

The Responses of The World's Largest Family Businesses to The Transformative Age

Name

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Executive Summary

Any business that operates in a competitive industry must formulate strategies that allow it to stay afloat in the business and relevant while serving its consumers. With the current increase in technological advances and changes in other business environmental factors, most family-owned companies have faced challenges with growth and innovation. Mainly, the challenges arise because most family-owned businesses prefer private listing, barring them from enjoying what most public organizations do. Also, the board composition of most family-owned businesses comprises family members. Family members-dominated board compositions tend to experience challenges in terms of growth and innovation, as most decisions are usually channeled towards what benefits the family members rather than what expands the institution's performance. Also, such board compositions do not focus on consumer experience and satisfaction but on the profitability level and advantages that accrue to shareholders. In that regard, this paper aims to provide recommendations to the executive body of Franz Haniel & Cie. GmbH regarding the essence of public registration of the company, innovation, and consideration of non-family members in board composition. Through the proposals, the paper reflects on the growth and innovation of the company, given that Franz Haniel & Cie. GmbH is an old family business founded in 1756 and requires relevant data and proof that publicly registered companies and diversified board compositions enhance growth and innovation aspects in most companies. The paper argues that the company should diversify its board composition in terms of gender and non-family members, allowing more outsiders whose focus is on company performance, growth, innovation and development, rather than the conflict of interest enhanced by family-dominated board composition. Furthermore, the paper recommends that the company allow public registration rather than private ownership. Under public registration, some advantages accrue to

the company that awaits Franz Haniel & Cie. GmbH whenever the family decides to implement diversity and shared ownership. Franz Haniel & Cie. GmbH may anticipate growth and innovation through the recommendations, allowing it to connect well with its consumers and claim more market share.

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Introduction

Within the current increasingly competitive market, family-owned businesses require strategies that help them innovate and improve their market share and position (Werner et al., 2018). The nature of family ownership for such organizations affects innovation processes by facilitating flexibility and the addition of complexity. Changes in the business environment, accompanied by increased technological advances, create the necessity for every business to implement strategies that increase productivity and enhance performance. Whether or not a family owns a business, it is becoming crucial for businesses to increase their level of innovation to stay afloat in their industries and maintain their values and consumer base (Werner et al., 2018). Interestingly, limited study covers innovation in most family-owned businesses. Therefore, there have been calls for more research that address this issue and fill the knowledge gap. Various factors drive business innovation, from board composition, consumer satisfaction, business culture, and environmental factors, among others. Such factors are vital for most family-owned businesses (Kammerlander & van Essen, 2017). They determine the extent to which a business would establish itself within an industry and adapt to current changes in the business world.

Discussion

While many family-owned companies have remained in business from way back, studies indicate that most family-owned businesses are slow in partaking in innovation and growth measures, creating a risk-averse situation (Kammerlander & van Essen, 2017). While there is little to show for these assumptions, it is essential to evaluate them to have clear reference points

that can help new entrants in quick and sound decision-making. Many family-owned businesses are privately listed, and the board composition is mainly made of family members. Also, studies indicate that diversity in board composition in most family-owned businesses does not favor innovation and growth, as they are male-dominated. One of the biggest family-owned businesses globally is Aunde Group SE, founded in 1899, and publicly listed (Aunde Group, 2021). The company has come from a humble beginning and expanded internationally, with at least 118 sites in 28 countries, and currently employing 25,500 innovative employees globally (Aunde Group, 2021). One of the most significant drivers of success for Aunde Group SE has been innovation. The company has invested in innovative ways of enhancing growth and expanding its consumer base and market share (Aunde Group, 2021). Through innovation, Aunde Group SE has created a seamless consumer experience that allows its customers to purchase textile products from wherever they are globally and at any time by ordering goods and services in their online stores. Remaining relevant for all the years since its inception in 1899 has involved a series of innovative strategies that respond to changes in the business environment, allowing the company to embrace and adapt to the changes while providing the best services for its consumers (Laforet, 2013). However, most people would argue that companies like Aunde Group SE have been keen on innovation because they were recently established. Many other companies that could provide similar or alternative goods and services, but were established earlier, are said to be slow in taking up innovative measures that could allow them a competitive advantage over their peers (Kammerlander & van Essen, 2017).

Various factors contribute to the slowness of such companies to innovate and compete at higher levels, especially with recently established competitors. First, the leadership and management approach in the past became almost irrelevant as innovation and rapid growth

measures took charge in new companies. Before, managers and owners tended to be putting profitability ahead of consumers in their businesses. While many companies make consumer needs the focal point of their operations, most family businesses value what they gain more than their consumers (Laforet, 2013). Therefore, it becomes difficult for them to anticipate their consumers' future needs, hence preparing ways of providing for those needs while retaining their consumers and gaining new ones. For this reason, most family-owned businesses that were established way back take a long time to gain consumer loyalty and enhance long-term and sustainable growth strategies.

Secondly, technological advancements over the years have not favored most family-owned businesses that were established before due to status quo (Laforet, 2013). Technologies create changes in every business aspect. Through technology, business leaders make rational and quick decisions that are a response to the needs of the prevailing market and consumer demand. However, old-time family-owned businesses remain the same because the leadership and management do not move quickly to adopt the changes in technology through innovation and rapid growth. However, some of the family-owned businesses such as Franz Haniel & Cie. GmbH are proactive and are geared toward adopting innovative approaches, going public, as well as incorporating non-family members into their boards.

Franz Haniel & Cie. GmbH company was established in 1756 and has grown into a 3.7 billion Euros worth of a company (Haniel, 2022). However, with the advancement in technology and innovation, the company has had difficulties establishing itself. With the old-school/traditional type of family management, the business has had difficulties adapting to the current management systems that would allow it to stay relevant and sustainable in the market. The board composition of the company has only two women and has been male-dominated for a

long time. However, in recent times, the board composition is focused on diversity and leadership qualities. Therefore, the company requires to make significant changes that would allow it to stay relevant and afloat.

Given that the leadership positions of the business have been dominated mainly by the family members, most decisions have favored the family members (Kammerlander & van Essen, 2017). Thus, the company's rapid development and innovative aspects have been hampered significantly, hindering the company from having the best competitive advantage that it deserves, given its operational years over time (Kammerlander & van Essen, 2017). However, to mitigate such difficulties, Franz Haniel & Cie. GmbH requires making quick decisions and implementing policies that will allow its rapid growth and make it an innovative company. Since Franz Haniel & Cie. GmbH is a privately registered company, most decisions that the leadership composition makes are geared towards favoring the interests of the family members (Kammerlander & van Essen, 2017). Therefore, Franz Haniel & Cie. GmbH should make quick moves towards integrating current innovative measures to make the company up-to-date with current affairs.

To begin with, the company should consider registering as a public entity. One advantage that accrues the company for being publicly registered is the broad shareholder base and increased spread of risks. Aunde is a great example, offering shares to the general public. Aunde spreads its ownership risks among a colossal shareholders' base through public shares. Also, a public offer of shares will allow Franz Haniel & Cie. GmbH to sell the family shares at a profit and retain a significant stake within the organization (Kammerlander & van Essen, 2017). Through public registration, Franz Haniel & Cie. GmbH will also pursue new projects and gain more market shares, make its capital expenditure that allows for expansion, acquire more shares in other companies and merge and fund necessary research projects that give it significant insight

into the market. Franz Haniel & Cie. GmbH also needs to embrace diversity in its board composition. Currently, board diversity has enabled many companies to increase their portfolios and expand significantly. The business world currently allows many equalities and equity within the board. Therefore, Franz Haniel & Cie. GmbH requires adopting the changes and allowing diversity and balancing its gender composition within the board (Haniel, 2022). By doing this, the company will attract more investors, consumers, and quality employees.

Despite Franz Haniel & Cie. GmbH being a family-owned business that requires a close look into its management, current logistics require that the company allows for external expertise that will create diversity (Haniel, 2022). One recommendation is that the board allows outside shareholders to invest in the company and make decisions regarding its development. In doing so, the company should be keen on the ages of new investors. Establishing deals with younger investors will allow the company to welcome new energy, leadership approaches, motivation strategies, and investment plans. However, Franz Haniel & Cie. GmbH must be keen on the leadership helm of the company. While outsider employees and leadership positions in the company would be a good move towards bringing in new strategies, ideas, and approaches, the company must ensure that the top leadership positions are reserved for the family members. In that case, the family may nominate a gender-balanced board, whose composition would be at least 55% of the family members (Haniel, 2022). Through that, the business would maintain the family values and ambitions that have existed since its establishment while giving opportunities to new minds that ensure the company's progress and up to date running.

Based on the family business index, traditionally owned family businesses require significant improvements and adjustments to the new business environment (Korchak, 2021). Many aspects that enhance the rapid growth of businesses do not favor most of those businesses,

given the current developments and advancements. Specifically, the innovation aspect creates a challenge to most family-owned businesses because they tend to value the traditional ways of operation, including leadership (Korchak, 2021).

Since Franz Haniel & Cie. GmbH is ranked at position 333 in terms of revenues, there is a chance that the company can grow exponentially if it embraces current operational methods in terms of innovation and growth (Haniel, 2022). Also, having been operational for many decades, Franz Haniel & Cie. GmbH has gained ground in terms of global acknowledgment, consumer retention, and profitability. Therefore, it requires adopting new ways of anticipating future consumer demands. The company will formulate innovative strategies to deliver to the current consumer needs. In turn, the company's profitability level will rise, hence the potential for rapid company growth (Korchak, 2021).

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