Inheritance Tax quo vadis? The need to intervene!

Once again, the German Federal Constitutional Court decides about the inheritance tax, especially on the privileges of business assets. The scientific advisory board of the Ministry of Finance and the Federal Fiscal Court argue that family businesses’ tax burden should be reduced because of the existence-threatening high liquidity outflow. However, this liquidity release is not sufficient to favor family businesses in the context of Inheritance Tax. Tax releases for business wealth are not wrong per se just because cases, such as the transfer of monetary assets, have been unjustly favored. The discussion has to be more objective and fundamental. One attempt would be the determination of the Public Value (utility for public welfare) for family businesses to justify tax concessions. Family Entrepreneurship, the courage of the succeeding generation, is indisputably worthy of support: The succeeding generation resists the incentive to sell the enterprise immediately after succession, instead accepting the risk of failure and complete loss of assets, but hoping to ensure the company’s prosperity. A broad public discussion is needed to reveal whether or not there is a consensus on this topic. On 3rd and 4th November 2014, our events in Haus Rissen Hamburg and the Chamber of Commerce provide an opportunity for a broad public discussion. Not in back-rooms, but rather courageously in public, just as you are used to in your everyday business!

Yours Günther Strunk,
Scientific Director of the HIF

THE HAMBURG INSTITUTE OF FAMILY OWNED BUSINESS ON TOUR

In spring 2014, the Hamburg Institute of Family Owned Business (HIF) fostered its activities at an international stage. The employees of the institute participated in renowned scientific conferences and encouraged the scientific exchange.

The HIF in Almería

Professor Dr. Stefan Prigge followed the invitation of Professor Dr. Alfonso Rojo Ramírez and spent three days, from 22nd to 25th April 2014 at the Santander Family Business Chair at Almería University (Cátedra Santander de Empresa Familiar de la Universidad de Almería—CEFUAL). He attended the III. Symposium on Company Valuation and Family Business. The Keynotes were held by Professor Dr. Peter Jennergren from Stockholm School of Economics and Professor Dr. Thomas Zellweger from the University of St. Gallen. Moreover, Professor Dr. Prigge hosted a case study seminar at the partner university of the Hamburg School of Business Administration (HSBA). Master students of Professor Dr. Rojo Ramirez worked on a case study dealing with a real life family business located in the Hamburg metropolitan area. The seminar was concluded by the students successfully presenting their case study results. Although there may be cultural differences between Almería and Hamburg, the analysis and suggested solutions of the Spanish students were similar to their fellow students in Hamburg. The stay was characterized by great hospitality on behalf of the Spanish host. A return visit is currently in the process of planning.

The HIF in Vienna

Henrik Harms spent one week as a guest lecturer at the Vienna University of Economics and Business. His stay was funded by an Erasmus grant promoting the academic exchange among scholars. At Professor Dr. Dietmar Roessl’s Institute for Small Business Management and Entrepreneurship, Henrik Harms held a lecture for Bachelor students with the topic „KMU-Management: Entrepreneurial Marketing“ from 19th to 23rd May 2014. Moreover, he had the opportunity to exchange ideas about current research projects and possible future collaboration with the colleagues from Vienna. Due to the similarity of the research interests the contact between the two institutes will be intensified in the future.
The HIF in Valencia
This year’s theme “Waves and Winds of Strategic Leadership for Sustainable Competitiveness” of the 14th European Academy of Management (EURAM) conference attracted around 1,300 researchers from all over the world to come to Valencia from 4th to 7th June 2014. EURAM is one of the largest conferences worldwide dealing with economic topics. International researchers come together once a year to present and discuss their research results and practical implications from a great range of topics. This year, the HIF was represented by Fabian Bähr. Together with international researchers, he debated and elaborated current questions related to the management of companies as well as the reasonable design of corporate governance in family businesses. Scientific approaches for the analysis of success factors in the selection process of top managers as well as the examination of factors influencing the motivation of employees working in family businesses were discussed in depth. Proof of the growing interest in research exploring family business topics is the steadily rising number of participants engaging in the debate of future family business research challenges. Among them, numerous German research institutes, such as Professor Dr. Andrea Calabro from Witten Institute for Family Business (WIFU), as well as international institutes, like Professor Dr. Lorraine M. Uhlmaner from EDHEC Business School, Roubaix in France.

The HIF in Lappeenranta
From 23rd to 27th June 2014, the annual conference of the International Family Enterprise Research Academy (iFera) with the theme „Co-operation Within and Amongst Family Businesses“ took place in Lappeenranta, Finland. More than 200 researchers came together at the largest conference of family business research, to engage in interesting dialogues about the development of the research field as a whole as well as to discuss own research approaches in particular. The HIF was represented by Professor Dr. Günther Strunk, Sara Hildenbrand and Henrik Harms. While Professor Dr. Strunk was chairing a session about „Innovation and Sustainability in Family Firms“, Henrik Harms presented his research project titled „The Decision on how to Organize Co-operation in the Light of Transaction Cost Theory: Does the Traditional Approach hold true for Family Businesses?“ at the doctoral consortium as well as at the main conference. Sara Hildenbrand gained valuables insights about the organization and procedures of the ifera annual conference. The whole HIF team is looking forward to host next year’s ifera annual conference from 30th June to 3rd July 2015 in Hamburg. The conclusion of this year’s successful attendance was the honoring of Henrik Harms with the Best Reviewer Award 2014. The HIF team is awaiting next year’s meeting with excitement and anticipation. For more information about ifera 2015 please visit www.ifera2015.ifera.org.

by Prof. Dr. Prigge, Henrik Harms, Fabian Bähr
CONFERENCE ON HUMAN RESOURCES IN FAMILY BUSINESSES

On Friday, 9th May 2014, a scientific conference focusing on Human Resources (HR) in family businesses, initiated by Henrik Harms, took place at the Hamburg Institute of International Economics (HWWI).

In the public dialogue – in media as well as in science – family businesses are commonly associated with positive attributes. A long-term orientation instead of short-term profit striving, as well as a focus on transgenerational value creation are characteristics frequently awarded to family businesses. However, a weak dynamic and a strong attachment to prevailing business models are habits related to family businesses. Additionally, family businesses are seen as highly emotional business entities, sacrificing rational decisions in favor of “gut instincts”.

However, does that mean that family businesses are less attractive employers than their non-family counterparts? Which characteristics should family businesses emphasize to strengthen their positive image as loyal and reliable employers in the public discourse? Is the restraint of applying innovative HR strategies to attract and retain qualified applicants a conscious decision or a sign of omission? What will be the consequences of this behavior on the fit for the future of family businesses, especially in times of an increasing lack of qualified personnel?

All these questions and many more were addressed at the scientific conference titled “Family Businesses as Employers of the Future? – Opportunities and Challenges of Recruitment and Employee Retention.” The aim of the conference was to point out the advantages as well as the disadvantages family businesses face as employers and the drawing of implications useful for academia and practice. The suggestions may help family businesses to optimize their recruitment practices to considerably reduce the difficulties associated with attracting and retaining qualified applicants.

It becomes apparent that there is an enormous interest in the combination of current research with practice-oriented insights when it comes to recruitment practices. Around 25 participants attended the conference and benefited from the intense work climate and the opportunity to mingle and exchange ideas.

Discussion was triggered by the introductory presentation delivered by Dr. Christina Boll (HWWI) on the demographical change followed by a presentation about the future of family businesses’ HR by Professor Dr. Peter Klein (Hamburg School of Business Administration).

Dr. Boll emphasized the importance of the integration of the highly skilled work reserve in the light of demographical change. Germany possesses numerous possibilities to react to the changing quality request addressed towards employees as well as the aging of the population. However, the potential is not fully exploited to encourage the entire German labor force to participate on the labor market.

To narrow the discussion down to family businesses, Professor Dr. Klein informed the audience in his presentation about the future success of recruitment practices in family businesses. He pointed out several core competencies that family businesses could emphasize to position themselves as attractive employers.

A deeper understanding of employer branding was given by Christoph Kahler (Friedrichshafen Institute for Family Entrepreneurship, Zeppelin University). He delivered a presentation about possible campaigns leading to a successful employer branding. Nevertheless, he pointed out that up to now academic research concerning the perception of family businesses as employers is scarce. Although empirical evidence does not exist yet, family businesses benefit from the association with certain features attributed to this organizational form, such as stability, sustainability and a high value orientation.

Dr. Detlef Keese (Chair of Small and Medium Sized Companies and Entrepreneurship, University of Mannheim) gave a presentation about the benefits of family-managed companies when it comes to HR recruitment and retention. The insights, based on a survey for the Rhein-Neckar region, showed that the self and external assessment of family businesses with regard to employer attractiveness varies. However, interviews with family business representatives revealed that numerous measures of HR marketing were not adapted due to a mismatch of prerequisites of current and future employees.

More presentations shed light on additional perspectives of the topic: Professor Dr. Marcel Hülsbeck (Witten Institute for Family Business, Witten/Herdecke University) highlighted the importance of individual recruitment practices tailored to the companies’ needs by linking economical with psychological aspects.

Subsequently, Michael Eisenhauer, regional HR manager of Northern Germany from DB Regio, shared his recruitment experience from the viewpoint of a large corporation. It became clear that, in order to secure competitiveness in the future, family as well as non-family businesses need to focus on HR as a central function of the company. However, several elements of HR management were identified that need to be considered in particular in family businesses.

After discussing intensively about the individual presentations, a panel discussion moderated by Henrik Harms revitalized the debate about the advantages and disadvantages of attracting and retaining qualified applicants in family businesses. After the conference, the participants continued discussing, shared their contact details and exchanged ideas about future projects and events. All in all, the conference at the HWWI contributed to the closer intertwining of theory and practice. Additional events dealing with HR in family businesses as well as other aspects of interest for family firms are in the state of planning. We look forward to welcoming you at one of our events and to discuss with you the fascination of family businesses.
FAMILY BUSINESS RESEARCH

Numerous studies have proven that succession in family businesses is an explosive topic not only for the economy but also for the affected family. However, a patent remedy has not been found yet and tremendous call for action exists to increase the number of successful successions. The conceptual model developed by Professor Dr. Andrea Calabrò, from Witten Institute of Family Business, and Donata Mussolino, University of Naples Federico II, laid the foundation for further empirical research exploring the influence of paternalistic leadership on the success of intergenerational succession. The literature review reveals the impact of the incumbent’s leadership style on the subsequent generation of successors and their perception of the quality of the succession process. The paper points out, once again, that the incumbent’s behavior influences the intentions and perceptions of the successor to a large extent and, therefore, has a significant influence on the success of the succession process.


PATERNALISTIC LEADERSHIP IN FAMILY FIRMS: TYPES AND IMPLICATIONS FOR INTERGENERATIONAL SUCCESSION

by Andrea Calabrò und Donata Mussolino

A myriad of studies in the past have shown that the influence of the incumbent can have both, positive as well as negative effects on the successor. On the one hand may the presence of the incumbent upon the transferal of the company trigger negative feelings of the successor because the own freedom is inhibited. On the other hand can the incumbent act as an experienced mentor increasing the flow of tacit knowledge and consequently contributing positively to the company’s social capital.

The article at hand explores the effects of three different forms of paternalistic leadership on the successor’s intentions and the overall perceived success of the succession process. Paternalism is thereby understood as the limitation of another person’s freedom for the own good. Transferred to family businesses, paternalism describes the behavior of the incumbent towards the successor. Paternalism may trigger positive as well as negative results. The authors identified three different styles of paternalistic leadership, namely authoritarian, benevolent and moral paternalistic leadership. Authoritarian paternalistic leadership is characterized by authority and control towards the successor, whereas benevolent and moral paternalistic leadership feature care and concern for the successor. The authors concluded that benevolent and moral paternalistic leadership positively affect the successor and encourage a successful succession. On the contrary, authoritarian paternalistic leadership is perceived as discouraging and resentment evoking by the successor.