandonment of the original branch of the business created by the founding fathers (as in the case of Roca).

Longevity is a proxy of entrepreneurial success. In the four large historical family businesses that we have studied in Germany and Spain longevity is something else: it is the complex result of varying historical opportunities used, in a successful way, by several generations of a few entrepreneurial dynasties.

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