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Secrets of German Family Businesses

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Zum Buch

A unique insight into the secrets of success of German family businesses and the role they play on the global stage

At a time of global uncertainty, geopolitical tension and economic upheaval, this book highlights one of Germany's greatest strengths: its family businesses. As the country's largest employers, taxpayers and drivers of economic growth, they form the backbone of the German economy.

Yet their importance extends far beyond national borders. All over the world, German family businesses are synonymous with lasting quality, technical excellence and entrepreneurial reliability – especially in an era when stability has become crucial to success.

Leading scholars and practitioners analyse the success strategies of family businesses at both owner and company level, highlighting the intelligent interplay between tradition and innovation, outlook and origins, lasting values and change.

The book also features 50 portraits of German family firms that shed light on the fascinating secrets behind the success of these tradition-steeped brand manufacturers, 'hidden champions' and global market leaders. These stories offer a unique insight into the DNA of the companies concerned, showing how entrepreneurial vision and family values go hand in hand, underpinning their pivotal role in economic resilience, stability and future viability worldwide.

Autor

**The Secrets of
German Family Businesses**

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tory and future, stability and renewal come together. It shows how family firms keep finding ways to endure even in times of crisis, and how their strength lies in combining what is tried and tested with what is new.

This book sees itself as a bridge between business families that have borne responsibility for decades or centuries, and all those who recognise in them not only an economic backbone but also cultural treasures and anchors of community. It opens a window to a world that is both familiar and hidden, a world of responsibility, innovation and values. This book is an invitation and an inspiration: an invitation to explore the diversity of family businesses, and an inspiration to think afresh about the future of Germany as a business location.

Our aim is to address two groups: those who already see family businesses as the backbone of the German economy, and an international audience that wishes to understand why this model has proved so successful here.

In order to guide the reader, we have divided the book into two parts. The first part introduces the diverse world of family firms. Leading experts and entrepreneurs share personal experiences, case studies and analyses that provide insights into the variety and strength of German family businesses – their 'secrets'. They discuss the role of values, the social and civic responsibilities these companies take on, how they safeguard competitiveness through innovation, and how they face up to change. Cultural characteristics are examined here as well as structural conditions. The first part ends with a critical look at regulatory frameworks and a call for policymakers to cut back bureaucracy and strengthen the principles of the social market economy.

The second part of this book presents portraits of a wide range of family businesses that are intended to be representative of the German landscape. The guiding thread is a look at five different types: the *Legacy Keepers*, the *Brands*, the *World Market Leaders*, the *Hidden Champions* and the *Rising Stars*.

A look inside the book

There are many reasons why Germany can look to the future with confidence. The country has an above-average number of family-run companies that provide stability, innovative strength and reliability, not just at home but all over the world. Not only do they form the backbone of the German economy, they are also essential to international markets. They stand for innovation and tradition, stability and change, civic and social responsibility, regional roots and global outlook. In the introduction, Peter Kraus, Dr Felix Schmidt and Johann Abrahams of Berenberg put the outstanding importance of these companies in an eco-

nomic context, explaining why family businesses are anchors of stability in a changing world.

Part 1: The essays

I. What defines family businesses – inner strength

Family entrepreneurship in Germany carries far more weight than its economic role alone. Rooted in their local communities for generations, family businesses use their origins as a strategic advantage, embrace responsibility as a guiding principle and conquer global markets with their innovative strength – without losing sight of where they come from. Owner families think long term and make decisions guided by values, building trust and reliability for employees, customers, suppliers and their regions. (See article '*Rooted locally, at home in the world – how family businesses combine heritage and horizon*' by Dr Friderike Bagel, pages 22–25.)

Owner families are far more than just silent shareholders. At a time when markets are changing rapidly and social expectations are rising, they have a particularly important role to play with their combination of intergenerational perspective, integrity and responsibility embraced in practice. Professional family governance is crucial to ensuring that the family is united behind the company in the long term, and also in regulating how to deal with a growing circle of shareholders in view of egalitarian inheritance practices and a new understanding of the family's role. (See article '*Integrity, responsibility, unity: the power of entrepreneurial families*' by Britta Wormuth, pages 26–27.)

For a long time the unwritten rule was that the eldest son would inherit and lead the company. With the advance of gender equality, that picture has changed – and leadership structures within family businesses are changing with it. This is very much to their benefit. Female successors and leaders are transforming what were often patriarchal corporate cultures, boosting innovation and making family firms fit for the future. As such, diversity is not an end in itself, but an essential condition in an increasingly complex world where varied perspectives and skills are key to shaping change. (See article '*Leadership in the family – why women make the difference*' by Prof. Dr Nadine Kammerlander, pages 28–29.)

II. What drives family enterprises – shaping change

Family enterprises have always found ways to constantly reinvent themselves in response to new market conditions and to social, technological and economic trends. They may not always be in the spotlight, but they are highly effective nonetheless. The hidden force of the German

economy are thousands of family-run companies in the mechanical engineering and plant engineering sector form a unique ecosystem of specialists and global market leaders. It is their collective strength that has made Germany a world leader in production technology. (See article *'Mechanical engineering: the backbone of the German economy'* by Hartmut Rauen, pages 32–35.)

These ecosystems are also where family businesses navigate the challenges of digitalisation and artificial intelligence (AI), climate change and global uncertainty. Here, they share expertise and best practices, work across sector boundaries with customers and suppliers, or join forces with start-ups and research institutions to gain access to new technologies and create fresh value. (See article *'From solo players to ecosystems: the future of the family business'* by Tobias Rappers, pages 36–37.)

In this context, AI is able to act as a powerful catalyst, forcing companies to rethink working methods and decision-making, to open up and strike out on new paths. Many family firms have already recognised the opportunities it offers, allowing them to stay a step ahead of the market. By using AI strategically, they are able to accelerate innovation, optimise processes and create new competitive advantages. (See article *'Innovation Dividend 2.0 – how the AI toolbox can future-proof family firms'* by Henrike Luszick, pages 38–39.)

III. Where family businesses make their mark – responsibility in society

Tradition and innovation are not mutually exclusive. What sets successful family businesses apart is their ability to combine generational thinking, stable values and a long-term outlook with a drive for innovation and a commitment to sustainability that is embraced in practice. Filtration specialist MANN+HUMMEL and specialty chemicals company ALTANA exemplify this balance of continuity and change, investment and customer focus, open corporate culture and sustainable strategy. (See article *'From tradition into the future'*, an interview with Martin Babilas and Thomas Fischer, pages 42–47.)

For most German family businesses, sustainability is neither a trend nor simply a regulatory requirement. They see it as a responsibility towards future generations which is embraced in practice and deeply rooted in corporate governance and decision-making. With their value-driven approach, innovative strength and long-term thinking, these family firms become engines of sustainable transformation. (See article *'Sustainability as a guiding principle for families and for the future'* by Karen Queitsch, pages 48–49.)

This firm foundation of values, trust and value-based leadership also leaves German family businesses particularly well prepared to tackle changes in the world of work. Free from the short-term pressure of investors, they are able to guide change with prudence and responsibility. Their strength lies in combining heritage with conviction, making them attractive and resilient employers of the future. (See article *'Family businesses: Employers of the future providing values, change and impact'* by Fabian Kienbaum, pages 50–51.)

Another advantage is their role in training: family businesses in Germany train 58 per cent of all the country's apprentices who go through the dual vocational system, meeting their own needs for skilled specialists while also making an important contribution to society. In this way, young people are integrated into the labour market in a practical, demand-driven way, fostering both social and international mobility. A model that combines practical work in a company with theoretical instruction at a vocational college, the German training system has also helped to keep youth unemployment in Germany among the lowest in Europe. At the same time, it enables family businesses to retain top talent in the face of demographic change. (See article *'Family businesses and the vocational training system in Germany'* by Nico Schönefeldt, pages 52–53.)

IV. How family businesses grow – balancing capital and culture

Demographic shifts, the skills shortage, geopolitical uncertainty and technological disruption are placing increasing pressure on the traditional model of the family-led company, and owner families are constantly called on to reflect on their own role. More and more shareholders today take on responsibility as members of advisory or supervisory boards, while leaving day-to-day management to external professionals. In some cases the company is sold, while the family's entrepreneurial activity continues through investments, foundations or venture capital. This flexibility and willingness to reflect are essential to the renewal and long-term viability of family entrepreneurship in Germany. (See article *'Resilient, sustainable, flexible: how German business families view their role as shareholders'* by Uwe Rittmann, pages 56–57.)

Partnerships with investors can play an important part in this renewal. Long viewed with scepticism, private equity has now become a relevant option. The right investor can provide capital and expertise that strengthen family firms, providing the choice is made carefully and a shared values base is in place. (See article *'Financing growth, preserving values'* by Falco Pichler and Moritz Elfers, pages 58–59.)

V. What unites family businesses – culture and future

Passing a company from one generation to the next is not unique to Germany. There are centuries-old family firms in Japan and Italy as well. But in Germany, institutional, cultural and fiscal conditions such as the 'house bank' model and limited reliance on capital markets have fostered especially long-lived family businesses. These companies have also been shaped by political upheavals, not least the Nazi era and the post-war years, giving them particular stability and adaptability. (See article '*Multigenerational family businesses – a German exception?*' by Dr Andrea H. Schneider-Braunberger, pages 62–65.)

A long-lasting existence is certainly a goal, but not an end in itself. A comparison with Japan, where family businesses are often centuries old, and with the USA, where entrepreneurship is shaped by a founder spirit and individual wealth creation, shows how traditions, collective family interests and social responsibility in Germany encourage stability and continuity across generations. (See article '*Familiar and different: how cultures shape family businesses worldwide*' by Prof. Dr Tom Rösen, pages 66–67.)

VI. The challenges family businesses face – bureaucracy and the state

The pressure to transform family businesses comes not only from technology, geopolitics and social change, but also from within. Increasing regulation in Germany is more than a bureaucratic nuisance – it is a real brake on innovation, growth and succession planning. A look behind the scenes shows that promises of relief are not enough – genuine reform is needed. (See article '*Building the future with less bureaucracy and better legislation*' by Lutz Goebel, pages 70–71.)

This is a matter of urgency for another reason: the very model of the social market economy that brought Germany prosperity and international standing in the post-war years is eroding. Excessive regulation, ballooning social expenditure and political interference in the economy are undermining competitiveness. Germany has to refocus on its proven strengths: a strong but not overreaching state, solid public finances and aligned incentives. Only then can it remain competitive in the future. (See article '*The social market economy: a success story in need of a reviving*' by Dr Manfred Wittenstein, pages 72–74.)

Part 2: The company portraits

Germany's family businesses come in all shapes and sizes: large and small, well known and little known, listed on the stock exchange or privately held, financed by private equity or not, successful in B2B or B2C, run by the family or by external managers. They are not defined by any particular legal status, size, sector or region. What they do share is the fact that one or more families exert a defining influence through leadership and control functions, majority voting rights or capital, and a corporate culture shaped by family ownership. They also have in common a long-term and usually sustainable orientation and the wish to hand the company on to the next generation, as well as a strong customer focus and a commitment to quality that underpins the 'Made in Germany' label.

Despite this diversity, we have grouped the companies into five categories:

- The *Legacy Keepers* are those that have shaped the German family business landscape over generations or centuries.
- The *Brands* are companies which market products or services under a protected brand, creating a unique recognition value and specific emotional connection with consumers.
- The *World Market Leaders* are at the forefront of their particular market segment worldwide, often measured by sales, market share or output, with technological leadership also playing an important role.
- One particular strong category is formed of Germany's roughly 1,600 *Hidden Champions*; usually unknown to consumers, these are globally dominant, family-owned market leaders in niche B2B segments.
- The *Rising Stars* are often less well-known family firms with strong growth stories.

These categories are by no means rigid, of course. Many family businesses are both market leaders and brands, hidden champions and high-growth firms. Where companies fall into more than one category, we have marked them accordingly. Based on the businesses primary category, they appear in the relevant chapter, with additional categories shown at the top right-hand corner of the page.

Germany's economic backbone – the power of family businesses

An introduction by Berenberg

Peter Kraus, Head of Portfolio Management Equities,
Dr Felix Schmidt, Senior Economist, and Johann Abrahams,
Portfolio Manager Small Cap Equities

Picture the Hamburg port in 1590. In a modest counting house, the Berenberg brothers trade bales of fine cloth for handwritten bills of exchange. This very same scene, with trade, handshakes, personal risk and the same atmosphere of trust, direct communication, close family ties and the firm resolve to shoulder risks together, can still to be found today, many decades and generations later, in modern family businesses.

The invisible foundation

The circumstances, markets and scale of the companies may have changed, but the essence remains the same. Family businesses are built on trust, long-term vision and personal commitment that go beyond their purely commercial relationships.

This continuity is more than a romantic tale from the annals of economic history. It reveals one of the most striking features of the German economy: its deep roots in family-owned structures that provide stability, innovation and long-term growth across generations. Germany is home to some three million family businesses – about 90 per cent of all companies. These figures alone show how central this form of enterprise is to the German economy.

However, the dimensions even go far beyond: Family businesses account for some 60 per cent of employees in the private sector and 46 per cent of turnover. In 2022, the 500 largest of them generated a combined turnover of 1.8 trillion US dollars in Germany – more than 40 per cent of the country's GDP. The 500 biggest employers among them provided over six million jobs and created more than 1.5 million new ones between 2011 and 2020.

Why family businesses matter so profoundly to the German economy

These figures paint the picture of an economy with a strength that lies in long-term perspective and thinking across generations. Around 80 per cent of firms offering apprenticeships under Germany's famous dual system are family businesses, providing vocational training for nearly

630,000 people – 58 per cent of all apprentices in privately owned companies. This investment in the next generation of skilled specialists underlines the sense of social responsibility that goes beyond immediate business goals.

Internationally, too, Germany is a special case: one third of the 15 largest family businesses by revenue in the world are based here. Compared with other industrial nations, the German economy is shaped by numerous, very large family-owned companies: 32 per cent of firms with annual sales of more than 50 million euros fall into this category. Regionally, they are mainly concentrated in the traditional industrial heartlands. The 500 biggest employers among family firms are mostly found in North Rhine-Westphalia, followed by Baden-Württemberg and Bavaria.

A breakdown by sector is also revealing. One fifth of German family businesses in the global top 500 are in trade, another fifth in manufacturing – clear evidence of the enduring importance of industrial production to Germany's economic standing. Germany also leads the global index in automotive and transport, with about 18 per cent of its top family businesses operating in this field.

Wealth distribution underlines the economic relevance of these companies, too. About 340 of the 500 entries in *Manager Magazin's* list of Germany's richest people are family fortunes, most of them tied up in businesses. This close link between capital and entrepreneurial responsibility is a hallmark of the German economy.

Family enterprises are also central to the export-driven character of the German economy. In a 2010 survey, 54 per cent of family firms in 35 countries reported that they exported abroad – and among German respondents the figure was as high as 73 per cent. This strong international focus is seen as a fundamental reason why German family businesses weather crises more effectively and seize opportunities for growth.

Family continuity – a pillar of the German economy stretching across the generations

Beyond these figures, the longevity of German family businesses is a phenomenon that far surpasses the international norm: they are among the oldest in the world. While the worldwide average in this group is 91 years, in Germany it is an impressive 113 years. This reflects a rare ability to adapt, survive crises and reset strategy over decades – if not centuries.

The Foundation for Family Businesses (Stiftung Familienunternehmen) regularly publishes a list of the oldest family businesses in Germany. The oldest of all is The Coatinc Company based in Siegen: a galvanising specialist es-

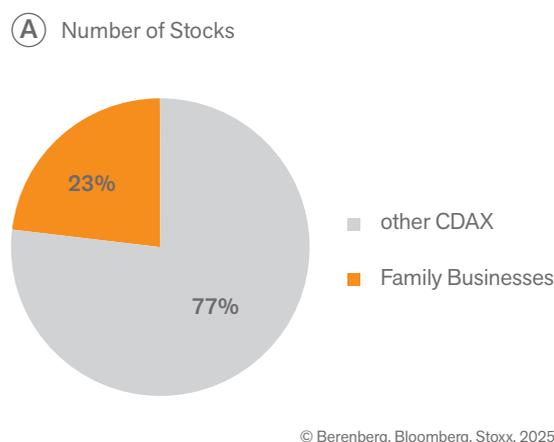
tablished in 1502, it is now in the hands of the 17th generation of the founding family. Next comes William Prym GmbH of Stolberg (1530), a producer of sewing accessories and automotive components. Third is the Freiherr von Poschinger glassworks in Frauenau (1568). The top 50 include companies of every size across industry, banking and trade. Ten of the oldest have been operating for around 400 years, including Berenberg: it was originally established in 1590 and the founding family still holds a significant stake.

This historical depth is not just a statistical curiosity: it is a reflection of a distinct business culture. More than 50 per cent of German family businesses are run by the third, fourth or fifth generation – however, the worldwide figure is only around 20 per cent. Such continuity allows knowledge, experience and values to accumulate and develop across the generations.

The anatomy of success of publicly listed family businesses: THE FOUR STRENGTHS

Only a small proportion of German family businesses are listed on the stock exchange – yet the stock market is their toughest testing ground. Extensive reporting requirements, ad hoc disclosures and daily market valuations make figures comparable and performance measurable.

For this reason, we now turn our attention to listed family businesses in order to assess their actual performance objectively alongside other companies. The sample is highly representative: as Figure A shows, family-influenced firms listed on the stock exchange account for almost a quarter of the stocks in the CDAX, which covers all shares listed in Germany's Prime and General Standard.



Berenberg follows the definition set by the Center for Entrepreneurial and Financial Studies at the Technical University of Munich: companies are considered family businesses if the founders and their families hold at least 25

per cent of shares, or if they own at least 5 per cent of voting stock and are also involved in management.

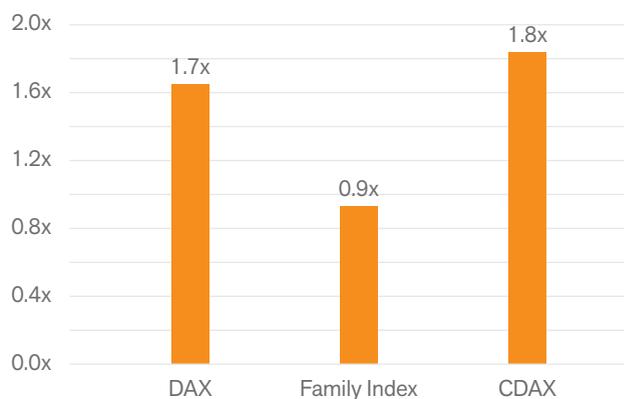
There are four fundamental strengths that emerge here time and again, though to varying degrees: responsibility, operational excellence, renewal and alignment of interests. It is the combination of these that creates synergies and delivers lasting competitive advantages.

Strength No. 1

Responsibility as financial discipline

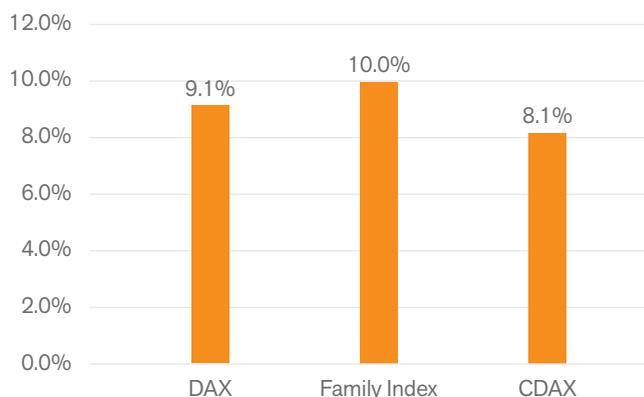
Responsibility shows up clearly in the balance sheets of listed German family businesses. As Figure B illustrates, their average debt amounts to just 0.9 time EBITDA, well below the level of DAX companies (1.7 times) and the CDAX average (1.8 times). This conservative financing policy reflects a long-term mindset that sees financial stability as a prerequisite for sustainable growth. Family businesses invest their own money, so they are less inclined to take on incalculable risks or chase short-lived trends. Robust balance sheets allow them to remain agile even in tough times and make countercyclical investments.

B Net debt/EBITDA (FY 2024)



© Berenberg, Bloomberg, Stoxx, 2025

C Return on equity (FY 2024)



© Berenberg, Bloomberg, Stoxx, 2025

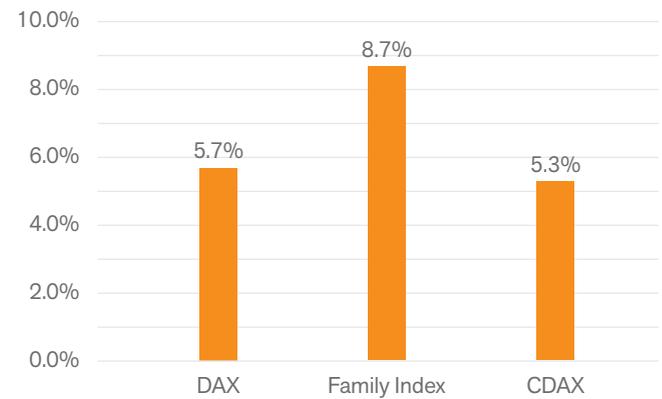
Prudent use of capital is also reflected in returns. With an average return on equity of 10 per cent, German family businesses significantly outperform the CDAX average (see Figure C). This greater efficiency stems from the close link between ownership and management, which minimises the usual principal-agent problems since decision-makers are often owners, too.

Strength No. 2

Operational excellence

The second strength, operational excellence, is especially clear in operating margins, as shown in Figure D: with an average EBIT margin of 8.7 per cent, German family businesses comfortably outperform both the German market average (5.3 per cent) and DAX companies (5.7 per cent). This exceptional profitability results from close customer focus, clear strategies and the willingness to specialise in niche markets.

D EBIT margin (FY 2024)



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Rather than dissipating resources through frequent shifts in direction, family firms tend to refine and expand their core strengths over extended periods of time. This persistence leads to deep sector knowledge, strong customer relationships and often market leadership in their fields. Many are 'hidden champions': world leaders in narrow niches that are little known outside their industries.

Strength No. 3

Renewal through continuous innovation

The third strength, renewal, is reflected in above-average growth rates. Contrary to the cliché of being weighed down by old-fashioned traditions, German family businesses demonstrate remarkable powers of innovation and adaptability. Analysts currently expect them to deliver stronger growth than the broader market over the next two years,

