Stiftung
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Press release

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Study issued by the Foundation for Family Businesses: 40 percent of listed companies are family businesses. Their business operations are more solid and successful.

Listed family companies conduct business in a more stable and successful manner than non-family companies – and this positive performance increases with the family's influence on the business. This was the finding of a study conducted on behalf of the Foundation for Family Businesses: "Börsennotierte Familienunternehmen in Deutschland" ("Listed Family Businesses in Germany") was produced by the Center for Entrepreneurial and Financial Studies at the Technical University (TU) of Munich under the direction of Prof. Dr Dr Ann-Kristin Achleitner, Prof. Dr Reiner Braun and Prof. Dr Christoph Kaserer.

Ten years ago, the Foundation for Family Businesses reported for the first time on the significance of listed family companies. The figures from the first report have now been updated for the period 2009 to 2018. According to the numbers, 40 per cent of all listed companies in Germany are family-owned, representing a slight decline from 44 percent ten years ago. These companies are responsible for around 30 percent of the total market capitalisation in the CDAX (up from 29 percent in the last study). The research was based on all the companies listed in the CDAX with the exception of financial and real estate companies, which were excluded for reasons of comparability; the data set thus comprised 475 companies.

"Family companies focus on a long-term, solid approach when conducting business operations, and ultimately bring these virtues to the stock market as well. In this way, they create a counterpoint to a stock market orientation whose aim is frequently primarily to control investors' expectations," says Prof. Rainer Kirchdörfer, Executive Board member of the Foundation for Family Businesses. "The stronger the family's influence within a company, the more strongly do positive effects manifest themselves."

During the period under review (2009 to 2018), family businesses reported greater growth in revenue and employment. For instance, annual growth in employment at family businesses – six per cent – is twice as high as employment growth in non-family companies, which is only three per cent. Family businesses also produce significantly better results when measured by the return-on-assets and return-on-equity indicators, thus revealing that the positive effects grow with increasing family influence.

For the purposes of the study, a listed company qualifies as a family company if the founding family has at least 25 per cent of the voting rights and/or a seat on the supervisory board or management board (founding family definition). When based on return on equity and return on assets, the results are significantly better if a narrower definition is applied that assumes especially strong family influence (modified "Substantial Family Influence" or SFImod).

Share performance weighted by market value indicates that a strong family tie ultimately also appeals to investors. According to the narrow definition (SFImod), listed family companies achieved an average total return (return on shares plus dividend yield) of 23.2 percent annually during the period under review (2009 to 2018). By contrast, non-family businesses only achieved a return of 15.2 percent. Using the broader definition of a family company yields a return that is likewise higher, but only slightly. Without market weighting, no difference can be ascertained.

In view of these findings, Prof. Dr Christoph Kaserer, one of the study's authors, determined "that listed family companies can be very attractive for investors – even more so as the study considered these companies in their entirety and did not engage in cherry-picking."

Moreover, there is certainly a visible trend toward listed family companies being increasingly managed by directors from outside the family; however, the founding families continue to exert substantial influence. In an average of 60 per cent of family businesses, the founding family is operatively involved in the management of the company through a seat on the management board, and in an average of 45 per cent, the family has, either alone or additionally, a seat on the supervisory board.

» Graphic: "Employment growth in family businesses and non-family businesses"

» Graphic: "Return on equity"

» Graphic: "Development of return on assets at year-end"

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