PRACTICAL GUIDE

OWNERSHIP COMPETENCE IN BUSINESS FAMILIES

THE SUCCESS FACTOR FOR LONG-LASTING FAMILY BUSINESSES

by
Tom A. Rüsen

WITTEN INSTITUTE FOR FAMILY BUSINESS
WITTEN/HERDECKE UNIVERSITY

IMPRINT

RESPONSIBLE FOR THE CONTENTS:
Witten Institute for Family Business (WIFU),
Department of Management and Entrepreneurship
Faculty of Management, Economics and Society
Witten/Herdecke University

Prof. Dr. Tom A. Rüsen
Prof. Dr. Marcel Hülsbeck
Alfred-Herrhausen-Str. 50
58448 Witten
Germany

Design: Designbüro Schönfelder GmbH, Essen
Photographs: Shutterstock
Illustrations: Björn von Schlippe

Note: Inasmuch as this practical guide includes references to persons in the masculine form, these shall apply equally to all genders.

ISSN (Print) 2626-7365
ISSN (Online) 2626-7373

July 2020

CONTENTS

FOREWORD

Certain tendencies and changes can currently be observed in the German-speaking family business landscape. Practices for transferring shares are increasingly treating all heirs equally. At the same time, one can observe that successions in family firms are increasingly taking place in the shareholder role with the operational business run by managers outside the family. We are therefore seeing a clear change in family businesses: a move away from owner-managed to owner-controlled family businesses. Essentially, the challenges in the underlying mental model of the "controlling family"[1] consist of, first, making the family's voice in the company clear through active participation in (among other things) strategy discussions and results monitoring processes and, second, improving the cohesion of the group of owners.

Whereas the cohesion of owners is organised through family management measures in the context of a family strategy,[2] the other key task involves no less than continuous work on the strategic capabilities of the business family. However, the basis for this process is systematic training and continued development of the ownership competences of the members of the business family. Thus, new shareholders of the next generation must acquire basic skills. For family members on family, steering and supervisory committees, further special training and development programmes must then be defined.

This practical guide summarises the knowledge gained in providing scientific and advisory support to business families over many years. As the publisher of this guide, the WIFU wants to provide readers with valuable, practice-oriented insights into the contents and dimensions of theoretical approaches. We hope that these stimulate new ideas among business families regarding the practical issues involved in setting up programmes for developing ownership competence.[3]

1 See Rüsen et al. (2012) and Rüsen et al. (2019a) as well as von Schlippe et al. (2017).
2 See Rüsen & Löhde (2019).
3 Here, I would like to express my warmest thanks to Monika Nadler, whose hard work was invaluable in creating this practical guide.

1 | INSTEAD OF AN INTRODUCTION: WHAT CONCEPT UNDERLIES THE TERM "OWNERSHIP COMPETENCE (DEVELOPMENT)"?

The shareholders of a family business often connect their shareholder status to more than just capital participation. Rather, they regard it as a kind of "borrowed legacy" that they administer, preserve and develop. Holding ownership shares in the company of one's forebears thus involves a complex set of issues for many business families, which can be connected not only to the logic of an investor's role but also to cross-generational expectations and conceptualisations. It is therefore easy to see that different expectations regarding the shareholder role can lead to disagreements and conflicts. Family members can certainly have different opinions about the right way to manage and lead the company, the appropriate targets and the values of the circle of shareholders.

The challenge faced by the business family is that it must simultaneously follow the logic of the family, the logic of the business and the logic of ownership. The method the family finds to address this situation is decisive for whether it represents an opportunity or a massive risk for the company. Here – unlike shareholders in a publicly owned company – individual shareholders in a family business face the challenge of actively helping to shape the future of the company based on their entrepreneurial responsibilities. However, the role that the individual shareholder can or should thereby take on depends to a considerable extent on the established family business governance and is often the result of a family's strategy development process.[4] Furthermore, decisions relating to the company must be made in such a way that they do not disrupt the life, livelihood and cohesion of the business family in the long term.

With regards to the company, owners are faced with the tasks of setting long-term targets for the executive board, strategically advising it on an equal footing, monitoring it appropriately and, if need be, replacing it. To be able to fulfil these tasks, the members of a business family not only need professional qualifications, such as knowledge of management, organisation, balancing accounts, financing, and corporate law and asset management, but also knowledge of company history, current and technological challenges in the market environment, the dynamics of digital transformation and future company strategy. In addition, they have to be **familiar with the function, logic and system dynamics[5] of families and family businesses**. In particular, the (potential) interactions between the decisions made as a group of shareholders and the consequences for individual family members and the jointly owned family business must be considered with great sensitivity – they can lead to destructive disruptions of the integrated system of family, ownership and business in the long term. The members of a business family therefore need not only business knowledge and skills but also very specialised knowledge.

[4] For a detailed discussion, see Rüsen et al. (2019d).

[5] Cf. Kleve (2019).

2 | OWNERSHIP COMPETENCE (DEVELOPMENT): TWO DEFINITIONS

The situation described above leads to a definition of specialised knowledge, which can be termed “Ownership Competence as a member of a business family”.[6, 7]

DEFINITION 1:

Ownership competence (OC) includes all the abilities and skills of the current and potential shareholders in a family business that they need in order to successfully exercise their functions as owners, as well as their rights and duties within the business family. It also includes the ability to successfully cope with hitherto unfamiliar situations facing the company and the business family.[8]

DEFINITION 2:

Ownership competence development (DOC) includes all the measures taken by members of a business family to further training in professional competences and to support the acquisition of abilities and experiences that enable a person to fulfil the role of shareholder in the jointly owned family business.

In our understanding, members of the business family who do not (yet) hold any shares in the family business, as well as those who undertake key educational tasks, must also be included in DOC measures.

Fig. 1: Ownership competence development in business families

[6] Cf. Groth & von Schlippe (2011) and Aronoff & Ward (2011).
[7] The following definitions and explanations are based on Vöpel et al. (2013).

3 | ON THE VALUE OF STRATEGICALLY DEVELOPED OWNERSHIP COMPETENCE

The strategy research clearly shows that companies only achieve a competitive edge if they manage to (among other things) develop resources that are valuable, rare and/or unmatchable and for which no comparable substitute exists.[8] When one looks at the specific competitive advantages of family businesses, it becomes clear that they differ markedly from non-family businesses in certain respects. This is primarily due to what is called "familiness" – i. e., the family factor in family businesses. This term refers to the specific bundle of resources that comes into being through interactions among the family, its individual members and the business itself.[9] The specific family factor is not only the key distinguishing characteristic of every single family business but also an essential influencing factor in the performance and competitive advantages of such a company. **The ownership competence of the business family represents an absolutely essential component of this "familiness factor".**

In practice, there are some very different dynamic impulses that can influence the executive management of a family business through shareholders' meetings and/or supervisory bodies. Depending on the chosen governance structure and on the members of the business family who are integrated into that structure (this may, for example, also include people who have married into the family), the family running the family business is involved in all key company decisions. Their respective competences are thus decisive for all individuals who are actively involved. These include (among other things) the abilities and skills that a person applies in the context of company processes in order to generate products and services and to market them in a changing market and competitive environment and by means of which they then make a decisive contribution to the success of the company. In addition to activities aimed at developing the company, another key task of those involved is to avoid (as much as possible) conflicts within the business family. If a business family manages to reduce the structural risk arising from destructive influences within the family, this will result in the preservation of typical strengths and, thus, of the competitive advantages of the family business.[10]

As the above discussion makes clear, this is an extremely sensitive complex of issues. **The development of ownership competence can be described as the key variable in the success of multigenerational family businesses.** It is imperative for the business family to maintain a critical number of competent members (irrespective of the size and complexity of the company or the family).

Here, it is important to recognise the way in which the business family decisively shapes the fate of the company. In a family business where executive management consists of several active shareholders from different generations, different issues will arise than in family businesses in which, for example, executive management consists exclusively of managers from outside the family. In the first case, an excessive competence disparity between active and non-active shareholders may lead to problems, whereas in the second case, any assumption of responsibility by the family shareholders is presumably impossible to maintain on a permanent basis if those shareholders have insufficient competence to do so. If the family is not in a position to produce suitable representatives for supervisory and regulatory bodies, it faces a great risk of being governed solely by outsiders or of no longer being able to fulfil its role as a responsible owner.

In light of these considerations, the targeted development of ownership competence in the succeeding generations is a systematic key task of the business family, which must be repeatedly undertaken anew. This process is closely bound up with (among other things) aspects of the commitment, performance, education and training of potential successors. The development of ownership competence is an absolutely essential component of the educational task of every core family. It is easy to see that this development involves some extremely sensitive issues, which have to be negotiated within the business family as a whole in relation to the core family concerned.

[8] Cf. Barney (1991).
[9] Cf. Habbershon & Williams (1999).
[10] On the special responsibility of family shareholders, cf. Wimmer (2011). On the concept of the structural risk of family businesses, depending on the mental model of a business family, see the detailed discussions in Rüsen et al. (2012) and Rüsen et al. (2019a).

4 | TAKING STOCK

4.1 | WHAT IS THE SITUATION REGARDING OWNERSHIP COMPETENCE DEVELOPMENT (DOC) IN GERMAN BUSINESS FAMILIES?

The results of a survey of 263 members of business families conducted by the Witten Institute for Family Business (WIFU) and published in 2013 show that this complex of issues is definitely gaining importance.[11]

Basically, 65 % of the study participants (at the time of the survey) were conducting systematic ownership competence development. Overall, they attached great importance to such development:

- 83 % of the study participants regarded it as a key factor in successfully ensuring future viability as a family business.
- Just under 85 % were convinced that appropriate measures and activities foster the development of a common will and policy among the family shareholders in the company and support the process of collaboration within the business family.
- 67 % saw at least one positive side effect in the reduction of conflicts within the business family through systematic training and further training.

However, appropriate programmes are still a very new topic, as 53 % of the study participants had concerned themselves with DOC for three years or less. Only 19 % had implemented such programmes for over ten years.

The study participants who were not currently conducting any DOC measures (that is, 35 % of those surveyed) gave the following reasons for the lack of such measures:

- they did not consider it necessary (43 %),
- the circle of shareholders was too small (38 %),
- lack of a responsible person (30 %),
- lack of unanimity on this issue in the circle of shareholders (26 %),
- scarcity of resources (13 %).

These survey data make it possible to make various assumptions regarding the underlying reservations. Based on experience, the relevant statements correlate very strongly with the corresponding mental model[12] of a business family or with the degree of (self-)organisation as a business family.[13]

In relation to the concrete measures implemented, it can be observed that the focus is on

- external consulting services (55 %) as well as on
- special courses, seminars and workshops (48 %)

The contents conveyed are focused on business management topics. Thus,

- Management & strategy (82 %),
- Knowledge of the market and sector (75 %),
- Leadership & organisation (66 %),
- Investment & financing (64 %) and
- Balance sheet analysis (63 %)

are the core components of DOC practised in German business families. Legal and psychological issues tend to be given less importance (on average, 44 % or 45 %). Evidently, ownership competence is considered to be primarily located at the level of key company management issues.

Regarding the inclusion of future shareholders, an interesting picture emerges: 43 % of those surveyed only integrate representatives of the current shareholder generation into measures for developing ownership competence and exclude representatives of the next generation, i. e., potential future shareholders, from such measures. A comparatively high number (41 %) offer cross-generational DOC measures. However, the overwhelming majority (85 %) regard the development of cross-generational competence that includes both generations as the most desirable situation. The representatives of the participant business families evidently cherish the prospect of developing their competences jointly – ideally, as a “family collective”.

[11] For a detailed discussion, see Rüsen et al. (2013).
[12] See Vöpel et al. (2013) and Rüsen et al. (2019b).
[13] See Rüsen & Löhde (2019) and Rüsen (2017).

Now let us take a look at the "beneficiaries" of the relevant measures: interestingly, such measures are primarily offered for members of the business family who already have shareholder status or who will take on that status in the future, irrespective of whether they already work for the company. Family members with no shares (marriage/life partners, minors) are only rarely (18 %) integrated into DOC programmes.

So here, a clear demarcation appears to be drawn within the (extended) family. There are definitely grounds for doubting that business families are well advised when they keep marriage partners, who also function as important advisors and role models for the next generation (or "NextGen"), out of family DOC programmes. Indeed, it can often be observed that marriage and life partners who have been welcomed and integrated into the shared culture and community of values of the business family can be key supporters of the business family system. Conversely, systematic marginalisation often leads to conflicts between marriage partners or to conflicts of loyalty among the children. Both of these situations can quickly arise if one parent does not want to become better acquainted with the family business or make necessary personal sacrifices for it.

Responsibility for planning and conducting appropriate DOC activities still lies predominantly in the hands of the individual core families (42 %) or of a family committee (34 %). In many cases, individual members of the business family convey the contents to others (40 %), but external service providers (38 %) or specialist staff or senior managers of the company (18 %) are often brought in.

In the first six months of 2018, the WIFU conducted a survey on family governance strategies.[14] A total of 214 participants provided profound insights into the strategies applied by their families. The issue of the development of ownership competence was prominent in the study.

- 22 % of those surveyed said they already had a training programme for shareholders and members of the business family.
- 72 % considered a programme for ownership competence development to be important and helpful.
- 32 % of participants regarded the development of ownership competence as the biggest challenge in implementing a family strategy.
- 63 % of those surveyed regarded the development of ownership competence as a positive result of developing a family strategy.

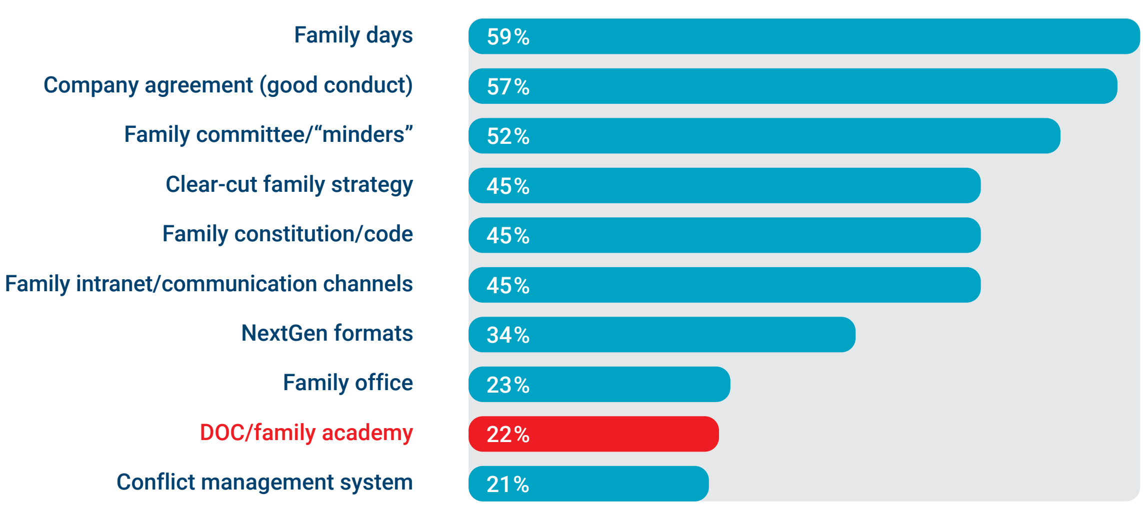

Fig. 2: Distribution of family governance mechanisms

14 For a detailed discussion of this point, see Rüsen & Löhde (2019).

4.2 | WHAT STOPS BUSINESS FAMILIES FROM SETTING UP DOC PROGRAMMES?

The meaning and importance of the targeted development of ownership competence should be clear based on the foregoing points. However, in practice, it is astounding how often one sees either a complete failure to tackle this issue or a completely unsystematic approach to it. Two key aspects definitely interfere with "professionalising" the business family, both of which are founded on the same basic logic: **With regard to their (self-) organisation or the targeted development of their own competence, business families typically act in accordance with the logic of the family.** That logic does not envisage completing or continuing training programmes *as a family*. You learn what you need to know by looking and learning, through stories and by simply joining in.

This family (learning) pattern is usually unreflectingly transferred to the shareholder role. **The suggestion that one should organise oneself as a (shareholder) family or together make the family fit for its role as a competent shareholder feels foreign.** Accordingly, measures that foster competence tend to be implemented sporadically, without following any plan or training concept. It is curious to observe that, for example, family shareholders who are not active in the company regard it as completely normal to complete training and continuing education courses in their own professional careers, yet they consider any suggestion that the family obtain comparable training itself as a partner (family) to be alienating and inappropriate.

This tendency can be regarded as a key factor in the low degree of self-organisation in business families. According to the aforementioned study from 2013,[15] only 27 % of the participants in the survey had set up instruments for family governance (e. g., a family strategy or family constitution).[16] Nonetheless, it emerged that most business families (83 %) that utilise a family governance instrument carry out systematic DOC. Obviously, once the task of (self-) organisation has been approached, it then facilitates further targeted development of the competences and skills pool within the business family. A few representatives of this family type (most of which have a large number of shareholders) have even developed their own family academies and training concepts (such as a "shareholder driver's license").

[15] Cf. Vöpel et al. (2013).
[16] Here, it is important to bear in mind that families that were interested in participating in such a study already represent a self-selected portion of all family businesses in Germany.

5 | THE CONTENTS OF THE IDEAL DOC PROGRAMME

"Not every shareholder has to be able to discuss the strategy with the CEO, but they must be able to understand the issues they are voting on at the shareholders' meeting."[17]

"The aim is not to become artists but to be able to distinguish art from kitsch."[18]

Therefore, what should the ideal training programme for members of a business family entail? The discussion in the following chapter outlines various concepts that are encountered in practice and attempts to place them into a conceptual framework. The contents can be understood as a "catalogue of requirements" for a shareholder. In the final section, these requirements regarding competence are then placed in relation to the roles and functions of a shareholder and compared to different classes of driver's licences.

5.1 | GETTING TO KNOW THE COMPANY FROM THE INSIDE

The process of getting to know the family business often starts in early childhood, as many people testify: "Dad always let us ride the go-kart in the company yard", and "We were regularly taken along on business trips and got to know the subsidiaries that way". Such situations and experiences are naturally more common in business families that include active family members than in families whose lives are centred farther away from the company headquarters.

Particularly in early childhood and youth, strong emotional relationships are formed not only with trusted persons but also with places and working environments. Regular visits to the company, production sites, and individual departments, etc., result in the development of a close emotional relationship with the company, which can be strengthened by taking holiday jobs during the school year and completing internships as a student. This kind of commitment allows young future shareholders to become familiar with internal company processes, products, services and key staff at play; therefore, when they eventually become shareholders themselves, they are able to bring a good intuitive understanding of the company and its internal structures to their role. In retrospect, many shareholders describe their early jobs — some of which were very simple and in areas such as the assembly or dispatch departments — as having been very important for developing empathy and a clear understanding of the working conditions and living environments of staff, including those at lower levels of the hierarchy. It is also important to include future shareholders early on in the strategic considerations of the company in relation to mastering the dynamics of digitisation. The regular participation of family members in events on the digital transformation of the company or in guest roles on existing "digital boards" or expert committees constitutes a systematic component of contemporary concepts. This creates and increases digital openness and readiness within the group of shareholders.[19]

In business families whose shareholders no longer have emotional connections with the company, purely investor-related expectations often develop. Conceptions of their roles as shareholders then develop, which are frequently incompatible with those of the preceding generation. In addition, it is often hard for the staff and executive management of a family business to understand and is extremely detrimental to the company culture when a generation of shareholders grows up with hardly any knowledge of the company or the business environment. Now and again, this has caused rifts in relationships of trust between staff and the business family that had been built up over many years.

Many business families are aware of this danger. To counter it and to spark an early interest in the family business, many families encourage their children to work during school holidays or to

[17] Statement from a family entrepreneur in the course of presenting an intra-family development concept for the business family.

[18] This quotation comes from my colleague, Hermut Kormann, in response to the question of what constitutes the core of measures of ownership competence development.

[19] Cf. Bretschneider et al. (2019) and Rüsen et al. (2019a). The degree to which these two factors manifest is accorded key importance in the digitisation dynamics of a family business.

complete university student traineeships with the company. Sometimes, members of the next generation request to work as trainees for six months or longer. Now and then, guest seats on advisory boards, digital boards, etc., are created for older shareholders. The aim here is for the family to acquire systematic knowledge and competences concerning issues discussed in the company or to preserve existing interest in them.

5.2 | ACQUIRING THE ABILITY TO ASSESS AND LEAD EXECUTIVES

Suitable opportunities for members of the business family to meet members of the management team outside of day-to-day business operations augment the process of getting to know the inner life of the company. Whether at privately organised Christmas dinners for authorised company officers, at annual management conferences or at barbecues for top and up-and-coming executives held every summer at the family residence, opportunities are created to get to know the management team, and usually their marriage partners, personally. At these events, it is sometimes regarded as important that family members be available for chats with executives or even serve them. The aims here are, on the one hand, to show special appreciation for the work of the top performers in the company and, on the other, to enable new representatives of the business family to have initial, more informal contact with this key group of people.

For executives and shareholders to be able to enjoy fruitful collaboration, it is advisable for the latter to acquire their own active and passive management experiences outside the family business. This experience can come from any type of job or nonprofit activity. One shareholder in a family business sums it upas follows:

“Only someone who has already experienced being led in the right way knows how it feels for the other side. Our executives from outside the family, who make decisions about the turnover of several hundred million euros and about the fates of thousands of employees, will quite rightly refuse to take a family member seriously if that shareholder reveals that they’ve never worked in any organisation, whether a company or an NGO.”

In the business family of the person quoted above, it is considered very important for every shareholder to have worked both at a lower level (“the experience of being led”) and at a higher level (“the experience of leading”) before they are allowed to be part of a supervisory or regulatory body.

5.3 | UNDERSTANDING THE COMPANY STRATEGY AND THE INTERACTIONS AMONG INDIVIDUAL ELEMENTS OF THE COMPANY

Irrespective of their own professional field of activity, each shareholder should acquire the ability to rank, appraise and evaluate the key decisions or proposals of the executive board through appropriate training, intensive scrutiny and experience in their own company. From the perspective of one family representative, this means the following:

“As a family, our standpoint is that executives from outside the family have the right to speak with competent shareholders from the family. When selecting them, we always make sure that they are savvier than we are. We expect top performance from our staff at every level. However, we can only credibly demand that if we apply the same standard to ourselves. Otherwise, they’ll run for the hills.”

The special strategic competence of shareholders, not only in this family but also in others, consists of critically scrutinising the strategies of the executive board on an equal footing and bringing them into accord with the family strategy. In the above example, one such complementary strategic competence is developed in that company by experienced business personalities through numerous special trainings combined with individual coaching. The contents of the relevant training programmes read like an intra-family MBA programme. The content often consists of a mixture of company lore (communication of company-specific contents) and general business and technological topics.

A meaningful approach to determining the contents of ownership competence development is oriented towards broad corporate objectives as well as classic key questions regarding company strategy:

- What are the specific market and competitive dynamics of the company?
- Who are the number one customers and suppliers?
- Who are the key staff?
- Where and (if applicable) in whom are the company's core competences concentrated?
- In which precise aspects is the company superior to the competition and in which is it not?
- What is vital for the success of the company?
- Where do technological developments pose a risk to the company?
- What is the digitisation strategy and how are the resulting company measures defined?

These special topics must be specifically communicated to the shareholders and not assumed to be (as unfortunately frequently happens in practice) basic business administration knowledge.

Initial training sessions often begin by addressing the following question: "How do I read a balance sheet and/or the shareholder contract?" Such topics are (at first!) the least exciting and seem particularly dry to family members who are unfamiliar with the technical details, and they will not necessarily inspire any interest in or understanding of the company. As expected, family members who do not have any commercial training or degrees in law or business administration are intimidated and, in the worst case, scared off by such contents. Therefore, once the basic strategic conditions of the company have been covered, it is advisable to convey only the basic facts about business, taxes and legal issues in a very specific way based on one's own company. Certain basics must then be covered in this context:

- Company management and the structure of the company
- Organisation
- Corporate and tax law
- Balancing the accounts
- Financing
- Asset management
- Structure of the Business Report.

5.4 | DEVELOPING AN UNDERSTANDING OF THE ROLE OF FAMILY SHAREHOLDER (SYSTEM COMPETENCE)

"We are aware that, as members of a controlling family, we bear a special responsibility towards our staff, the region and our forebears."

This sentence, the key mission statement in the preamble to a family constitution, briefly and concisely summarises the main focus of all measures in this area of ownership competence. After all, ownership of a family business means more than participating in a commercial enterprise. The members of the business family must work out the way in which their company differs from other types of companies and from other family businesses. The interactive dynamics between the company and the family logic are then more clearly recognisable as such. Additionally, the mental model of the respective company family[20] can be defined and critically reflected upon.

[20] A detailed presentation of the four mental models can be found in the WIFU practical guide "Mental Models of Family Businesses" by Rüsen et al. (2019b).

Briefly, a mental model is a business family's self-conception. It serves for members as the key conceptual logic through which the company and family reality are viewed. Here, one finds four different models or types of logic:

- Patriarchal logic
- The logic of the managing family
- The logic of the controlling family
- The logic of the investment family

The results of this concern with the self-conception of the family can be regularly reviewed and, for example, discussed in a structured way in the context of a family day. Questions such as "Where does the family come from?" or "What is known about the history of the family ancestors?" are as much a part of this competence component as knowledge of the classic and typical conflict dynamics in business families and the typically paradoxical decision-making logics bound up with them and with which the business family has to learn to engage.

5.5 | DEVELOPING PERSONAL COMMUNICATION COMPETENCE

Finally, a key development task for members of business families consists of professionalising one's own behaviour towards both close and more distant relatives. Family communication often takes place in meetings of the family council or, for example, in shareholders' meetings. This communication then becomes critical when the different concepts or expectations of the discussion participants encounter one another. Therefore, it is absolutely essential that family members develop the ability to abstract and reflect in order to be able to exchange opinions about different expectations without conflict and to identify and handle family communication as distinct from decision-making communication.

Individual, systematic training in the basics of communication, as well as the creation of communicative spaces within which family members can talk openly about their situation and their feelings, can be extremely helpful. For example, members of the family committee of a business family may conduct structured interviews with individual family members so that their questions, hopes, fears and motivations relating to their membership in the business family can be discussed and dealt with. In other cases, such as in the case of very large groups of shareholders, family surveys – similar to employee surveys – are conducted in order to make issues, wishes and needs transparent. This process creates an understanding of the personal viewpoints of individual family members, which are then integrated into the work of the business family.

At this point in the process of developing a family strategy, a thorough explanation of the conceivable and acceptable contents of a DOC programme can be provided. On that basis, it is necessary to precisely define the budget in terms of time and content that will be made available by and for the members of the business family and which group of people can participate in the programme. After concluding this process, the actual work begins. The ability of the responsible person in the family or the members of the family committee often determine whether a regular and accepted programme for further training comes into being.

5.6 | FUNCTION-BASED REQUIREMENTS REGARDING OWNERSHIP COMPETENCE

The contents of ownership competence that need to be conveyed vary depending on a person's age, educational background and their function in a company or family committee. They must therefore be clearly defined as individual competence modules and clearly differentiated from one another. The approach can be easily understood by comparing it to a driver's license system:[21, 22]

[21] At this point, I should like to thank Thomas Wrede, who originally gave me the idea for this analogy.

[22] The following statements are based on Rüsen (2018).

- To be able to follow the proceedings and vote in a shareholders' meeting as a shareholder or to cast one's vote in a family meeting as a member, it is necessary to complete a competence module that covers the basics. The abilities and skills conveyed therein are comparable to a driver's license for light motorcycles (e.g., a moped license).
- To be elected to a family committee, a control committee in the company, or a committee of shareholders, it is necessary to build on one's basic skills to acquire in-depth expert competence regarding the issues that are relevant and specific here (among others measures, topic-specific training or coaching sessions). This is comparable to obtaining a driver's license for cars and motorbikes up to 35 kW.
- To chair an appropriate committee, i. e., to take on the role of a strategic preparer of committee decisions, it is necessary to increase one's level of competence (e. g., through experience in other companies or on comparable committees or special coaching sessions). This level of competence is comparable to obtaining a driver's license for heavy trucks or motorbikes over 35 kW.

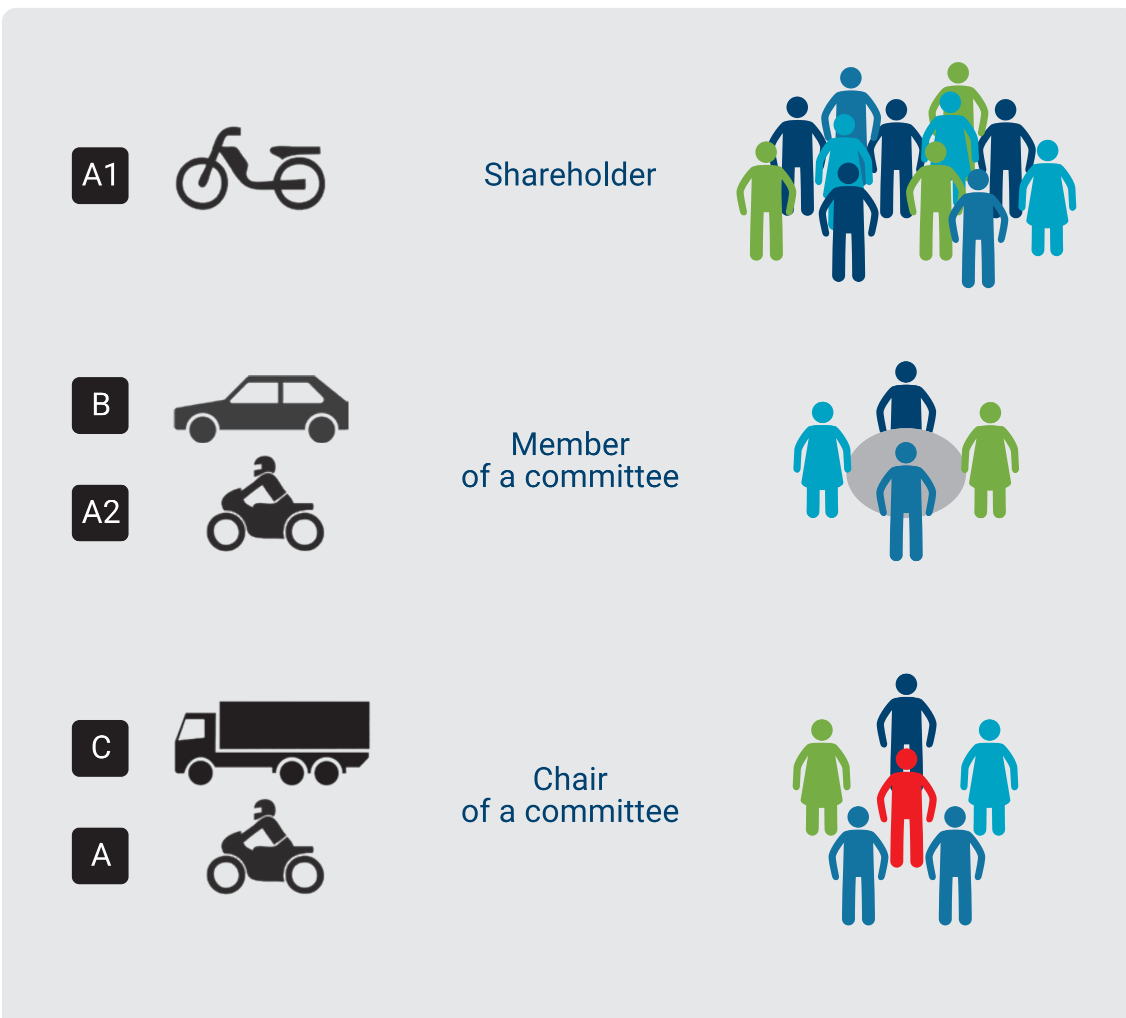

Fig. 3: An analogy illustrating function-based types of ownership competence

6 | IN CONCLUSION: SIX SUGGESTIONS

The issues discussed here have made clear the highly relevant issue of ownership competence in business families. Currently observable changes in family businesses in German-speaking areas indicate that, in the future, an ever-greater number of non-active shareholders will decide the fates of such companies, which have so decisively shaped the German economy. This examination of the issue represents a kind of "back training school" for this much-valued "backbone" of the German economy. In light of this situation, the following recommendations for action for business families should be regarded as key discussion points for family days or shareholders' meetings:

1	Check the form in which DOC is systematically practised in your family business in contrast to contents that tend to be offered in an opportunity-driven way (actual state analysis).
2	If no DOC is (yet) available, initiate a discussion about it in your business family and establish appropriate measures. It is thereby important to include all shareholders and family members in the decision-making and implementation processes. Ideally, you will adapt this complex of issues based on the degree to which they manifest in accordance with strategic family considerations.
3	If DOC is already being practised, check who benefits from the qualification measures and who (up to now) has not been considered. Ensure that the current offer is made available to as many members of the business family as possible, particularly the succeeding generation and family members who do not (yet) hold shares.
4	Ensure that classic management and financing topics are conveyed but also include overarching contents, such as legal knowledge, psychological knowledge, family businesses in general, as well as the specifics of your family business, and topics relating to digitisation dynamics.
5	Differentiate the development programmes for future generations in view of the role aspired to in the group of shareholders and/or in the company. First, clearly differentiate between the content-related requirements regarding the abilities and skills of a non-active shareholder from those for an executive in the company. However, these can be markedly expanded if, for example, a committee function or even a leading committee function (e.g., chairperson of the supervisory board) is exercised in the context of a person's role as a shareholder.
6	Ensure that ownership competence development becomes a systematic component of your family management system and is thus conducted in a well-organised, clearly structured way. This involves precisely determining both the learning content and the conditions of participation in such a training and development process.

7 | BIBLIOGRAPHY

This practical guide is a translation of the German practical guide from 2019 and does not seek to represent the international literature on this subject.

- Aronoff, C. E. & Ward, J. L. (2011): Family business ownership: how to be an effective shareholder. New York: Palgrave Macmillan.
- Barney, J. (1991): Firm resources and sustained competitive advantage. In: Journal of Management, 17(1), pp. 99-120.
- Bretschneider, U.; Heider, A. K.; Rüsen, T. A. & Hülsbeck, M. (2019): Strategien der Digitalisierung in Familienunternehmen. Über spezifische Digitalisierungsansätze für Unternehmerfamilien und Familienunternehmen. Practical Guide of the Witten Institute for Family Business (WIFU). Witten:WIFU. English version available under the following title: Digitalisation strategies in family businesses – On specific digitalisation approaches for business families and family businesses.
- Groth, T. & Schlippe, A. v. (2011): Einführung: Gesellschafterkompetenz als Systemkompetenz. In: EQUA-Stiftung (Ed.): Gesellschafterkompetenz – Die Verantwortung der Eigentümer von Familienunternehmen. Bonn: Unternehmer Medien, pp. 9-24.
- Habbershon, T. & Williams, M. (1999): A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. In: Family Business Review, 12(1), pp. 1-25.
- Kleve, H. (2019): Dynamiken in wachsenden Unternehmerfamilien. Die Macht elementarer Systemregeln für Zusammenhalt und Kommunikation. Practical Guide of the Witten Institute for Family Business (WIFU). Witten: WIFU. English version forthcoming.
- Rüsen, T. A. (2017). Family Compliance als Bestandteil der Familienstrategie. In: FuS – Familienunternehmen und Strategie, issue 04/2017, pp. 120-125.
- Rüsen, T. A. (2018). Family Education – überschätzt oder unterschätzt. In: Ebel, K. et al. (Ed.) Familienunternehmen – Gestern, Heute, Morgen. Commemorative publication for P. May. Hamburg: Murmann. pp. 268-277.
- Rüsen, T. A. & Löhde, A. S. (2019): Die Unternehmerfamilie und ihre Familienstrategie. Einblicke in die gelebte Praxis von Family Governance. WIFU study. Witten: WIFU. English version forthcoming.
- Rüsen, T. A.; Schlippe, A. v. & Gimeno, A. (Rüsen et al. 2012): Strukturelles Risiko und Mentale Modelle in Familenunternehmen. In: FuS – Familienunternehmen und Strategie, issue 03/2012, pp. 92-98.
- Rüsen, T. A.; Heider, A.; Hülsbeck, M. & Bretschneider, U. (Rüsen et al. 2019a): Die digitalisierte Unternehmerfamilie – Spezifische Einflüsse und Herausforderungen für Digitalisierungsdynamiken in Familienunternehmen. In: FuS – Familienunternehmen und Strategie, issue 03/2019, pp. 90-95.
- Rüsen, T. A.; Schlippe, A. v. & Groth, T. (Rüsen et al. 2019b): Mentale Modelle von Familienunternehmen. Wie Unternehmerfamilien über sich und ihre Verbindung zum Familienunternehmen denken. WIFU Practical Guide. Witten: WIFU. English version available under the following title: Mental models of family businesses – How business families see themselves and their connection to the family business.
- Rüsen, T. A.; Schlippe, A. v. & Groth, T. (Rüsen et al. 2019c): Familienstrategieentwicklung in Unternehmerfamilien. Inhalt und Formen von Family Governance und Familienmanagementsystemen. WIFU Practical Guide. Witten: WIFU. English version forthcoming.
- Rüsen, T. A.; Schlippe, A. v.; Richter, A. & Hueck, T. (Rüsen et al. 2019d): Die Familienverfassung als Instrument der Family Governance und ihre juristische Umsetzung. WIFU Practical Guide. Witten: WIFU.
- Schlippe, A. v.; Groth, T. & Rüsen, T. A. (2017): Die beiden Seiten der Unternehmerfamilie. Familienstrategie über Generationen. Auf dem Weg zu einer Theorie der Unternehmerfamilie. Göttingen: Vandenhoeck & Ruprecht, pp. 202 ff. English version forthcoming: The Two Sides of the Business Family: Governance and Strategy Across Generations, Heidelberg: Springer.
- Vöpel, N.; Rüsen, T. A.; Calabrò, A. & Müller, C. (2013): Eigentum verpflichtet – über Generationen. Gesellschafterkompetenz in Familienunternehmen. Study conducted by PricewaterhouseCoopers (PwC) and the Witten Institute for Family Business (WIFU). Witten: WIFU.
- Wimmer, R. (2011): Die besondere Verantwortung von Gesellschaftern in Familienunternehmen. In: EQUA-Stiftung (Ed.): Gesellschafterkompetenz – Die Verantwortung der Eigentümer von Familienunternehmen. Bonn: Unternehmer Medien, pp. 25-33.

8 | FURTHER READING

- Astrachan, J. H. & Pieper, T. M. (2011): Developing responsible owners in family business. In: EQUA-Stiftung (Ed.): Gesellschafterkompetenz – Die Verantwortung der Eigentümer von Familienunternehmen. Bonn: Unternehmer Medien, pp. 102-110.
- Gómez-Mejía, L. R.; Takács Haynes, K.; Núñez-Nickel, M.; Jacobson, K. J. L. & Moyano-Fuentes, J. (2007): Socioemotional Wealth and Business Risks in Family-controlled Firms: Evidence from Spanish Olive Oil Mills. In: Administrative Science Quarterly, 52(1), pp. 106-137.
- Kormann, H. (2010): Zusammenhalt der Unternehmerfamilie: Verträge, Vermögensmanagement, Kommunikation. Berlin: Springer Verlag.
- Kormann, H. (2011): Gesellschafter und die Strategiearbeit. In: EQUA-Stiftung (Ed.): Gesellschafterkompetenz – Die Verantwortung der Eigentümer von Familienunternehmen. Bonn: Unternehmer Medien, pp. 34-47.
- Schlippe, A. v.; Groth, T. & Plate, M. (2011): Entscheidungsfähigkeit sicherstellen: Familienstrategie und Familienmanagement in Familienunternehmen. In: Plate, M.; Groth, T.; Ackermann, V. & Schlippe, A. v.: Große deutsche Familienunternehmen: Generationenfolge, Familienstrategie und Unternehmensentwicklung. Göttingen: Vandenhoeck & Ruprecht, pp. 522-562.
- Tagiuri, R. & Davis, J. A. (1982): Bivalent attributes of the family firm. Cambridge, MA: Harvard Business School, 1982. Reprinted 1996. In: Family Business Review, 9(2), pp. 199-208.
- Uhlaner, L. M.; Floren, R. H. & Geerlings, J. R. (2007): Owner commitment and relational governance in the privately-held firm: An empirical study. In: Small Business Economics, 29(3), pp. 275-293.
- Wimmer, R. (2011): Typische Schwächen und Potenziale der Selbstgefährdung von Familienunternehmen. In: Rüsen, T. (Ed.): Familienunternehmen erfolgreich sanieren. Berlin: ESV, pp. 43-60.

CONTACT

WITTEN INSTITUTE FOR FAMILY BUSINESS (WIFU)

The Witten Institute for Family Business (WIFU) of the Faculty of Management, Economics and Society of Witten/Herdecke University is pioneer and trailblazer in Germany's academic research and teaching on the special features of family businesses. Three fields of research and teaching – business administration, psychology/sociology and legal sciences – mirror the scientific picture shaping family businesses. This has enabled the WIFU to develop unique expertise in family businesses. A group of 75 family businesses makes this possible. As an institute for family businesses, the WIFU can thus work to support family businesses on equal footing with them. With its current 20 professors, the WIFU has made significant contributions to the cross-generational viability of family businesses for over 20 years.

CONTACT PERSON

Prof. Dr. Tom A. Rüsen
Managing Director
Witten Institute for Family Business (WIFU)
Department of Management and Entrepreneurship
Faculty of Management, Economics and Society
Witten/Herdecke University
Alfred-Herrhausen-Str. 50
58448 Witten
Germany
E-mail: tom.ruesen@uni-wh.de
Telefon: +49 2302 926 513

WWW.WIFU.DE

WITTEN INSTITUTE FOR
FAMILY BUSINESS

WITTEN/HERDECKE
UNIVERSITY

Department of Management and Entrepreneurship
Faculty of Management, Economics and Society

Alfred-Herrhausen-Str. 50
58448 Witten
Germany
Tel.: +49 2302 926-513
Fax: +49 2302 926-561
wifu@uni-wh.de

www.wifu.de
t1p.de/qkcv (Facebook)
t1p.de/zx1k (LinkedIn)