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Hénokiens: The Families and Firms Who Made History

by Morten Bennedsen and Brian Henry



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This study was written by Morten Bennedsen, The André and Rosalie Hoffmann Chaired Professor of Family Enterprise and Academic Director of the Wendel International Centre for Family Enterprise, and Brian Henry, PhD, Research Fellow, both at INSEAD. It is intended to be used as a basis for class discussion.

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Cover page: 2016 Hénokiens Annual Congress in Rotterdam

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Preface

Willem van Eeghen, President of the Hénokiens

In an ambitious project started in 2014, the Hénokiens commissioned a series of business case studies of our member firms to be written by researchers and academics. We were convinced that this research initiative would benefit a wide audience, including business students, non-family executives of privately held companies, owner-managers, shareholders of family-run firms and next-generation family members.

At the same time, the Hénokiens developed strong ties with the Wendel International Centre for Family Enterprise at INSEAD. Out of this cooperation was born the idea for a comprehensive collection of studies that would uncover the common themes and attributes that have ensured the survival, longevity and leadership of long-lasting families and firms. This wide-ranging survey would serve as a guide to next generation leaders of the Hénokiens, who will undoubtedly confront some of the same challenges in the future as their predecessors. No comparable study had ever been made before.

With the publication of “Hénokiens”, our cooperation with the Wendel Centre has come to fruition, enabling readers to discern the ‘magic traits’ with which our long-lived and diverse member firms have overcome hurdles throughout their history. Despite their ups and downs, they are in good financial shape and have secured their continuity as respected members of our association.

Special thanks go to Professor Morten Bennesen and Research Fellow Brian Henry, PhD, who have played a pivotal role from the project’s inception and will, we trust, work with us on future projects. Their knowledge and insights have been invaluable during the months of research required to complete this study.

We are delighted to share the findings of their work with students, academics, consultants and advisors, as well as those who direct family offices and businesses. We hope our study will awaken their intellectual interest, add to their knowledge and provide inspiration. Notwithstanding the wars, revolutions, crises and disruption experienced by our members through centuries of doing business, the Hénokiens’ alternative leadership model has stood the test of time.



Introduction

In today's fast-moving business world, firms must be competitive, embrace change, confront globalization, find funding, and generally adapt to new challenges and crises more rapidly than ever before. Small wonder that, in such a context, changes in ownership are accelerating, entrepreneurs are selling out more quickly, and second and third-generation family businesses are coming under increasing pressure.

When the global financial crisis of 2007-09 struck, the entire banking system almost collapsed. As shockwaves spread through the global economy, corporations around the world were hit by rising interest rates, a credit crunch, and the collapse of firms in the value chain. As demand fell, businesses closed and unemployment rose. Corporations that had been aggressive buyers or had over-leveraged their assets to meet short-term targets were the most severely hit.

In such an environment, it is nothing short of amazing to see the oldest family firms prosper and survive after centuries of doing business, passing ownership from generation to generation, and grooming new talent to manage their firms into the tenth generation and beyond. These enduring entities cannot afford the luxury of short-termism. Family firms need to survive and pass the baton from one generation to the next. Since they do not need to hoard cash to buy back shares or increase dividends, they reinvest their earnings in operations or R&D to ensure long-term growth.

Family-run firms span the globe. One third of all companies on the S&P 500 index and 40% of the 250 largest companies in France and Germany are family businesses.¹ In the United States, almost 40% of publicly traded firms are family businesses. Around the world, the overwhelming majority of private firms are owned and controlled by families. In many Asian countries, the prevalence of family firms is high even among the biggest conglomerates. For example, more than two thirds of large business groups in Japan are thought to be family controlled.²

The perpetuation of family-run businesses varies widely from one sector to another. In capital-intensive, cyclical and fast-moving industries, families often have to make significant investments to stay competitive. One or two missteps could spell disaster. The luxury goods industry, for example, used to be led by mainly small family-run businesses but is now dominated by a number of conglomerates.³ The same is true of banking. Other industries have provided more sustainable conditions, such as food, beverage, and hospitality, where many of the longest surviving firms are found.

So what are the attributes of the oldest family firms? Why are long-lived organizations better equipped to survive when crises hit? And can the leadership model of enduring family firms inspire the rest of the world?

1 *The five attributes of enduring family businesses, The keys to long-term success are professional management and keeping the family committed to and capable of carrying on as the owner*, by Christian Caspar, Ana Karina Dias, and Heinz-Peter Elstrodt, McKinsey Quarterly, January 2010, p. 2.

2 *The Family Business Map*, by Morten Bennesen and Joseph P.H. Fan, Palgrave Macmillan, 2014, p. 19

3 *The Family Business Map*, p. 195

Perhaps best qualified to answer these questions are the Hénokiens, an international association of 47 businesses that combine family ownership and management and are at least 200 years old (current members are listed in Appendix 1).⁴ Its members have survived wars, revolutions, upheavals and transformation, while retaining control of their firms (Appendix 2 provides a brief history of the association. Appendix 3 lists past presidents).⁵

What, then, are their secrets of success? What endows them with their extraordinary ability to survive not only for several generations but for hundreds of years? What values do these families pass on to the sixth, eighth, even tenth generation, that allow them to withstand the pressures of time? What family assets glue them to their businesses over centuries, and what obstacles have they overcome? How have they managed succession for so many generations? How have they reinvented themselves?

We put these questions to the Hénokiens whose stories are collected here. While each of them followed a unique journey, common themes emerge. Their experiences offer examples and learning for “younger” family firms, whose owners continue to face the challenge of perpetuating the businesses under their control. Even when a family-run firm has survived for more than a thousand years, it cannot take its future for granted. Each new generation has to work harder and smarter to secure the continuation of the business and the family.

To understand how the Hénokiens have survived and prospered for centuries, we consider four distinct areas of interest: family assets, roadblocks, succession and innovation.

4 *Typology United by diversity: The four main types of family business*, The Economist, 18 April 2015. Hénokiens are made up of member companies 200 years old or more, majority-owned and managed by the founder’s descendants. The family firms must also be in good financial health.

5 *Keeping the Family in Business*, by Heinz-Peter Elstrodt, McKinsey Quarterly, 00475394, 2003, Issue 4

Conclusion: An Alternative Leadership Model

Each of the Hénokiens has lived a fascinating life, rich in history and lessons for younger family firms. Each has a true story to tell that sheds light on the past and the obstacles they confronted. Each has developed a formula for success that can and will be changed if future conditions require it. The families and firms that comprise the Hénokiens have an incredible appeal because of their longevity. Simply put, they have made history.

Through this study, the Hénokiens provide many powerful insights into alternative models of leadership. Above all, their experiences confirm an approach to long-term leadership based on four key dimensions:

- **Family assets:** Value-creating resources such as name, reputation, legacy, networks, cultural traditions and family values;
- **Roadblocks:** Obstacles, both internal and external, that family-run firms face in developing their business;
- **Management Succession:** Transparent long-term plans that should be communicated and shared among family members;
- **Innovation Drivers:** Advantages that accrue to family-run businesses by driving new ideas and products into their core business strategy.

By sharing their own stories, Hénokiens inspire younger family-run firms and non-family firms alike. By their longevity, they show how to unlock value over the long term. Opportunism is not part of their vocabulary; they would not forgo long-run investment in their firms to boost short-term advantages. Hénokiens are committed to passing on their values through the generations and have a keen awareness of what family ownership means.

I AM LOOKING FOR NEXT GEN LEADERS



Gifted from Alix de La Tour du Pin, from her volume «Diverse Cities and / or Diversity?» published by ateliersdesleaders.com

It is remarkable how they have developed unique business strategies over many generations based on well-defined family assets that include the name, purpose, history, values and traditions. These assets allow them to develop an innovative advantage, particularly in niche industries, and to transfer them from father to son, mother to daughter, laying the foundation for future family ownership and management. Where family numbers have increased exponentially over time, they have found appropriate governance structures to avoid diluting ownership and

losing control.

While loyal to their roots and products, values and communities, Hénokiens know when to break away from existing niches, products and services, and adopt innovative solutions. When opportunity beckons, they can spot when necessity demands a break with tradition. This ‘sixth sense’ enables them to anticipate a multitude of family, business and institutional roadblocks,

and find ways to reduce or eliminate them altogether. Their secrets can make it easier for younger family firms to overcome roadblocks in their way, too.

Hénokiens are excellent at succession planning. They have transferred managerial control of their firms not just once or twice, but many, many times. During every transition, no matter how difficult, their vision has been relentlessly sustained by the successive owner-managers, whether family members or professional executives. From the time a new owner-manager takes over the torch, they are thinking about the next person to hand it on to. In this way, they establish a blueprint for succession planning for other family-run firms to follow.

Innovation is a key reason why the Hénokiens have survived and thrived for so many generations. They inevitably come up with new ways to overcome obstacles. Indeed they have institutionalized the process of innovation within the family and firms, developing structures to bring fresh talent into the innovation process. They have leveraged the three basic drivers of innovation in family-run firms: family assets, survival instincts and next gens.

All of these powerful engines of growth have ensured that their families and their firms will continue to be makers of history for centuries to come.

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