



The legitimate owner

Appreciating the most important role in a company

by Dr. Christian Bühring-Uhle

Family businesses are considered the “backbone” of the German economy and currently employ around 7.4 million people. The sustainability of any company depends on the quality of its management. And the demands are rising in times of globalization and increasing speed of change. Therefore, managing succession is an existential challenge for the majority of family-owned companies.

Neither the aptitude nor the inclination for the entrepreneurial role can be inherited or simply “taught” to the next generation – let alone forced upon them. And even a competent handling of social media and familiarity with digitization and New Work does not mean that an heir has the skills to lead a large organization.

The key to solving this dilemma is to mentally separate the role of owner from that of operational manager – and to live up to it.

We believe: Only those who take this owner role seriously and perform it professionally are legitimate owners.

The most important task of the owner is to ensure that the company is well managed and adequately financed. The owner does not have to take care of operational management directly – he/she can (and in many cases must) delegate this. But you cannot escape the responsibility as owner (especially to ensure that the company is well managed and adequately financed) – unless you sell the company. But then you are no longer the owner. Responsible owners often obtain professional support in the performance of their role, for example through an advisory board or a board of directors. But this also requires involvement: the owner has to appoint such a board and constantly check whether it really has the desired impact on the quality of the company’s management.



Someone can only be regarded as a successful entrepreneur if he or she provides the business with the chance of sustainability by placing it in good hands at the end of their active period. In reality, however, we observe that many entrepreneurs fail in this task of bringing their house in order. And future generations are often overwhelmed by the situation because they are not prepared for it and also often fail to fully understand this task. Children tend to orientate themselves on the role model of the operationally active parent, whom they have observed as the dominant “owner-operator”. Or their role model is a start-up entrepreneur, who – also as an “owner-operator” – leads his/her company “from garage to Wall Street”. But very few heirs are actually suited for this, and it is also the wrong understanding of their role. After all, the essence of this role is not to operationally manage the company oneself, but rather to be a good owner first and foremost. And if there is more than one owner, which is the normal case in future generations, a key challenge is to coordinate as a group and ensure that whoever is in charge of operational management does so with an attitude of serving and being accountable to the owners. This often leads to disputes, frustration and the destruction of value.

Successors face the challenge of reaching fundamental agreements for the future:

- What do they want to achieve with the company (strategy, finances)?
- How can the entrepreneurial family establish and maintain the capacity to act as a “legitimate” owner?
- Who should best exercise which role: operational manager, active shareholder and, where appropriate, board member (advisory board or board of directors)?

It is important that the members of the owner family, individually and collectively, gain clarity about their role as owners and as the owner family. Good management of the business, whether internal or external to the family, can only be ensured if “the owner” can provide clear answers to the fundamental questions of ownership strategy with regard to the company. This includes the establishment of structures, mechanisms and roles that ensure that the owner’s task is performed in a professional manner. If these things are left unclear, it will be impossible to attract the right type of candidates for the operational management or for the (advisory) board. After all, top candidates always have attractive alternatives and will not without necessity embark on an adventure with an uncertain outcome.

Entrepreneurial families are often not in a position to deal with this issue alone. Even their conventional advisors (lawyers, tax consultants, management consultants) are rarely suitable for this issue. Their engagement typically requires that the owner family has already achieved a minimum degree of agreement on the fundamental issues, i.e., that they “know what they want”.

Therefore, a need exists for specialized consultants who are familiar with the particular issues, challenges and human conflicts in this specific environment:

- They help the members of the owner family to jointly achieve clarity and agreement on the fundamental issues.
- They ensure that the roles are properly defined for the specific situation and that the right people are entrusted with the right roles.
- They help to evaluate existing candidates (including interested members of the “next generation”) for the key roles (suitability, attitude, motivation).
- And, if necessary, they can help to recruit suitable external management talent and board members for the company.



Experience shows that there are no easy remedies or magic formulas for this. Instead, there is a need for structured, competently moderated discussion processes that promote genuine understanding, positive momentum and a stronger sense of community – and produce results that can be implemented. At the same time, a professional evaluation of internal and, if necessary, external candidates is often needed to match them with the specific requirements for the key roles. Sometimes this also entails recruiting new talent. Finally, such a transformation may need to be closely monitored and accompanied during its implementation. Conflicts may then be resolved, and ideally prevented, by competent moderation and an “early warning system”.

The mission is to prevent “the family from destroying the company or the company from destroying the family”.





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