Handout Family Businesses

The economic importance of the family business

I. General Statistics

The Foundation for Family Businesses began to collect basic statistics on the economic importance of family businesses in 2006. Since then, these numbers have been regularly updated and revised. In contrast to other studies, the statistics are not based on extrapolations of samples, but on German firms as a whole. The data of 3.3 million enterprises are part of the analysis.

The studies differentiate between family controlled companies and owner-managed companies.

1. Family controlled companies: In this definition all companies which are controlled by a limited number of natural individuals are subsumed. Ownership and management does not necessarily need to match. This definition is the most common in public as well as in scientific literature.

2. Owner-managed companies: According to this definition, such companies are family businesses controlled by a small number of individuals, in which at least one of the owners also handles the management of the company.

Depending on definition, the quantitative importance of the family business to the economy varies:

1. Family Controlled Companies: 90 percent of all German companies are family-controlled companies. They achieve 52 percent of sales and account for about 58 percent of all mandatory social insurance employment contracts.

2. Owner-managed companies: 86 percent of the total number of enterprises are privately owned companies, 53 percent of all employees in Germany work in these companies. Owner-managed family businesses account for 47 percent of Germany’s total sales.

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1 The Economic Importance of Family Businesses, published by the Foundation for Family Businesses, conducted by the Centre for European Economic Research (ZEW) and the Institute for SME Research (ifm), Mannheim, 2019. Download at www.familienunternehmen.de.
More than 90 percent of all family businesses generate each less than one million sales revenue. In Germany, however, the number of very big family companies is markedly high compared to other industrial countries. 43 percent of the companies with sales revenues above 50 million Euros are family businesses.

The complete survey of all family businesses shows that they are particularly commonplace in hospitality, construction and commerce, especially retail. There are also clear regional differences. The number of family businesses is particularly high in parts of the former East Germany: the states of Thuringia, Saxony and Saxony Anhalt. It is lowest in the city states of Berlin, Hamburg and Bremen. Outside the city states, Hesse in western Germany is notable for its comparably low number of family businesses.
The 500 largest family businesses (by employees)
II. The 500 largest family businesses

The study on the economic importance of family businesses identifies both the 500 largest family-owned companies and compares their revenues and employment trends with the characteristics of non-family-run DAX enterprises².

- In the TOP 500 family businesses (by employees) **51 million people** were employed worldwide in 2012.

- The 500 best-selling family businesses generated sales of around **1.100 billion euros**.

Comparing employee numbers over time shows that family businesses have continually created new jobs. The 27 DAX-listed companies that are not family-controlled saw only a 4 percent increase in this time. The 500 largest family businesses created an employment growth of 23 percent worldwide from 2007 to 2016.

**Fig. 2: Comparison of the development of domestic employment in the TOP 500 family businesses and the DAX 27 companies up to 2014**

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² The DAX-family-owned companies include: Beiersdorf AG (in the TOP 500 under Maxingvest AG), Henkel AG & Co. KGaA, Merck KGaA
III. Publicly traded family businesses in Germany

Family businesses represent a significant phenomenon in the German capital market, as a study of the Foundation for Family Businesses from 2010 shows:

Half of all listed companies in Germany are family businesses. These represent about a third of the market capitalization. The database of the survey are all companies that were listed in the CDAX between 1998 and 2008, excluding financial companies.

Family businesses clearly differ to non-family businesses in respect to their capital structure: they have far less debt and have a much higher equity ratio (50 percent) than non-family firms (36 percent).

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3 Publicly traded Family Businesses, published by the Foundation for Family Businesses, conducted by the Center for Entrepreneurial and Financial Studies (CEFS) at the Technical University of Munich, 2010 Download the study here: www.familienunternehmen.de.
Fig. 5: Median equity ratio of family and non-family businesses in comparison (CDAX, 1998-2008)